



**Annual Report
for 2019**

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CROATIA osiguranje d.d.

Management Report for 2019

Insurance market of the Republic of Croatia in 2019

During 2019 the insurance market of the Republic of Croatia has recorded gross written premium growth of 7.1 percent (HRK 713m). Part of the increase (HRK 195m or 81 percent) refers to an increase of premium realized on the European Union market, where nine 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 5.3 percent or HRK 519m. Growth was recorded across all product lines, except transport insurance, while credit insurance, casco insurance and health insurance achieve double-digit growth.

The total life insurance premium on the market of the Republic of Croatia in 2019 amounted to HRK 3.12 bn, which is 2.1 percent or HRK 68m less than in the previous year. Classic life products premium decreased by HRK 41m compared to the previous year, while insurance premium where the policyholder bears the investment risk has decreased (UL products) by HRK 27m.

The total non-life insurance premium on the market of the Republic of Croatia in 2019 amounted to HRK 7.2 billion, which is an increase by 8.9 percent or HRK 587m compared to the previous year. Motor vehicles insurance (liability insurance, casco insurance and automobile assistance) increased by 8 percent compared to the previous year, property insurance increased by 7 percent, credit insurance increased by 34 percent, health insurance increased by 16 percent, while protection insurance increased by 3 percent compared to the previous year. Transport insurance premium continued a negative trend in 2019 and was 1 percent lower than the previous year.

CROATIA osiguranje d.d., Jagićeva 33, Zagreb (hereinafter: the Company), is the leading company in the Republic of Croatia with a total market share of 26.2 percent, which is 1.9 percentage points less than 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 the privatization in 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 2019 of 277 percent for the Company. The organisational restructuring began in a situation where only about 23 percent of employees were in sales and by the end of 2019, this share increased 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 clients and the market. In 2019, a new strategy was set for the next five-year period and launched a new transformation program, which contain a series of initiatives aimed at creating a more agile and profitable company. The new organizational structure stands out from the realized projects, which significantly simplified and accelerated the companies operations. A product and client portfolio optimization project has been implemented and cost optimization initiatives have been launched. Projects for further growth of the company continue to be implemented in 2020.

One of the strategic orientations of the company is digitalization and orientation towards online channels. At the end of 2019, a contract was signed for the acquisition of a new Core IT system, a more than a HRK 100 million worth technology platform, which will replace current IT solutions over the next three years and create conditions for faster delivery of services and better solutions for the market. With a focus on digitalization, CROATIA osiguranje will continue to work as a market leader in further developing the overall insurance market in Croatia. This especially relates to the further development of casco, travel, health and property insurance, and step forward in product creation, sales network organization and customer experience.

The Company continues to occupy a leading position in the insurance market in all parameters related to reputation, brand image and strength.

The restructuring results are visible in the financial results. In 2019, CROATIA osiguranje d.d. reported profit before tax in the amount of HRK 353.4m (profit after tax of HRK 293.1m).

The total gross written premium (before adjustments for the net increase in the provision for premium receivables and related write-offs) decreased by 1.4 percent and amounted to HRK 2,739m. Earned premiums amounted to HRK 2,486m and increased by 1.2 percent. The written premium in non-life insurance amounted to HRK 2,221m, which is an increase of 0.4 percent compared to the same period last year.

The largest increase of premium is recorded in casco insurance and health insurance, while the largest decrease of premium is recorded in credit insurance and life or annuity insurance where the policyholder bears the investment risk.

From the non-life and life insurance investments, finance income was realised in the amount of HRK 407m, which is a decrease by 2.6 percent compared to the previous year. Finance costs in 2019 have decreased and amounted to HRK 58m.

Gross paid claims amounted to HRK 1,618m representing an increase of 5 percent compared to the previous year.

Total administrative costs amounted to HRK 406m, recording an increase of 2.1 percent compared to the previous year. Acquisition costs amounted to HRK 512m, recording an increase of 5.3 percent compared to the previous year, as a result of continued investments in sales.

The following is a summary of key business indicators in 2019 calculated based on HANFA reports, but according to the formulas shown below:

Key performance indicators	31 Dec. 2018	31 Dec. 2019	Change in percentage points (p.p.)
Claims ratio (non-life) *	53.3%	54.0%	+0.7
Cost ratio (non-life) **	41.5%	42.3%	+0.8
Combined ratio (non-life)	94.8%	96.3%	+1.5

* *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*

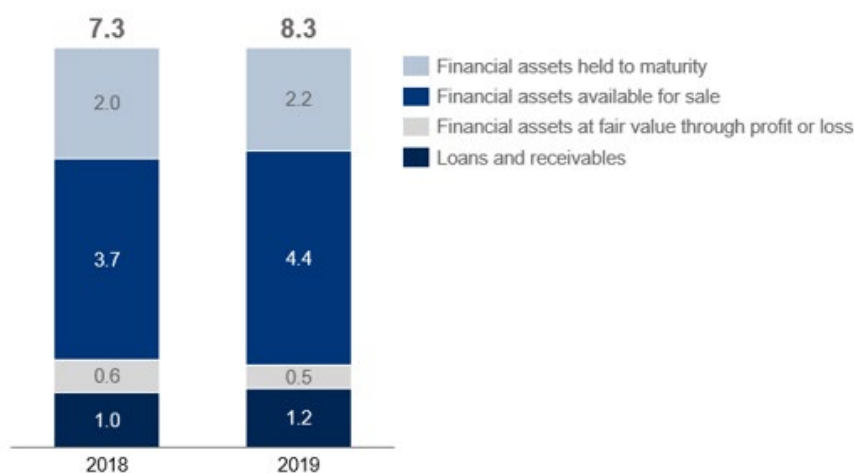
** *Cost ratio = Acquisition costs and administrative expenses / Net Earned premiums*

The combined ratio, as a financial performance indicator for non-life insurance, amounted to 96.3 percent in 2019, which is an increase of 1.5 percentage point compared to the same period of 2018. The claims ratio has increased by 0.7 percentage points and amounted to 54 percent. The cost ratio amounted to 42.3 percent which is 0.8 percentage points higher than in 2018.

Total assets of the Company as at 31 December 2019 amount to HRK 11.1 billion, which represents an increase of 9.2 percent compared to 31 December 2018.

Technical provisions amounted to HRK 6.7 billion and are 1.9 percent higher than the technical provisions as of 31 December 2018.

The structure of financial assets (HRK billion)



Group

In 2019, the CROATIA osiguranje d.d. group (hereinafter: the Group) generated consolidated profit after tax and non-controlling interest in the amount of HRK 339m.

In 2019, the total gross written premium (before adjustments for the net increase in the provision for premium receivables and related write-offs) at the Group level amounted to HRK 3,305m, which represents a decrease by 0.5 percent. The gross written premium of non-life insurance amounted to HRK 2,659m which represents an increase by 0.8 percent, while gross written premium of life insurance amounted to HRK 646m which represents a decrease by 5.9 percent.

Earned premiums in the reporting period amounted to HRK 3,003m which represents an increase by 2.3 percent compared to the same period last year.

From the non-life and life insurance investments, the Group generated finance income in the amount of HRK 486m which represents an increase of 2.9 percent, with a finance cost of HRK 105m which represents a decrease of 29.2 percent.

Gross claims in 2019 amounted to HRK 1,844m, which is an increase of 4.7 percent compared to the same period last year.

Acquisition costs and administrative expenses amounted to a total of HRK 1,212m and represent an increase by 1.5 percent in which administrative expenses increased by 0.7 percent, and acquisition cost increased by 2.2 percent. 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 2019 amount to HRK 12.7 billion, which represents an increase by 10.1 percent compared to 31 December 2018.

Technical provisions amounted to HRK 7.7 billion, which represents an increase by 3.1 percent compared to the technical provisions as at 31 December 2018.

Significant business events in the reporting period

In January 2019, CROATIA osiguranje d.d. has reported on withdrawal from the transaction of purchasing 100 percent of shares in Testing centar limited liability company and 100 percent of shares in CENTRAL OSIGURANJE d.d.

In April 2019 the Administrative Court of the Republic of Slovenia, acting in repeated procedure, rejected the claim filed by Adris grupa d.d. and CROATIA osiguranje d.d. against the Decision of the Insurance Supervisory Agency (*Agencija za zavarovalni nadzor*) denying approval for acquisition of shares of Pozavarovalnica Sava d.d., Dunajska cesta 56, Ljubljana, Slovenia. The acquisition would have resulted in Adris grupa d.d. and CROATIA osiguranje d.d. becoming direct or indirect holders of a share in the capital equal to or higher than 20 percent but lower than one third of the capital.

On January 30, 2019 the Supervisory Board of CROATIA osiguranje d.d. appointed Mr. Davor Tomašković as a candidate for a member of the Management Board. Following the completion of the legally prescribed procedure and approval of the regulator, on April 17, 2019, the Supervisory Board appointed Davor Tomašković as the Chairman of the Management Board of CROATIA osiguranje d.d. starting from 1 May 2019. Damir Vandelić was nominated as a member of the Management Board of Adris grupa d.d. and his appointment was confirmed by the Supervisory Board of Adris grupa d.d. on April 25, 2019.

On June 7, 2019 the General Assembly of CROATIA osiguranje d.d. has adopted the Decision on the profit distribution of CROATIA osiguranje d.d. realised in 2018. Dividend was declared on 8,750 preference shares in the amount HRK 112.00 per share and in total amount of HRK 980,000.00. Dividend payment was in July.

In November 2019, CROATIA osiguranje d.d. and the company Sapiens signed a contract to acquire, implement and maintain the new Core system that will replace current IT solutions over the next three years and create conditions for faster delivery of services and better solutions for the market.

Significant events after the end of the financial year

Approvals from the Croatian Financial Services Supervisory Agency to perform the functions of members of the Management Board

The Croatian Financial Services Supervisory Agency (HANFA), at its meeting of the Governing Board held on 5 March 2020, issued a resolution authorising Vančo Balen to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022 beginning on the date of appointment to the function.

Also, at the meeting of the Governing Board held on 12 March 2020, HANFA issued a resolution authorising Robert Vučković to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022, beginning on the date of appointment to the function.

Furthermore, at the meeting of the Governing Board held on 9 April 2020, HANFA issued a resolution authorising Luka Babić to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022, beginning on the date of appointment to the function.

At its meeting held on April 17, 2020, the Supervisory Board appointed members of the Management Board to the mentioned functions.

Impact of the COVID-19 outbreak on the Group's operations

The existence of the coronavirus (COVID-19) was confirmed in early 2020 and spread to mainland China and beyond, and in late February 2020 to Croatia, causing disruption in business and economic activities.

The Group considers that the COVID-19 outbreak has no effect on the amounts disclosed in these financial statements.

From the information available at the time of preparation of these financial statements and based on numerous publicly available macroeconomic projections, an economic slowdown is likely during 2020, which may result in lower consumption and consequently lower demand for insurance services, since the volume of insurance premiums written is linked to GDP trends.

In addition, the Group has identified the following key areas that could be affected by adverse economic conditions:

- volatility of comprehensive income from investments, as a result of developments on the financial markets,
- increased credit risk and increased impairment provisions for insurance receivables,
- increased number of life insurance policy surrenders.

Based on currently available information, the Group cannot reliably estimate the amount of potential losses that would result from the direct impact of COVID-19. However, as part of its own risk and solvency assessment (ORSA) process, a series of stress tests, sensitivity and scenarios analyses were conducted, and it is estimated that these analyses covered the risks that could have a significant impact on the Group and in the case of COVID-19. Although, based on analyses performed in the ORSA process, a certain decrease in the solvency ratio is expected, the ratio should remain at levels significantly higher than the regulatory prescribed and the solvency of the Group should in no way be called into question.

The Group will continue to actively monitor the development of the COVID-19 outbreak and if it should be considered to significantly affect the Group's business and financial position in 2020, it will fully comply with the Capital Market Act.

Earthquake in the area of the City of Zagreb

On 22 March 2020, a series of earthquakes were recorded in the area of the City of Zagreb, the strongest being of a magnitude of 5.5 according to the Richter scale. In some insurance contracts, the Company also provides insurance for earthquake insurance risk. Until the date of this report, the amount of damage caused by this event is still being estimated. The Company has adequate reinsurance coverage and will recover a significant portion of claims through reinsurance contracts. Therefore, the impact on the financial result and financial position of the Company will be significantly less than the total amount of claims to be determined. The Company also has high solvency and liquidity levels, which enables it to operate normally in these circumstances.

HANFA's Decision regarding prohibition of dividend payment

The Governing Board of HANFA, at its session held on 26 March 2020, adopted a decision prohibiting CROATIA osiguranje d.d., Zagreb, payment of dividends until 30 April 2021.

Such a decision was made for insurance companies in the Republic of Croatia due to exceptional market circumstances, with the aim of ensuring stable operations of insurance companies and maintaining the stability of the financial system. Also, the regulator's intention is to strengthen the liquidity of insurance companies in the context of the coronavirus pandemic, but also in light of the recent earthquake in the capital city of the Republic of Croatia.

Acquisition of ASTORIA d.o.o.

On 31 March 2020, the Company signed a purchase agreement for the acquisition of a 100 percent share in ASTORIA d.o.o., headquartered in Zagreb, 9 Krešimir Ćosić Square.

This is also described in Note 34 *Events after the balance sheet date* of the Consolidated and separate financial statements for 2019.

Expected development in the future

In 2019, real GDP growth continued, according to data available from the Central Bureau of Statistics. The growth in economic activity is also visible in the insurance market, which also grew by 5 percent. It is expected that the entire economy, including the insurance industry, will continue approaching levels in developed markets in other EU countries in the long run.

With a focus on digitalization, Croatia osiguranje will continue to work, as a market leader, on further development of the overall insurance market in Croatia. First of all, this refers to the further development of casco, travel, health and property insurance and the steps in product creation, sales network organization and customer experience.

The Company continues improving 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 2019, the Company has one registered branch (Branch Ljubljana). In its legal transactions, the branch operates under CROATIA osiguranje d.d. branch Ljubljana, in Croatian, and under CROATIA ZAVAROVANJE d.d. branch Ljubljana, in Slovenian.

Financial risk management

Financial risk management is described in Note 2.38. *Financial risk management* to the Consolidated and separate financial statements for 2019.

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, while during 2019 education services were provided.

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; 40/19) 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 going to be published in the Annual Compliance Questionnaire, in accordance with the Corporate Governance Code.

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 that the Company's financial statements present its financial results and financial position with reasonable accuracy and that they comply 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 line 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 Group companies involved in the insurance part of business, while the companies concerned apply systems of internal controls in accordance with its legal framework.

As at 31 December 2019, significant direct holders of shares in the Company are:

- ADRIS GRUPA d.d. with a share of 66.39% and
- Restructuring and Sales Centre, for the Republic of Croatia, with a share of 30.62%.

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

According to the Company's applicable 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 3 members at 31 December 2019.

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 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 until 18 June 2019
- Damir Vandelić Member since 19 June 2019
- Hrvoje Patajac Member
- Vlasta Pavličević Member

Members of the Management Board are:

- Damir Vandelić President until 30 April 2019
- Davor Tomašković President since 1 May 2019
- Nikola Mišetić Member until 23 April 2019
- Marijan Kralj Member until 30 June 2019
- Robert Vučković Member
- Miroslav Klepač Member until 17 April 2020
- Luka Babić Member since 18 April 2020
- Vančo Balen Member since 18 April 2020

The Supervisory Board established an Audit Committee.

Members of the Audit Committee are:

- Hrvoje Patajac President
- Vitomir Palinec Member
- Željko Lovrinčević, PhD Member

During 2019, the Audit Committee held a total of 5 sessions attended by all members of the Audit Committee.

On 17 December 2019, the Supervisory Board established the Nominating and Remuneration Committee.

During 2019, 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 implementation of the recruitment process as well as internal redistribution of workers. Equal criteria applied to the recruitment of employees for management positions of the Company. There are also no differences in salaries for the same type 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, 27 April 2020



Luka Babić
Member of the Management Board



Davor Tomašković
President of the Management Board



Vančo Balen
Member of the Management Board





Robert Vučković
Member of the Management Board



**Consolidated and separate financial statements
for 2019**

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Responsibility for the financial statements

The Management Board of the Company is required 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 applying them consistently; adopting 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 have been prepared in line with the requirements of Article 21, 22 and 24 of the 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.

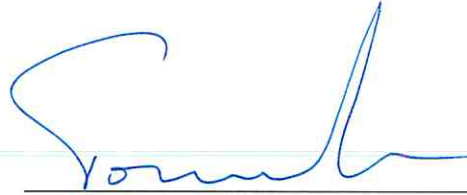
The separate and consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted in the European Union and which are presented on the following pages, as well as the forms, prepared in accordance with the *Ordinance on the structure and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18 and 50/19)* adopted by the Croatian Financial Services Supervision Agency were approved by the Management Board on 27 April 2020 and submitted for issue to the Supervisory Board. In acknowledgment, the financial statements have been signed by the Company's authorized persons, as follows.

27 April 2020

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



Luka Babić
Member of the Management Board



Davor Tomašković
President of the Management Board



Vančo Balen
Member of the Management Board



Robert Vučković
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 separate and consolidated financial statements present fairly, in all material respect, the separate and consolidated financial position of CROATIA osiguranje d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2019, and 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.

Our opinion is consistent with our additional report to the Audit Committee dated 20 April 2020.

What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

- Separate and consolidated statements of financial position as at 31 December 2019;
- 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

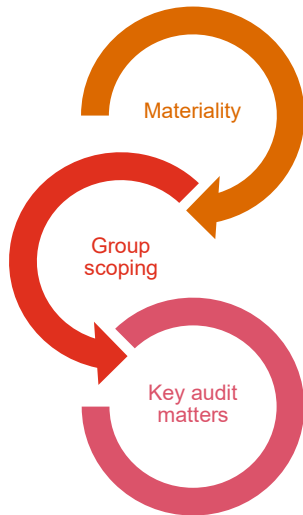
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 2019 to 31 December 2019, are disclosed in note 33 to the separate and consolidated financial statements.

Our audit approach

Overview



- Overall materiality for the financial statements of the Company as a whole: HRK 27 million, which represents 1% of gross written premiums.
- Overall materiality for the financial statements of the Group as a whole: HRK 33 thousand, 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 Company [Group] materiality

The Company: HRK 27 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 2.22 “Summary of significant accounting policies – Technical provisions” and note 25 “Technical provisions”.</p> <p>The Group and Company had technical provisions of HRK 7.7 billion and HRK 6.7 billion, respectively, at 31 December 2019 representing 87% of the Group’s total liabilities (Company: 87%). This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities, and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry, the Group uses valuation models to support the calculations of the technical provisions. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.</p> <p>Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions.</p> <p>The Group’s IFRS liability adequacy test was performed in order to confirm that technical provisions were adequate in the context of expected future cash outflows.</p>	<p>We used our own actuarial specialists to assist us in performing our audit procedures.</p> <p>In particular, our audit focused on the models considered more complex and/or requiring significant judgement in the setting of assumptions used in calculation of technical provisions or performing liability adequacy test.</p> <p>We obtained the understanding of the internal actuarial process including management’s determination and approval process for setting of economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied along with comparison to applicable industry experiences.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards.</p> <p>Furthermore, by performing our recalculations we have determined whether the models and systems were calculating the technical provisions accurately and completely.</p> <p>We tested the validity of management’s liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The inputs used were reconciled to the accounting records.</p> <p>Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Group and industry experience and specific product features.</p>



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 the Management Report

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

Our opinion on the separate and consolidated financial statements does not cover the other information.

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of 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.

If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report and in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

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 with the most recent reappointment on 7 June 2019, representing a total period of uninterrupted engagement appointment of 6 years.

Forms in accordance with 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 and 50/19), "Ordinance", the Management Board of the Company prepared forms presented in section Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency, entitled the Statement of financial position as at 31 December 2019, and the Statement of comprehensive income, Statement of Cash flow (indirect method) and Statement of changes in equity for the period from 1 January until 31 December 2019 together with information to reconcile the forms to the Company's and the Group's financial statements presented in the section Reconciliation of the 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 audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's and the Group's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages 27 to 160 adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
27 April 2020

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Statement of financial position
as at 31 December 2019

	Note	Company		Group	
		31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets					
Intangible assets	15	36,993	27,375	48,727	39,135
Deferred acquisition costs	15.1	226,110	251,403	268,986	288,703
Property and equipment	16	641,461	452,327	906,627	659,905
Investment property	17	367,521	333,932	873,653	821,794
Investments in subsidiaries, associates and participation in joint ventures	18	279,111	246,929	77,590	79,249
Held-to-maturity investments	19	2,172,387	2,041,648	2,315,261	2,205,171
Available-for-sale financial assets	19	4,446,779	3,697,159	4,912,345	4,026,673
Financial assets at fair value through profit or loss	19	493,577	605,043	518,625	641,039
Loans and receivables	19	1,205,330	991,972	1,352,160	1,066,165
Reinsurance share in technical provisions	20	213,533	215,559	226,379	234,380
Deferred tax assets	21	-	24,560	1,740	18,870
Insurance contract and other receivables	22	861,021	881,700	966,207	983,120
Cash and cash equivalents	23	125,320	369,714	217,367	456,717
Total assets		11,069,143	10,139,321	12,685,667	11,520,921
Capital and reserves					
Subscribed share capital	24.1	589,326	589,326	589,326	589,326
Premium on issued shares		681,483	681,483	681,483	681,483
Reserves	24.2	402,038	402,038	402,038	402,038
Revaluation reserve	24.3	516,656	273,429	609,338	340,282
Retained earnings		1,158,961	864,948	1,537,454	1,195,981
Equity attributable to shareholders of the Company		3,348,464	2,811,224	3,819,639	3,209,110
Non-controlling interests		-	-	12,553	12,214
Total capital and reserves		3,348,464	2,811,224	3,832,192	3,221,324
Liabilities					
Technical provisions	25	6,730,428	6,604,347	7,693,668	7,465,504
Provisions	26	102,717	98,864	114,287	108,015
Deferred tax liability	21	45,117	-	80,898	26,455
Financial liabilities	27	271,667	17,290	302,016	19,748
Liabilities arising from insurance contracts, other liabilities and deferred income	28	557,719	587,517	634,011	648,043
Current income tax liability		13,031	20,079	28,595	31,832
Total liabilities		7,720,679	7,328,097	8,853,475	8,299,597
Total capital, reserves and liabilities		11,069,143	10,139,321	12,685,667	11,520,921

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

Statement of comprehensive income for 2019

	Note	Company		Group	
		2019	2018	2019	2018
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	4	2,742,508	2,792,780	3,303,158	3,336,751
Premiums ceded to reinsurance and coinsurance	4	(247,808)	(287,717)	(273,725)	(311,057)
Written premiums, net of reinsurance and coinsurance	4	2,494,700	2,505,063	3,029,433	3,025,694
Change in gross provisions for unearned premiums	4	3,929	(76,058)	(11,068)	(117,157)
Change in provision for unearned premiums, reinsurance and coinsurance share	4	(13,110)	26,990	(15,710)	25,298
Earned premiums, net of reinsurance and coinsurance	4	2,485,519	2,455,995	3,002,655	2,933,835
Commission and fee income	5	36,083	40,023	37,545	41,466
Finance income	6	406,620	417,322	486,149	472,628
Other operating income	7	46,693	28,826	162,128	157,786
Net operating income		2,974,915	2,942,166	3,688,477	3,605,715
Claims incurred	8	(1,726,491)	(1,639,226)	(2,034,428)	(1,905,882)
Reinsurance and coinsurance share of claims incurred	8	125,425	86,599	129,989	95,375
Claims incurred, net of reinsurance and coinsurance		(1,601,066)	(1,552,627)	(1,904,439)	(1,810,507)
Acquisition costs	9	(512,063)	(486,434)	(620,748)	(616,165)
Administrative expenses	10	(405,605)	(397,332)	(590,966)	(577,997)
Other operating expenses	11	(44,543)	(40,412)	(67,797)	(63,584)
Finance costs	12	(58,252)	(140,283)	(104,841)	(147,986)
Share in profit of associates		-	-	11,947	13,995
Profit before tax		353,386	325,078	411,633	403,471
Income tax	13	(60,255)	(54,660)	(71,894)	(66,297)
Profit for the year		293,131	270,418	339,739	337,174

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

Statement of comprehensive income (continued)

for 2019

	Note	Company	Company	Group	Group
		2019	2018	2019	2018
		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		543	(2,135)	19,609	(1,765)
<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		243,437	(58,929)	250,064	(34,128)
Foreign exchange differences		(30)	(1)	1,159	(2,288)
Other comprehensive income/(loss) for the year		243,950	(61,065)	270,832	(38,181)
Total comprehensive income for the year		537,081	209,353	610,571	298,993
Profit attributable to:					
- Company shareholders		293,131	270,418	339,392	337,080
- Non-controlling interest		-	-	347	94
		293,131	270,418	339,739	337,174
Total comprehensive income attributable to:					
- Company shareholders		537,081	209,353	610,122	298,946
- Non-controlling interest		-	-	449	47
		537,081	209,353	610,571	298,993
Earnings per share attributable to the Company's shareholders					
Basic and diluted earnings per share (HRK)	14	-	-	806.26	800.77

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

Statement of changes in equity for 2019

Company	Subscribed	Premium	Reserves	Revaluation	Retained	Total capital
	share capital	on issued		reserve	earnings	and reserves
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Balance 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 realised	-	-	-	(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 directly 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
Balance at 31 December 2018	589,326	681,483	402,038	273,429	864,948	2,811,224
Total comprehensive income for the year						
Change in fair value of property for own use (Note 16)	-	-	-	662	-	662
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	(119)	-	(119)
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	296,874	-	296,874
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	(53,437)	-	(53,437)
Foreign exchange differences on translation of foreign operations	-	-	-	(30)	-	(30)
<i>Other comprehensive income</i>	-	-	-	243,950	-	243,950
<i>Profit for the year</i>	-	-	-	-	293,131	293,131
Total comprehensive income for the year	-	-	-	243,950	293,131	537,081
Transactions with owners, recognised directly in equity						
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(882)	882	-
Deferred tax on revalued property for own use (Note 21)	-	-	-	159	-	159
Balance at 31 December 2019	589,326	681,483	402,038	516,656	1,158,961	3,348,464

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

Statement of changes in equity for the year 2019 (continued)

Group	Subscribed	Premium on	Reserves	Revaluation	Retained	Total	Non-	Total capital
	share capital	issued shares		reserve	earnings		controlling	and reserves
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Balance 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 directly 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
Balance at 31 December 2018	589,326	681,483	402,038	340,282	1,195,981	3,209,110	12,214	3,221,324
Total comprehensive income for the year								
Change in fair value of property for own use (Note 16)	-	-	-	23,736	-	23,736	26	23,762
Deferred tax on change in value of property for own use (Note 21)	-	-	-	(4,153)	-	(4,153)	-	(4,153)
Change in fair value of available-for-sale financial assets, net of amounts realised	-	-	-	303,955	-	303,955	58	304,013
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realized (Note 21)	-	-	-	(53,949)	-	(53,949)	-	(53,949)
Foreign exchange differences on translation of foreign operations	-	-	-	1,141	-	1,141	18	1,159
<i>Other comprehensive income</i>	-	-	-	270,730	-	270,730	102	270,832
<i>Profit for the year</i>					339,392	339,392	347	339,739
Total comprehensive income for the year	-	-	-	270,730	339,392	610,122	449	610,571
Transactions with owners, recognised directly in equity								
Dividends paid	-	-	-	-	-	-	(113)	(113)
Other transactions	-	-	-	33	7	40	3	43
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(2,074)	2,074	-	-	-
Deferred tax on revalued property for own use (Note 21)	-	-	-	367	-	367	-	367
Balance at 31 December 2019	589,326	681,483	402,038	609,338	1,537,454	3,819,639	12,553	3,832,192

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

Cash flow statement for 2019

	Note	Company	Company	Group	Group
		2019	2018	2019	2018
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from operating activities					
Profit before tax		353,386	325,078	411,633	403,471
<i>Adjustments for:</i>					
Depreciation and amortisation	15, 16	57,935	42,561	78,171	55,803
Change in deferred acquisition costs	15.1	25,293	(76,574)	19,717	(85,572)
Net impairment of loans	6, 12.1	(11,204)	(19,182)	(11,339)	(19,379)
Impairment of property and equipment	11	(6,352)	1,830	(6,609)	1,934
Impairment of shares in subsidiaries and associates	12.1	(32,182)	13,613	-	-
Interest expense		10,253	1,125	11,706	1,282
Interest income		(119,632)	(123,922)	(112,152)	(113,421)
Dividend income and share in profit of associates		(44,953)	(40,030)	(37,538)	(30,909)
Net foreign exchange differences on held-to-maturity investments and loans	6.4 12.3	(5,132)	20,197	(5,033)	20,246
(Gains)/losses on sale of investment property and tangible assets and changes in fair value of investment property		15,666	(9,671)	163	(5,435)
Net provisions for legal disputes, termination benefits, etc,		26,500	14,063	31,239	15,556
Other adjustments		1,779	935	16,648	15,713
Cash flows before changes in operating assets and liabilities		271,357	150,023	396,606	259,289
Changes in available-for-sale financial assets		(452,747)	(320,072)	(581,717)	(359,922)
Changes in financial assets at fair value through profit or loss		111,466	(187,054)	122,414	(174,030)
Changes in loans and receivables		(240,447)	367,560	(284,299)	328,548
Changes in reinsurance share in technical provisions		2,026	(3,601)	8,001	(5,079)
Changes in insurance contract and other receivables		9,117	28,860	8,954	9,708
Changes in technical provisions		126,081	170,267	228,164	256,557
Payment of termination benefits, jubilee awards and other provisions		(22,647)	(16,519)	(24,967)	(21,523)
Changes in insurance contract and other liabilities and financial liabilities		(28,818)	(310)	(15,086)	(2,229)
Income tax paid		(51,025)	(27,583)	(59,403)	(34,556)
Changes in operating assets and liabilities		(546,994)	11,548	(597,939)	(2,526)
Net cash flows (used in)/from operating activities		(275,637)	161,571	(201,333)	256,763

