TRIGLAV OSIGURANJE d.d.

Financial statements as at

31 December 2016 together with

independent auditor`s report

Contents

Management Board's report

The Management Board presents its report and audited financial statements for the year ended 31 December 2016.

Activity overview

Operating results of the Company for the year ended 31 December 2016 are presented in the statement of comprehensive income.

Management Board of Triglav osiguranje d.d.

During 2016 and until the signing of this report, the Management Board consisted of:

Marin Matijaca	Member from 27 August 2008, President from 25 August 2010 (mandate till 27 August 2020)
Bernhard Melischnig	Member from 01 October 2013 (mandate till 31 December 2016)
Denis Burmaz	Member from 04 August 2016 (mandate till 04 August 2020)
Vladimir-Mišo Čeplak	Procurator from 01 April 2015 (mandate till 31 March 2018)

Supervisory Board of Triglav osiguranje d.d.

During 2016 and until the signing of this report, the Supervisory Board consisted of:

David Benedek	President of the Supervisory Board from 1 October 2014
Tomaž Žust	Member of the Supervisory Board from 03 December 2010, deputy of the president from 24 September 2013
Željko Duralija	Member of the Supervisory Board and workers` representative from 24 January 2009 till 25 Februray 2017
Goradz Jenko	Member of the Supervisory Board from 8 July 2013
Darko Popovski	Member of the Supervisory Board from 29 June 2015
Nives Matijević	Member of the Supervisory Board from 17 March 2017

ANNUAL REPORT OF THE MANAGEMENT BOARD ON THE COMPANY STATUS IN THE YEAR 2016

1. Realization of basic business objectives and performance indicators

In 2016, insurance market continued to grow and it has grown in total of 0.42% - non-life insurance noted an increase of 0.91% while life insurance noted a decrease of 0.55% compared to 2015 due to high percentage of growth in the previous year (11.2%) which resulted from large amounts of one-off payments through banks.
The decline in the average MTPL policy continued, and it decreased by 10.6% in 2016 compared to the previous year, while the total written premium in this type of insurance decreased by 6.4% compared to 2015. In these market conditions, the Company has achieved excellent sales results and the non-life insurance grew by 8.53% and life insurance grew by 0.67%, which led to a total growth rate of 7.18%. Consequently, Company managed to increase volume and market share from 3.94% up to 4.21%.

With respect to the main segment of the Company, gross written premiums in the year 2016 amounted to HRK 368.5 million, of which HRK 309.1 million were non life insurance premiums and HRK 59.4 million were life insurance premiums, which represents increase of 7.18% comparing to the previous year. Based on the realized gross written premium, the company is positioned ninth in the ranking of the 24 insurers in Croatia, with market share of 4.21%.

Total technical provisions of the Company in 2016 have increased by 2.6% to HRK 796.0 million. Financial investments increased by 7.51% compared to the previous year, reaching HRK 768.8 million. Total assets of the Company increased by 5.12% and by the end of 2016 amounted to HRK 1.08 billion. Share capital and reserves amounted to HRK 207.3 million, which is an increase of 5.91% compared to the previous year due to increase of financial investments revaluation reserves. According to preliminary, non-audited, calculation, the total capital ratio (solvency ratio) at 31 December 2016 amounted to 178% due to strong capital reserves, while the coverage degree of mathematical and technical provision with adequate assets amounted to 108.8%. This suggests the financial stability of the company and provides long-term security to policyholders.

We continued to invest in strengthening and expansion of the sales network and increasing sales activities, together with the further improvement of overall business activity, which provides the basis for an optimistic view on the future stability and balanced growth at a time when the consolidation of Croatian insurance market is expected.

Additionally, in cooperation with the parent company Zavarovalnica Triglav d.d., during the past year, the Company has focused on education and development programs for our employees in order to remain one of the leading providers of insurance services whose operations are characterized by quality and reliability.

During 2016, the Company realized the project of entering the health insurance market and added products of supplementary and additional health insurance into its assortment which provide a wide range of coverage of health insurance products.

Operational stability, continuous focus on optimization of business processes as well as further investment in the development of the sales network and new products confirm that we are on the right path to further strengthen the position of the Triglav insurance on the croatian insurance market and achieve our long-term plans, what is in line with strategy of the Triglav Group.