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

Cash flow statement (continued)
for 2019

Continued:

	Note	Company	Company	Group	Group
		2019	2018	2019	2018
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from investing activities					
Proceeds from sale of tangible assets		5,417	2,276	17,912	2,625
Purchase of tangible assets		(25,969)	(20,129)	(57,524)	(34,241)
Proceeds from sale of intangible assets		628	-	628	-
Purchase of intangible assets		(27,541)	(13,559)	(29,715)	(18,140)
Proceeds from sale of investment property		16,750	30,652	16,750	30,652
Purchase of investment property		(4,259)	(1,017)	(7,032)	(5,234)
Merger of subsidiaries (acquired cash)	18.3	-	6,358	-	-
Acquisition of subsidiaries (net of cash acquired)	18.3	-	(147)	-	-
Acquisition of additional interest in subsidiaries		-	(83)	-	-
Proceeds from held- to-maturity investments		258,164	341,655	283,893	370,500
Purchase of held- to-maturity investments		(386,589)	(339,343)	(387,959)	(400,401)
Proceeds from dividends and share in profit		43,886	39,268	24,524	16,914
Proceeds from short-term and long-term loans received		66,604	77,305	47,126	58,941
Short-term and long-term loans granted		(21,590)	(93,813)	(35,328)	(106,192)
Interest income		125,818	131,326	115,571	121,574
Net cash flows from investing activities		51,319	160,749	(11,154)	36,998
Cash flows from financing activities					
Cash outflows for lease payment		(19,096)	-	(25,770)	-
Cash outflows for payment of share in profit (dividend)		(980)	(980)	(1,093)	(1,742)
Acquisition of non-controlling interest		-	-	-	(83)
Net cash flows from financing activities		(20,076)	(980)	(26,863)	(1,825)
Cash and cash equivalents at beginning of period	23	369,714	48,374	456,717	164,781
Cash and cash equivalents at end of period	23	125,320	369,714	217,367	456,717
Net (decrease)/ increase in cash and cash equivalents		(244,394)	321,340	(239,350)	291,936

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 at Official Market 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 |
| • Petar Miladin, PhD, Professor | Member until 18 June 2019 |
| • Damir Vandelić | Member since 19 June 2019 |
| • Hrvoje Patajac | Member |
| • Vlasta Pavličević | Member |

Members of the Management Board:

- | | |
|--------------------|-------------------------------|
| • Damir Vandelić | President until 30 April 2019 |
| • Davor Tomašković | President since 1 May 2019 |
| • Nikola Mišetić | Member until 23 April 2019 |
| • Marijan Kralj | Member until 30 June 2019 |
| • Robert Vučković | Member |
| • Miroslav Klepač | Member until 17 April 2020 |
| • Luka Babić | Member since 18 April 2020 |
| • Vančo Balen | Member since 18 April 2020 |

1.3. Subsidiaries

The Group consolidated the following entities as at 31 December 2019:

Group	Principal activity	31 December 2019		
		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	<i>Real estate</i>	100	100	-
Histria Construct d.o.o., Zagreb	<i>Real estate</i>	100	100	-
Core 1 d.o.o., Zagreb	<i>Real estate</i>	100	100	-
Razne usluge d.o.o. (currently being wound up), Zagreb		100	100	-
Auto Maksimir Vozila d.o.o., Zagreb	<i>Insurance agency</i>	100	100	-
AK Polica d.o.o., Varaždin	<i>Insurance agency</i>	100	100	-
CO Zdravlje d.o.o., Zagreb	<i>Consulting and services</i>	100	100	-
- CROATIA Poliklinika Zagreb	<i>Healthcare</i>		100	-
Croatia-Tehnički pregledi d.o.o., Zagreb	<i>MOT*</i>	100	100	-
- Herz d.d., Požega	<i>MOT</i>	-	100	-
- Slavonski jezero-Tehnički pregledi d.o.o., Sl. Brod	<i>MOT</i>	-	76	24
- STP Pitomača, Pitomača	<i>MOT</i>	-	100	-
- STP Blato	<i>MOT</i>	-	100	-
- Autoprijevoz d.d.	<i>MOT</i>	-	79.12	20.88
- Crotehna d.o.o., Ljubuški	<i>MOT</i>	-	100	-
- Ponte d.o.o., Mostar	<i>MOT</i>	-	100	-
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	<i>Fund management</i>	100	100	-
Subsidiaries registered abroad which are consolidated:				
Milenijum osiguranje a.d.o., Belgrade	<i>Insurance</i>	100	100	-
Croatia osiguranje d.d., Mostar	<i>Insurance</i>	95.02	95.02	4.98
- Croatia remont d.d., Čapljina	<i>MOT</i>	-	69.79	30.21
- Croauto d.o.o., Mostar	<i>MOT</i>	-	66.79	33.21
- Hotel Hum d.o.o., Ljubuški**	<i>Hospitality</i>	-	80	20
Croatia osiguranje d.d., društvo za osiguranje neživota, Skopje	<i>Insurance</i>	100	100	-
Croatia osiguranje d.d., društvo za osiguranje života, Skopje	<i>Insurance</i>	95	100	-

*MOT - Motor vehicle examination stations

** Croatia osiguranje d.d. Mostar holds an 80% share, and CROTEHNA d.o.o. Ljubuški holds an 20% share

1.4 Reclassification

During 2019, the Group and the Company reclassified in the Statement of comprehensive income staff costs relating to employees dealing with investment activities and overheads related to properties classified as Investment property, to better present the costs according to their nature.

Reclassification has no impact on the Statement of financial position, Statement of changes in equity nor to the Cash flow statement but has an effect on the 2018 disclosures in the related notes (Note 2.36: claims ratios and combined ratios, Note 3, 10, 12 and Note 25.8), which is not material.

Effects on the Statement of comprehensive income for 2018 (Company):

Description	2018		2018
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
Administrative expenses	(407,334)	10,002	(397,332)
Finance costs	(130,281)	(10,002)	(140,283)

Effects on the Statement of comprehensive income for 2018 (Group):

Description	2018		2018
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
Administrative expenses	(594,768)	16,771	(577,997)
Finance costs	(131,215)	(16,771)	(147,986)

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 2019 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 and 50/19).

These are consolidated financial statements of the 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 and the Group 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 2.35.

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:

- **First-time Adoption of International Financial Reporting Standard 16 – Leases**

As of 1 January 2019, the Group started applying the new accounting standard IFRS 16 Leases. The simplified transition approach was applied but the Group has not restated any comparative information for the year prior to first adoption.

At the date of first application of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was in the range of 3.17%-4.97% for the Company and in the range of 3.17%-5.28% for the Group.

At 1 January 2019 the Group recognised right-of-use assets at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to those leases.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- applying the short-term lease exemptions to leases with the remaining lease term of less than 12 months as at 1 January 2019,
- the Group has decided to use exemption from the standard for leases of low-value assets and short-term leases,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In statement of financial position, right-of-use assets are presented within Property and equipment, while lease liabilities are presented within *Finance liabilities*.

The change in accounting policy resulted in the recognition of the following items in the statement of financial position as at 1 January 2019:

- Right-of-use (within Property and equipment) – an increase of HRK 252,011 thousand for the Company and HRK 282,829 thousand for the Group,
- Lease liabilities (within Finance liabilities) – an increase of HRK 252,011 thousand for the Company and HRK 282,829 thousand for the Group.

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

	Company	Group
	1 Jan. 2019	1 Jan. 2019
	in HRK'000	in HRK'000
Non-cancellable operating lease liabilities as at 31 December 2018 under IAS 17	-	-
Leases previously not included (cancellable leases under IAS 17)	413,667	451,118
Excluded short-term leases excluded	(4,620)	(5,508)
Excluded low-value leases of assets (except for sub-leases)	(5,031)	(7,939)
Effect of discounting using the incremental borrowing rate as at 1 January 2019	(152,005)	(154,842)
Lease liability as at 1 January 2019	252,011	282,829
Short-term portion	11,752	13,190
Long-term portion	240,259	269,639

(b) Standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2019 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. In March 2020, the International Accounting Standards Board (IASB) decided to defer the effective date of IFRS 17 to periods beginning on or after January 1, 2023. The amendment is expected to be issued in the second quarter of 2020.*

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

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

According to the Standard, the Group may choose where to present the change in the discount rates - either in profit or loss or in other comprehensive income. The final choice will 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.

A variation of the general measurement model, called the "variable fee approach", is also envisaged, which can be applied to certain life insurance contracts where the policyholders participate in the returns from the underlying contracts. When applying the variable fee approach, the insurer's share of the fair value changes is included in the contractual service margin. Consequently, the results of the insurers using this model are likely to be less volatile than under the general measurement model.

The Group has started the IFRS 17 implementation project, monitors the process of updating IFRS 17 by the IASB, and performs an impact assessment on its financial statements together with an assessment of the effects of IFRS 9. The Group expects the new standard to result in a material change accounting policies for insurance contract liabilities, will have an impact on profit and equity, and will result in changes in presentation and disclosures in the financial statements. Given the significant impact of the standard, the Group has hired additional resources in terms of human resources (experts) and is in the process of developing IT systems to meet the requirements of the standard. At the balance sheet date, given the early stage of the implementation project, as well as the IASB's current review of IFRS 17 requirements, the potential combined effect of the two standards on the financial position and performance of the Company and the Group cannot be calculated at this time and more detailed assessments of the impact of the standard on the financial statements will be made during the following periods. The Company and the Group intend to adopt the standard with the 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. In March 2020, the IASB decided to defer the effective date of IFRS 9 to periods beginning on or after 1 January 2023, in order to be implemented together with IFRS 17. The amendment is expected to be issued in the second quarter of 2020.)*

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 before 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.

- *Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020).*

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- *Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020).*

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB, not endorsed by European Union yet).*

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- *Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020, not endorsed by European Union yet).*

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the separate and consolidated financial statements of the Company and the Group.

2.4. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, certain 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 2.35.

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 2019, the official HRK exchange rate was HRK 7.442580 for EUR 1 (31 December 2018: HRK 7.417575).

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), gains on investments in land and buildings, interest income, unrealised gains on investments at fair value through profit or loss, gain on sale of investment, net foreign exchange gains and other gains on investment.

Gains on investments in land and buildings consist of income realized due to an increase in the value of land and buildings, gains on sale of land and buildings, land and buildings rental income and other gains on investments in land and buildings. Land and buildings rental income and income from 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 2.17 "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.

Non-current 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 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:

	2019	2018
	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. Leases – applied from 1 January 2019

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- initial direct costs incurred,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Group measures the right-of-use asset applying a cost model. To apply a cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Lease agreements are made for fixed and indefinite periods. For a lease that is made for an indefinite period, the Group estimates the lease term with respect to the possibility of extension or termination, the historical lease term or the significant cost of replacing the leased asset. The same was applied to lease agreements with a fixed period, and the lease term was reviewed on a case-by-case basis.

The Group mainly leases offices, vehicles and IT equipment.

At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined (mostly in case of office premises lease), the Group use the incremental borrowing rate. The Group determines its incremental borrowing rate based on publicly available information, considering various factors such as the lease term, the value of the leased asset, the economic environment, and the specifics related to the creditworthiness of the lessee.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments less any lease incentives receivable,
- *variable lease payments* that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the lessee under *residual value guarantees*,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, a Group measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made,
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate, or if applicable the revised discount rate.

The Group as lessee, in accordance with IFRS 16, elected not to apply the requirements of standard to:

- short-term leases (lease term of 12 months or less),
- leases for which the underlying asset is of low value.

In that case, the Group recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

In statement of financial position, right-of-use assets are presented within Property and equipment, while lease liabilities are presented within Financial liabilities.

Leases – applied until 1 January 2019

Until 31 December 2018, leases of property and equipment in which the Group was the lessee and leases in which all the risks and rewards incidental to ownership of an underlying asset were not transferred to the Group, were classified as operating leases. Payments made under operating leases were recognised in the statement of comprehensive income on a straight-line basis over the lease term.

Lease income in which the Group is lessor, are recognised in the statement of comprehensive income on a straight-line basis over the lease term. The respective assets under operating leases are presented in the statement of financial position based on their nature. The Group did not need to make any adjustments in relation to the assets held as lessor as a result of adopting IFRS 16.

Leases in which the Company and the Group bear all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases (the Company and the Group is the lessee) and the leased assets are not recognised in the statement of financial position.

2.15. Investment property

Investment property (land, buildings) that are not used for operations and that are owned by the Group or held under a finance lease and that are held to enable the Group to earn rental income and/or for capital appreciation 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.

2.16. 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.

2.17. 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 2.18 - "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 (preference shares) and derivative financial instruments at fair value through profit or loss (Note 2.17 /iv/).

/ii/ Recognition and derecognition

Regular way 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 derecognises financial liabilities only when they are extinguished, that is, when they are discharged, cancelled or expire, or when they are transferred. Should the terms of financial liabilities substantially change, the Group shall derecognise 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 recognised 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 observable 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 knowledgeable and willing parties, reference to other essentially similar instruments, discounted cash flow analysis and option pricing models, maximising the use of observable market data and relying as little as possible on entity-specific estimates.

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 classified as financial assets 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 considers the evidence of impairment for both a specific asset and at group level. All individually significant financial assets are tested for impairment. All individually significant financial assets where impairment has not been identified are included in the base for testing for impairment on a collective basis for impairment that has occurred but has yet to be identified. Assets that are not individually significant are tested for impairment by grouping together financial assets (presented at amortised cost) on the basis of shared risk characteristics.

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.

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 on 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 are recognised in other comprehensive income until the final sale.

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 value 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.

2.18. 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 doubtful and uncollectible receivables are impaired. Impairment is recognised for all outstanding receivables which were due and payable 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. Recourse receivables are impaired for all receivables 180 past due. 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.

2.19. 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.

2.20. Income tax

The tax expense represents the sum of the current tax liability 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.

2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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 2019 and 2018, 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 tested for impairment at each reporting date.

2.25. 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, morbidity, return on investment, costs and inflation.

2.26. 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.

2.27. 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.

2.28. 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 termination benefits) 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 termination benefit 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.

2.29. Impairment of non-financial assets

The net book value of the Group's assets, other than financial assets (see Note 2.17 - "Financial instruments") and income tax (see Note 2.20 - "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 accumulated depreciation or amortisation, if no impairment loss had been recognised.

2.30. 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.

2.31. 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.

2.32. Earnings per share

Earnings per share are calculated as profit of the period attributable to Company shareholders decreased by dividends of preference shares (in the case of shares classified as equity, not financial liabilities) divided by the weighted average of ordinary shares (without treasury shares).

2.33. 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 Company has no provisions for discretionary allocation of profit (2018: HRK 20,539 thousand), and the provisions for the Group amounts to HRK 856 thousand (2018: HRK 20,650 thousand).

2.34. 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, realised and unrealised 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 insurance segment. 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.

2.35. Key sources of estimation uncertainty and critical accounting judgments 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 estimated as described in Note 2.17/iii/ impairment of financial assets. The provision for impairment of a certain receivable is based on the Management's best estimate of the present value of expected future cash flows.

In estimating such cash flows, the Management assesses the debtor's financial position and the estimated fair value of insurance instruments. Any asset which has undergone impairment is evaluated individually 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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Gross exposure (HRK'000)	672,798	716,292	425,203	438,433
Impairment rate (%)	23%	24%	36%	39%

The change in the impairment rate by 1 pp (as a result of a change in the expected cash flows and/or fair value of the collaterals) on the gross amount of the above loans and receivables would lead to an increase/reversal of impairment in the amount of HRK 6,728 thousand (31 December 2018: HRK 7,163 thousand) for the Company and HRK 4,252 thousand (2018: HRK 4,384 thousand) for the Group.

/ii/ Estimation uncertainty relating to the forming of provisions

The most significant estimates 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 2.36, while the reserves for insurance contracts are analysed in Note 2.22. The sensitivity analysis of technical provisions is presented in Note 2.36.

/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, 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 2.38/ Fair value.

/iv/ Estimation of the useful life of right-of-use assets

We distinguish between lease agreements made for a fixed period, for an indefinite period or for a fixed period with an extension option.

In the case of real property and office leases, the Company and the Group consider each lease contract and evaluate whether it is possible to extend it after its planned completion if it is defined as a fixed term contract or estimate the duration of the lease in case of contract made for indefinite period. The estimated life expectancy is based on historical experience and business plans for the future operations of the Company and the Group.

In case of lease agreements made for fixed period, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of HRK 1.3 million for the Company and the Group.

2.36. Insurance risk management

Underwriting risk pertains to the risk that may arise if actual payments 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. 2019			31 Dec. 2018		
	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	30,456	(409)	30,047	33,436	(2)	33,434
Health insurance	189,647	-	189,647	179,970	-	179,970
Road motor vehicle insurance	253,627	(3,133)	250,494	240,004	(486)	239,518
Railroad insurance	1,089	-	1,089	1,296	-	1,296
Aircraft insurance	(2,944)	3,642	698	9,667	(8,080)	1,587
Vessel insurance	20,410	(16,409)	4,001	29,385	(22,423)	6,962
Insurance for goods in transit	3,635	(822)	2,813	8,493	(1,372)	7,121
Insurance against fire and natural disasters	102,068	(48,057)	54,011	86,183	(42,374)	43,809
Other property insurance	311,480	(45,072)	266,408	217,378	(4,328)	213,050
Motor liability insurance	277,743	(12,946)	264,797	257,044	2,947	259,991
Aircraft liability insurance	97	(1)	96	348	19	367
Vessel liability insurance	(5,084)	845	(4,239)	410	2,473	2,883
Other types of liability insurance	90,699	(1,547)	89,152	88,689	(2,499)	86,190
Loan insurance/credit insurance	(69,572)	(1,575)	(71,147)	(50,688)	(2,049)	(52,737)
Guarantee insurance	317	-	317	310	-	310
Miscellaneous financial loss insurance	5,839	64	5,903	14,625	(8,213)	6,412
Legal expenses insurance	330	5	335	272	(201)	71
Travel insurance	3,695	-	3,695	3,623	-	3,623
Total non-life insurance	1,213,532	(125,415)	1,088,117	1,120,445	(86,588)	1,033,857
Life insurance	496,070	(10)	496,060	406,833	(11)	406,822
Annuity insurance	14,756	-	14,756	4,868	-	4,868
Additional insurance with life insurance	2,299	-	2,299	2,488	-	2,488
Life or annuity insurance where the policyholder bears the investment risk	(166)	-	(166)	104,592	-	104,592
Total life insurance	512,959	(10)	512,949	518,781	(11)	518,770
Total	1,726,491	(125,425)	1,601,066	1,639,226	(86,599)	1,552,627

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Group:

	31 Dec. 2019			31 Dec. 2018		
	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	38,526	(319)	38,207	43,815	57	43,872
Health insurance	179,773	64	179,837	170,559	36	170,595
Road motor vehicle insurance	294,775	(2,932)	291,843	271,449	(794)	270,655
Railroad insurance	1,089	-	1,089	1,296	-	1,296
Aircraft insurance	(2,944)	3,642	698	9,667	(8,080)	1,587
Vessel insurance	20,410	(16,409)	4,001	29,384	(22,423)	6,961
Insurance for goods in transit	3,570	(778)	2,792	8,232	(991)	7,241
Insurance against fire and natural disasters	107,566	(47,635)	59,931	90,151	(45,137)	45,014
Other property insurance	322,057	(47,812)	274,245	225,798	(5,072)	220,726
Motor liability insurance	403,105	(13,315)	389,790	366,840	257	367,097
Aircraft liability insurance	97	(1)	96	348	19	367
Vessel liability insurance	(5,084)	845	(4,239)	410	2,473	2,883
Other types of liability insurance	90,871	(1,694)	89,177	90,081	(3,078)	87,003
Loan insurance/credit insurance	(62,402)	(3,702)	(66,104)	(54,339)	(3,526)	(57,865)
Guarantee insurance	430	-	430	181	-	181
Miscellaneous financial loss insurance	6,628	63	6,691	15,456	(8,865)	6,591
Legal expenses insurance	329	4	333	272	(201)	71
Travel insurance	10,366	-	10,366	12,062	-	12,062
Total non-life insurance	1,409,162	(129,979)	1,279,183	1,281,662	(95,325)	1,186,337
Life insurance	602,751	(10)	602,741	508,573	(50)	508,523
Annuity insurance	14,757	-	14,757	4,869	-	4,869
Additional insurance with life insurance	3,690	-	3,690	4,208	-	4,208
Life or annuity insurance where the policyholder bears the investment risk	4,068	-	4,068	106,570	-	106,570
Total life insurance	625,266	(10)	625,256	624,220	(50)	624,170
Total	2,034,428	(129,989)	1,904,439	1,905,882	(95,375)	1,810,507

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

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

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

	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018	31 Dec. 2018
	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	551,250	11,250	433,125	12,375
Motor hull insurance	14,438	563	14,438	563
Machinery breakage	551,250	11,250	150,000	7,500
Construction /assembly	551,250	11,250	150,000	7,500
Theft	551,250	11,250	433,125	12,375
Vessels	84,375	5,625	78,000	4,875
Other liability	73,125	1,875	73,125	1,875
Earthquake	551,250	11,250	1,834,125	22,500
Flood	551,250	11,250	433,125	12,375

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

	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	7,503	Unlimited	5,290
Fire	855,579	12,748	558,781	13,133
Motor hull insurance	20,439	1,013	16,962	791
Machinery breakage	806,459	12,748	225,389	8,258
Construction /assembly	806,459	12,748	225,389	8,258
Theft	764,981	12,761	468,720	13,145
Vessels	84,664	5,648	78,284	4,898
Other liability	79,512	3,108	76,916	2,000
Earthquake	896,477	13,494	1,915,986	24,075
Flood	825,808	12,748	559,182	13,133

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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 2019 and 2018:

	Company	Company	Group	Group
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Non-life insurance				
Claims ratio	54.10%	51.86%	52.88%	50.39%
Cost ratio	37.72%	37.03%	42.01%	42.43%
Combined ratio	91.82%	88.89%	94.89%	92.83%
Claims ratio, net	55.77%	55.76%	54.59%	54.13%

Note: The ratio calculation method 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 mathematical provision is formed 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. 2019		as at 31 Dec. 2018	
	in HRK'000	%	in HRK'000	%
[0, 1]	90,030	4%	51,205	2%
[1, 3]	1,402,910	56%	1,170,728	49%
[3, 4]	735,011	29%	828,324	35%
[4, 5]	293,188	12%	314,708	13%
[5, 6]	2,450	0%	2,240	0%
	2,523,589	100%	2,367,205	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. 2019		as at 31 Dec. 2018	
	in HRK'000	%	in HRK'000	%
[0, 1]	90,030	3%	51,205	2%
[1, 3]	1,595,359	54%	1,315,071	48%
[3, 4]	973,742	33%	1,047,137	38%
[4, 5]	293,540	10%	315,637	12%
[5, 6]	2,450	0%	2,240	0%
	2,955,121	100%	2,731,290	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.

Yield on mathematical provision

Company	2019		2018	
	in HRK'000		in HRK'000	
Average balance of mathematical provision	2,417,608		2,343,329	
Yield on investment in mathematical provision	116,564		115,902	
Annual yield on mathematical provision	4.82%		4.95%	
Average annual yield on mathematical provision for the past 2 years	4.88%		5.37%	

Group	2019		2018	
	in HRK'000		in HRK'000	
Average balance of mathematical provision	2,818,211		2,446,070	
Yield on investment in mathematical provision	131,107		143,867	
Annual yield on mathematical provision	4.65%		5.88%	
Average annual yield on mathematical provision for the past 2 years	5.22%		4.94%	

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

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

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

The table below shows the sensitivity analysis for life insurance.

	Company		Group	
	2019	2018	2019	2018
	in HRK'000		in HRK'000	
	Change in liabilities	Change in liabilities	Change in liabilities	Change in liabilities
Interest rate -0,5%	101,755	88,429	114,987	101,040
Mortality +10%	1,717	5,848	6,283	8,762
Expenses +10%	28,240	22,887	34,784	28,574

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:

<i>Company</i>	2019		2018	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	2,480,309	90.6%	2,821,370	91.5%
Unit-linked life assurance products	256,351	9.4%	261,711	8.5%
As at 31 December	2,736,660	100%	3,083,081	100%

<i>Group</i>	2019		2018	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	6,432,541	94.6%	5,764,681	94.6%
Unit-linked life assurance products	369,478	5.4%	326,573	5.4%
As at 31 December	6,802,019	100%	6,091,254	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	Total sum insured before reinsurance	Total sum insured before reinsurance
in HRK	in HRK'000	%	in HRK'000	%
< 40,000	1,784,501	32.1%	3,574,492	36.7%
40,001 - 60,000	574,453	10.3%	915,741	9.4%
60,001 - 80,000	857,550	15.4%	1,376,917	14.2%
80,001 - 100,000	418,199	7.5%	677,933	7.0%
100,001 - 125,000	516,091	9.3%	909,958	9.4%
125,001 - 150,000	287,293	5.2%	564,471	5.8%
150,001 - 250,000	662,568	11.9%	981,236	10.1%
250,001 - 500,000	266,491	4.8%	463,752	4.8%
> 500,001	184,945	3.3%	264,643	2.7%
As at 31 December 2019	5,552,091	100%	9,729,143	100%
< 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%

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 2.37 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.

2.37. 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, 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. For policies concluded after 31 December 2017, cost and mortality are the only possible sources of profit. 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.

/ii/ Life insurance (continued)

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 in range 2.75%-1% (the maximum rate prescribed by HANFA is 2.75%).
- for insurance contracts concluded after 1 July 2016, the interest rate used was in range 1.75%-0%, (the maximum rate prescribed by HANFA is 1.75% for contracts with a currency clause and 2% for contracts in HRK),
- for insurance contracts concluded after 1 January 2018, the interest rate used was 1%-0%, and interest rate of 1.20% was used for insurance contracts with a contractual duration of 5 years (the maximum rate prescribed by HANFA is 1%, and 1,75% for insurance contracts with a contractual duration of 5 years).

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.

2.38. 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 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. The Group actively uses 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):

	2019		2018	
	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%	16,444	4,379	17,699	3,133
Group				
Change of exchange rate by 1%	17,839	4,651	19,182	3,383

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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 2019				31 December 2018			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	279,111	-	-	279,111	246,929	-	-	246,929
Held-to-maturity investments	1,208,906	963,481	-	2,172,387	819,978	1,221,670	-	2,041,648
Available-for-sale financial assets	2,190,151	2,099,086	157,542	4,446,779	1,531,646	2,018,562	146,951	3,697,159
Financial assets at fair value through profit or loss	24,464	361,905	107,208	493,577	157,593	348,403	99,047	605,043
Loans and receivables	745,184	460,146	-	1,205,330	743,452	248,520	-	991,972
Reinsurance share in technical provisions	174,602	24,376	14,555	213,533	171,917	21,198	22,444	215,559
Insurance contract and other receivables	717,217	136,209	7,595	861,021	745,520	118,059	18,121	881,700
Cash and cash equivalents	100,619	23,772	929	125,320	194,405	148,823	26,486	369,714
Total assets	5,440,254	4,068,975	287,829	9,797,058	4,611,440	4,125,235	313,049	9,049,724
Liabilities								
Technical provisions	3,466,287	3,087,521	176,620	6,730,428	3,474,375	2,937,472	192,500	6,604,347
Provisions	102,717	-	-	102,717	98,864	-	-	98,864
Financial liabilities	40,528	231,139	-	271,667	14,561	1,668	1,061	17,290
Liabilities arising from insurance contracts, other liabilities and deferred income	510,248	38,123	9,348	557,719	523,470	45,633	18,414	587,517
Total liabilities	4,119,780	3,356,783	185,968	7,662,531	4,111,270	2,984,773	211,975	7,308,018
Foreign currency gap	1,320,474	712,192	101,861	2,134,527	500,170	1,140,462	101,074	1,741,706

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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 2019				31 December 2018			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	76,281	-	1,309	77,590	77,834	-	1,415	79,249
Held-to-maturity investments	1,208,906	1,035,301	71,054	2,315,261	819,979	1,317,391	67,801	2,205,171
Available-for-sale financial assets	2,207,639	2,423,456	281,250	4,912,345	1,547,537	2,281,530	197,606	4,026,673
Financial assets at fair value through profit or loss	24,464	367,033	127,128	518,625	157,592	362,459	120,988	641,039
Loans and receivables	495,940	466,423	389,797	1,352,160	468,536	253,874	343,755	1,066,165
Reinsurance share in technical provisions	174,602	24,533	27,244	226,379	171,916	21,365	41,099	234,380
Insurance contract and other receivables	748,583	139,847	77,777	966,207	773,190	120,819	89,111	983,120
Cash and cash equivalents	142,745	25,381	49,241	217,367	246,262	150,875	59,580	456,717
Total assets	5,079,160	4,481,974	1,024,800	10,585,934	4,262,846	4,508,313	921,355	9,692,514
Liabilities								
Technical provisions	3,466,287	3,393,367	834,014	7,693,668	3,474,375	3,172,576	818,553	7,465,504
Provisions	109,578	-	4,709	114,287	104,282	-	3,733	108,015
Financial liabilities	40,872	218,344	42,800	302,016	14,689	3,704	1,355	19,748
Liabilities arising from insurance contracts, other liabilities and deferred income	541,412	41,421	51,178	634,011	544,006	45,735	58,302	648,043
Total liabilities	4,158,149	3,653,132	932,701	8,743,982	4,137,352	3,222,015	881,943	8,241,310
Foreign currency gap	921,011	828,842	92,099	1,841,952	125,494	1,286,298	39,412	1,451,204

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:

	2019		2018	
	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	-	(233,486)/233,486	-	(173,235)/173,235
Group				
Change in interest rate by +/- 100 bps	-	(267,239)/267,239	(561)/561	(198,373)/198,373

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.

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

	2019		2018	
	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%	2,229/(2,229)	30,469/(30,469)	8,394/(8,394)	21,020/(21,020)
Group				
Change in price by +/- 5%	3,199/(3,199)	30,498/(30,498)	8,872/(8,872)	21,465/(21,465)

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 manages credit risk and continuously monitors exposure to credit risk. Assessments of creditworthiness of all policyholders are made, and collaterals are collected prior to payment of granted loans or renewal of such loans. Collaterals are in accordance with the Insurance Act.

Credit risk exposure	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in debt securities	6,009,794	5,318,400	6,617,634	5,822,016
Investments in bank deposits	686,296	445,849	1,081,008	798,188
Loans	519,034	546,123	271,152	267,977
Reinsurance share in technical provisions	213,533	215,559	226,379	234,380
Insurance contract and other receivables	847,495	871,645	939,550	961,438
Cash and cash equivalents	125,320	369,714	217,367	456,717
	8,401,472	7,767,290	9,353,090	8,540,716

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

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Government bonds	5,629,545	4,930,640	5,643,952	4,960,366
Bonds of other state institutions	101,048	103,550	118,416	103,550
Undue interest on bonds	86,796	82,553	87,238	82,994
Other receivables	1,731	4,490	12,002	17,856
	5,819,120	5,121,233	5,861,608	5,164,766

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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).

	2019	2018	Company	Company
	S&P	S&P	31 Dec. 2019	31 Dec. 2018
			u 000 HRK	u 000 HRK
Held-to-maturity investments			2,172,387	2,041,648
Ministry of Finance of the Republic of Croatia	BBB-	BB+	2,089,838	1,959,296
Croatian Bank for Reconstruction and Development (CBRD)	BBB-	BB+	38,654	38,499
No rating	-	-	43,895	43,853
Available-for-sale financial assets			3,837,407	3,276,752
Ministry of Finance of the Republic of Croatia	BBB-	BB+	3,622,603	3,050,000
Croatian Bank for Reconstruction and Development (CBRD)	BBB-	BB+	66,294	68,948
Ministry of Finance of Hungary	BBB	BBB-	22,008	36,855
Ministry of Finance of Australia	-	AAA	-	20,789
Ministry of Finance of United States	AA+	-	40,765	-
Rated corporations	B+	-	13,867	-
	-	BB-	-	13,927
	-	BB	-	13,554
	BB+	-	24,968	-
	-	BBB	-	20,705
No rating	-	-	46,902	51,974
			1,205,330	991,972
Loans and receivables				
Rated banks	BBB-	BB+	342,485	44,505
Other banks and financial institutions*	-	-	343,811	401,344
No rating**	-	-	519,034	546,123
Reinsurance share in technical provisions			213,533	215,559
Rated reinsurers	A-	A-	6,791	7,369
	A	A	22,722	27,331
	A+	A+	75,090	76,975
	AA-	AA-	85,121	79,522
	AA	AA	1,291	4,099
	AA+	AA+	4,848	633
Reinsurers rated by another agency	-	-	15,020	18,125
No rating	-	-	2,650	1,505
Insurance contract and other receivables			847,495	871,645
No rating	-	-	847,495	871,645
Cash and cash equivalents			125,320	369,714
Rated banks	BBB-	BB+	10,338	94,143
Other banks and financial institutions*	-	-	114,982	275,571
			8,401,472	7,767,290

* Other banks and financial institutions mostly include banks and financial institutions that have no rating and banks and financial institutions that have no rating, but their parent banks have a rating.

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

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	2019	2018	Group	Group
	S&P	S&P	31 Dec. 2019	31 Dec. 2018
			u 000 HRK	u 000 HRK
<i>Held-to-maturity investments</i>			2,315,261	2,205,171
Ministry of Finance of the Republic of Croatia	BBB-	BB+	2,095,954	1,965,391
Croatian Bank for Reconstruction and Development (CBRD)	BBB-	BB+	38,654	38,499
Ministry of Finance of Macedonia	BB-	BB-	50,669	58,222
Ministry of Finance of Serbia	BB+	BB+	78,428	91,620
No rating	-	-	51,556	51,439
<i>Available-for-sale financial assets</i>			4,302,373	3,605,541
Ministry of Finance of the Republic of Croatia	BBB-	BB+	3,648,704	3,074,072
Croatian Bank for Reconstruction and Development (CBRD)	BBB-	BB+	66,294	68,948
Ministry of Finance of Hungary	BBB	BBB -	22,008	36,855
Ministry of Finance of Macedonia	BB-	BB-	293,634	249,026
Ministry of Finance of Serbia	BB+	BB+	145,231	55,691
Ministry of Finance of Australia	-	AAA	-	20,789
Ministry of Finance of United States	AA+	-	40,765	-
Rated corporations	B+	-	13,867	-
	-	BB-	-	13,927
	-	BB	-	13,554
	BB+	-	24,968	-
	-	BBB	-	20,705
No rating	-	-	46,902	51,974
<i>Financial assets at fair value through profit or loss</i>			-	11,304
Ministry of Finance of Serbia	-	BB+	-	11,304
<i>Loans and receivables</i>			1,352,160	1,066,165
Rated banks	BBB-	BB+	342,485	49,534
Other banks and financial institutions*	-	-	738,523	435,557
No rating**	-	-	271,152	581,074
<i>Reinsurance share in technical provisions</i>			226,379	234,380
<i>Rated reinsurers</i>	A-	A-	6,791	7,369
	A	A	22,722	27,331
	A+	A+	75,090	76,975
	AA-	AA-	85,121	79,522
	AA	AA	1,291	4,099
	AA+	AA+	4,848	633
Reinsurers rated by another agency	-	-	15,020	18,124
No rating	-	-	15,496	20,327
<i>Insurance contract and other receivables</i>			939,550	961,438
	-	BB+	-	1,078
No rating	-	-	939,550	960,360
<i>Cash and cash equivalents</i>			217,367	456,717
Rated banks	BBB-	BB+	29,095	103,825
Other banks and financial institutions*	-	-	188,272	352,892
			9,353,090	8,540,716

* Other banks and financial institutions mostly include banks and financial institutions that have no rating and banks and financial institutions that have no rating, but their parent banks have a rating.

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

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 Organizational unit for finance 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 2019						31 December 2018					
	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	-	-	-	-	279,111	279,111	-	-	-	-	246,929	246,929
Held-to-maturity investments	328,838	364,050	451,618	510,163	517,718	2,172,387	295,179	351,182	346,804	529,594	518,889	2,041,648
Available-for-sale financial assets	195,850	360,976	1,552,812	1,571,555	765,586	4,446,779	295,338	344,969	782,142	1,945,683	329,027	3,697,159
Financial assets at fair value through profit or loss	27,524	1,573	6,506	457,974	0	493,577	2,265	154,118	3,590	445,070	-	605,043
Loans and receivables	346,501	486,534	144,413	173,786	54,096	1,205,330	398,937	359,149	66,063	117,914	49,909	991,972
Reinsurance share in technical provisions	121,788	36,964	14,469	17,367	22,945	213,533	124,700	37,175	13,748	15,430	24,506	215,559
Insurance contract and other receivables	861,021	-	-	-	-	861,021	881,700	-	-	-	-	881,700
Cash and cash equivalents	125,320	-	-	-	-	125,320	369,714	-	-	-	-	369,714
Total	2,006,842	1,250,097	2,169,818	2,730,845	1,639,456	9,797,058	2,367,833	1,246,593	1,212,347	3,053,691	1,169,260	9,049,724
Liabilities												
Technical provisions	2,373,893	1,155,077	1,174,891	921,196	1,105,371	6,730,428	2,195,440	1,193,557	1,012,318	1,037,037	1,165,995	6,604,347
Provisions	17,169	33,709	31,845	9,555	10,439	102,717	19,439	32,560	29,025	9,272	8,568	98,864
Financial liabilities	17,677	21,028	19,804	51,669	161,489	271,667	4,620	420	-	-	12,250	17,290
Liabilities arising from insurance contracts, other liabilities and deferred income	523,084	16,487	2,460	5,517	10,171	557,719	547,473	22,819	2,115	4,646	10,464	587,517
Total	2,931,823	1,226,301	1,229,000	987,937	1,287,470	7,662,531	2,766,972	1,249,356	1,043,458	1,050,955	1,197,277	7,308,018
Maturity mismatch	(924,981)	23,796	940,818	1,742,908	351,986	2,134,527	(399,139)	(2,763)	168,889	2,002,736	(28,017)	1,741,706

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

Group in HRK'000	31 December 2019						31 December 2018					
	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	-	-	-	-	77,590	77,590	-	-	-	-	79,249	79,249
Held-to-maturity investments	403,376	387,137	472,399	517,960	534,389	2,315,261	338,686	424,152	350,291	557,104	534,938	2,205,171
Available-for-sale financial assets	225,363	470,699	1,590,810	1,595,765	1,029,708	4,912,345	329,383	378,450	789,569	1,987,123	542,148	4,026,673
Financial assets at fair value through profit or loss	37,305	2,953	9,697	467,778	892	518,625	25,513	154,391	6,356	454,702	77	641,039
Loans and receivables	411,669	679,126	170,839	89,014	1,512	1,352,160	492,568	481,846	79,517	10,755	1,479	1,066,165
Reinsurance share in technical provisions	132,259	38,627	15,182	17,367	22,944	226,379	139,843	38,888	15,713	15,430	24,506	234,380
Insurance contract and other receivables	964,910	1,069	65	163	-	966,207	982,115	917	88	-	-	983,120
Cash and cash equivalents	217,367	-	-	-	-	217,367	456,717	-	-	-	-	456,717
Total	2,392,249	1,579,611	2,258,992	2,688,047	1,667,035	10,585,934	2,764,825	1,478,644	1,241,534	3,025,114	1,182,397	9,692,514
Liabilities												
Technical provisions	2,704,646	1,321,293	1,276,741	1,113,617	1,277,371	7,693,668	2,576,707	1,316,375	1,094,267	1,178,583	1,299,572	7,465,504
Provisions	19,078	39,104	32,936	11,109	12,060	114,287	21,887	36,062	29,940	10,507	9,619	108,015
Financial liabilities	22,260	27,452	24,595	58,670	169,039	302,016	5,224	2,274	-	-	12,250	19,748
Liabilities arising from insurance contracts, other liabilities and deferred income	594,416	17,757	3,644	7,702	10,492	634,011	602,822	25,247	3,935	5,574	10,465	648,043
Total	3,340,400	1,405,606	1,337,916	1,191,098	1,468,962	8,743,982	3,206,640	1,379,958	1,128,142	1,194,664	1,331,906	8,241,310
Maturity mismatch	(948,151)	174,005	921,076	1,496,949	198,073	1,841,952	(441,815)	98,686	113,392	1,830,450	(149,509)	1,451,204

The table below shows the future undiscounted cash flows of lease liabilities:

31 December 2019	Company in HRK'000						Group in HRK'000					
	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
Lease liabilities	21,883	37,484	34,965	82,663	237,632	414,627	27,882	48,232	42,479	85,490	245,227	449,310

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. 2019			31 Dec. 2018		
	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	2,172,387	2,476,605	304,218	2,041,648	2,266,101	224,453
Loans	519,034	530,852	11,818	546,123	569,314	23,191
Deposits	686,296	692,933	6,637	445,849	451,580	5,731
	3,377,717	3,700,390	322,673	3,033,620	3,286,995	253,375
Group						
Debt securities	2,315,261	2,620,028	304,767	2,205,171	2,430,183	225,012
Loans	271,152	271,374	222	267,977	268,067	90
Deposits	1,081,008	1,087,645	6,637	798,188	803,919	5,731
	3,667,421	3,979,047	311,626	3,271,336	3,502,169	230,833

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 2019 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	-	-	355,252	355,252
Investment property	-	-	367,521	367,521
Equity securities	497,175	-	25,405	522,580
Debt securities	2,048,645	1,772,023	16,739	3,837,407
Investment funds	59,172	20,879	6,741	86,792
Available-for-sale financial assets	2,604,992	1,792,902	48,885	4,446,779
Equity securities	17,071	-	-	17,071
Debt securities	-	-	-	-
Investment funds	472,836	-	-	472,836
Foreign currency forward contracts	-	3,670	-	3,670
Financial assets at fair value through profit or loss	489,907	3,670	-	493,577
Total assets at fair value	3,094,899	1,796,572	771,658	5,663,129

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 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 have 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 2019 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	-	-	552,633	552,633
Investment property	-	-	873,653	873,653
Equity securities	497,718	-	25,462	523,180
Debt securities	2,219,978	2,065,657	16,738	4,302,373
Investment funds	59,172	20,879	6,741	86,792
Available-for-sale financial assets	2,776,868	2,086,536	48,941	4,912,345
Equity securities	17,071	-	-	17,071
Debt securities	-	-	-	-
Investment funds	497,884	-	-	497,884
Foreign currency forward contracts	-	3,670	-	3,670
Financial assets at fair value through profit or loss	514,955	3,670	-	518,625
Total assets at fair value	3,291,823	2,090,206	1,475,227	6,857,256

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

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 2019 and 31 December 2018.

Estimates of fair value for the property for own use was carried out by external valuers in 2019. The effects are listed in Note 16.

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 2019	Fair value as at 31 December 2018	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2019	2018
Company	367,521	333,932	Income approach	Capitalization rate	6.5-9%	6.5%-9%
			Cost approach	Building unit price per m2 (HRK)	126-11,316	140-6,734
			Sales comparison approach	Average price per m2 (HRK)	1-26,318	1-26,029
Other Group companies	506,132	487,862	Income approach	Capitalization rate	6.5%-10.5%	6.5%-10.5%
				Discount rate	10%	10%
			Cost approach	Building unit price (HRK)	5,321-5,589	5,428-5,391
			Sales comparison approach	Building unit price per m2 (HRK)	514-10,331	517-10,244
Total	873,653	821,794				

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.

2.39. 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. 2019	31 Dec. 2018**
SCR ratio	>100%	277%	259%
MCR ratio	>100%	898%	885%

	Regulatory requirement	Group	Group
		31 Dec. 2019*	31 Dec. 2018**
SCR ratio	>100%	239%	221%
MCR ratio	>100%	695%	675%

* 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 2019 as part of the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2019, which will be published on the Company's website within the stipulated deadlines.

** Data presented for 31 December 2018 are the data are published in the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2018.

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

3. Segment reporting

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

	2019	2019	2019	2018	2018	2018
	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	2,225,101	517,407	2,742,508	2,228,049	564,731	2,792,780
Premiums ceded to reinsurance and coinsurance	(247,719)	(89)	(247,808)	(287,649)	(68)	(287,717)
Written premiums, net of reinsurance and coinsurance	1,977,382	517,318	2,494,700	1,940,400	564,663	2,505,063
Change in gross provisions for unearned premiums	4,452	(523)	3,929	(76,096)	38	(76,058)
Change in provision for unearned premiums, reinsurance and coinsurance share	(13,113)	3	(13,110)	26,990	-	26,990
Earned premiums, net of reinsurance and coinsurance	1,968,721	516,798	2,485,519	1,891,294	564,701	2,455,995
Commission and fee income	33,928	2,155	36,083	37,956	2,067	40,023
Finance income	272,303	134,317	406,620	284,619	132,703	417,322
Other operating income	46,362	331	46,693	28,568	258	28,826
Net operating income	2,321,314	653,601	2,974,915	2,242,437	699,729	2,942,166
Claims incurred	(1,213,531)	(512,960)	(1,726,491)	(1,120,444)	(518,782)	(1,639,226)
Reinsurance share of claims incurred	125,415	10	125,425	86,587	12	86,599
Claims incurred, net of reinsurance and coinsurance	(1,088,116)	(512,950)	(1,601,066)	(1,033,857)	(518,770)	(1,552,627)
Acquisition costs	(474,736)	(37,327)	(512,063)	(439,399)	(47,035)	(486,434)
Administrative expenses	(358,459)	(47,146)	(405,605)	(346,364)	(50,968)	(397,332)
Other operating expenses	(44,135)	(408)	(44,543)	(40,356)	(56)	(40,412)
Finance costs	(50,973)	(7,279)	(58,252)	(99,150)	(41,133)	(140,283)
Profit before tax	304,895	48,491	353,386	283,311	41,767	325,078
Taxation	(51,440)	(8,815)	(60,255)	(49,102)	(5,558)	(54,660)
Profit for the year	253,455	39,676	293,131	234,209	36,209	270,418

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

	31 Dec. 2019	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Intangible assets	36,993	-	36,993	27,375	-	27,375
Deferred acquisition costs	226,110	-	226,110	251,403	-	251,403
Property and equipment	641,451	10	641,461	452,319	8	452,327
Investment property	367,521	-	367,521	333,932	-	333,932
Investments in subsidiaries, associates and participation in joint ventures	279,111	-	279,111	246,929	-	246,929
Held-to-maturity investments	944,029	1,228,358	2,172,387	745,529	1,296,119	2,041,648
Available-for-sale financial assets	2,817,919	1,628,860	4,446,779	2,378,587	1,318,572	3,697,159
Financial assets at fair value through profit or loss	47,661	445,916	493,577	169,995	435,048	605,043
Loans and receivables	1,009,106	196,224	1,205,330	840,596	151,376	991,972
Reinsurance share in technical provisions	213,507	26	213,533	215,546	13	215,559
Deferred tax assets	-	-	-	37,150	-	37,150
Insurance contract and other receivables	868,256	503	868,759	890,086	767	890,853
Cash and cash equivalents	100,317	25,003	125,320	357,894	11,820	369,714
Total assets	7,551,981	3,524,900	11,076,881	6,947,341	3,213,723	10,161,064
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	316,742	85,296	402,038
Revaluation reserve	368,661	147,995	516,656	206,447	66,982	273,429
Retained earnings	1,001,742	157,219	1,158,961	747,405	117,543	864,948
Total capital and reserves	2,913,665	434,799	3,348,464	2,497,114	314,110	2,811,224
Liabilities						
Technical provisions	3,712,920	3,017,508	6,730,428	3,758,390	2,845,957	6,604,347
Provisions	99,786	2,931	102,717	95,800	3,064	98,864
Deferred tax liability	14,659	30,458	45,117	-	12,591	12,591
Financial liabilities	271,367	300	271,667	17,069	221	17,290
Liabilities arising from insurance contracts, other liabilities and deferred income	526,553	38,904	565,457	558,889	37,780	596,669
Current income tax liabilities	13,031	-	13,031	20,079	-	20,079
Total liabilities	4,638,316	3,090,101	7,728,417	4,450,227	2,899,613	7,349,840
Total capital, reserves and liabilities	7,551,981	3,524,900	11,076,881	6,947,341	3,213,723	10,161,064

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

	2019	2019	2019	2018	2018	2018
	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	2,657,337	645,821	3,303,158	2,650,285	686,466	3,336,751
Premiums ceded to reinsurance and coinsurance	(273,529)	(196)	(273,725)	(310,806)	(251)	(311,057)
Written premiums, net of reinsurance and coinsurance	2,383,808	645,625	3,029,433	2,339,479	686,215	3,025,694
Change in gross provisions for unearned premiums	(10,532)	(536)	(11,068)	(117,267)	110	(117,157)
Change in provision for unearned premiums, reinsurance and coinsurance share	(15,734)	24	(15,710)	25,298	-	25,298
Earned premiums, net of reinsurance and coinsurance	2,357,542	645,113	3,002,655	2,247,510	686,325	2,933,835
Commission and fee income	35,390	2,155	37,545	39,399	2,067	41,466
Finance income	334,100	152,049	486,149	324,732	147,896	472,628
Other operating income	161,678	450	162,128	157,224	562	157,786
Net operating income	2,888,710	799,767	3,688,477	2,768,865	836,850	3,605,715
Claims incurred	(1,409,162)	(625,266)	(2,034,428)	(1,281,659)	(624,223)	(1,905,882)
Reinsurance share of claims incurred	129,979	10	129,989	95,325	50	95,375
Claims incurred, net of reinsurance and coinsurance	(1,279,183)	(625,256)	(1,904,439)	(1,186,334)	(624,173)	(1,810,507)
Acquisition costs	(558,419)	(62,329)	(620,748)	(546,458)	(69,707)	(616,165)
Administrative expenses	(535,558)	(55,408)	(590,966)	(519,578)	(58,419)	(577,997)
Other operating expenses	(66,790)	(1,007)	(67,797)	(62,996)	(588)	(63,584)
Finance costs	(96,002)	(8,839)	(104,841)	(105,898)	(42,088)	(147,986)
Share in profit of associates	11,947	-	11,947	13,995	-	13,995
Profit before tax	364,705	46,928	411,633	361,596	41,875	403,471
Income tax	(62,364)	(9,530)	(71,894)	(60,100)	(6,197)	(66,297)
Profit for the year	302,341	37,398	339,739	301,496	35,678	337,174

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

	31 Dec. 2019	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018
	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	48,319	408	48,727	38,747	388	39,135
Deferred acquisition costs	268,986	-	268,986	288,703	-	288,703
Property and equipment	885,503	21,124	906,627	642,420	17,485	659,905
Investment property	872,024	1,629	873,653	820,174	1,620	821,794
Investments in subsidiaries, associates and participation in joint ventures	77,590	-	77,590	79,249	-	79,249
Held-to-maturity investments	1,037,567	1,277,694	2,315,261	856,857	1,348,314	2,205,171
Available-for-sale financial assets	2,990,715	1,921,630	4,912,345	2,462,132	1,564,541	4,026,673
Financial assets at fair value through profit or loss	62,445	456,180	518,625	193,619	447,420	641,039
Loans and receivables	991,674	360,486	1,352,160	779,233	286,932	1,066,165
Reinsurance share in technical provisions	226,299	80	226,379	234,335	45	234,380
Deferred tax assets	1,740	-	1,740	31,460	-	31,460
Insurance contract and other receivables	1,012,116	23,439	1,035,555	1,036,152	30,661	1,066,813
Cash and cash equivalents	177,986	39,381	217,367	440,903	15,814	456,717
Total assets	8,652,964	4,102,051	12,755,015	7,903,984	3,713,220	11,617,204
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	316,742	85,296	402,038
Fair value reserve	432,714	176,624	609,338	248,936	91,346	340,282
Retained earnings	1,335,581	201,873	1,537,454	1,037,949	158,032	1,195,981
Equity attributable to owners of the parent	3,311,557	508,082	3,819,639	2,830,147	378,963	3,209,110
Non-controlling interest	11,923	630	12,553	11,119	1,095	12,214
Total capital and reserves	3,323,480	508,712	3,832,192	2,841,266	380,058	3,221,324
Liabilities						
Technical provisions	4,233,605	3,460,063	7,693,668	4,244,459	3,221,045	7,465,504
Provisions	111,329	2,958	114,287	104,926	3,089	108,015
Deferred tax liability	47,246	33,652	80,898	23,704	15,342	39,046
Financial liabilities	297,695	4,321	302,016	19,367	381	19,748
Liabilities arising from insurance contracts, other liabilities and deferred income	611,737	91,622	703,359	639,070	92,665	731,735
Current income tax payable	27,872	723	28,595	31,192	640	31,832
Total liabilities	5,329,484	3,593,339	8,922,823	5,062,718	3,333,162	8,395,880
Total capital, reserves and liabilities	8,652,964	4,102,051	12,755,015	7,903,984	3,713,220	11,617,204

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 activities of pension fund management, 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 reportable segments include:

Non-life:

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

Life:

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

4. Premiums

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Gross written premiums	2,738,698	2,778,244	3,304,975	3,323,228
Impairment and collected premium impairment	3,810	14,536	(1,817)	13,523
Gross premiums written	2,742,508	2,792,780	3,303,158	3,336,751
Reinsurance premium in the country	(98)	-	(7,961)	(5,822)
Reinsurance premium abroad	(243,547)	(282,071)	(259,087)	(299,183)
Co-insurance premium in the country	(4,163)	(5,646)	(6,677)	(6,052)
Gross premiums ceded to reinsurance and co-insurance	(247,808)	(287,717)	(273,725)	(311,057)
Written premiums, net of reinsurance and coinsurance	2,494,700	2,505,063	3,029,433	3,025,694
Gross provisions for unearned premiums	3,929	(76,058)	(11,068)	(117,157)
Provisions for unearned premiums, reinsurance share	(13,098)	26,679	(15,711)	25,055
Provisions for unearned premiums, coinsurance share	(12)	311	1	243
Change in provisions for unearned premiums	(9,181)	(49,068)	(26,778)	(91,859)
Earned premiums, net of reinsurance and coinsurance	2,485,519	2,455,995	3,002,655	2,933,835
	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Gross written premiums	517,407	564,731	645,821	686,466
Reinsurance premium abroad	(89)	(68)	(196)	(251)
Premium ceded to reinsurance	(89)	(68)	(196)	(251)
Written premiums, net of reinsurance	517,318	564,663	645,625	686,215
Gross provisions for unearned premiums	(523)	38	(536)	110
Provisions for unearned premiums, reinsurance share	3	-	24	-
Change in provisions for unearned premiums	(520)	38	(512)	110
Earned premiums, net of reinsurance	516,798	564,701	645,113	686,325

4. Premiums (continued)

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Gross written premiums	2,221,291	2,213,513	2,659,154	2,636,762
Impairment and collected premium impairment	3,810	14,536	(1,817)	13,523
Gross premiums written	2,225,101	2,228,049	2,657,337	2,650,285
Reinsurance premium in the country	(98)	-	(7,961)	(5,822)
Reinsurance premium abroad	(243,458)	(282,003)	(258,891)	(298,932)
Co-insurance premium in the country	(4,163)	(5,646)	(6,677)	(6,052)
Premium ceded to reinsurance	(247,719)	(287,649)	(273,529)	(310,806)
Written premiums, net of reinsurance	1,977,382	1,940,400	2,383,808	2,339,479
Gross provisions for unearned premiums	4,452	(76,096)	(10,532)	(117,267)
Provisions for unearned premiums, reinsurance share	(13,101)	26,679	(15,735)	25,055
Provisions for unearned premiums, coinsurance share	(12)	311	1	243
Change in provisions for unearned premiums	(8,661)	(49,106)	(26,266)	(91,969)
Earned premiums, net of reinsurance	1,968,721	1,891,294	2,357,542	2,247,510

5. Commission and fee income

Commission and fee income in the amount of HRK 36,083 thousand (2018: HRK 40,023 thousand) for the Company and HRK 37,545 thousand (2018: HRK 41,466 thousand) for the Group relate to commissions from reinsurance companies under reinsurance contracts.