2. The employment structure

As at December 31, 2016, Triglav osiguranje d.d. employed 513 employees, of which 237 internal and 276 insurance agents and sales representatives, which is decrease of 2.8% compared to the end of 2015.

Human resources division structure of the Company includes two PhDs, 11 Masters of Science, 99 employees with a university degree and 84 employees with college degrees.

During 2016, the emphasis was on training of existing staff in sales as well as specialized training courses for particular sectors or groups of tasks, with particular emphasis on the education of key and special functions, related to the development of their managerial competencies.

3. Branch offices of the Company

The Company operates in the Republic of Croatia and is seated in Zagreb, at the address: Antuna Heinza 4.

The Company has the following branch offices registered in the court register of companies:

- Branch office Čakovec, Čakovec, Žrtava fašizma 1
- Branch office Koprivnica, Koprivnica, Tarašćice 20
- Branch office Osijek, Osijek, Trg Lava Mirskog 3
- Branch office Pula, Pula, Šijanska cesta 1
- Branch office Rijeka, Rijeka, Erazma Barčića 3
- Branch office Split, Split, 114. Brigade 8
- Branch office Zadar, Zadar, Obala kneza Branimira 9
- Branch office Varaždin, Varaždin, Alojzije Stepinca 7
- Branch office Zagreb, Zagreb, Antuna Heinza 4

Management regularly monitors the operations of the branches in order to ensure that their operations are in line with the business objectives of the Company.

4. Reporting of the supervisory bodies

Over the past year the Company has regularly reported to supervisory authorities and the Croatian Agency for Supervision of Financial Institutions in accordance with the Insurance Act and HANFA Regulations on all relevant facts and changes in the Company. The Company has duly responded to the requirements of supervisory authorities in terms of operational control and data delivery of the Company, to which regulators had no objections.

5. Significant events after the end of the business year 2016

After the end of the business year 2016 there were no significant business events that would affect financial statements or business operations in general.

6. Research and development activities

The Company continuously develops new and innovative insurance products, in cooperation with its parent company.

7. Notice on acquisition of own shares

The Company as at 31 December 2016 had no own shares nor did it repurchase any in the course of 2016.

8. Risk exposure and management

Risk exposure of the Company did not change significantly compared to previous year. In accordance with the nature of the core business, the most significant risk for the Company remains insurance risk which is followed by market risks. The main objective of the Company, in managing risks, is to maintain capital level which will ensure high level of solvency, i.e. stability and sustainability of business. All risks which the Company assumes are covered by the risk management system in proportion to their importance and materiality. Risks are managed with measures and procedures as defined in the Strategy and Risk management policies. Below is a brief description of the significant risks to which the Company is exposed.

Insurance risk - The Company is exposed to this type of risk in both life and non-life segment and related products. It manages this risk through underwriting limits, transaction approval procedures which involve new products or which exceed set limits, pricing, product design and reinsurance management.

Market risk – Exposure to this risk is generated by the investment portfolio of the Company. The Company manages market risk led by the Principle of prudence, thereby investing in the insurers' best interest. Market risk is actively measured and monitored and excessive exposure to this risk is limited by internal investment policies.

Credit risk – Credit risk is inherent within the core business activities. The Company endeavors to minimize exposure to this risk and prevent its potential realization. Credit risk is being regulated through regular analysis of the credit risk – limits, collaterals and credit rating assesments of the counterparties.

Operational risk – The internal control system is the basic operational risk management framework. Internal control system primarily includes a clear segregation of duties and responsibilities which are documented within internal acts (policies, rulebooks, work procedures etc.) which are also used to regulate business processes and activities.

Liquidity risk – Liquidity risk is being regulated by monitoring of planned and realized cash flows from assets and liabilities, ie by "matching" assets and liabilities. The Company manages this risk in a manner that ensures a sufficient level of liquidity that at any time enables fulfillment of reasonably predictable operational cash requirements, business continuity and compliance with legal requirements.

Concentration risk - The Company monitors concentration risk for exposures which are connected by common risk factors, geographical area and/or common business activities. The Company is aware of correlation of concentration risk with other significant risks to which it is exposed to due to nature of its business and reduces it through dispersion of its risk profile.