6. Finance income

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income	215,930	226,080	229,541	235,795
Dividend income	44,953	40,030	25,591	16,914
Gains on investment property	25,299	33,609	106,967	96,776
Foreign exchange gains	23,846	12,695	25,385	15,615
Realised gains from financial assets	60,572	74,038	60,922	74,663
Unrealised gains from financial assets at fair value through profit or loss	3,825	518	4,891	1,044
Unrealised gains on change in fair value of derivative financial instruments	3,976	2,381	3,976	2,381
Reversal of impairment and collection of amounts previously written off - loans	10,662	19,655	10,662	19,856
Collection of amounts previously written off - other	1,496	3,208	1,496	3,209
Other income	16,061	5,108	16,718	6,375
	406,620	417,322	486,149	472,628

6.1. Interest income

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest on held-to-maturity investments	96,813	97,580	102,231	103,246
Interest on available-for-sale financial assets	89,098	88,789	102,031	101,043
Given deposits	7,200	13,369	15,358	20,656
Given loans and other placements	22,819	26,342	9,921	10,175
Interest on financial assets at fair value through profit or loss	-	-	-	675
	215,930	226,080	229,541	235,795

6.2. Gains on investment property

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Rental income	21,254	19,103	84,349	80,027
Income from increase in the value of land and buildings (Note 17)	3,028	1,575	21,601	3,819
Net income from the sale of land and buildings	1,017	12,931	1,017	12,930
	25,299	33,609	106,967	96,776

The table below presents future minimum lease payments from uncancellable operating lease contracts:

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Up to 1 year	13,425	13,103	20,762	20,137
From 1-5 years	18,187	27,935	47,960	56,577
Over 5 years	2,980	3,968	94,373	97,972
	34,592	45,006	163,095	174,686

6.3. Realised gains from financial assets

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Financial assets at fair value through profit or loss	1,050	16	1,155	139
Available-for-sale financial assets	47,471	51,760	47,716	52,262
Derivative financial instruments	12,051	22,262	12,051	22,262
	60,572	74,038	60,922	74,663

6.4. Foreign exchange gains

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	4,899	-	5,305	432
Available-for-sale financial assets	8,430	3,522	9,535	5,780
Financial assets at fair value through profit or loss	58	1	58	189
Deposits	3,423	1,637	3,423	1,639
Borrowings	1,512	1,165	1,538	1,180
Foreign currency accounts	5,476	5,694	5,477	5,699
Derivative financial instruments	47	674	47	674
Other	1	2	2	22
	23,846	12,695	25,385	15,615

7. Other operating income

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Income from liabilities and collected receivables written off	3,594	1,505	3,969	4,588
Income from guarantee fund	351	1,264	351	1,264
Income from penalty interest	5,419	4,167	5,502	4,277
Net recourse income	564	(220)	1,623	5,904
Income from claims incurred abroad	4,929	3,918	5,457	4,322
Income from assessment services	4,802	3,947	4,604	3,850
Income from reversal of long-term provisions	1,300	1,084	2,958	7,313
Gain on sale of tangible assets	119	1,222	17	1,466
Income from estimation of property for own use	11,678	-	11,901	-
Income from collection of the premium claimed	4,415	2,599	4,415	2,599
Other income - insurance	9,522	9,340	18,287	23,688
Income from motor vehicle examination	-	-	75,223	72,145
Revenue from the provision of polyclinic medical services	-	-	17,001	15,160
Income from entry and management fees	-	-	10,629	9,713
Other income – non-insurance	-	-	191	1,497
	46,693	28,826	162,128	157,786

8. Claims incurred, net of reinsurance

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Claims incurred	1,726,491	1,639,226	2,034,428	1,905,882
Reinsurance and coinsurance share in claims incurred	(125,425)	(86,599)	(129,989)	(95,375)
	1,601,066	1,552,627	1,904,439	1,810,507
	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Expenditure for insured events, net	1,461,133	1,456,877	1,703,812	1,671,457
Claims paid	1,503,989	1,438,475	1,721,973	1,645,939
<i>Gross amount</i>	1,618,331	1,548,464	1,844,291	1,762,078
<i>Coinsurance share</i>	(4,618)	(1,222)	(2,777)	252
<i>Reinsurance share</i>	(109,724)	(108,767)	(119,541)	(116,391)
Change in claims provisions, net	(42,856)	18,402	(18,161)	25,518
<i>Gross amount</i>	(31,783)	(5,000)	(10,500)	4,825
<i>Coinsurance share</i>	(1,834)	(1,369)	(1,842)	(550)
<i>Reinsurance share</i>	(9,239)	24,771	(5,819)	21,243
Change in mathematical provision and other technical provisions, net	151,248	762	209,487	42,084
Change in insurance mathematical provisions	156,374	11,319	217,843	47,031
<i>Gross amount</i>	156,384	11,331	217,853	46,960
<i>Reinsurance share</i>	(10)	(12)	(10)	71
Change in other technical provisions, net of reinsurance	(5,126)	(10,557)	(8,356)	(4,947)
Change in special provision for life insurance group where the policyholder bears the investment risk, net	(11,315)	94,988	(8,860)	96,966
Gross amount	1,726,491	1,639,226	2,034,428	1,905,882
Reinsurance and coinsurance share	(125,425)	(86,599)	(129,989)	(95,375)

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	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Expenditure for insured events, net	1,104,584	1,052,615	1,298,881	1,215,676
Claims paid	1,140,206	1,064,428	1,311,674	1,219,772
Gross amount	1,254,548	1,174,417	1,433,992	1,335,911
Coinsurance share	(4,618)	(1,222)	(2,777)	252
Reinsurance share	(109,724)	(108,767)	(119,541)	(116,391)
Change in claims provisions, net	(35,622)	(11,813)	(12,793)	(4,096)
Gross amount	(24,549)	(35,215)	(5,132)	(24,789)
Coinsurance share	(1,834)	(1,369)	(1,842)	(550)
Reinsurance share	(9,239)	24,771	(5,819)	21,243
Change in mathematical provision and other technical provisions, net	(16,468)	(18,758)	(19,698)	(29,342)
Change in insurance mathematical provisions	(11,342)	(8,201)	(11,342)	(20,090)
Gross amount	(11,342)	(8,201)	(11,342)	(20,211)
Reinsurance share	-	-	-	121
Change in other technical provisions, net of reinsurance	(5,126)	(10,557)	(8,356)	(9,252)
Gross amount	(5,126)	(10,557)	(8,356)	(9,252)
Gross amount	1,213,531	1,120,444	1,409,162	1,281,659
Reinsurance and co-insurance share	(125,415)	(86,587)	(129,979)	(95,325)
	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Expenditure for insured events, net	356,549	404,262	404,931	455,781
Claims paid, gross	363,783	374,047	410,299	426,167
Change in claims provisions, gross	(7,234)	30,215	(5,368)	29,614
Change in mathematical provision and other technical provisions, net of reinsurance	167,716	19,520	229,185	71,426
Change in insurance mathematical provisions	167,716	19,520	229,185	67,121
Gross amount	167,726	19,532	229,195	67,171
Reinsurance share	(10)	(12)	(10)	(50)
Change in other technical provisions, net of reinsurance	-	-	-	4,305
Gross amount	-	-	-	4,305
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	(11,315)	94,988	(8,860)	96,966
Gross amount	512,960	518,782	625,266	624,223
Reinsurance share	(10)	(12)	(10)	(50)

Claims paid - gross amount	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Expenses for claims	1,591,275	1,528,134	1,809,171	1,733,828
Staff costs	60,786	55,699	68,473	63,470
Interest expense on claims	15,553	15,312	15,805	15,733
Claims paid	54,567	50,589	58,169	56,730
Collected recourses	(113,781)	(112,744)	(117,256)	(119,157)
Recourse costs	9,931	11,474	9,929	11,474
	1,618,331	1,548,464	1,844,291	1,762,078

9. Acquisition costs

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission	263,989	329,740	296,122	353,195
Other acquisition costs	185,454	186,232	242,427	279,190
Change in deferred acquisition costs	25,293	(76,574)	19,869	(85,926)
NON-LIFE	474,736	439,398	558,418	546,459
Commission	11,400	19,667	31,101	37,216
Other acquisition costs	25,927	27,369	31,229	32,490
LIFE	37,327	47,036	62,330	69,706
Commission	275,389	349,407	327,223	390,411
Other acquisition costs	211,381	213,601	273,656	311,680
Change in deferred acquisition costs (Note 15.1)	25,293	(76,574)	19,869	(85,926)
TOTAL LIFE AND NON-LIFE	512,063	486,434	620,748	616,165

9.1. Commission

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission expenses - agents	7,261	7,589	8,670	13,167
Commission expenses - employees	75,788	68,929	79,438	72,208
Commission for banks, agencies and brokers	192,340	272,889	239,115	305,036
	275,389	349,407	327,223	390,411

9.2. Other acquisition costs

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Marketing costs	31,075	42,115	35,111	52,662
Sales staff costs	170,799	165,823	224,020	230,212
Other direct sales costs	9,507	5,663	14,525	28,806
	211,381	213,601	273,656	311,680

10. Administrative expenses

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation and depreciation of assets	57,935	42,561	78,171	55,803
Salaries, taxes and contributions from and on salaries	143,740	138,997	214,529	208,078
Other administrative expenses	203,930	215,774	298,266	314,116
	405,605	397,332	590,966	577,997

10.1 Amortisation and depreciation

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation (Note 15)	17,294	14,309	19,494	17,196
Depreciation (Note 16)	27,162	28,252	38,742	38,607
Depreciation – right-of-use assets (Note 16)	13,479	-	19,935	-
	57,935	42,561	78,171	55,803

10.2 Salaries, taxes and contributions from and on salaries

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	88,649	81,051	134,952	125,346
Contributions from salaries	21,402	21,706	32,195	32,226
Taxes and surtaxes	16,034	16,839	21,809	23,052
Contributions on salaries	17,655	19,401	25,573	27,454
	143,740	138,997	214,529	208,078

10.3 Other administrative expenses

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Services	116,514	121,513	148,837	159,849
Vacation allowance to employees	595	525	1,549	1,071
Net provision for jubilee awards and termination benefits	5,030	860	7,846	2,278
Other employee benefits in line with collective agreement	5,041	4,543	6,797	5,959
Provisions for unused vacation days	926	19	1,196	836
Other provisions, net	(2,507)	192	1,507	1,445
Provisions for legal disputes, net (Note 26)	2,966	6,215	5,106	8,171
Materials used	2,549	3,714	7,851	10,863
Energy consumed	10,184	10,671	14,444	15,258
Transportation to and from work	3,934	4,412	6,082	6,217
Insurance premiums	12,464	9,954	13,720	10,998
Entertainment	5,199	7,539	7,266	9,765
Commission expenses of credit card companies	9,349	9,289	9,712	9,581
Other contributions and fees	12,772	15,165	23,307	23,943
Daily allowances and transportation expenses	2,660	3,039	3,426	3,859
Bank services	509	511	4,695	4,600
Other various costs and expenditures	15,745	17,613	34,925	39,423
	203,930	215,774	298,266	314,116

11. Other operating expenses

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Guarantee fund fee	4,129	8,462	7,257	12,394
Fee to Croatian Insurance Bureau	1,625	1,578	1,625	1,578
Fire Department fee	5,368	5,321	6,974	6,579
Fee to Croatian Financial Services Supervisory Agency	2,044	1,945	3,288	3,116
Contributions for health insurance from motor liability premium	10,900	10,075	19,530	18,727
Other insurance-technical expenses	8,481	2,794	15,332	9,481
Impairment of property and equipment (Note 16)	5,326	1,830	5,292	1,934
Other impairment	2,502	7,871	2,835	8,033
Other expenses	4,168	536	5,664	1,742
	44,543	40,412	67,797	63,584

12. Finance costs

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reversal of impairment of investments	(60,464)	-	-	-
Impairment of investments	56,238	47,128	30,927	40,275
Impairment of investments, net	(4,226)	47,128	30,927	40,275
Realised losses on investments	17,046	11,411	17,046	13,211
Foreign exchange losses	9,819	58,611	11,991	62,781
Unrealised losses on investments in financial assets at fair value through profit or loss	-	890	95	2,137
Unrealised losses on changes in fair value of derivative financial instruments	5,625	2,729	5,625	2,729
Payment transaction fees	6,189	5,920	6,552	6,312
Interest expense	993	1,125	1,121	1,282
Interest on lease liabilities	9,260	-	10,585	-
Utilities - investments	5,352	4,360	12,573	11,030
Staff costs - investments	6,470	5,642	6,567	5,741
Other investment costs	1,724	2,467	1,759	2,488
	58,252	140,283	104,841	147,986

12.1. Impairment of investments

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries and associates (Note 18.3)	(32,182)	13,612	-	-
Available-for-sale financial assets	6,204	27,223	6,204	27,254
Impairment of loans given	1,922	473	1,925	477
Losses from changes in fair value of property (Note 17)	19,830	5,820	22,798	12,544
	(4,226)	47,128	30,927	40,275

12.2. Realised losses on investments

	Company		Group	
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Realised losses on available-for-sale financial assets	14,537	10,161	14,537	11,962
Realised losses on derivative financial instruments	2,508	1,249	2,508	1,248
Realised losses on investments at fair value through profit or loss	1	1	1	1
	17,046	11,411	17,046	13,211

12.3. Foreign exchange losses

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	1	19,778	503	20,256
Available-for-sale financial assets	-	17,513	1,474	20,820
Financial assets at fair value through profit or loss	21	169	21	414
Deposits	1,020	9,020	1,023	9,020
Loans	1,278	1,585	1,307	1,603
Foreign currency accounts	7,239	9,822	7,273	9,853
Derivative financial instruments	258	717	258	716
Other	2	7	132	99
	9,819	58,611	11,991	62,781

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	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net deferred tax expense (Note 21)	16,279	16,583	12,002	15,885
Current tax expense	43,976	38,077	59,892	50,412
Net income tax expense for the year	60,255	54,660	71,894	66,297

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

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Profit before tax	353,386	325,078	411,633	403,471
Income tax at 18%	63,609	58,514	74,094	72,625
Non-deductible expenses	21,688	19,382	29,948	22,589
Tax incentives and income not subject to tax	(25,042)	(23,236)	(32,148)	(28,917)
Income tax	60,255	54,660	71,894	66,297
Effective tax rate	17.05%	16.81%	17.47%	16.43%

As at 31 December 2019, 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
	2019	Restated 2018
	in HRK'000	in HRK'000
Profit for the year attributable to the Company's shareholders	339,392	337,080
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	806.26	800.77

For the purpose of calculating earnings per share, earnings are calculated as the profit for the period attributable to the Company's shareholders. 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 (2018: 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 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
Additions	-	24,598	2,943	27,541
Transfer to use	-	2,178	(2,178)	-
Disposals or retirements	-	(807)	-	(807)
At 31 December 2019	6,521	153,535	2,409	162,465
Accumulated amortisation				
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
Amortisation charge for 2019	-	17,294	-	17,294
Disposals or retirements	-	(178)	-	(178)
At 31 December 2019	6,521	118,951	-	125,472
Net book amount				
At 31 December 2019	-	34,584	2,409	36,993
At 31 December 2018	-	25,731	1,644	27,375

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Group	in HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
At 31 December 2017	9,563	146,052	860	156,475
Additions	2,356	12,811	2,973	18,140
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
Additions	724	25,671	3,349	29,744
Transfer to use	-	4,409	(4,409)	-
Disposals or retirements	-	(1,007)	-	(1,007)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	88	(1)	87
At 31 December 2019	26,817	174,907	2,409	204,133
Accumulated amortisation				
At 31 December 2017	9,507	109,681	-	119,188
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
Amortisation charge for 2019	825	18,669	-	19,494
Disposals or retirements	-	(312)	-	(312)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	50	-	50
At 31 December 2019	19,884	135,522	-	155,406
Net book amount				
At 31 December 2019	6,933	39,385	2,409	48,727
At 31 December 2018	7,034	28,631	3,470	39,135

15.1. Deferred acquisition costs

	Company	Company	Group	Group
	2019	2018	2019	2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 31 December	251,403	173,912	288,703	203,132
Merger	-	917	-	-
Increase	90,417	155,056	95,947	164,551
Decrease	(115,710)	(78,482)	(115,816)	(78,624)
Foreign exchange differences	-	-	152	(356)
At 31 December	226,110	251,403	268,986	288,703

16. Property and equipment

Company	in HRK'000							
	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Right- of-use assets - Buildings	Right- of-use assets - Other tangible assets	Total
Cost								
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 to 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)	-	-	-	-	(14,492)
At 31 December 2018	67,675	608,494	186,879	18,559	2,349	-	-	883,956
Initial recognition IFRS 16 - 1 January 2019	-	-	-	-	-	247,771	4,240	252,011
Change in fair value (through OCI)	(832)	1,494	-	-	-	-	-	662
Change in fair value (P&L) (Note 7 and Note 11)	493	5,859	-	-	-	-	-	6,352
Additions	-	8,222	5,546	2,603	9,600	10,412	802	37,185
Transfer from assets under construction to use	-	831	100	55	(986)	-	-	-
Transfer to investment property (Note 17)	(8,032)	(82,678)	-	-	-	-	-	(90,710)
Disposals or retirements	(201)	(3,758)	(3,004)	(294)	-	(628)	-	(7,885)
At 31 December 2019	59,103	538,464	189,521	20,923	10,963	257,555	5,042	1,081,571
Accumulated depreciation and impairment								
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
Depreciation charge for 2019	-	13,239	11,842	1,316	-	11,461	2,018	39,876
Depreciation on revaluation effect	-	765	-	-	-	-	-	765
Transfer to investment property (Note 17)	-	(28,845)	-	-	-	-	-	(28,845)
Disposals or retirements	-	(259)	(2,930)	(127)	-	1	-	(3,315)
At 31 December 2019	-	242,315	172,776	11,539	-	11,462	2,018	440,110
Net book amount								
At 31 December 2019	59,103	296,149	16,745	9,384	10,963	246,093	3,024	641,461
At 31 December 2018	67,675	351,079	23,015	8,209	2,349	-	-	452,327

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Group								in HRK'000
	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Right- of-use assets - Buildings	Right- of-use assets - Other tangible assets	Total
Cost								
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
Transfer from assets under construction to use	-	1,459	4,793	525	(6,777)	-	-	-
Transfer to investment property (Note 17)	-	-	-	-	(206)	-	-	(206)
Transfer to 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
Initial recognition IFRS 16 - 1 January 2019	-	-	-	-	-	277,369	5,460	282,829
Change in fair value (through OCI)	5,174	18,588	-	-	-	-	-	23,762
Change in fair value (P&L) (Note 7 and Note 11)	493	6,116	-	-	-	-	-	6,609
Additions	-	8,226	23,356	3,246	9,775	11,336	2,423	58,362
Transfer from assets under construction to use	-	838	613	55	(1,506)	-	-	-
Transfer to investment property (Note 17)	(8,032)	(82,678)	-	-	-	-	-	(90,710)
Foreign exchange differences arising on translation of financial statements of foreign operations	14	274	102	118	-	230	9	747
Disposals or retirements	(197)	(3,710)	(5,540)	(2,558)	-	(614)	-	(12,619)
At 31 December 2019	91,125	746,944	293,259	55,626	11,017	288,321	7,892	1,494,184
Accumulated depreciation and impairment								
At 31 December 2017	-	282,570	222,732	37,016	-	-	-	542,318
Depreciation charge for 2018	-	16,599	16,356	2,878	-	-	-	35,833
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 2019	-	296,776	230,132	38,391	-	-	-	565,299
Depreciation charge for 2018	-	15,218	18,571	2,455	-	17,174	2,761	56,179
Depreciation on revaluation effect	-	2,498	-	-	-	-	-	2,498
Transfer to investment property (Note 17)	-	(28,845)	-	-	-	-	-	(28,845)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	48	74	89	-	33	2	246
Disposals or retirements	-	(259)	(5,638)	(1,388)	-	(535)	-	(7,820)
At 31 December 2019	-	285,436	243,139	39,547	-	16,672	2,763	587,557
Net book amount								
At 31 December 2019	91,125	461,508	50,120	16,079	11,017	271,649	5,129	906,627
At 31 December 2018	93,673	502,514	44,596	16,374	2,748	-	-	659,905

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 312,291 thousand (31 December 2018: HRK 363,647 thousand) for the Company and HRK 404,330 thousand (31 December 2018: HRK 430,737 thousand) for the Group.

17. Investment property

	<u>Company</u>	<u>Group</u>
	in HRK'000	in HRK'000
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 recognised in the income statement (Note 6.2)	1,575	3,819
Decrease in fair value recognised in the income statement (Note 12.1)	(5,820)	(12,544)
Additions	1,017	5,232
Disposals	(77,969)	(77,968)
At 31 December 2018	333,932	821,794
Foreign exchange differences arising on translation of financial statements of foreign operations	-	127
Transfer from property and equipment (Note 16)	61,865	61,865
Increase in fair value recognized in the income statement (Note 6.2)	3,031	21,601
Decrease in fair value recognized in the income statement (Note 12.1)	(19,830)	(22,798)
Additions	4,259	6,782
Disposals	(15,736)	(15,718)
At 31 December 2019	367,521	873,653

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 valuation provided by independent appraisers.

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

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries	464,269	464,269	-	-
Impairment of investments in subsidiaries	(218,846)	(251,028)	-	-
	245,423	213,241	-	-
Investments in joint ventures	28,000	28,000	67,961	70,084
Investments in associates	8,601	8,601	12,542	12,078
Impairment of investments in associates	(2,913)	(2,913)	(2,913)	(2,913)
	5,688	5,688	9,629	9,165
	279,111	246,929	77,590	79,249

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

Activity	Country	31 Dec. 2019		31 Dec. 2018		
		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	5,067	100	5,140
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	-	100	147
CO Zdravlje d.o.o., Zagreb	Consulting and services	Croatia	100	24,164	100	24,164
Milenijum osiguranje a.d., Belgrade	Insurance	Serbia	100	60,665	100	19,405
Croatia osiguranje d.d., Ljubuški	Insurance	Bosnia and Herzegovina	95	18,679	95	34,654
Croatia osiguranje - život a.d., Skopje	Insurance	Macedonia	95	22,272	95	22,271
Croatia osiguranje - neživot a.d., Skopje	Insurance	Macedonia	100	4,266	100	16,352
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	30,000	100	10,798
Razne usluge d.o.o. – currently being wound up, Zagreb	Services	Croatia	100	-	100	-
				245,423		213,241
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
				279,111		246,929

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

Group

Activity	Country	31 Dec. 2019		31 Dec. 2018		
		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	66,652	50.0	68,669
Nacionalni biro za osiguranje Skopje	Insurance	Macedonia	-	1,309	-	1,415
				67,961	70,084	
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	3,941	37.0	3,477
				9,629	9,165	
				77,590	79,249	

Condensed financial information for joint ventures

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

Condensed statement of financial position	31 Dec. 2019	31 Dec. 2019
	in HRK'000	in HRK'000
Financial assets	116,178	90,558
Other assets	24,773	53,040
Total assets	140,951	143,598
Liabilities	7,647	6,260
Capital and reserves	133,304	137,338
Total equity and liabilities	140,951	143,598
Condensed statement of comprehensive income		
Income	70,518	68,458
Expenses	(42,500)	(35,080)
Profit before tax	28,018	33,378
Income tax	(5,052)	(6,007)
Profit for the year	22,966	27,371
Share in profit of joint venture @ 50%	11,483	13,685

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

Condensed financial information	31 Dec. 2019	31 Dec. 2019
	in HRK'000	in HRK'000
Opening balance of net assets at 1 January	137,338	138,567
Profit for the period	22,966	27,371
Dividends	(27,000)	(28,600)
Closing balance of net assets	133,304	137,338
Share in profit of joint venture @ 50%	66,652	68,669
Carrying amount	66,652	68,669

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

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	246,929	315,311	79,249	79,549
Effect of merger - Elimination of carrying amount of investments in subsidiaries (i)	-	(55,000)	-	-
Increase in investments (purchase, establishment or capital increase of companies) (ii)	-	147	-	-
Increase in investments through purchase of non-controlling interest	-	83	-	-
Increase by using the equity method	-	-	(1,553)	(305)
Impairment of investments (iii)	(28,281)	(13,612)	-	-
Reversal of impairment of investments (iii)	60,463	-	-	-
Foreign exchange differences	-	-	(106)	5
At 31 December	279,111	246,929	77,590	79,249

/i/ 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.

CROATIA osiguranje d.d. is the entity that continues to exist after the merger. This transaction represents a business combination under common control as the merging company is a business as defined by IFRS 3, it is controlled by the same party and control is not transitory. No consideration was transferred for this merger, as CROATIA osiguranje d.d. holds the 100% interest in the subsidiary merged in 2018.

The transaction is a business combination under common control and was accounted for using the predecessor carrying 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. 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 subsidiary (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 company 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 acquiree are included only from the date of the merger, i.e. 2 July 2018.

	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

Of the total amount of HRK 31,527 recognised in retained earnings, the amount of HRK 20,554 represents the gain on bargain purchase that was recognised when the subsidiary was acquired in 2017.

/ii/ The Company acquired the 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.

/iii/ 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 15,975 thousand (2018: HRK 3,310 thousand), Croatia osiguranje - neživot a.d., Skopje, by an amount of HRK 12,086 thousand (2018: HRK 9,753 thousand), Histrina Construct by an amount of HRK 74 thousand (2018: HRK 550 thousand) and AK polica d.o.o. by an amount of HRK 147 thousand, while as a result of the fair value estimation, the investments in the following subsidiaries were increased, i.e. the impairment of the share in these companies was reversed: Croatia osiguranje, mirovinsko društvo d.o.o. in the amount of HRK 19,203 thousand and Milenijum osiguranje a.d. in the amount of HRK 41,261 thousand (Note 12.1). An impairment or impairment reversal is determined by calculating the recoverable amount of cash flows of an individual subsidiary as a cash-generating unit.

Also, in 2018, Poliklinika Ars Medica was merged with Poliklinika CROATIA zdravstveno osiguranje.

19. Financial assets

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	2,172,387	2,041,648	2,315,261	2,205,171
Available-for-sale financial assets	4,446,779	3,697,159	4,912,345	4,026,673
Financial assets at fair value through profit or loss - for trading	493,577	605,043	518,625	641,039
Loans and receivables	1,205,330	991,972	1,352,160	1,066,165
	8,318,073	7,335,822	9,098,391	7,939,048

19.1. Overview of investments

The Company's investment structure as at 31 December 2019 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	-	520,596	17,071	-	537,667
Shares, not listed	-	1,984	-	-	1,984
	-	522,580	17,071	-	539,651
Debt securities					
Government bonds	2,128,493	3,751,669	-	-	5,880,162
Domestic corporate bonds	43,894	85,738	-	-	129,632
	2,172,387	3,837,407	-	-	6,009,794
Derivative financial instruments					
Foreign currency forward contracts	-	-	3,670	-	3,670
	-	-	3,670	-	3,670
Investment funds					
Open-ended investment funds	-	86,792	27,510	-	114,302
Open-ended investment funds - assets for coverage of unit-linked products	-	-	445,326	-	445,326
	-	86,792	472,836	-	559,628
Loans and receivables					
Deposits with credit institutions	-	-	-	686,296	686,296
Loans	-	-	-	519,034	519,034
	-	-	-	1,205,330	1,205,330
	2,172,387	4,446,779	493,577	1,205,330	8,318,073

19.1. Overview of investments (continued)

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	-	378,601	13,868	-	392,469
Shares, not listed	-	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 Group's investment structure as at 31 December 2019 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	-	521,139	17,071	-	538,210
Shares, not listed	-	2,041	-	-	2,041
	-	523,180	17,071	-	540,251
Debt securities					
Government bonds	2,263,706	4,216,636	-	-	6,480,342
Domestic corporate bonds	51,555	85,737	-	-	137,292
	2,315,261	4,302,373	-	-	6,617,634
Derivative financial instruments					
Foreign currency forward contracts	-	-	3,670	-	3,670
	-	-	3,670	-	3,670
Investment funds					
Open-ended investment funds	-	86,792	46,947	-	133,739
Open-ended investment funds - assets for coverage of unit-linked products	-	-	450,937	-	450,937
	-	86,792	497,884	-	584,676
Loans and receivables					
Deposits with credit institutions	-	-	-	1,081,008	1,081,008
Loans	-	-	-	271,152	271,152
	-	-	-	1,352,160	1,352,160
	2,315,261	4,912,345	518,625	1,352,160	9,098,391

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	-	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
	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

19.2. Financial investments exposed to credit risk

Company	31 Dec. 2019					31 Dec. 2018				
	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	2,172,387	-	7,500	(7,500)	2,172,387	2,041,648	-	18,125	(18,125)	2,041,648
Available-for-sale debt securities	3,837,407	-	4,771	(4,771)	3,837,407	3,276,752	-	-	-	3,276,752
Deposits	686,296	-	-	-	686,296	445,849	-	-	-	445,849
Loans	487,700	31,334	153,764	(153,764)	519,034	375,624	170,499	170,169	(170,169)	546,123
	7,183,790	31,334	166,035	(166,035)	7,215,124	6,139,873	170,499	188,294	(188,294)	6,310,372

Group	31 Dec. 2019					31 Dec. 2018				
	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	2,315,261	-	7,500	(7,500)	2,315,261	2,205,171	-	18,125	(18,125)	2,205,171
Available-for-sale debt securities	4,302,373	-	4,771	(4,771)	4,302,373	3,605,541	-	-	-	3,605,541
Debt securities at fair value through profit or loss	-	-	-	-	-	11,304	-	-	-	11,304
Deposits	1,081,008	-	-	-	1,081,008	798,188	-	-	-	798,188
Loans	238,902	32,250	154,051	(154,051)	271,152	97,399	170,578	170,456	(170,456)	267,977
	7,937,544	32,250	166,322	(166,322)	7,969,794	6,717,603	170,578	188,581	(188,581)	6,888,181

19.3. Held-to-maturity investments

	Company	Company	Group	Group
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Movement in impairment losses				
At 1 January	18,125	58,425	18,125	58,425
Decrease	(10,625)	(40,300)	(10,625)	(40,300)
At 31 December	7,500	18,125	7,500	18,125

19.4. Loans

	Company	Company	Group	Group
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
The maturity dates of granted loans are presented as follows:				
Up to 1 year	84,302	234,351	59,985	204,205
From 1 to 5 years	206,850	143,948	128,205	53,017
More than 5 years	227,882	167,824	82,962	10,755
	519,034	546,123	271,152	267,977

Analysis of due not impaired loan receivables is as follows:

	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
31 December 2018	2,347	421	167,731	170,499	1,675	1,172	167,731	170,578
31 December 2019	1,217	333	29,784	31,334	1,281	1,185	29,784	32,250

Movement in impairment of loans:

	Company	Company	Group	Group
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	170,169	261,265	170,456	261,643
Increase	6,487	474	6,487	476
Write-off	-	(15,960)	-	(15,960)
Transfer to off-balance	(12,230)	(55,955)	(12,231)	(55,955)
Decrease	(10,662)	(19,655)	(10,662)	(19,744)
Foreign exchange differences	-	-	1	(4)
At 31 December	153,764	170,169	154,051	170,456

The structure of loans by type of collateral:

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Collateralised loans:				
- vinculated life insurance policies	21,211	22,662	28,799	29,669
- mortgages and real estate fiduciaries	629,953	682,715	380,528	404,140
- other collaterals	21,634	10,915	15,876	4,624
	672,798	716,292	425,203	438,433
Value adjustment	(153,764)	(170,169)	(154,051)	(170,456)
Total	519,034	546,123	271,152	267,977

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 2019						
Loans given based on life insurance policies	21,211	21,211	-	-	21,211	21,211
Loans given to legal entities	179,080	763,206	6,487	-	185,567	763,206
Loans given to related parties	306,302	828,626	5,954	-	312,256	828,626
	506,593	1,613,043	12,441	-	519,034	1,613,043
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	896,486	-	-	171,059	896,486
Loans given to related parties	346,468	836,066	5,934	-	352,402	836,066
	540,189	1,755,214	5,934	-	546,123	1,755,214

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 2019						
Loans given based on life insurance policies	28,515	32,011	-	-	28,515	32,011
Loans given to legal entities	180,201	767,808	6,487	-	186,688	767,808
Loans given to related parties	55,949	192,420	-	-	55,949	192,420
	264,665	992,239	6,487	-	271,152	992,239
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	900,746	-	-	172,073	900,746
Loans given to related parties	66,522	192,420	-	-	66,522	192,420
	267,977	1,126,390	-	-	267,977	1,126,390

19.5. Derivative financial instruments

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

	31 Dec. 2019			31 Dec. 2018		
	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	1,690,544	3,670	(5,625)	1,634,919	2,381	(2,729)
Group						
Foreign currency forward contracts	1,690,544	3,670	(5,625)	1,634,919	2,381	(2,729)

20. Reinsurance share in technical provisions

	Company		Company		Group		Group	
	31 Dec. 2019		31 Dec. 2018		31 Dec. 2019		31 Dec. 2018	
	in HRK'000		in HRK'000		in HRK'000		in HRK'000	
Reinsurance share in unearned premium reserve	42,189	55,299	48,384	64,036				
Reinsurance share in reported but not settled claims reserve	160,664	147,180	167,179	157,164				
Reinsurance share in mathematical provisions	22	12	22	12				
Reinsurance share in provisions for incurred, but not reported claims (IBNR)	10,658	13,068	10,794	13,168				
	213,533	215,559	226,379	234,380				

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 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
Utilised deferred tax assets through profit or loss	(6,774)	(1,646)	(748)	(2,019)	(6,114)	(6,308)	-	(23,609)
Deferred tax assets recognised in profit or loss	-	4,994	1,118	-	281	-	844	7,237
At 31 December 2019	674	6,102	18,435	-	14,693	27,774	844	68,522

in HRK'000

(ii) Movements in deferred tax liabilities:

	Property for own use	Financial assets available for sale	Total
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
Utilisation through profit of loss	-	(92)	(92)
Utilisation through equity	(159)	-	(159)
Change in fair value of available-for-sale financial assets through other comprehensive income	-	53,437	53,437
Change in fair value (impairment) of property through other comprehensive income	119	-	119
At 31 December 2019	11,079	102,560	113,639

(iii) Netting deferred taxes:

	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000
Balance of deferred tax assets	68,522	84,894
Balance of deferred tax liabilities	(113,639)	(60,334)
Net deferred tax (liability)/assets at 31 December	(45,117)	24,560

21, Deferred tax assets (continued)

(i) Movements in deferred tax assets:

Group	in HRK'000						TOTAL
	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	
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
Reclassifications	-	-	-	-	-	(132)	(132)
Foreign exchange differences arising on translation of financial statements of foreign operations	1	(2)	(1)	1	-	4	3
Utilised deferred tax assets through profit or loss	(1,646)	(748)	(2,019)	(6,114)	(6,308)	(42)	(16,877)
Deferred tax assets recognised in profit or loss	4,994	1,117	-	281	(115)	1,188	7,465
At 31 December 2019	6,399	18,977	124	14,766	27,815	1,995	70,076

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 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 other comprehensive income	(420)	-	-	-	(420)
Change in fair value of available-for-sale investments through other comprehensive income	-	-	(9,942)	-	(9,942)
Impairment of property for own use recognised in profit or loss	-	(676)	-	-	(676)
Impairment of property for own use recognised through other comprehensive income	(467)	-	-	-	(467)
Foreign exchange differences	-	-	3	(830)	(827)
At 31 December 2018	20,994	11,784	51,252	3,172	87,202
Utilisation through profit or loss	-	1,545	(94)	-	1,451
Utilisation through other comprehensive income	(367)	-	-	-	(367)
Change in fair value of available-for-sale investments through other comprehensive income	-	-	53,949	-	53,949
Impairment of property for own use recognised in profit or loss	-	2,832	-	-	2,832
Impairment of property for own use recognised through other comprehensive income	4,153	-	-	-	4,153
Foreign exchange differences	-	-	14	-	14
At 31 December 2019	24,780	16,161	105,121	3,172	149,234

(iii) Netting deferred taxes:

	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000
Total deferred tax assets	70,076	79,617
Netting deferred taxes (i)	(68,336)	(60,747)
Net movement in deferred tax assets	1,740	18,870
Total deferred tax liabilities	149,234	87,202
Netting deferred taxes (i)	(68,336)	(60,747)
Net movement in deferred tax liabilities	80,898	26,455

(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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from policyholders, net	464,919	472,001	502,591	510,329
Receivables from reinsurance and coinsurance	46,717	34,685	47,250	35,925
Receivables from other insurance business, net	199,852	224,616	202,998	231,682
Receivables for return on investments, net	1,260	6,277	847	4,169
Other receivables, net	134,747	134,066	185,864	179,333
	847,495	871,645	939,550	961,438
Prepaid expenses	13,197	9,662	18,424	13,742
Other assets	329	393	8,233	7,940
	861,021	881,700	966,207	983,120

22.1. Receivables from policyholders

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Written but not invoiced premium	178,147	194,814	222,260	239,357
Invoiced uncollected premium	467,987	487,273	489,474	504,150
Receivables from policyholders, gross	646,134	682,087	711,734	743,507
Impairment	(181,215)	(210,086)	(209,143)	(233,178)
Receivables from policyholders, net	464,919	472,001	502,591	510,329

22.2. Receivables from reinsurance and coinsurance

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from reinsurance provision	106	255	106	255
Receivables from reinsurance claims	41,354	26,712	41,887	27,952
Receivables from coinsurance claims	5,257	7,718	5,257	7,718
	46,717	34,685	47,250	35,925

22.3. Receivables from other insurance business

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Recourse receivables	256,049	285,521	270,241	297,642
Impairment	(64,291)	(70,906)	(77,776)	(77,387)
Net receivables	191,758	214,615	192,465	220,255
Receivables for foreign claims	7,422	10,692	9,194	11,554
Impairment	(2,268)	(2,743)	(2,268)	(2,743)
Net receivables	5,154	7,949	6,926	8,811
Other receivables	2,940	2,052	3,607	2,616
Receivables from other insurance business, gross	266,411	298,265	283,042	311,812
Impairment	(66,559)	(73,649)	(80,044)	(80,130)
Receivables from other insurance business, net	199,852	224,616	202,998	231,682

22.4. Receivables for returns on investments

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for regular interest on given loans	16,400	21,091	15,919	18,954
Receivables for regular interest on deposits	4,888	4,871	4,961	4,905
Receivables for default interest	-	2,224	-	2,224
Receivables for returns on investments, gross	21,288	28,186	20,880	26,083
Impairment	(20,028)	(21,909)	(20,033)	(21,914)
Receivables for returns on investments, net	1,260	6,277	847	4,169

22.5. Other receivables

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for sold tangible assets	90,766	92,569	90,770	92,583
Receivables for advances given	5,098	6,125	6,936	8,228
Trade receivables	6,381	3,937	27,602	23,078
Receivables from the state and state institutions	1,731	4,490	16,339	17,856
Receivables from credit card companies	5,827	7,920	6,765	9,110
Receivables obtained through cession	4,460	4,460	4,466	4,460
Receivables under court decisions	289	327	289	327
Receivables from employees	1,343	1,358	2,333	2,350
Receivables from agents	1,831	3,210	1,831	3,210
Receivables for funds on blocked accounts	25,373	25,373	25,373	25,373
Receivables for default interest	5,218	3,474	5,218	3,473
Other receivables	36,605	36,148	55,732	51,491
Other receivables, gross	184,922	189,391	243,654	241,539
Impairment	(50,175)	(55,325)	(57,790)	(62,206)
Other receivables, net	134,747	134,066	185,864	179,333

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 reinsurance business	returns on investments	Recourse receivables	Receivables for foreign claims	Other receivables		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Neither past due nor impaired	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
Impaired	210,086	1,568	21,909	70,906	2,743	-	55,325	362,537
Impairment	(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
Neither past due nor impaired	328,973	42,773	510	191,743	4,217	2,935	120,975	692,126
Past due but not impaired	135,946	3,944	750	15	937	5	13,772	155,369
Impaired	181,215	827	20,028	64,292	2,267	-	50,177	318,806
Impairment	(181,215)	(827)	(20,028)	(64,292)	(2,267)	-	(50,177)	(318,806)
31 December 2019	464,919	46,717	1,260	191,758	5,154	2,940	134,747	847,495

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	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
Impaired	233,179	1,567	21,914	77,387	2,743	-	62,205	398,995
Impairment	(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
Neither past due nor impaired	351,832	42,796	510	191,958	4,305	2,935	150,309	744,645
Past due but not impaired	150,759	4,454	337	507	2,621	672	35,555	194,905
Impaired	209,142	827	20,032	77,775	2,268	-	57,792	367,836
Impairment	(209,142)	(827)	(20,032)	(77,775)	(2,268)	-	(57,792)	(367,836)
31 December 2019	502,591	47,250	847	192,465	6,926	3,607	185,864	939,550

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

Company	Insurance receivables	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		
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
High quality	-	-	-	-	-	-	-	-
Standard quality	328,973	42,773	510	191,743	4,217	2,935	120,975	692,126
31 December 2019	328,973	42,773	510	191,743	4,217	2,935	120,975	692,126

Group	Insurance receivables	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		
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	-	-	-	-	-	-	425	425
Standard quality	351,832	42,796	510	191,958	4,305	2,935	149,884	744,220
31 December 2019	351,832	42,796	510	191,958	4,305	2,935	150,309	744,645

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	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
Receivables from insurance business	97,643	38,303	-	135,946	109,620	39,903	1,236	150,759
Receivables from coinsurance and reinsurance business	2,081	1,632	231	3,944	2,538	1,632	284	4,454
Receivables for returns on investments	727	23	-	750	314	23	-	337
Receivables from other insurance business:	572	372	13	957	2,610	1,176	14	3,800
recourse receivables	-	2	13	15	354	139	14	507
receivables for foreign claims	569	368	-	937	2,253	368	-	2,621
other receivables	3	2	-	5	3	669	-	672
Other receivables	9,213	2,645	1,914	13,772	28,967	3,873	2,715	35,555
31 December 2019	110,236	42,975	2,158	155,369	144,049	46,607	4,249	194,905

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 1 January 2018	261,466	266	28,759	81,053	381	50,309	422,234
Effect of merger	333	-	-	-	-	-	333
Increase of 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
Other transfers	-	-	-	-	-	(4,678)	(4,678)
Increase of impairment	114,393	1,036	1,090	2,044	1,245	878	120,686
Collection of previously impaired amounts	(115,771)	(1,701)	(2,388)	(7,527)	(1,721)	(504)	(129,612)
Write-offs	(27,493)	(77)	(583)	(1,130)	-	(844)	(30,127)
At 31 December 2019	181,215	827	20,028	64,292	2,267	50,177	318,806

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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 1 January 2018	284,799	266	28,765	86,761	381	-	57,692	458,664
Increase of 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
Other transfers	-	-	-	-	-	-	(4,678)	(4,678)
Increase of impairment	122,216	1,036	1,091	9,007	1,245	-	2,163	136,758
Collection of previously impaired amounts	(117,951)	(1,699)	(2,389)	(7,544)	(1,719)	-	(826)	(132,128)
Write-offs	(28,429)	(77)	(584)	(1,156)	-	-	(1,087)	(31,333)
Foreign exchange differences	127	-	-	81	-	-	14	222
At 31 December 2019	209,142	827	20,032	77,775	2,268	-	57,792	367,836

23. Cash and cash equivalents

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash on bank accounts	100,620	194,406	143,521	245,213
Cash on foreign currency accounts	24,700	161,226	70,917	195,225
Cash on hand	-	-	581	561
Deposits with maturity up to three months	-	14,082	2,348	15,718
Total cash and cash equivalents	125,320	369,714	217,367	456,717

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 2018: 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 (in HRK):
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 ORDINARY SHARES	589,325,800
8,750 preference shares I, emission with ticker CROS-P-A/CROS2	12,250,000
TOTAL PREFERENCE SHARES	12,250,000
TOTAL 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 2019 and 31 December 2018 was as follows:

Shareholder	31 Dec. 2019			31 Dec. 2018		
	Number of shares	Nominal amount in HRK'000	Equity share %	Number of shares	Nominal amount in HRK'000	Equity share %
ADRIS grupa d.d.	263,419	368,787	61.3	263,419	368,787	61.3
CERP/ Republic of Croatia	128,787	180,302	30.0	128,787	180,302	30.0
Raiffeisenbank Austria d.d. - custodian account	19,456	27,238	4.5	19,456	27,238	4.5
Interkapital vrijednosni papiri d.o.o./summary ac.	3,113	4,358	0.7	2,787	3,902	0.6
HPB d.d./Republika Hrvatska- basic and summary ac.	2,941	4,117	0.7	2,846	3,984	0.7
Other shareholders	11,981	16,774	2.8	12,402	17,363	2.9
	429,697	601,576	100.0	429,697	601,576	100.0

As at 31 December 2019, percentage of ownership of ADRIS grupa d.d. consists of the own share of 61.3% increased by the shares on its custodian accounts of 5.1%, while percentage of ownership of CERP consists of the own share of 30% increased by the shares on its custodian accounts of 0.6%.

24.2. Reserves

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000		in HRK'000	
Legal reserves	30,079	30,079	30,079	30,079
Statutory reserves	147,220	147,220	147,220	147,220
Other reserves	224,739	224,739	224,739	224,739
	402,038	402,038	402,038	402,038

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		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	61,549	61,768	144,567	122,879
Deferred tax from change in revaluation reserve of property for own use	(11,079)	(11,118)	(24,779)	(20,993)
Available-for-sale financial assets	568,557	271,683	604,522	300,559
Deferred tax from change in revaluation reserve of available-for-sale financial assets	(102,340)	(48,903)	(105,709)	(51,759)
Foreign exchange differences arising on translation of financial statements of foreign operations	(31)	(1)	(9,263)	(10,404)
	516,656	273,429	609,338	340,282

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

	Company	Group
	in HRK'000	in HRK'000
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)
31 December 2018	50,650	101,886
Reclassification	-	-
Increase in revaluation reserve	543	19,609
Decrease in revaluation reserve	-	-
Release of revaluation reserve, realised portion (depreciation)	(627)	(1,611)
Release of revaluation reserve, realised portion (sale)	(96)	(96)
Effect of merger	-	-
31 December 2019	50,470	119,788

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

	Company	Group
	in HRK'000	in HRK'000
31 December 2017	280,478	275,443
Changes in fair value of available-for-sale financial assets	(47,139)	(23,026)
Impairment of financial assets, net of tax	22,321	22,319
Realised gains on available-for-sale financial assets, net of tax (through profit)	(34,111)	(34,112)
Effect of merger	1,231	-
Foreign exchange differences	(1)	(2,228)
31 December 2018	222,779	238,396
Changes in fair value of available-for-sale financial assets	264,867	271,444
Impairment of financial assets, net of tax	5,576	5,820
Realised gains of available-for-sale financial assets, net of tax (through profit)	(27,006)	(27,250)
Foreign exchange differences	(30)	1,141
31 December 2019	466,186	489,551

25. Technical provisions

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Claims provisions, gross</i>				
Provisions for reported but not settled claims	1,577,212	1,544,693	1,665,698	1,620,899
Provisions for incurred, but not reported claims (IBNR)	883,516	945,341	997,701	1,048,771
Provisions for costs of claims handling	133,772	137,415	146,437	150,525
	2,594,500	2,627,449	2,809,836	2,820,195
Unearned premiums, gross	1,135,436	1,139,365	1,435,319	1,422,650
Mathematical insurance provisions, gross	2,523,589	2,367,205	2,955,121	2,731,290
Other insurance-technical provisions, gross	31,577	35,537	42,455	53,396
Technical provisions for life insurance where the policyholder bears the investment risk	445,326	434,791	450,937	437,973
Total technical provisions	6,730,428	6,604,347	7,693,668	7,465,504

Other insurance-technical provisions include unexpired risk reserves.

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

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	64,287	35,145	66,271	37,792
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	14	(34)
Claims incurred in the current year	33,170	47,512	39,222	51,131
Transfer from provisions for incurred, but not reported claims	114	120	114	120
Change in claims from the previous year	(26,886)	(6,973)	(27,185)	(7,221)
Settled claims	(13,030)	(11,517)	(16,966)	(15,517)
At 31 December	57,655	64,287	61,470	66,271
NON-LIFE				
At 1 January	1,480,406	1,494,936	1,554,628	1,565,119
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	483	(801)
Claims incurred in the current year	274,782	260,925	301,576	286,334
Transfer from provisions for incurred, but not reported claims	111,378	87,138	122,749	97,306
Change in claims from the previous year	(27,586)	(45,627)	(7,607)	(29,039)
Settled claims	(319,423)	(319,652)	(367,601)	(364,291)
Effect of merger	-	2,686	-	-
At 31 December	1,519,557	1,480,406	1,604,228	1,554,628
TOTAL LIFE AND NON-LIFE				
At 31 December	1,577,212	1,544,693	1,665,698	1,620,899

25.2. Movements in provision for incurred but not reported claims

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	1,859	1,945	2,176	2,257
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	1	(4)
Increases recognised during the year	982	975	1,021	985
Transfer to provisions for reported claims	(114)	(120)	(114)	(120)
Settled claims	(1,180)	(941)	(1,180)	(942)
At 31 December	1,547	1,859	1,904	2,176
NON-LIFE				
At 1 January	943,482	955,287	1,046,595	1,061,519
Foreign exchange differences	-	-	772	(1,229)
Increases recognised during the year	177,420	205,776	230,540	247,222
Transfer to provisions for reported claims	(111,378)	(87,138)	(122,749)	(97,306)
Settled claims	(127,555)	(135,449)	(159,361)	(163,611)
Effect of merger	-	5,006	-	-
At 31 December	881,969	943,482	995,797	1,046,595
TOTAL LIFE AND NON-LIFE				
At 31 December	883,516	945,341	997,701	1,048,771

25.3. Movements in provisions for unearned premiums

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	4,346	4,384	5,369	5,494
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	4	(15)
Written premiums during the year	517,408	564,731	645,821	686,466
Earned premiums during the year	(516,884)	(564,769)	(645,285)	(686,576)
At 31 December	4,870	4,346	5,909	5,369
NON-LIFE				
At 1 January	1,135,019	1,055,177	1,417,281	1,303,066
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	1,597	(3,133)
Written premiums during the year	2,221,291	2,213,513	2,659,154	2,642,219
Earned premiums during the year	(2,225,744)	(2,137,417)	(2,648,622)	(2,524,871)
Effect of merger	-	3,746	-	-
At 31 December	1,130,566	1,135,019	1,429,410	1,417,281
TOTAL LIFE AND NON-LIFE				
At 31 December	1,135,436	1,139,365	1,435,319	1,422,650

25.4. Movements in mathematical insurance provisions, gross

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	2,367,205	2,318,423	2,731,290	2,687,801
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	1,674	(4,055)
Allocated premium	454,645	306,197	537,217	385,747
Reversal of liabilities due to benefits paid, surrenders and other terminations	(360,979)	(370,057)	(377,338)	(403,753)
Capitalised technical interest	62,144	67,277	62,144	58,288
Change in discretionary bonus	(20,539)	7,914	(20,979)	7,262
Effect of acquisition (Note 18.3. /iii/)	-	37,451	-	-
Change of liabilities based on the Liability Adequacy Test (LAT)	21,113	-	21,113	-
At 31 December	2,523,589	2,367,205	2,955,121	2,731,290

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

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	434,791	335,664	437,973	336,901
Foreign exchange differences	-	-	28	(14)
Allocated premium	6	105,389	2,407	107,348
Reversal of liabilities due to benefits paid, surrenders and other terminations	(11,320)	(10,401)	(11,320)	(10,401)
Unrealised gains on assets in which the policyholders' funds are invested	21,849	4,139	21,849	4,139
At 31 December	445,326	434,791	450,937	437,973

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

Company

	in HRK'000								Total
	Before 2013	2013	2014	2015	2016	2017	2018	2019	
Assessment of cumulative claims at the end of the year of the accident	-	1,406,818	1,244,991	1,192,854	1,148,645	1,229,855	1,288,855	1,369,563	-
One year later	-	1,351,615	1,216,132	1,134,791	1,101,945	1,183,797	1,236,615	-	-
Two years later	-	1,338,872	1,191,619	1,123,941	1,083,401	1,159,530	-	-	-
Three years later	-	1,330,694	1,192,149	1,119,131	1,077,326	-	-	-	-
Four years later	-	1,327,336	1,182,435	1,114,181	-	-	-	-	-
Five years later	-	1,318,786	1,174,729	-	-	-	-	-	-
Six years later	-	1,319,201	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	-	1,319,201	1,174,729	1,114,181	1,077,326	1,159,530	1,236,614	1,369,563	8,451,144
Cumulative payments	-	1,223,838	1,091,263	982,910	955,665	1,012,370	1,028,081	835,622	7,129,749
Provision for previous years	1,080,131	-	-	-	-	-	-	-	1,080,131
Claims handling costs	54,367	5,200	4,899	7,007	6,932	8,606	12,606	31,725	131,342
Amount recognised in the statement of financial position	1,134,498	100,563	88,365	138,278	128,593	155,766	221,139	565,666	2,532,868

Group

	in HRK'000								Total
	Before 2013	2013	2014	2015	2016	2017	2018	2019	
Assessment of cumulative claims at the end of the year of the accident	21,888	1,512,032	1,345,945	1,291,546	1,242,748	1,327,158	1,407,946	1,510,796	-
One year later	8,532	1,393,198	1,251,908	1,173,077	1,143,939	1,236,680	1,291,776	-	-
Two years later	5,871	1,357,548	1,213,603	1,145,506	1,105,043	1,183,497	-	-	-
Three years later	6,483	1,344,738	1,206,850	1,135,917	1,093,938	-	-	-	-
Four years later	3,975	1,336,104	1,194,428	1,128,405	-	-	-	-	-
Five years later	4,633	1,325,299	1,183,225	-	-	-	-	-	-
Six years later	19,256	1,323,854	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	25,539	1,323,854	1,183,225	1,128,405	1,093,938	1,183,497	1,291,776	1,510,822	8,741,056
Cumulative payments	1,236	1,224,094	1,092,140	984,265	957,682	1,016,765	1,052,161	892,818	7,221,161
Provision for previous years	1,080,130	-	-	-	-	-	-	-	1,080,130
Claims handling costs	55,791	5,509	5,328	7,747	7,773	9,701	14,488	37,641	143,978
Amount recognised in the statement of financial position	1,160,224	105,269	96,413	151,887	144,029	176,433	254,103	655,645	2,744,003

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	
2019					
Unearned premiums, gross	1,001,786	112,239	18,826	2,585	1,135,436
Mathematical insurance provisions, gross	387,222	1,150,841	525,028	460,498	2,523,589
Claims provisions, gross	921,010	654,001	377,299	642,190	2,594,500
Other insurance-technical provisions, gross	31,233	342	1	1	31,577
Technical provisions for life insurance where the policyholder bears the investment risk	32,642	412,545	42	97	445,326
	2,373,893	2,329,968	921,196	1,105,371	6,730,428
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

Group	in HRK'000				Total
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	
2019					
Unearned premiums, gross	1,188,682	199,338	44,714	2,585	1,435,319
Mathematical insurance provisions, gross	419,171	1,254,371	667,476	614,103	2,955,121
Claims provisions, gross	1,022,040	726,867	401,235	659,694	2,809,836
Other insurance-technical provisions, gross	42,111	342	1	1	42,455
Technical provisions for life insurance where the policyholder bears the investment risk	32,642	417,116	191	988	450,937
	2,704,646	2,598,034	1,113,617	1,277,371	7,693,668
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

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
	2019	2019	2019	2018	2018	2018
Accident insurance	26.23%	42.59%	68.82%	27.85%	37.73%	65.58%
Health insurance	55.77%	35.88%	91.66%	56.57%	39.81%	96.39%
Road vehicle insurance	73.54%	29.53%	103.06%	78.40%	32.49%	110.90%
Railroad rolling stock insurance	39.06%	78.72%	117.78%	21.22%	35.35%	56.57%
Aircraft insurance	-64.98%	37.74%	-27.25%	157.29%	26.44%	183.73%
Vessel insurance	52.15%	41.44%	93.59%	57.11%	35.79%	92.90%
Insurance for goods in transit	20.17%	36.73%	56.91%	51.14%	33.42%	84.56%
Insurance against fire and natural disasters	45.92%	42.66%	88.58%	38.59%	40.75%	79.34%
Other types of property insurance	80.38%	36.47%	116.85%	60.01%	32.37%	92.38%
Motor liability insurance	55.52%	35.34%	90.86%	53.14%	36.85%	89.99%
Aircraft liability insurance	3.10%	31.22%	34.32%	9.79%	31.51%	41.30%
Vessel liability insurance	-72.01%	48.63%	-23.38%	3.87%	26.86%	30.73%
Other types of liability insurance	68.11%	37.69%	105.80%	66.22%	28.52%	94.74%
Loan insurance/credit insurance	-91.10%	82.86%	-8.24%	-63.60%	75.97%	12.37%
Surety insurance	15.50%	23.37%	38.87%	29.60%	27.48%	57.08%
Miscellaneous financial loss insurance	16.20%	30.52%	46.72%	48.96%	27.96%	76.92%
Legal expenses insurance	17.32%	19.66%	36.97%	16.49%	0.00%	16.49%
Travel insurance	34.72%	43.90%	78.62%	37.45%	45.70%	83.15%
Total non-life insurance	54.10%	37.72%	91.82%	51.86%	37.03%	88.89%

The above ratios are calculated in accordance with the Ordinance on the structure and contents of financial and additional statements of insurance and reinsurance companies (Official Gazette No. 37/16, 96/18 and 50/19) 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

In the case of death and survival, policyholders are entitled to a share in the Company's profit realised by life insurance funds management. For policies concluded after 31 December 2017, cost and mortality are the only possible sources of profit. 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%).
- 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),
- for insurance contracts concluded after 1 January 2018, the interest rate used was 1%-0%, and interest rate of 1.20% was used for insurance contracts with a contractual duration of 5 years (the maximum rate prescribed by HANFA is 1%, and 1,75% for insurance contracts with a contractual duration of 5 years).