This area has been analyzed in detail as part of the audited financial statements which are an integral part of this Report, within note 1.40.

9. Financial instruments

In accordance with the Insurance Act, the Company is required to invest funds in financial instruments and other forms and types of investments, as well as to determine the strategy and tactics of investment, principles, organization, procedures of investments and also process of monitoring and reporting on investments in order to ensure the adequate coverage of technical or mathematical reserves of the Company.

The main investment objective is to provide safety, liquidity and return on investment for the fulfillment of obligations arising from assets they are covered by. The Company continuously monitors compliance of forms of investments with the obligations the Company settles from these types of investments, which specifically refers to the maturity and currency composition of investments.

In line with market trends and its own estimates, the Company forms investments in a way that optimizes the relationship between risk and return for each individual form of investment, depending on the current and anticipated needs of the Company.

This area is analyzed in detail within the audited financial statements which are an integral part of this Report, under note 1.15.

10. Application of the Code of Corporate governance

The Company has no legal obligation to publish information on the application of corporate governance issued by HANFA and ZSE, according to the Capital Market Act.

Articles of Association established the legal status, organization and management in Triglav osiguranje d.d. and other issues relevant to the business operations of Triglav and other matters in accordance with the provisions of the Companies Act and the Insurance Act. With system and policy management of Triglav osiguranje d.d. are determined main directions of the Company by taking into account the long-term goals and values of the Company.

Stated Policy is the basis for establishment and realization of a solid and reliable system of governance, based on the efficient risk management system. The purpose of the Policy is to 1) determine basic elements of the management system and the basic rules of management taking into account the strategy of the Company, 2) determine transparent internal relations in terms of responsibility and competence in the management and thus increase the efficiency of operations and 3) determine the reporting system to ensure an effective system of transmission of information, all with the aim of achieving an efficient and transparent system of management of the Company that will be in accordance with the legislation.

The management bodies of the Company are:
1. Management Board
2. Supervisory Board
3. General Assembly

Their powers and responsibilities are determined by the Articles of Association, the Companies Act and the Insurance Act.

MANAGEMENT BOARD operated in the period from 01/01-31/12/2016 as follows:

- Marin Matijaca, President of the Board (since 29 August 2016 up to 28 August 2020)
- Bernhard Melischnig, Member of the Board (since 01 October 2013 up to 30 September 2017) – mandate ended on 31 December 2016
- Denis Burmaz, Member of the Board (since 04 August 2016 up to 03 August 2020)
- Vladimir Mišo Čeplak, Procurator (since 01 April 2015)

SUPERVISORY BOARD held 14 (fourteen) meetings in the period from 01-12/2016, in the following composition:

- David Benedek, President of the Supervisory Board
- Tomaž Žust, Deputy of the President of the Supervisory Board
- Gorazd Jenko, Member of the Supervisory Board
- Darko Popovski, Member of the Supervisory Board
- Željko Duralija, Member of the Supervisory Board, workers' representative

AUDIT COMMITTEE was established by the decision of the Supervisory Board of the Company on 24 March 2009. 6 (six) meetings of the Audit Committee were held in the period from 01-12/2016, in the following composition:

- Tomaž Žust, President of the Audit Committee
- Darko Popovski, Deputy President of the Audit Committee
- Saša Kovačić, Member of the Audit Committee
- Jana Polda, Member of the Audit Committee
- Branko Flisar, Member of the Audit Committee

11. Expected development in the future

The main objective of the Company in the strategic period until 2020 is a long-term profitable growth, with a gradual increase in market share.

It is planned to achieve this by increasing productivity and expertise of its own sales network, which is primarily focused on retail and selectively on corporate clients, through increase in other sales lines and introduction of innovative products in cooperation with the parent company, through implementation of new IT solutions and through the introduction of targeted leadership in order to better employee motivation and increase satisfaction index.

Management expects to improve existing and develop new insurance products, as well as to increase brand recognition of Triglav in public, have a positive impact on the market position and increase the satisfaction of insured persons with the services rendered.