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

The following table shows the movements in the annual return realised from investment of assets covering mathematical provisions for 2019 and 2018:

	2019	Restated 2018
	in HRK'000	in HRK'000
Average balance of mathematical provisions	2,417,608	2,343,329
Return on investments from mathematical provisions	116,564	115,902
Rate of annual return on mathematical provisions	4.82%	4.95%
Average return on mathematical provisions for the past 2 years	4.88%	5.37%

26. Provisions

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Provisions for termination benefits	16,740	17,568	16,740	17,568
Provisions for jubilee awards and termination benefits (retirement) /i/	33,016	31,302	40,339	38,519
Provisions for legal disputes	52,961	49,994	55,325	51,928
Other long-term provisions	-	-	1,883	-
	102,717	98,864	114,287	108,015

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	Other long-term provisions	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2018	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)	-	(7,960)	-	(16,519)
Decrease in provisions (reversal)	-	(177)	(4,157)	-	(4,334)
At 31 December 2018	49,994	31,302	17,568	-	98,864
Additional provisions	11,768	1,714	13,018	-	26,500
Decrease in provisions (utilisation)	(8,801)	-	(13,846)	-	(22,647)
At 31 December 2019	52,961	33,016	16,740	-	102,717

Group	Provisions for legal disputes	Provisions for jubilee awards and termination benefits (retirement)	Provisions for termination benefits	Other long-term provisions	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2018	48,009	38,741	27,232	-	113,982
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
Foreign exchange differences	7	9	-	7	23
Additional provisions	13,907	3,893	13,018	1,876	32,694
Decrease in provisions (utilisation)	(10,517)	(604)	(13,846)	-	(24,967)
Decrease in provisions (reversal)	-	(1,478)	-	-	(1,478)
At 31 December 2019	55,325	40,339	16,740	1,883	114,287

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

- The employment termination rate for the Company is 5.32% (2018: 5.34%), while for the Group the average is 5.97% (2018: 5.5%)
- The expected annual salary increase for the Company is 1%, while for the Group is 0.65%;
- The present value of the liability is calculated using the discount rate of 0.45% (2018: 1.5%) for the Company and 0.45%-2.53% for the Group (2018: 1.55%-3.54%).

27. Financial liabilities

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Lease liabilities	253,792	-	282,118	-
Preference shares	12,250	12,250	12,250	12,250
Other financial liabilities	-	2,311	-	2,311
Finance lease liabilities	-	-	2,023	2,458
Derivative financial instruments (Note 19.5)	5,625	2,729	5,625	2,729
	271,667	17,290	302,016	19,748

Net debt:

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash and cash equivalents	125,320	369,714	217,367	456,717
Lease and finance lease liabilities	(253,792)	-	(284,141)	(2,458)
Net debt	(128,472)	369,714	(66,774)	454,259

Net debt reconciliation:

	Company	Company	Company	Group	Group	Group
	Cash and cash equivalents	Lease and finance lease liabilities	Total	Cash and cash equivalents	Lease and finance lease liabilities	Total
	2019	2019	2019	2019	2019	2019
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	369,714	-	369,714	456,717	(2,458)	454,259
Cash flow	(244,394)	-	(244,394)	(239,350)	-	(239,350)
Initial recognition IFRS 16 - 1 January 2019	-	(252,011)	(252,011)	-	(282,829)	(282,829)
Lease payments	-	19,096	19,096	-	25,770	25,770
Increases based on new contracts	-	(10,585)	(10,585)	-	(13,680)	(13,680)
Interest expense	-	(9,260)	(9,260)	-	(10,713)	(10,713)
Foreign exchange differences	-	(1,032)	(1,032)	-	(898)	(898)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	667	667
At 31 December	125,320	(253,792)	(128,472)	217,367	(284,141)	(66,774)

27.1. Finance lease liabilities

The maturity of finance lease liabilities is presented below:

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
2020	-	-	1,716	604
2021	-	-	307	1,669
2022	-	-	-	185
2023	-	-	-	-
2024	-	-	-	-
	-	-	2,023	2,458

27.2. Lease liabilities

The maturity of lease liabilities is presented below:

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
2020	12,328	-	15,202	-
2021	10,888	-	14,002	-
2022	9,888	-	12,958	-
2023	9,812	-	12,951	-
2024	9,968	-	11,694	-
2025 and later	200,908	-	215,311	-
	253,792	-	282,118	-

The amounts recognised in the statement of financial position and movements of right-of-use assets during the year are presented in Note 16 Property and equipment.

The following is presented in Statement of comprehensive income:

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Depreciation expense of right-of-use assets				
Buildings	11,461	-	17,199	-
Other tangible assets	2,018	-	2,736	-
	13,479	-	19,935	-
Interest on lease liabilities	9,260	-	10,585	-
Expenses relating to short-term leases	4,639	-	5,508	-
Expenses relating to leases of low-value assets	7,939	-	7,939	-

28. Insurance contract and other liabilities and deferred income

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Insurance contract liabilities	83,028	86,655	98,302	97,655
Reinsurance liabilities	43,715	58,478	46,631	59,302
Other liabilities	96,074	89,459	143,307	125,270
Accrued expenses	132,093	132,328	137,036	137,704
Deferred income	202,809	220,597	208,735	228,112
	557,719	587,517	634,011	648,043

/i/ Insurance contract liabilities

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Liabilities for claims and contracted insurance amounts	21,422	25,093	26,212	29,016
Liabilities for contribution to the Fire Department	565	471	1,243	1,133
Liabilities for the guarantee fund	33,539	33,461	33,929	33,743
Liabilities for advances received for the insurance premium	10,899	12,811	12,543	13,811
Liabilities to the Croatian Insurance Bureau	77	102	77	102
Fee payable to the Croatian Financial Services Supervisory Agency	173	100	173	100
Liabilities for health insurance under motor liability premium	813	713	1,525	1,345
Other liabilities	15,540	13,904	22,600	18,405
	83,028	86,655	98,302	97,655

/ii/ Liabilities from coinsurance and reinsurance

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance premiums payable - domestic	40,739	54,142	42,652	54,705
Reinsurance premiums payable - foreign	83	1,413	83	1,413
Coinsurance premiums payable - domestic	2,893	2,923	3,505	2,923
Coinsurance premiums payable - foreign	-	-	391	261
	43,715	58,478	46,631	59,302

/iii/ Other liabilities

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Trade payables	47,724	40,046	68,138	50,427
Advances received	639	1,003	2,678	3,930
Liabilities for net salaries	20,383	17,792	25,871	22,842
Liabilities for contributions from salaries	5,134	5,386	6,022	6,406
Liabilities for tax and surtax from salaries	3,168	3,397	3,423	3,678
Liabilities for contributions on salaries	4,214	4,665	5,098	5,724
Dividends payable	1,432	1,401	1,458	1,427
Liability to the state for sold flats	660	1,216	660	1,216
Due to employees	272	218	1,585	1,028
Liabilities for tax on motor liability and motor hull insurance	7,828	6,621	8,653	7,363
Other liabilities	4,620	7,714	19,721	21,229
	96,074	89,459	143,307	125,270

/iv/ Accrued expenses and deferred income

	Company		Group	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accrued expenses for unused vacation days	15,160	14,360	16,004	15,313
Other accrued expenses	116,933	117,968	121,032	122,391
Total accrued expenses	132,093	132,328	137,036	137,704
Deferred income from recourses /i/	192,744	216,295	192,744	216,295
Other deferred income	10,065	4,302	15,991	11,817
Total deferred income	202,809	220,597	208,735	228,112
	334,902	352,925	345,771	365,816

/i/ Deferred income from recourses, due to uncertainty of collection, in the amount of HRK 192,744 thousand (31 December 2018: HRK 216,295 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. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Forward contracts	1,690,544	1,634,919	1,690,544	1,634,919
Premium receivables from companies in bankruptcy	200,190	200,850	219,144	207,660
Shares and stakes of companies in bankruptcy	22,878	23,277	34,588	33,604
Placements and interest from companies in bankruptcy	63,937	64,367	73,416	73,814
Default interest on placements	34,880	37,548	34,880	37,549
Other off-balance-sheet items	1,539	1,539	1,539	1,539
	2,013,968	1,962,500	2,054,111	1,989,085
Recourse receivables	770,013	788,730	788,155	804,871
	2,783,981	2,751,230	2,842,266	2,793,956

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 0.25% to 6.75% and with maturities of 2020-2034.

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% and 5% respectively, to the company Core 1 d.o.o. in the amount of HRK 95 million at an interest rate of 4% and 5.14% respectively 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 2019 and 2018:

Transactions and balances with the parent company and other related entities of the Company for 2019:

	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	256,307	1,990	-	53,959
Receivables from insurance	361	1	3	964
Other receivables	914	-	95	207
Insurance liabilities	596	-	-	23
Technical provisions	18,564	-	-	-
Other liabilities	189	-	1,613	403
Written premiums	4,716	227	482	17,216
Change in gross provisions for unearned premiums	5,776	-	-	-
Investment income	20,581	13,592	-	2,823
Other income	1,020	-	125	-
Claims incurred	15,046	-	67	38,745
Operating expenses	2,486	-	14,312	1,906

Transactions and balances with the parent company and other related entities of the Group for 2019:

	Associates	Adris grupa d.d. (parent company)	Other Adris Group companies
	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	1,990	-	53,959
Receivables from insurance	1	3	964
Other receivables	-	96	227
Insurance liabilities	-	-	23
Technical provisions	-	-	-
Other liabilities	-	1,646	403
Written premiums	227	482	17,216
Change in gross provisions for unearned premiums	-	-	-
Investment income	13,592	-	2,823
Other income	-	125	37
Claims incurred	-	67	38,745
Operating expenses	-	14,728	1,934

CROATIA osiguranje d.d., Zagreb
Notes to the financial statements for 2019

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 2019:

	Company	Group
	in HRK'000	in HRK'000
Debt securities	5,781,723	5,799,211
Loans and receivables	32,108	32,108
Receivables from insurance business	13,235	13,235
Other receivables	1,972	1,979
Insurance liabilities	77	77
Other liabilities	3,211	3,463
Insurance income	97,527	97,527
Interest income	164,557	164,851
Other income	11,656	11,656
Insurance expenses	18,868	18,868
Other expenses	34,440	35,017

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

	Associates	Adris grupa d.d. - parent company	Other Adris Group companies
	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	1,990	-	64,533
Receivables from insurance business	1	23	5,008
Other receivables	-	92	223
Insurance liabilities	-	-	365
Technical provisions	-	1,307	414
Other liabilities	185	506	13,979
Written premiums	14,345	-	1,982
Change in gross provisions for unearned premiums	-	6	14
Investment income	-	66	3,389
Other income	-	-	2,710
Claims incurred	-	14,788	2,158
Operating expenses	-	-	3

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

/i/ Key management compensation

	Company	Company	Group	Group
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Key management compensation	35,978	37,368	54,661	54,087
Termination benefits	2,127	-	2,948	520

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 for which no provision have been made and were designated as contingent liabilities, 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 2019, the Company's contractual liabilities for future investments amount to HRK 114,769 thousand based on binding bids for investments in venture capital funds (31 December 2018: HRK 60,393 thousand).

33. Audit of financial statements

The auditors of the Group's financial statements have provided services in 2019 in the amount of HRK 2,012 thousand plus value added tax (2018: HRK 2,014 thousand plus value added tax). The Company was provided services in the amount of HRK 1,164 thousand plus value added tax (2018: HRK 1,140 thousand plus value added tax). Services in 2019 and 2018 relate to the costs of the statutory audit of annual financial statements and related audit services.

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, while during 2019 educational services were provided.

34. Events after the balance sheet date

Approvals from the Croatian Financial Services Supervisory Agency to perform the functions of members of the Management Board

The Croatian Financial Services Supervisory Agency (HANFA), at its meeting of the Governing Board held on 5 March 2020, issued a resolution authorising Vančo Balen to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022 beginning on the date of appointment to the function.

Also, at the meeting of the Governing Board held on 12 March 2020, HANFA issued a resolution authorising Robert Vučković to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022, beginning on the date of appointment to the function.

Furthermore, at the meeting of the Governing Board held on 9 April 2020, HANFA issued a resolution authorizing Luka Babić to act as a member of the Management Board of CROATIA osiguranje d.d. for a term of office until 31 December 2022, beginning on the date of appointment to the function.

At its meeting held on April 17, 2020, the Supervisory Board appointed members of the Management Board to the mentioned functions.

Impact of the COVID-19 outbreak on the Group's operations

The existence of the coronavirus (COVID-19) was confirmed in early 2020 and spread to mainland China and beyond, and in late February 2020 to Croatia, causing disruption in business and economic activities.

The Group considers that the COVID-19 outbreak has no effect on the amounts disclosed in these financial statements.

From the information available at the time of preparation of these financial statements and based on numerous publicly available macroeconomic projections, an economic slowdown is likely during 2020, which may result in lower consumption and consequently lower demand for insurance services, since the volume of insurance premiums written is linked to GDP trends.

In addition, the Group has identified the following key areas that could be affected by adverse economic conditions:

- volatility of comprehensive income from investments, as a result of developments on the financial markets,
- increased credit risk and increased impairment provisions for insurance receivables,
- increased number of life insurance policy surrenders.

Based on currently available information, the Group cannot reliably estimate the amount of potential losses that would result from the direct impact of COVID-19. However, as part of its own risk and solvency assessment (ORSA) process, a series of stress tests, sensitivity and scenario analyses were conducted, and it is estimated that these analyses covered the risks that could have a significant impact on the Group and in the case of COVID-19. Although, based on analyses performed in the ORSA process, a certain decrease in the solvency ratio is expected, the ratio should remain at levels significantly higher than the regulatory prescribed and the solvency of the Group should in no way be called into question.

The Group will continue to actively monitor the development of the COVID-19 outbreak and if it should be considered to significantly affect the Group's business and financial position in 2020, it will fully comply with the Capital Market Act.

Earthquake in the area of the City of Zagreb

On 22 March 2020, a series of earthquakes were recorded in the area of the City of Zagreb, the strongest being of a magnitude of 5.5 according to the Richter scale. In some insurance contracts, the Company also provides insurance for earthquake insurance risk. Until the date of this report, the amount of damage caused by this event is still being estimated. The Company has adequate reinsurance coverage and will recover a significant portion of the claims through reinsurance contracts. Therefore, the impact on the financial result and financial position of the Company will be significantly less than the total amount of claims to be determined. The Company also has high solvency and liquidity levels, which enables the Company to operate normally in these circumstances.

HANFA's Decision regarding prohibition of dividend payment

The Governing Board of HANFA, at its session held 26 March 2020, adopted a decision prohibiting CROATIA osiguranje d.d., Zagreb, payment of dividends until 30 April 2021.

Such a decision was made for insurance companies in the Republic of Croatia due to exceptional market circumstances, with the aim of ensuring stable operations of insurance companies and maintaining the stability of the financial system. Also, the regulator's intention is to strength the liquidity of insurance companies in the context of the coronavirus pandemic, but also in light of the recent earthquake in the capital city of the Republic of Croatia.

Acquisition of ASTORIA d.o.o.

On 31 March 2020, the Company signed a purchase agreement for the acquisition of a 100 percent share in ASTORIA d.o.o., headquartered in Zagreb, 9 Krešimir Ćosić Square.

Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

Pursuant to the Ordinance on the structure and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18 and 50/19) 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 separate and consolidated 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".

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS		27,374,679	27,374,679		36,992,651	36,992,651
002		1	Goodwill						
003		2	Other intangible assets		27,374,679	27,374,679		36,992,651	36,992,651
004	005+006+007	II	TANGIBLE ASSETS	6,411	452,704,877	452,711,288	9,973	641,779,864	641,789,837
005		1	Land and buildings used for business activities	1,805	418,753,349	418,755,154		355,254,200	355,254,200
006		2	Equipment	4,606	25,420,546	25,425,151	9,973	18,585,898	18,595,871
007		3	Other tangible assets and inventories		8,530,983	8,530,983		267,939,766	267,939,766
008	009+010+014+033	III	INVESTMENTS	2,766,323,141	4,729,651,948	7,495,975,088	3,054,031,686	5,465,347,333	8,519,379,019
009		A	Investments in land and buildings not used for business activities		333,932,265	333,932,265		367,521,081	367,521,081
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures		246,928,776	246,928,776		279,110,925	279,110,925
011		1	Shares and stakes in subsidiaries		213,240,483	213,240,483		245,422,632	245,422,632
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	2,766,323,141	4,148,790,907	6,915,114,048	3,054,031,686	4,818,715,327	7,872,747,013
015	016+017	1	Held-to-maturity financial assets	1,296,119,235	745,529,073	2,041,648,308	1,228,357,915	944,029,371	2,172,387,286
016		1.1	Debt financial instruments	1,296,119,235	745,529,073	2,041,648,308	1,228,357,915	944,029,371	2,172,387,286
017		1.2	Other						
018	019+020+021+022	2	Financial assets available for sale	1,318,571,913	2,378,587,559	3,697,159,472	1,628,859,849	2,817,918,673	4,446,778,522
019		2.1	Equity financial instruments	8,289,296	371,921,137	380,210,433	24,551,993	498,028,031	522,580,024
020		2.2	Debt financial instruments	1,296,462,292	1,980,290,141	3,276,752,433	1,582,180,361	2,255,225,971	3,837,406,331
021		2.3	Shares in investment funds	13,820,324	26,376,281	40,196,605	22,127,495	64,664,672	86,792,167
022		2.4	Other						
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss	256,116	169,995,891	170,252,007	589,945	47,661,095	48,251,040
024		3.1	Equity financial instruments		13,867,751	13,867,751		17,070,930	17,070,930
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments	256,116	2,125,175	2,381,291	589,945	3,080,534	3,670,479
027		3.4	Shares in investment funds		154,002,965	154,002,965		27,509,631	27,509,631
028		3.5	Other						
029	030+031+032	4	Loans and receivables	151,375,877	854,678,384	1,006,054,261	196,223,977	1,009,106,188	1,205,330,165
030		4.1	Deposits with credit institutions	91,628,502	368,302,667	459,931,170	144,001,733	540,294,540	684,296,274
031		4.2	Loans	59,747,374	486,375,717	546,123,091	52,222,244	312,837,084	365,059,328
032		4.3	Other					155,974,564	155,974,564
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	434,791,407		434,791,407	445,325,559		445,325,559
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	12,689	215,546,457	215,559,145	25,753	213,507,427	213,533,180
036		1	Unearned premiums, reinsurance share	929	55,298,066	55,298,996	3,724	42,185,167	42,188,891
037		2	Mathematical provisions for insurance, reinsurance share	11,759		11,759	22,030		22,030
038		3	Claims provisions, reinsurance share		160,248,391	160,248,391		171,322,260	171,322,260
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	2,112,506	82,781,917	84,894,424	2,028,656	66,492,988	68,521,644
044		1	Deferred tax assets	2,112,506	82,781,917	84,894,424	2,028,656	66,492,988	68,521,644
045		2	Current tax assets						
046	047+050+051	VII	RECEIVABLES	768,668	880,030,430	880,799,098	503,661	854,729,992	855,233,653
047	048+049	1	Receivables from insurance business	233,778	474,073,871	474,307,648	235,763	465,705,701	465,941,464
048		1.1	From policyholders		472,001,053	472,001,053		464,918,705	464,918,705
049		1.2	From agents or insurance brokers	233,778	2,072,817	2,306,595	235,763	786,996	1,022,759
050		2	Receivables from reinsurance business	629	34,684,196	34,684,826	879	46,715,736	46,716,615
051	052+053+054	3	Other receivables	534,261	371,272,363	371,806,624	267,020	342,308,555	342,575,575
052		3.1	Receivables from other insurance business		224,615,927	224,615,927		199,851,589	199,851,589
053		3.2	Receivables for returns on investments	269,845	6,007,637	6,277,482	262,624	997,458	1,260,083
054		3.3	Other receivables	264,416	140,648,800	140,913,216	4,396	141,459,508	141,463,904
055	056-060+061	VIII	OTHER ASSETS	11,820,028	343,820,427	355,640,455	25,003,071	100,317,264	125,320,335
056	057+058+059	1	Cash at bank and on hand	11,820,028	343,812,262	355,632,290	25,003,071	100,316,752	125,319,823
057		1.1	Funds in the business account		343,812,262	343,812,262		100,316,752	100,316,752
058		1.2	Funds in the account of assets covering mathematical provisions	11,820,028		11,820,028	25,003,071		25,003,071
059		1.3	Cash on hand						
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other		8,165	8,165		512	512
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME		261,064,558	261,064,558		239,306,560	239,306,560
063		1	Accrued interest and rent						
064		2	Deferred acquisition costs		251,402,447	251,402,447		228,109,778	226,109,778
065		3	Other prepaid expenses and accrued income		9,662,111	9,662,111		13,196,782	13,196,782
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	3,215,834,550	6,992,975,293	10,208,810,142	3,526,928,359	7,618,474,078	11,145,402,437
067		XI	OFF BALANCE-SHEET ITEMS	172,028,971	2,579,201,308	2,751,230,279	265,956,261	2,518,024,767	2,783,981,028

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2019

in HRK

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY	314,109,856	2,497,114,378	2,811,224,234	434,798,823	2,913,664,885	3,348,463,708
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	Paid-up capital - ordinary shares	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
071		1.2	Paid-up capital - preference shares						
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	66,981,804	206,447,110	273,428,913	147,994,829	368,660,865	516,655,694
074		3.1	Land and buildings		50,649,941	50,649,941		50,470,925	50,470,925
075		3.2	Financial assets available for sale	66,981,804	155,797,169	222,778,973	147,994,829	318,189,940	466,184,769
076		3.3	Other revaluation reserves						
077	078+079+080	4	Reserves	85,295,937	316,742,639	402,038,576	85,295,937	316,742,639	402,038,576
078		4.1	Legal reserves	2,214,436	27,864,354	30,078,790	2,214,436	27,864,354	30,078,790
079		4.2	Statutory reserves	7,581,501	139,638,995	147,220,496	7,581,501	139,638,995	147,220,496
080		4.3	Other reserves	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	81,333,516	513,197,146	594,530,662	117,543,395	748,287,005	865,830,400
082		5.1	Retained earnings	81,333,516	513,197,146	594,530,662	117,543,395	748,287,005	865,830,400
083		5.2	Accumulated loss (-)						
084	085+086	6	Profit or loss for the period	36,209,879	234,207,878	270,417,757	39,675,942	253,454,771	293,130,713
085		6.1	Profit for the period	36,209,879	234,207,878	270,417,757	39,675,942	253,454,771	293,130,713
086		6.2	Loss for the period (-)						
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)						
088		XIV	MINORITY INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,411,166,082	3,758,389,641	6,169,555,722	2,572,182,413	3,712,920,109	6,285,102,522
090		1	Unearned premiums, gross amount	4,345,475	1,135,019,493	1,139,364,968	4,869,308	1,130,567,020	1,135,436,328
091		2	Mathematical provisions, gross amount	2,337,954,488	29,250,666	2,367,205,154	2,505,680,869	17,908,413	2,523,589,282
092		3	Claims provisions, gross amount	68,866,119	2,558,582,619	2,627,448,737	61,632,236	2,532,867,656	2,594,499,892
093		4	Provisions for bonuses and discounts, gross amount		6,487,900	6,487,900		7,653,600	7,653,600
094		5	Provisions for claims fluctuation, gross amount		7,055,533	7,055,533		7,055,533	7,055,533
095		6	Other technical provisions, gross amount		21,993,430	21,993,430		16,867,887	16,867,887
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	434,791,407		434,791,407	445,325,559		445,325,559
097	098+099	XVII	OTHER PROVISIONS	3,318,529	100,316,438	103,634,967	2,930,875	104,301,522	107,232,397
098		1	Provisions for pensions and similar obligations	3,063,589	95,800,689	98,864,278	2,930,875	99,785,773	102,716,648
099		2	Other provisions	254,941	4,515,749	4,770,689		4,515,749	4,515,749
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	14,703,323	65,710,341	80,413,664	32,486,670	94,182,105	126,668,775
101		1	Deferred tax liabilities	14,703,323	45,631,468	60,334,791	32,486,670	81,151,686	113,638,356
102		2	Current tax liability		20,078,873	20,078,873		13,030,419	13,030,419
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES	221,051	17,068,879	17,289,930	300,004	271,366,763	271,666,767
105		1	Loan liabilities						
106		2	Liabilities for issued financial instruments						
107		3	Other financial liabilities	221,051	17,068,879	17,289,930	300,004	271,366,763	271,666,767
108	109+110+111+112	XXI	OTHER LIABILITIES	18,193,276	220,781,206	238,974,482	16,312,650	209,728,028	226,040,678
109		1	Liabilities from direct insurance business	4,692,105	81,962,574	86,654,679	4,067,620	78,960,077	83,027,697
110		2	Liabilities from coinsurance and reinsurance	15,735	58,462,070	58,477,804	21,961	43,692,666	43,714,627
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities	13,485,437	80,356,563	93,841,999	12,223,070	87,075,284	99,298,354
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	19,331,326	333,594,411	352,925,736	22,591,365	312,310,666	334,902,031
114		1	Deferred reinsurance commission						
115		2	Other accrued expenses and deferred income	19,331,326	333,594,411	352,925,736	22,591,365	312,310,666	334,902,031
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	3,215,834,850	6,992,975,293	10,208,810,142	3,526,928,359	7,618,474,078	11,145,402,437
117		XXIV	OFF-BALANCE-SHEET ITEMS	172,028,971	2,579,201,308	2,751,230,279	265,956,261	2,518,024,767	2,783,981,028

Note: position 088 is completed by companies preparing consolidated financial statements.

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 2019 – 31 December 2019

in HRK

Posit ion no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	564,701,246	1,891,293,812	2,455,995,057	516,797,292	1,968,720,774	2,485,518,066
002		1	Gross written premiums	564,731,193	2,213,513,248	2,778,244,440	517,407,481	2,221,290,222	2,738,697,702
003		2	Value adjustment and charged premium value adjustment		14,535,751	14,535,751		3,810,299	3,810,299
004		3	Premiums ceded to reinsurance (-)	-68,151	-287,648,933	-287,717,084	-89,149	-247,719,321	-247,808,470
005		4	Change in gross provisions for unearned premiums (+/-)	38,216	-76,096,343	-76,058,127	-523,634	4,452,474	3,928,640
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-12	26,990,089	26,990,077	2,794	-13,112,899	-13,110,105
007	008+009+010+011+012+013+014	II	Investment income	130,366,642	352,229,318	482,595,960	131,978,406	363,146,323	495,124,729
008		1	Income from subsidiaries, associates and participation in joint ventures	377,051	39,653,208	40,030,260	1,229,923	43,723,450	44,953,373
009		2	Income from investments in land and buildings		111,576,849	111,576,849		41,040,287	41,040,287
010		3	Interest income	110,434,684	115,645,388	226,080,072	106,303,691	109,626,509	215,930,200
011		4	Unrealized gains on investments	256,116	2,643,240	2,899,356	475,060	7,325,949	7,801,009
012		5	Realised gains on investments	18,119,143	55,919,353	74,038,496	15,191,219	45,380,715	60,571,933
013		6	Net foreign exchange gains				8,768,666	5,258,179	14,026,845
014		7	Other investment income	1,179,648	26,791,280	27,970,927	9,848	110,791,234	110,801,082
015		III	Income from fees and commissions	2,066,850	37,956,139	40,022,989	2,154,864	33,928,007	36,082,871
016		IV	Other insurance - technical income, net of reinsurance	198,789	19,055,843	19,254,632	203,030	27,839,650	28,042,680
017		V	Other income	58,996	16,646,334	16,705,330	3,949	21,285,273	21,289,222
018	019+022	VI	Claims incurred, net	-404,261,962	-1,046,531,553	-1,450,793,514	-356,548,481	-1,095,772,610	-1,452,321,091
019	020+021	1	Settled claims	-374,047,324	-1,059,690,782	-1,433,738,105	-363,782,364	-1,132,861,442	-1,496,343,806
020		1.1	Gross amount (-)	-374,047,324	-1,169,679,020	-1,543,726,343	-363,782,364	-1,246,902,469	-1,610,684,833
021		1.2	Reinsurance share (+)		109,988,238	109,988,238		114,341,027	114,341,027
022	023+024	2	Change in claims provisions (+/-)	-30,214,638	13,159,229	-17,055,409	7,233,883	36,788,832	44,022,715
023		2.1	Gross amount (-)	-30,214,638	36,560,261	6,345,623	7,233,883	25,714,963	32,948,846
024		2.2	Reinsurance share (+)		-23,401,031	-23,401,031		11,073,869	11,073,869
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	-19,519,694	17,412,178	-2,107,516	-167,716,110	15,302,095	-152,414,015
026	027+028	1	Change in mathematical provisions (+/-)	-19,519,694	8,200,635	-11,319,060	-167,716,110	11,342,252	-156,373,858
027		1.1	Gross amount (-)	-19,531,454	8,200,635	-11,330,819	-167,726,381	11,342,252	-156,384,128
028		1.2	Reinsurance share (+)		11,759	11,759		10,271	10,271
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)		9,211,544	9,211,544		3,959,843	3,959,843
030		2.1	Gross amount (-)		9,211,544	9,211,544		3,959,843	3,959,843
031		2.2	Reinsurance share (+)						
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	-94,987,987		-94,987,987	11,314,972		11,314,972
033		1	Gross amount (-)	-94,987,987		-94,987,987	11,314,972		11,314,972
034		2	Reinsurance share (+)						
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-4,738,239	-4,738,239		-7,645,260	-7,645,260
036		1	Depending on the result (bonuses)		-4,738,239	-4,738,239		-7,645,260	-7,645,260
037		2	Irrespective of result (discounts)						
038	039+043	X	Operating expenses (business expenditures), net	-98,002,734	-784,443,453	-882,446,187	-84,348,495	-832,018,936	-916,367,431
039	040+041+042	1	Acquisition costs	-47,036,632	-439,398,515	-486,434,147	-37,326,726	-474,735,492	-512,062,219
040		1.1	Commission	-19,666,349	-329,739,890	-349,406,239	-11,400,130	-263,988,593	-275,388,723
041		1.2	Other acquisition costs	-27,369,283	-186,232,044	-213,601,327	-25,926,596	-185,454,230	-211,380,826
042		1.3	Change in deferred acquisition costs (+/-)		76,573,420	76,573,420		-25,292,670	-25,292,670
043	044+045+046	2	Administration costs (administrative expenses)	-50,967,102	-345,044,938	-396,012,040	-47,021,768	-357,283,444	-404,305,213
044		2.1	Depreciation	-2,861,003	-39,699,626	-42,560,629	-3,686,062	-54,248,874	-57,934,937
045		2.2	Salaries, taxes and contributions from and on salaries	-20,628,243	-118,368,891	-138,997,133	-19,365,586	-124,374,660	-143,740,046
046		2.3	Other administrative expenses	-27,477,856	-186,976,322	-214,454,178	-23,970,120	-178,660,109	-202,630,230
047	048+049+050+051+052+053+054	XI	Investment expenses	-38,797,437	-166,759,562	-205,556,999	-4,940,320	-141,817,186	-146,757,505
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest	-11,362	-1,113,246	-1,124,608	-1,321,372	-8,932,083	-10,253,455
050		3	Impairment of investments	-452,538	-40,381,761	-40,834,299		-34,485,331	-34,485,331
051		4	Realised losses on investments	-3,811,436	-7,599,102	-11,410,538	-864,282	-16,181,820	-17,046,101
052		5	Unrealised losses on investments	-34,429	-3,585,027	-3,619,456	-300,004	-5,324,927	-5,624,931
053		6	Net foreign exchange losses	-32,211,093	-13,705,198	-45,916,291			
054		7	Other investment expenses	-2,276,580	-100,375,228	-102,651,807	-2,544,662	-76,893,026	-79,347,688
055	056+057	XII	Other technical expenses, net of reinsurance	-54,988	-31,433,179	-31,488,167	-407,137	-36,775,208	-37,182,345
056		1	Prevention activities expenses						
057		2	Other technical expenses of insurance	-54,988	-31,433,179	-31,488,167	-407,137	-36,775,208	-37,182,345
058		XIII	Other expenses, including value adjustments		-17,377,235	-17,377,235	-989	-11,298,523	-11,299,512
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	41,767,720	283,310,404	325,078,124	48,490,981	304,894,400	353,385,381
060	061+062	XV	Income or loss tax	-5,557,841	-49,102,526	-54,660,367	-8,815,039	-51,439,629	-60,254,668
061		1	Current tax expense	-7,159,028	-30,917,949	-38,076,977	-8,731,189	-35,245,008	-43,976,197
062		2	Deferred tax expense (income)	1,601,187	-18,184,576	-16,583,390	-83,850	-16,194,621	-16,278,471
063	059+060	XVI	Profit or loss for the period after tax (+/-)	36,209,879	234,207,878	270,417,757	39,675,942	253,454,771	293,130,713
064		1	Attributable to equity holders of the parent company						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	698,993,709	2,298,996,870	2,997,990,579	651,053,691	2,398,725,407	3,049,779,098
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-662,783,830	-2,064,788,992	-2,727,572,822	-611,377,749	-2,145,270,636	-2,756,648,385
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	-15,305,114	-45,759,719	-61,064,834	81,013,025	162,936,979	243,950,005
069		1	Gains / losses on translation of financial statements of foreign operations		-1,277	-1,277		-30,198	-30,198
070		2	Gains / losses on revaluation of financial assets available for sale	-18,664,774	-53,199,877	-71,864,651	98,796,373	198,076,792	296,873,164
071		3	Gains / losses on revaluation of land and buildings intended for business activities		-2,603,101	-2,603,101		663,668	663,668
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income	3,359,659	10,044,536	13,404,195	-17,783,347	-35,773,283	-53,556,630
077	078+079	XX	Total comprehensive income	20,904,764	188,448,159	209,352,923	120,688,967	416,391,751	537,080,718
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
080		XXI	Reclassification adjustments						

Note: position 088 is completed by companies preparing consolidated financial statements.

STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2019 – 31 December 2019

Position no.	Sum elements	Position code	Position description	Current period	Previous period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-247,534,975	107,830,957
002	003+004	1	Cash flow before changes in operating assets and liabilities	129,937,345	125,617,128
003		1.1	Profit/loss before tax	353,385,381	325,078,124
004	005+006+007+008+009+010+011+012	1.2	Adjustments:	-223,448,036	-199,460,995
005		1.2.1	Depreciation of property and equipment	40,640,873	28,251,452
006		1.2.2	Amortization	17,294,064	14,309,276
007		1.2.3	Impairment and gains/losses on fair valuation	-28,969,476	32,406,997
008		1.2.4	Interest expense	10,253,455	1,124,608
009		1.2.5	Interest income	-215,930,200	-226,080,072
010		1.2.6	Share in profit of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-1,135,517	-13,916,185
012		1.2.8	Other adjustments	-45,601,234	-35,557,071
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-326,447,670	9,796,677
014		2.1	Increase/decrease in investments available for sale	-361,421,935	-274,267,880
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	124,003,667	-89,240,656
016		2.3	Increase/decrease in loans and receivables	-223,962,355	346,094,877
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	-10,534,151	-99,127,310
019		2.6	Increase/decrease in reinsurance share in technical provisions	2,025,965	-3,600,805
020		2.7	Increase/decrease in tax assets	94,308	317,123
021		2.8	Increase/decrease in receivables	21,377,957	36,826,777
022		2.9	Increase/decrease in other assets		540,760
023		2.10	Increase/decrease in prepaid expenses and accrued income	21,757,998	-76,759,081
024		2.11	Increase/decrease in technical provisions	115,546,800	71,139,610
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	10,534,151	99,127,310
026		2.13	Increase/decrease in tax liabilities	-115,427	-374,745
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	625,430	1,916,214
029		2.16	Increase/decrease in other liabilities	-8,356,374	-2,767,510
030		2.17	Increase/decrease in accrued expenses and deferred income	-18,023,705	-28,007
031		3	Income tax paid	-51,024,651	-27,582,848
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	51,319,006	154,392,548
033		1	Proceeds from sale of tangible assets	5,417,096	2,276,088
034		2	Purchases of tangible assets	-25,969,189	-20,128,840
035		3	Proceeds from sale of intangible assets	628,124	
036		4	Purchases of intangible assets	-27,541,961	-13,559,232
037		5	Proceeds from the sale of land and buildings not used for business activities	16,750,126	30,651,520
038		6	Purchase of land and buildings not used for business activities	-4,259,498	-1,017,205
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures		-230,106
040		8	Proceeds from held-to-maturity investments	357,560,988	448,510,330
041		9	Payments for held-to-maturity investments	-386,588,725	-339,343,206
042		10	Proceeds from sale of financial instruments		
043		11	Payments for investments in financial instruments		
044		12	Proceeds from dividends and share in profit	43,886,354	39,267,885
045		13	Proceeds from repayment of given short-term and long-term loans	93,026,128	101,776,873
046		14	Payments for given long-term and short-term loans	-21,590,437	-93,811,561
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-20,077,306	-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	-19,097,306	
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	-216,293,275	261,243,504
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-14,026,845	45,916,291
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-230,320,120	307,159,795
056		1	Cash and cash equivalents at beginning of period	355,640,455	48,480,660
057	055+056	2	Cash and cash equivalents at end of period	125,320,335	355,640,455

Note: position 088 is completed by companies preparing consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY for the period 1 January 2019 – 31 December 2019

Position no.	Position description	Attributable to owners of the parent company							Attributable to non-controlling interests	Attributable to non-controlling interests
		Paid-up capital (ordinary and preference shares)	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total equity		
I.	Balance at 1 January of previous year	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									
II.	Balance at 1 January of previous 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
III.	Comprehensive income or loss of the previous 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 previous 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
IV.	Transactions with owners (previous period)			268,217	1,588,339	181,076,374	-150,942,944	31,989,985		31,989,985
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			268,217	1,588,339	181,076,374	-149,962,944	32,969,985		32,969,985
V.	Balance at the last day of the reporting period in the previous 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
VI.	Balance at 1 January of 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
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	273,428,913	402,038,576	594,530,662	270,417,757	2,811,224,234		2,811,224,234
VIII.	Comprehensive income or loss of the current year			243,950,005			293,130,713	537,080,718		537,080,718
1.	Profit or loss for the period						293,130,713	293,130,713		293,130,713
2.	Other comprehensive income or loss of the current year			243,950,005				243,950,005		243,950,005
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			544,208				544,208		544,208
2.2.	Unrealized gains or losses from financial assets available for sale			270,441,738				270,441,738		270,441,738
2.3.	Realized gains or losses from financial assets available for sale			-27,005,744				-27,005,744		-27,005,744
2.4.	Other non-owner changes in equity			-30,198				-30,198		-30,198
IX.	Transactions with owners (current period)			-723,224		271,299,737	-270,417,757	158,757		158,757
1.	Increase/decrease of share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends									
4.	Other distributions to owners			-723,224		271,299,737	-270,417,757	158,757		158,757
X.	Balance at the last day of the reporting period in the current year	589,325,800	681,482,525	516,655,694	402,038,576	865,830,400	293,130,713	3,348,463,708		3,348,463,708

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS	388,028	38,747,160	39,135,188	407,778	48,318,959	48,726,737
002		1	Goodwill	0	0	0	0	0	0
003		2	Other intangible assets	388,028	38,747,160	39,135,188	407,778	48,318,959	48,726,737
004	005+006+007	II	TANGIBLE ASSETS	17,488,113	644,855,852	662,343,965	21,127,013	888,164,071	909,291,084
005		1	Land and buildings used for business activities	16,397,966	579,792,901	596,190,867	16,259,682	536,376,413	552,636,095
006		2	Equipment	754,880	51,241,360	51,996,240	602,616	55,612,530	56,215,146
007		3	Other tangible assets and inventories	335,267	13,821,591	14,156,858	4,264,715	296,175,128	300,439,843
008	009+010+014+033	III	INVESTMENTS	3,210,854,686	5,206,980,463	8,417,835,149	3,566,682,133	6,034,361,455	9,601,043,588
009		A	Investments in land and buildings not used for business activities	1,620,257	820,174,037	821,794,294	1,629,143	872,023,596	873,652,739
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures	0	79,248,791	79,248,791	0	77,589,581	77,589,581
011		1	Shares and stakes in subsidiaries	0	0	0	0	0	0
012		2	Shares and stakes in associates	0	9,164,574	9,164,574	0	9,628,386	9,628,386
013		3	Shares and stakes in joint ventures	0	70,084,217	70,084,217	0	67,961,195	67,961,195
014	015+018+023+029	C	Financial assets	3,209,234,429	4,307,557,635	7,516,792,064	3,565,052,990	5,084,748,278	8,649,801,268
015	016+017	1	Held-to-maturity financial assets	1,348,314,240	856,856,551	2,205,170,791	1,277,694,188	1,037,566,857	2,315,261,045
016		1.1	Debt financial instruments	1,348,314,240	856,856,551	2,205,170,791	1,277,694,188	1,037,566,857	2,315,261,045
017		1.2	Other	0	0	0	0	0	0
018	019+020+021+022	2	Financial assets available for sale	1,564,541,223	2,462,131,660	4,026,672,883	1,921,629,783	2,990,714,858	4,912,344,641
019		2.1	Equity financial instruments	8,327,783	372,607,701	380,935,484	24,590,609	498,588,974	523,179,583
020		2.2	Debt financial instruments	1,542,393,116	2,063,147,678	3,605,540,794	1,874,911,679	2,427,461,212	4,302,372,891
021		2.3	Shares in investment funds	13,820,324	26,376,281	40,196,605	22,127,495	64,664,672	86,792,167
022		2.4	Other	0	0	0	0	0	0
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss	9,446,956	193,618,584	203,065,540	5,242,699	62,444,827	67,687,526
024		3.1	Equity financial instruments	0	13,867,751	13,867,751	0	17,070,930	17,070,930
025		3.2	Debt financial instruments	0	11,304,130	11,304,130	0	0	0
026		3.3	Derivative financial instruments	256,116	2,125,175	2,381,291	589,945	3,080,534	3,670,479
027		3.4	Shares in investment funds	9,190,840	166,321,528	175,512,368	4,652,754	42,293,363	46,946,117
028		3.5	Other	0	0	0	0	0	0
029	030+031+032	4	Loans and receivables	286,932,010	794,950,840	1,081,882,850	360,486,320	994,021,736	1,354,508,056
030		4.1	Deposits with credit institutions	220,465,160	593,440,203	813,905,363	299,097,268	782,258,687	1,081,355,955
031		4.2	Loans	66,466,850	201,510,637	267,977,487	61,389,052	55,788,485	117,177,537
032		4.3	Other	0	0	0	0	155,974,564	155,974,564
033		D	Deposits with cedent	0	0	0	0	0	0
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	437,973,328	0	437,973,328	450,937,458	0	450,937,458
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	45,701	234,335,078	234,380,779	79,965	226,299,397	226,379,362
036		1	Unearned premiums, reinsurance share	33,942	64,002,126	64,036,068	57,935	48,326,106	48,384,041
037		2	Mathematical provisions for insurance, reinsurance share	11,759	0	11,759	22,030	0	22,030
038		3	Claims provisions, reinsurance share	0	170,332,952	170,332,952	0	177,973,291	177,973,291
039		4	Provisions for bonuses and discounts, reinsurance share	0	0	0	0	0	0
040		5	Provisions for claims fluctuation, reinsurance share	0	0	0	0	0	0
041		6	Other technical provisions for insurance, reinsurance share	0	0	0	0	0	0
042		7	Special provisions for life insurance where the policyholder bears the investment risk, reinsurance share	0	0	0	0	0	0
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	2,112,506	83,849,237	85,961,743	2,028,656	75,768,736	77,797,392
044		1	Deferred tax assets	2,112,506	77,504,361	79,616,867	2,028,656	68,047,649	70,076,305
045		2	Current tax assets	0	6,344,876	6,344,876	0	7,721,087	7,721,087
046	047+050+051	VII	RECEIVABLES	29,319,950	1,009,465,321	1,038,785,271	22,010,878	979,166,004	1,001,176,882
047	048+049	1	Receivables from insurance business	233,825	512,401,650	512,635,475	235,763	503,377,921	503,613,684
048		1.1	From policyholders	47	510,328,833	510,328,880	0	502,590,925	502,590,925
049		1.2	From agents or insurance brokers	233,778	2,072,817	2,306,595	235,763	786,996	1,022,759
050		2	Receivables from reinsurance business	629	35,924,715	35,925,344	879	47,249,357	47,250,236
051	052+053+054	3	Other receivables	29,085,496	461,138,956	490,224,452	21,774,236	428,538,726	450,312,962
052		3.1	Receivables from other insurance business	0	231,681,647	231,681,647	0	202,997,642	202,997,642
053		3.2	Receivables for returns on investments	278,180	3,890,917	4,169,097	268,543	578,032	846,575
054		3.3	Other receivables	28,807,316	225,566,392	254,373,708	21,505,693	224,963,052	246,468,745
055	056+060+061	VIII	OTHER ASSETS	15,614,223	430,393,748	446,007,971	39,381,104	180,970,286	220,351,390
056	057+058+059	1	Cash at bank and on hand	15,814,223	425,185,815	441,000,038	39,381,104	175,637,699	215,018,803
057		1.1	Funds in the business account	3,533,646	424,629,267	428,162,913	13,915,217	175,060,566	188,975,783
058		1.2	Funds in the account of assets covering mathematical provisions	12,276,023	0	12,276,023	25,462,256	0	25,462,256
059		1.3	Cash on hand	4,554	556,548	561,102	3,631	577,133	580,764
060		2	Non-current assets held for sale and discontinued operations	0	2,092,601	2,092,601	0	1,963,217	1,963,217
061		3	Other	0	3,115,332	3,115,332	0	3,369,370	3,369,370
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME	1,337,601	301,400,663	302,738,264	1,425,135	286,222,521	287,647,656
063		1	Accrued interest and rent	0	1,991,535	1,991,535	0	1,454,551	1,454,551
064		2	Deferred acquisition costs	0	288,703,456	288,703,456	0	268,986,430	268,986,430
065		3	Other prepaid expenses and accrued income	1,337,601	10,705,672	12,043,273	1,425,135	15,781,540	17,206,675
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	3,715,334,136	7,950,027,522	11,665,361,658	4,104,080,120	8,719,271,429	12,823,351,549
067		XI	OFF BALANCE-SHEET ITEMS	175,225,376	2,618,730,332	2,793,955,708	269,163,441	2,573,102,420	2,842,265,861

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY	378,963,118	2,830,148,391	3,209,111,509	508,083,314	3,311,557,118	3,819,640,432
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	Paid-up capital - ordinary shares	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
071		1.2	Paid-up capital - preference shares	0	0	0	0	0	0
072		2	Share premium (capital reserves)	0	681,482,525	681,482,525	0	681,482,525	681,482,525
073	074+075+076	3	Revaluation reserves	91,346,930	248,936,521	340,283,451	176,625,491	432,713,780	609,339,271
074		3.1	Land and buildings	0	101,716,591	101,716,591	0	119,622,869	119,622,869
075		3.2	Financial assets available for sale	91,346,930	147,050,849	238,397,779	176,625,491	312,925,487	489,550,978
076		3.3	Other revaluation reserves	0	169,081	169,081	0	165,424	165,424
077	078+079+080	4	Reserves	85,295,937	316,742,638	402,038,575	85,295,937	316,742,638	402,038,575
078		4.1	Legal reserves	2,214,436	27,864,354	30,078,790	2,214,436	27,864,354	30,078,790
079		4.2	Statutory reserves	7,581,501	139,638,995	147,220,496	7,581,501	139,638,995	147,220,496
080		4.3	Other reserves	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	122,015,204	736,886,071	858,901,275	164,008,543	1,034,053,589	1,198,062,132
082		5.1	Retained earnings	122,015,204	736,886,071	858,901,275	164,008,543	1,034,053,589	1,198,062,132
083		5.2	Accumulated loss (-)	0	0	0	0	0	0
084	085+086	6	Profit or loss for the period	36,016,327	301,063,556	337,079,883	37,864,623	301,527,506	339,392,129
085		6.1	Profit for the period	36,016,327	301,063,556	337,079,883	37,864,623	301,527,506	339,392,129
086		6.2	Loss for the period (-)	0	0	0	0	0	0
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)	0	<0	0	0	0	0
088		XIV	MINORITY INTEREST	1,095,354	11,118,413	12,213,767	630,567	11,922,791	12,553,358
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,783,071,221	4,244,459,185	7,027,530,406	3,009,126,063	4,233,604,886	7,242,730,949
090		1	Unearned premiums, gross amount	5,369,254	1,417,280,523	1,422,649,777	5,909,255	1,429,409,694	1,435,318,949
091		2	Mathematical provisions, gross amount	2,702,038,922	29,250,666	2,731,289,588	2,937,212,325	17,908,413	2,955,120,738
092		3	Claims provisions, gross amount	71,355,654	2,748,839,177	2,820,194,831	66,004,483	2,743,831,653	2,809,836,136
093		4	Provisions for bonuses and discounts, gross amount	0	7,348,598	7,348,598	0	8,770,594	8,770,594
094		5	Provisions for claims fluctuation, gross amount	0	7,055,533	7,055,533	0	7,055,533	7,055,533
095		6	Other technical provisions, gross amount	4,307,391	34,684,688	38,992,079	0	26,628,999	26,628,999
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	437,973,328	0	437,973,328	450,937,458	0	450,937,458
097	098+099	XVII	OTHER PROVISIONS	3,363,254	109,441,758	112,805,012	3,076,787	115,844,923	118,921,710
098		1	Provisions for pensions and similar obligations	3,088,833	104,926,009	108,014,842	2,957,741	111,329,174	114,286,915
099		2	Other provisions	274,421	4,515,749	4,790,170	119,046	4,515,749	4,634,795
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	18,094,343	100,940,357	119,034,700	36,401,392	141,425,157	177,826,549
101		1	Deferred tax liabilities	17,454,321	69,747,926	87,202,247	35,681,180	113,553,295	149,234,475
102		2	Current tax liability	640,022	31,192,431	31,832,453	720,212	27,871,862	28,592,074
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE	0	0	0	0	0	0
104	105+106+107	XX	FINANCIAL LIABILITIES	380,965	19,367,087	19,748,052	4,320,559	297,695,442	302,016,001
105		1	Loan liabilities	159,914	2,298,208	2,458,122	0	0	0
106		2	Liabilities for issued financial instruments	0	0	0	0	0	0
107		3	Other financial liabilities	221,051	17,068,879	17,289,930	4,320,559	297,695,442	302,016,001
108	109+110+111+112	XXI	OTHER LIABILITIES	72,897,977	288,982,749	361,880,726	68,558,512	284,395,259	352,953,771
109		1	Liabilities from direct insurance business	8,365,761	90,357,363	98,723,124	6,788,834	91,501,162	98,289,996
110		2	Liabilities from coinsurance and reinsurance	15,735	59,318,476	59,334,211	21,961	46,608,944	46,630,905
111		3	Liabilities for disposal and discontinued operations	0	13,081	13,081	0	11,832	11,832
112		4	Other liabilities	64,516,481	139,293,829	203,810,310	61,747,717	146,273,321	208,021,038
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	19,494,576	345,569,582	365,064,158	22,945,468	322,825,853	345,771,321
114		1	Deferred reinsurance commission	0	0	0	0	0	0
115		2	Other accrued expenses and deferred income	19,494,576	345,569,582	365,064,158	22,945,468	322,825,853	345,771,321
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	3,715,334,136	7,950,027,522	11,665,361,658	4,104,080,120	8,719,271,429	12,823,351,549
117		XXIV	OFF-BALANCE-SHEET ITEMS	175,225,376	2,618,730,332	2,793,955,708	269,163,441	2,573,102,420	2,842,265,861

Note: position 088 is completed by companies preparing consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2019 – 31 December 2019

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	686,325,357	2,247,511,289	2,933,836,646	645,113,174	2,357,542,519	3,002,655,693
002		1	Gross written premiums	686,466,039	2,636,761,874	3,323,227,913	645,821,466	2,659,153,749	3,304,975,215
003		2	Value adjustment and charged premium value adjustment		13,523,512	13,523,512		-1,816,753	-1,816,753
004		3	Premiums ceded to reinsurance (-)	-250,851	-310,805,724	-311,056,575	-195,724	-273,529,164	-273,724,888
005		4	Change in gross provisions for unearned premiums (+/-)	110,181	-117,266,721	-117,156,540	-536,305	-10,531,954	-11,068,259
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-12	25,298,348	25,298,336	23,737	-15,733,359	-15,709,622
007	008+009+010+011+012+013+014	II	Investment income	144,920,774	404,055,137	548,975,911	148,493,960	375,471,435	523,965,395
008		1	Income from subsidiaries, associates and participation in joint ventures	377,051	30,531,044	30,908,095	1,229,923	36,307,864	37,537,787
009		2	Income from investments in land and buildings	117,828	174,626,018	174,743,846	118,209	122,590,004	122,708,213
010		3	Interest income	123,670,091	112,125,148	235,795,239	121,579,598	107,960,928	229,540,526
011		4	Unrealized gains on investments	448,328	2,976,615	3,424,943	1,088,812	7,777,884	8,866,696
012		5	Realised gains on investments	18,679,377	55,983,854	74,663,231	15,291,944	45,629,700	60,921,644
013		6	Net foreign exchange gains				8,725,227	4,669,020	13,394,247
014		7	Other investment income	1,628,099	27,812,458	29,440,557	460,247	50,536,035	50,996,282
015		III	Income from fees and commissions	2,066,850	39,399,349	41,466,199	2,154,864	35,390,442	37,545,306
016		IV	Other insurance - technical income, net of reinsurance	198,992	36,886,802	37,085,794	219,029	36,652,458	36,871,487
017		V	Other income	364,704	121,334,441	121,699,145	106,224	126,277,090	126,383,314
018	019+022	VI	Claims incurred, net	-455,742,915	-1,208,597,490	-1,664,340,405	-404,930,653	-1,286,537,680	-1,691,468,333
019	020+021	1	Settled claims	-426,129,148	-1,214,282,393	-1,640,411,541	-410,298,893	-1,300,487,662	-1,710,786,545
020		1.1	Gross amount (-)	-426,166,799	-1,330,421,911	-1,756,588,710	-410,298,893	-1,422,805,316	-1,833,104,209
021		1.2	Reinsurance share (+)	37,651	116,139,518	116,177,169		122,317,664	122,317,664
022	023+024	2	Change in claims provisions (+/-)	-29,613,767	5,684,903	-23,928,864	5,368,240	13,949,972	19,318,212
023		2.1	Gross amount (-)	-29,613,767	26,378,195	-3,235,572	5,368,240	6,288,634	11,656,874
024		2.2	Reinsurance share (+)		-20,693,292	-20,693,292		7,661,338	7,661,338
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	-71,464,438	27,752,746	-43,711,692	-229,184,315	18,540,852	-210,643,463
026	027+028	1	Change in mathematical provisions (+/-)	-67,159,274	20,090,494	-47,068,780	-229,184,315	11,342,252	-217,842,063
027		1.1	Gross amount (-)	-67,171,033	20,211,472	-46,959,561	-229,194,586	11,342,252	-217,852,334
028		1.2	Reinsurance share (+)	11,759	-120,978	-109,219	10,271		10,271
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)	-4,305,164	7,662,252	3,357,088		7,198,600	7,198,600
030		2.1	Gross amount (-)	-4,305,164	7,662,252	3,357,088		7,198,600	7,198,600
031		2.2	Reinsurance share (+)						
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	-96,966,441		-96,966,441	8,859,975		8,859,975
033		1	Gross amount (-)	-96,966,441		-96,966,441	8,859,975		8,859,975
034		2	Reinsurance share (+)						
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-5,489,136	-5,489,136		-11,186,693	-11,186,693
036		1	Depending on the result (bonuses)		-4,729,119	-4,729,119		-8,119,251	-8,119,251
037		2	Irrespective of result (discounts)		-760,017	-760,017		-3,067,442	-3,067,442
038	039+043	X	Operating expenses (business expenditures), net	-128,124,418	-1,057,446,407	-1,185,570,825	-117,613,900	-1,089,532,718	-1,207,146,618
039	040+041+042	1	Acquisition costs	-69,706,140	-546,458,377	-616,164,517	-62,329,869	-558,418,527	-620,748,396
040		1.1	Commission	-37,216,544	-353,194,627	-390,411,171	-31,100,648	-296,122,090	-327,222,738
041		1.2	Other acquisition costs	-32,489,596	-279,190,048	-311,679,644	-31,229,221	-242,427,261	-273,565,482
042		1.3	Change in deferred acquisition costs (+/-)		85,926,298	85,926,298		-19,869,176	-19,869,176
043	044+045+046	2	Administration costs (administrative expenses)	-58,418,278	-510,988,030	-569,406,308	-55,284,031	-531,114,191	-586,398,222
044		2.1	Depreciation	-3,587,598	-52,215,525	-55,803,113	-4,915,380	-73,255,859	-78,171,239
045		2.2	Salaries, taxes and contributions from and on salaries	-22,708,883	-185,368,978	-208,077,861	-21,543,631	-192,985,575	-214,529,206
046		2.3	Other administrative expenses	-32,121,807	-273,403,527	-305,525,334	-28,825,020	-264,872,757	-293,697,777
047	048+049+050+051+052+053+054	XI	Investment expenses	-39,113,639	-171,225,960	-210,339,599	-5,283,299	-127,037,705	-132,321,004
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest	-25,239	-1,256,373	-1,281,612	-1,497,672	-10,208,393	-11,706,065
050		3	Impairment of investments	-452,538	-26,801,280	-27,253,818		-6,207,261	-6,207,261
051		4	Realised losses on investments	-3,811,436	-9,399,852	-13,211,288	-864,282	-16,181,820	-17,046,102
052		5	Unrealised losses on investments	-195,541	-4,686,727	-4,882,268	-333,394	-5,386,094	-5,719,488
053		6	Net foreign exchange losses	-32,219,555	-14,930,325	-47,149,880			
054		7	Other investment expenses	-2,409,330	-114,151,403	-116,560,733	-2,587,951	-89,054,137	-91,642,088
055	056+057	XII	Other technical expenses, net of reinsurance	-587,855	-53,742,564	-54,330,419	-1,005,705	-59,000,492	-60,006,197
056		1	Prevention activities expenses		-1,181,277	-1,181,277		960,874	960,874
057		2	Other technical expenses of insurance	-587,855	-52,561,287	-53,149,142	-1,005,705	-58,039,618	-59,045,323
058		XIII	Other expenses, including value adjustments	-1,973	-18,841,631	-18,843,604	-989	-11,874,464	-11,875,453
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	41,874,998	361,596,576	403,471,574	46,928,365	364,705,044	411,633,409
060	061+062	XV	Income or loss tax	-6,197,221	-60,100,381	-66,297,602	-9,530,319	-62,363,599	-71,893,918
061		1	Current tax expense	-7,798,408	-42,614,586	-50,412,994	-9,446,469	-50,444,094	-59,891,563
062		2	Deferred tax expense (income)	1,601,187	-17,485,795	-15,884,608	-83,850	-11,918,505	-12,002,355
063	059+060	XVI	Profit or loss for the period after tax (+/-)	35,677,777	301,496,195	337,173,972	37,398,046	302,341,445	339,739,491
064		1	Attributable to equity holders of the parent company	36,016,327	301,063,556	337,079,883	37,864,623	301,527,506	339,392,129
065		2	Attributable to non-controlling interest	-338,550	432,639	94,089	-466,577	813,339	347,362
066	001+007+015+016+017+062	XVII	TOTAL INCOME	835,477,864	2,831,701,223	3,667,179,087	796,003,401	2,919,415,439	3,715,418,840
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-799,800,087	-2,530,205,028	-3,330,005,115	-758,605,355	-2,617,073,994	-3,375,679,349
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	8,618,315	-46,799,527	-38,181,212	85,280,343	185,551,146	270,831,489
069		1	Gains / losses on translation of financial statements of foreign operations	-810,722	-1,477,413	-2,288,135	388,887	769,314	1,158,201
070		2	Gains / losses on revaluation of financial assets available for sale	8,817,617	-52,887,738	-44,070,121	103,105,740	200,907,706	304,013,446
071		3	Gains / losses on revaluation of land and buildings intended for business activities		-2,233,646	-2,233,646		23,762,189	23,762,189
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income	611,420	9,799,270	10,410,690	-18,214,284	-39,888,063	-58,102,347
077	078+079	XX	Total comprehensive income	44,296,092	254,696,668	298,992,760	122,678,389	487,892,591	610,570,980
078		1	Attributable to equity holders of the parent company	44,645,469	254,300,904	298,946,373	123,143,177	486,978,576	610,121,753
079		2	Attributable to non-controlling interest	-349,377	395,764	46,387	-464,788	914,015	449,227
080		XXI	Reclassification adjustments						

Note: positions 064, 065, 078 and 079 are completed by companies preparing consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2019 – 31 December 2019

Position no.	Sum elements	Position code	Position description	Current period	Previous period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-187,946,464	192,101,096
002	003+004	1	Cash flow before changes in operating assets and liabilities	239,689,953	195,632,285
003		1.1	Profit/loss before tax	411,633,409	403,471,574
004	005+006+007+008+009+010+011+012	1.2	Adjustments:	-171,943,456	-207,839,289
005		1.2.1	Depreciation of property and equipment	58,677,524	38,607,009
006		1.2.2	Amortization	19,493,715	17,196,104
007		1.2.3	Impairment and gains/losses on fair valuation	4,752,902	19,492,745
008		1.2.4	Interest expense	11,706,065	1,281,612
009		1.2.5	Interest income	-229,540,526	-235,795,239
010		1.2.6	Share in profit of associates	-11,947,061	-13,994,516
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-1,033,698	-13,868,972
012		1.2.8	Other adjustments	-24,052,377	-20,758,032
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-368,233,585	31,025,235
014		2.1	Increase/decrease in investments available for sale	-477,769,731	-301,176,948
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	139,985,599	-74,578,364
016		2.3	Increase/decrease in loans and receivables	-265,050,427	321,101,547
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	-12,964,129	-101,072,367
019		2.6	Increase/decrease in reinsurance share in technical provisions	8,001,418	-5,080,008
020		2.7	Increase/decrease in tax assets	-3,838,004	-105,794
021		2.8	Increase/decrease in receivables	21,623,953	5,128,794
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepaid expenses and accrued income	15,090,608	-84,324,335
024		2.11	Increase/decrease in technical provisions	215,200,543	155,484,833
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	12,964,129	101,072,367
026		2.13	Increase/decrease in tax liabilities	571,297	-5,435,454
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	-925,746	853,777
029		2.16	Increase/decrease in other liabilities	-1,830,259	25,155,071
030		2.17	Increase/decrease in accrued expenses and deferred income	-19,292,836	-5,997,884
031		3	Income tax paid	-59,402,832	-34,556,424
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	2,346,287	51,420,579
033		1	Proceeds from sale of tangible assets	17,912,181	2,625,068
034		2	Purchases of tangible assets	-57,523,511	-34,240,962
035		3	Proceeds from sale of intangible assets	628,124	
036		4	Purchases of intangible assets	-29,714,695	-18,139,766
037		5	Proceeds from the sale of land and buildings not used for business activities	16,750,126	30,651,520
038		6	Purchase of land and buildings not used for business activities	-7,031,848	-5,233,764
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	13,500,000	14,423,302
040		8	Proceeds from held-to-maturity investments	385,857,840	483,222,061
041		9	Payments for held-to-maturity investments	-387,959,348	-400,401,034
042		10	Proceeds from sale of financial instruments		
043		11	Payments for investments in financial instruments		
044		12	Proceeds from dividends and share in profit	24,523,707	16,913,580
045		13	Proceeds from repayment of given short-term and long-term loans	60,731,843	67,792,810
046		14	Payments for given long-term and short-term loans	-35,328,132	-106,192,236
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-26,862,157	-1,741,941
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	-25,769,594	
051		4	Purchase of treasury shares		
052		5	Payment of shares in profit (dividends)	-1,092,563	-1,741,941
053	001+032+047		NET CASH FLOW	-212,462,334	241,779,734
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-13,394,247	47,149,880
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-225,856,581	288,929,614
056		1	Cash and cash equivalents at beginning of period	446,207,971	157,278,357
057	055+056	2	Cash and cash equivalents at end of period	220,351,390	446,207,971

Note: Positions reducing the cash flow are entered with a minus.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period 1 January 2019 – 31 December 2019

Position no.	Position description	Attributable to owners of the parent company						Total equity	Attributable to non-controlling interests	Attributable to non-controlling interests
		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	589,325,800	681,482,525	380,035,949	400,450,237	606,452,727	253,102,679	2,910,849,917	12,492,787	2,923,342,704
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
II.	Balance at 1 January of previous year (restated)	589,325,800	681,482,525	380,035,949	400,450,237	606,452,727	253,102,679	2,910,849,917	12,492,787	2,923,342,704
III.	Comprehensive income or loss of the previous year			-38,133,510			337,079,883	298,946,373	46,387	298,992,760
1.	Profit or loss for the period						337,079,883	337,079,883	94,089	337,173,972
2.	Other comprehensive income or loss of the previous year			-38,133,510				-38,133,510	-47,702	-38,181,212
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-1,782,843				-1,782,843	17,755	-1,765,088
2.2.	Unrealized gains or losses from financial assets available for sale			-11,776				-11,776	-5,274	-17,050
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			-2,227,952				-2,227,952	-60,183	-2,288,135
IV.	Transactions with owners (previous period)			-1,618,988	1,588,338	252,448,548	-253,102,679	-684,781	-325,407	-1,010,188
1.	Increase/decrease in share capital									
2.	Other payments by owners					206,308		206,308	-289,314	-83,006
3.	Payment of shares in profit/dividends						-1,541,887	-1,541,887	-200,055	-1,741,942
4.	Other distributions to owners			-1,618,988	1,588,338	252,242,240	-251,560,792	650,798	163,962	814,760
V.	Balance at the last day of the reporting period in the previous year	589,325,800	681,482,525	340,283,451	402,038,575	858,901,275	337,079,883	3,209,111,509	12,213,767	3,221,325,276
VI.	Balance at 1 January of current year	589,325,800	681,482,525	340,283,451	402,038,575	858,901,275	337,079,883	3,209,111,509	12,213,767	3,221,325,276
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	340,283,451	402,038,575	858,901,275	337,079,883	3,209,111,509	12,213,767	3,221,325,276
VIII.	Comprehensive income or loss of the current year			270,729,624			339,392,129	610,121,753	449,227	610,570,980
1.	Profit or loss for the period						339,392,129	339,392,129	347,362	339,739,491
2.	Other comprehensive income or loss of the current year			270,729,624				270,729,624	101,865	270,831,489
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			19,583,202				19,583,202	25,970	19,609,172
2.2.	Unrealized gains or losses from financial assets available for sale			277,011,573				277,011,573	58,287	277,069,860
2.3.	Realized gains or losses from financial assets available for sale			-27,005,744				-27,005,744		-27,005,744
2.4.	Other non-owner changes in equity			1,140,593				1,140,593	17,608	1,158,201
IX.	Transactions with owners (current period)			-1,673,804		339,160,857	-337,079,883	407,170	-109,636	297,534
1.	Increase/decrease of share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends								-112,563	-112,563
4.	Other distributions to owners			-1,673,804		339,160,857	-337,079,883	407,170	2,927	410,097
X.	Balance at the last day of the reporting period in the current year	589,325,800	681,482,525	609,339,271	402,038,575	1,198,062,132	339,392,129	3,819,640,432	12,553,358	3,832,193,790

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.

CROATIA osiguranje d.d., Zagreb
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 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)	2,485,519						2,485,519	Net earned premiums
Gross written premiums	2,738,698							
Impairment and collected premium impairment	3,810							
Premiums ceded to reinsurance (-)	(247,808)							
Change in gross provisions for unearned premiums (+/-)	3,929							
Change in provision for unearned premiums, reinsurance share (+/-)	(13,110)							
Investment income	495,125	(98,324)	9,819				406,620	Finance income
Income from subsidiaries, associates and joint ventures	44,953							
Income from investments in land and buildings	41,040	(15,741)						
Interest income	215,930							
Unrealised gain on investments	7,801							
Realised gain on investments	60,572							
Net foreign exchange gains	14,027		9,819					
Other investment income	110,801	(82,583)						
Income from commissions and fees	36,083						36,083	Income from commissions and fees
Other insurance-technical income, net of reinsurance	28,043			(28,043)				
Other income	21,289			24,104	1,300		46,693	Other operating income
Net claims incurred	(1,452,322)					(148,744)	(1,601,066)	Claims incurred, net of reinsurance and coinsurance
Settled claims	(1,496,344)							
Gross amount (-)	(1,610,685)							
Reinsurer's share (+)	114,341							
Change in claims provisions (+/-)	44,023							
Gross amount (-)	32,949							
Reinsurer's share (+)	11,074							
Change in mathematical provision and other technical provisions, net of reinsurance	(152,414)					152,414		
Change in mathematical provision (+/-)	(156,374)					156,374		
Gross amount (-)	(156,384)					156,384		
Reinsurer's share (+)	10					(10)		
Change in other technical provisions, net of reinsurance (+/-)	3,960					(3,960)		
Gross amount (-)	3,960					(3,960)		
Reinsurer's share (+)								
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	11,315					(11,315)		
Gross amount (-)	11,315					(11,315)		
Reinsurer's share (+)								
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(7,645)					7,645		
Depending on the result (bonuses)	(7,645)					7,645		
Not depending on the result (rebates)								
Operating expenditures (for business operations), net	(916,367)				(1,300)		(917,667)	
Acquisition costs	(512,063)						(512,063)	Acquisition costs
Commission	(275,389)							
Other acquisition costs	(211,381)							
Change in deferred acquisition costs (+/-)	(25,293)							
Administration costs (administrative expenses)	(404,305)				(1,300)		(405,605)	Administration costs
Depreciation charge	(57,935)							
Salaries, taxes and contributions from and on salaries	(143,740)							
Other administrative expenses	(202,630)				(1,300)			
Investment charges	(146,758)	98,324	(9,819)				(58,252)	Finance costs
Depreciation of land and buildings not intended for business operations of the company								
Interest expense	(10,253)							
Impairment of investments	(34,485)							
Realised losses on investments	(17,046)							
Unrealised losses on investments	(5,625)							
Net foreign exchange losses			(9,819)					
Other investment costs	(79,348)	98,324						
Other technical expenses, net of reinsurance	(37,182)			37,182				
Expenses for preventive operations								
Other technical expenses of insurance	(37,182)			37,182				
Other expenses, including value adjustments	(11,300)			(33,243)			(44,543)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	353,386						353,386	Profit/(loss) before tax
Income tax or loss	(60,255)						(60,255)	Income tax
Current tax expense	(43,976)							
Deferred tax expense (income)	(16,278)							
Profit or loss for the accounting period after tax (+/-)	293,131						293,131	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. Income and expenses from the sale of land and buildings are recorded on a net basis
2. Foreign exchange differences are recorded on a net basis.
3. Reclassification of other insurance and technical income, net of reinsurance to other operating income and reclassification of other technical costs, net of reinsurance to other operating expenses.
4. Other income and other administrative expenses are presented at net basis in position 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 rebates) are recorded within claims incurred, net of reinsurance and coinsurance.

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	36,993					36,993	Intangible assets
Goodwill							
Other intangible assets	36,993						
TANGIBLE ASSETS	641,790				(329)	641,461	Property and equipment
Land and buildings intended for company business operations	355,254						
Equipment	18,596						
Other tangible assets and inventories	267,940				(329)		
INVESTMENTS	8,519,379	445,326					
Investments in land and buildings not intended for company business operations	367,521					367,521	Investment property
Investments in subsidiaries, associates and joint ventures	279,111					279,111	Investments in subsidiaries associates and joint ventures
Shares and stakes in subsidiaries	245,423						
Shares and stakes in associates	5,688						
Shares and stakes in joint ventures	28,000						
Financial assets	7,872,747	445,326					
Held-to-maturity financial assets	2,172,387					2,172,387	Held-to-maturity investments
Debt financial instruments	2,172,387						
<i>Other</i>							
Available-for-sale financial assets	4,446,779					4,446,779	Available-for-sale financial assets
Equity financial instruments	522,580						
Debt financial instruments	3,837,406						
Shares in investment funds	86,792						
<i>Other</i>							
Financial assets at fair value through profit or loss	48,251	445,326				493,577	Financial assets at fair value through profit or loss
Equity financial instruments	17,071						
Debt financial instruments							
Derivative financial instruments	3,670						
Shares in investment funds	27,510	445,326					
<i>Other</i>							
Loans and receivables	1,205,330					1,205,330	Loans and receivables
<i>Deposits with credit institutions</i>	684,296						
<i>Loans</i>	365,059						
<i>Other</i>	155,975						
DEPOSITS WITH CEDENT							
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	445,326	(445,326)					
REINSURER'S SHARE IN TECHNICAL PROVISIONS	213,533					213,533	Reinsurance share in insurance contract provisions
Provision for unearned premiums, reinsurance share	42,189						
Mathematical provisions, reinsurance share	22						
Claims provisions, reinsurance share	171,322						
Provisions for bonuses and discounts, reinsurance share							
Equalisation provisions, reinsurance share							
Other technical provisions, reinsurance share							
Special provision for unit-linked life insurance group, reinsurance share							
DEFERRED AND CURRENT TAX ASSETS	68,522		(68,522)				
Deferred tax assets	68,522		(68,522)				Deferred tax assets
Current tax assets							
RECEIVABLES	855,234			(7,739)	13,526	861,021	Insurance contracts and other receivables
Receivables from insurance business	465,941						
<i>From policyholders</i>	464,919						
<i>From insurance agents, or insurance brokers</i>	1,023						
Reinsurance receivables	46,717						
Other receivables	342,576			(7,739)	13,526		
<i>Receivables from other insurance business</i>	199,852						
<i>Receivables for income from investments</i>	1,260						
<i>Other receivables</i>	141,464			(7,739)	13,526		
Other receivables	125,320				(1)		
Cash at bank and in hand	125,320					125,320	Cash and cash equivalents
<i>Funds in the business account</i>	100,317						
<i>Funds in the account of assets backing mathematical provision</i>	25,003						
<i>Cash on hand</i>							
Non-current assets held for sale and discontinued operation							
<i>Other</i>	1				(1)		
PREPAID EXPENSES AND ACCRUED INCOME	239,307				(13,197)		
Deferred interest and rent							
Deferred acquisition costs	226,110					226,110	Deferred acquisition costs
Other prepayments and accrued income	13,197				(13,197)		
TOTAL ASSETS	11,145,403		(68,522)	(7,739)		11,069,143	Total assets
OFF-BALANCE-SHEET ITEMS	2,783,981						

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 are recorded together with financial assets at fair value through profit or loss.
2. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements.
3. Internal liabilities are offset with corresponding receivables in the Basic financial statements.
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	5	Basic financial statements	
Position description	HRK'000						HRK'000	Position description
CAPITAL AND RESERVES	3,348,463							
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	516,656						516,656	Revaluation reserves
Land and buildings	50,471							
Financial assets available-for-sale	466,185							
Other revaluation reserves								
Reserves	402,038						402,038	Reserves
Legal reserves	30,078							
Statutory reserves	147,220							
Other reserves	224,739							
Retained profit or transferred loss	865,830		293,131				1,158,961	Retained profit
Retained profit	865,830		293,131					
Accumulated loss (-)								
Profit or loss for the current accounting period	293,131		(293,131)					
Profit for the current accounting period	293,131		(293,131)					
Loss for the current accounting period (-)								
SUBORDINATED LIABILITIES								
NON-CONTROLLING INTEREST								
TECHNICAL PROVISIONS	6,285,103	445,326					6,730,428	Insurance contract provisions
Provisions for unearned premiums, gross amount	1,135,436							
Mathematical provisions, gross amount	2,523,589							
Claims provisions, gross amount	2,594,500							
Provisions for bonuses and discounts, gross amount	7,654							
Equalisation provisions, gross amount	7,056							
Other technical provisions, gross amount	16,868							
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	445,326	(445,326)						
OTHER PROVISIONS	107,232					(4,516)		
Provisions for pensions and similar liabilities	102,717						102,717	Provisions
Other provisions	4,516					(4,516)		
DEFERRED AND CURRENT TAX LIABILITY	126,670			(68,522)				
Deferred tax liability	113,638			(68,522)			45,117	Deferred tax liability
Current tax liability	13,031						13,031	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE								
FINANCIAL LIABILITIES	271,667						271,667	Financial liabilities
Borrowings								
Issued financial instruments payable								
Other financial liabilities	271,667							
OTHER LIABILITIES	226,041				(7,739)	339,418	557,719	Insurance contracts and other payables and deferred income
Liabilities from direct insurance business	83,028							
Liabilities from co-insurance and reinsurance business	43,715							
Liabilities for sale and discontinued operation								
Other liabilities	99,298				(7,739)	339,418		
ACCRUED EXPENSES AND DEFERRED INCOME	334,902						(334,902)	
Deferred reinsurance commission								
Other accrued expenses and deferred income	334,902						(334,902)	
TOTAL EQUITY AND LIABILITIES	11,145,403			(68,522)	(7,739)		11,069,143	Total equity and liabilities
OFF-BALANCE-SHEET ITEMS	2,783,981							

1. A special provision for unit-linked life insurance group is recorded within Technical provision.
2. 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.
3. Deferred tax assets and liabilities are offset in the Basic financial statements.
4. Internal liabilities are offset with corresponding receivables in the Basic financial statements.
5. Other provisions and 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.

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

3. Reconciliation of the consolidated statement of comprehensive income prepared in accordance with the HANFA 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	Position description
Earned premiums (recognised in revenue)	3,002,655						3,002,655	Net earned premiums
Gross written premiums	3,304,975							
Impairment and collected premium impairment	(1,817)							
Premiums ceded to reinsurance (-)	(273,725)							
Change in gross provisions for unearned premiums (+/-)	(11,068)							
Change in provision for unearned premiums, reinsurance share (+/-)	(15,710)							
Investment income	523,965	(37,860)	44				486,149	Finance income
Income from subsidiaries, associates and joint ventures	37,538		(11,947)					
Income from investments in land and buildings	122,708	(15,741)						
Interest income	229,541							
Unrealised gain on investments	8,867							
Realised gain on investments	60,922							
Net foreign exchange gains	13,394		11,991					
Other investment income	50,996	(22,119)						
			11,947				11,947	Share in profit of associates
Income from commissions and fees	37,545						37,545	Income from commissions and fees
Other insurance-technical income, net of reinsurance	36,871			(36,871)				
Other income	126,383			32,787	2,958		162,128	Other operating income
Net claims incurred	(1,691,469)					(212,970)	(1,904,439)	Claims incurred, net of reinsurance and coinsurance
Settled claims	(1,710,787)							
Gross amount (-)	(1,833,104)							
Reinsurer's share (+)	122,318							
Change in claims provisions (+/-)	19,318							
Gross amount (-)	11,657							
Reinsurer's share (+)	7,661							
Change in mathematical provision and other technical provisions, net of reinsurance	(210,643)					210,643		
Change in mathematical provision (+/-)	(217,842)					217,842		
Gross amount (-)	(217,852)					217,852		
Reinsurer's share (+)	10					(10)		
Change in other technical provisions, net of reinsurance (+/-)	7,199					(7,199)		
Gross amount (-)	7,199					(7,199)		
Reinsurer's share (+)								
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	8,860					(8,860)		
Gross amount (-)	8,860					(8,860)		
Reinsurer's share (+)								
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(11,187)					11,187		
Depending on the result (bonuses)	(8,119)					8,119		
Not depending on the result (rebates)	(3,067)							
Operating expenditures (for business operations), net	(1,207,147)				(4,569)		(1,211,716)	
Acquisition costs	(620,748)						(620,748)	Acquisition costs
Commission	(327,223)							
Other acquisition costs	(273,656)							
Change in deferred acquisition costs (+/-)	(19,869)							
Administration costs (administrative expenses)	(586,397)				(4,569)		(590,966)	Administration costs
Depreciation charge	(78,171)							
Salaries, taxes and contributions from and on salaries	(214,529)							
Other administrative expenses	(293,698)				(4,569)			
Investment charges	(132,321)	37,860	(11,991)		1,611		(104,841)	Finance costs
Depreciation of land and buildings not intended for business operations of the company								
Interest expense	(11,706)							
Impairment of investments	(6,207)							
Realised losses on investments	(17,046)							
Unrealised losses on investments	(5,719)							
Net foreign exchange losses			(11,991)					
Other investment costs	(91,642)	37,860			1,611			
Other technical expenses, net of reinsurance	(60,006)			60,006				
Expenses for preventive operations	(961)			961				
Other technical expenses of insurance	(59,045)			59,045				
Other expenses, including value adjustments	(11,875)			(55,922)			(67,797)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	411,633						411,633	Profit/(loss) before tax
Income tax or loss	(71,894)						(71,894)	Income tax
Current tax expense	(59,892)							
Deferred tax expense (income)	(12,002)							
Profit or loss for the accounting period after tax (+/-)	339,739						339,739	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. Income and expenses from the sale of land and buildings, and income from valuation of loans are recorded on a net basis.
2. Foreign exchange differences are recorded on a gross basis and share in profit of associates is presented as a separate line in the Basic financial statements.
3. Reclassification of other insurance and technical income, net of reinsurance to other operating income and reclassification of other technical costs, net of reinsurance to other operating expenses.
4. Other income and other administrative expenses are presented on a net basis in 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 rebates) are 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

4. Reconciliation of the consolidated 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	5	Basic financial statements	
Position description	HRK'000						HRK'000	Position description
INTANGIBLE ASSETS	48,727						48,727	Intangible assets
Goodwill								
Other intangible assets	48,727							
TANGIBLE ASSETS	909,291					(2,664)	906,627	Property and equipment
Land and buildings intended for company business operations	552,636							
Equipment	56,215							
Other tangible assets and inventories	300,440					(2,664)		
INVESTMENTS	9,601,044	450,937	(2,348)					
Investments in land and buildings not intended for company business operations	873,653						873,653	Investment property
Investments in subsidiaries, associates and joint ventures	77,590						77,590	Investments in subsidiaries associates and joint ventures
Shares and stakes in subsidiaries								
Shares and stakes in associates	9,628							
Shares and stakes in joint ventures	67,961							
Financial assets	8,649,801	450,937	(2,348)				9,098,391	
Held-to-maturity financial assets	2,315,261						2,315,261	Held-to-maturity investments
Debt financial instruments	2,315,261							
Other								
Available-for-sale financial assets	4,912,345						4,912,345	Available-for-sale financial assets
Equity financial instruments	523,180							
Debt financial instruments	4,302,373							
Shares in investment funds	86,792							
Other								
Financial assets at fair value through profit or loss	67,688	450,937					518,625	Financial assets at fair value through profit or loss
Equity financial instruments	17,071							
Debt financial instruments								
Derivative financial instruments	3,670							
Shares in investment funds	46,946	450,937						
Other								
Loans and receivables	1,354,508		(2,348)				1,352,160	Loans and receivables
Deposits with credit institutions	1,081,356		(2,348)					
Loans	117,178							
Other	155,975							
Deposits with cedent								
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	450,937	(450,937)						
REINSURER'S SHARE IN TECHNICAL PROVISIONS	226,379						226,379	Reinsurance share in insurance contract provisions
Provision for unearned premiums, reinsurance share	48,384							
Mathematical provisions, reinsurance share	22							
Claims provisions, reinsurance share	177,973							
Provisions for bonuses and discounts, reinsurance share								
Equalisation provisions, reinsurance share								
Other technical provisions, reinsurance share								
Special provision for unit-linked life insurance group, reinsurance share								
DEFERRED AND CURRENT TAX ASSETS	77,797		-	(68,336)		(7,721)		
Deferred tax assets	70,076			(68,336)			1,740	Deferred tax assets
Current tax assets	7,721					(7,721)		
RECEIVABLES	1,001,177				(69,349)	34,379	966,207	Insurance contract and other receivables
Receivables from insurance business	503,614							
From policyholders	502,591							
From insurance agents, or insurance brokers	1,023							
Reinsurance receivables	47,250							
Other receivables	450,313				(69,349)	34,379		
Receivables from other insurance business	202,998							
Receivables for income from investments	847							
Other receivables	246,469				(69,349)	34,379		
Other receivables	220,351		2,348			(5,333)		
Cash at bank and in hand	215,019		2,348				217,367	Cash and cash equivalents
Funds in the business account	188,976		2,348					
Funds in the account of assets backing mathematical provision	25,462							
Cash on hand	581							
Non-current assets held for sale and discontinued operation	1,963					(1,963)		
Other	3,369					(3,369)		
PREPAID EXPENSES AND ACCRUED INCOME	287,648					(18,661)		
Deferred interest and rent	1,455					(1,455)		
Deferred acquisition costs	268,986						268,986	Deferred acquisition costs
Other prepayments and accrued income	17,207					(17,207)		
TOTAL ASSETS	12,823,352			(68,366)	(69,349)		12,685,667	Total assets
OFF-BALANCE-SHEET ITEMS	2,842,266							

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.
4. Internal receivables are offset with corresponding liabilities in the Basic financial statements.
5. Inventories, other assets and prepaid expenses and accrued income are recorded together with insurance contract 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	5	Basic financial statements	
Position description	HRK'000						HRK'000	Position description
CAPITAL AND RESERVES	3,819,640							
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	609,339						609,339	Revaluation reserves
Land and buildings	119,623							
Financial assets available-for-sale	489,551							
Other revaluation reserves	165							
Reserves	402,038						402,038	Reserves
Legal reserves	30,079							
Statutory reserves	147,220							
Other reserves	224,739							
Retained profit or transferred loss	1,198,062		339,392				1,537,454	Retained profit
Retained profit	1,198,062		339,392					
Accumulated loss (-)								
Profit or loss for the current accounting period	339,392		(339,392)					
Profit for the current accounting period	339,392		(339,392)					
Loss for the current accounting period (-)								
SUBORDINATED LIABILITIES								
NON-CONTROLLING INTEREST	12,553							
TECHNICAL PROVISIONS	7,242,731	450,937					7,693,668	Technical provisions
Provisions for unearned premiums, gross amount	1,435,319							
Mathematical provisions, gross amount	2,955,121							
Claims provisions, gross amount	2,809,836							
Provisions for bonuses and discounts, gross amount	8,771							
Equalisation provisions, gross amount	7,056							
Other technical provisions, gross amount	26,629							
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	450,937	(450,937)						
OTHER PROVISIONS	118,922					(4,635)		
Provisions for pensions and similar liabilities	114,287						114,287	Provisions
Other provisions	4,635					(4,635)		
DEFERRED AND CURRENT TAX LIABILITY	177,830			(68,366)				
Deferred tax liability	149,234			(68,366)			80,898	Deferred tax liability
Current tax liability	28,595						28,595	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE								
FINANCIAL LIABILITIES	302,016						302,016	Financial liabilities
Borrowings								
Issued financial instruments payable								
Other financial liabilities	302,016							
OTHER LIABILITIES	352,954				(69,349)	350,406	634,011	Insurance contract and other payables and deferred income
Liabilities from direct insurance business	98,290							
Liabilities from co-insurance and reinsurance business	46,631							
Liabilities for sale and discontinued operation	12							
Other liabilities	208,021				(69,349)	350,406		
ACCRUED EXPENSES AND DEFERRED INCOME	345,771					(345,771)		
Deferred reinsurance commission								
Other accrued expenses and deferred income	345,771					(345,771)		
TOTAL EQUITY AND LIABILITIES	12,823,353			(68,366)	(69,349)		12,685,667	Total equity and liabilities
OFF-BALANCE-SHEET ITEMS	2,842,266							

1. A special provision for unit-linked life insurance group is recorded within Technical provision.
2. 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.
3. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements.
4. Internal receivables are offset with corresponding liabilities in the Basic financial statements.
5. Other provisions and 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.