In Zagreb, 28.04.2017

Company Managment:

Marin Matijaca, univ.spec.actuar.math.
Chairman of the Management Board

TRIGLAV OSIGURANJE d.d. ZAGREB 03

mr.sc. Denis Burmaz
Member of the Management Board

mr.sc. Vladimir Mišo Čeplak,
Procurator

Responsibilities of the Management Board and the Supervisory Board for the preparation and approval of annual financial statements

Pursuant to the Croatian Accounting Law in force, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted in the European union which give a true and fair view of the financial position and results of the Company for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue to do business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and must also ensure that the financial statements comply with the Croatian Accounting Law in force. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for the submission to the Supervisory Board of its annual financial statements following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The financial statements on pages 12 to 113 and the forms prepared in accordance with the Regulations on the structure and content of the financial statements of insurance and reinsurance companies (O.G. 37/16), as presented on pages 114 to 131, are approved by the Board on 28 April 2017 for submission to the Supervisory Board and signed below.

Management Board:

Marin Matijaca, univ.spec.acutar.math.
President of the Management bord

mr. sc. Denis Burmaz
Member of the Board

mr.sc. Vladimir Mišo Čeplak
Procurator

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Independent auditor's report

To the shareholders of Triglav osiguranje d.d.:

Report on the financial statements

Opinion

We have audited the financial statements of Triglav osiguranje d.d. (the Company), which comprise the statement of financial position as at December 31 2016, statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS as adopted by EU").

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 financial statements* section of our report.

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

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

Other information included in The Company's 2016 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other information including the Management report.

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

With respect to the Management Report, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management report for the 2016 financial year are consistent, in all material respects, with the enclosed financial statements;
2. the enclosed Management report for 2016 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act.

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

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Independent auditor's report (continued)

Responsibilities of management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent auditor's report (continued)

We communicate with the Supervisory Board 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.

Report on other legal reporting demands

In accordance with the Ordinance on the structure and content of financial statements of insurance and reinsurance companies as issued by the Croatian Financial Services Supervisory Agency on 21 April 2016 (hereinafter "the Ordinance") and based on the provisions of Insurance Act that define financial reporting, the Company's management has prepared forms which are presented on pages 114 to 131 and which contain a statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity, statement of cash flows, as well as additional forms containing information which is not presented elsewhere in the notes to the financial statements but is required by the Ordinance (hereinafter "financial information"). This financial information is the responsibility of the Company's management and is, pursuant to International Financial Reporting Standards as adopted in the European Union, not a required part of the financial statements, but is required by the Ordinance.

Our responsibility with respect to this financial information is to perform the procedures we consider appropriate to conclude whether this financial information have been prepared in accordance with the Ordinance and relevant provisions of the Insurance Act that define financial reporting, reconciled and properly derived from the audited financial statements. In our opinion, based on the procedures performed, the financial information presented in the forms has been prepared in accordance with the Ordinance and based on the provisions of Insurance Act that define financial reporting, reconciled and properly derived, in all material respects, from the audited financial statements which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union as presented on pages 12 to 113 and are based on underlying accounting records of the Company.

Zvonimir Madunić
Member of Management Board and certified auditor
Ernst & Young d.o.o.
Radnička cesta 50, Zagreb
Republic of Croatia

Zagreb, 28 April 2017

Statement of financial position

As at 31 December 2016

	Note	2016 HRK'000	2015 HRK'000
Assets			
Property and equipment	1.11	129,269	129,159
Investment property	1.12	2,957	27,577
Intangible assets			
- Deferred acquisition costs	1.13	17,308	16,646
- Other intangible assets	1.14	4,690	5,260
Held-to-maturity investments	1.15	140,454	141,231
Available-for-sale financial assets	1.15	388,344	358,084
Financial assets at fair value through profit or loss	1.15	187,993	154,793
Loans and receivables	1.15	16,341	18,157
Reinsurers' share of insurance contract provisions	1.16	36,716	34,581
Deferred tax asset	1.17	3,557	3,557
Insurance and other receivables	1.18	120,256	119,528
Cash and cash equivalents	1.19	30,246	17,028
Total assets		**1,078,131**	**1,025,601**
Share capital and reserves			
Share capital	1.26	209,656	209,656
Premium on issued shares – capital reserves	1.26	4,692	4,692
Statutory reserve	1.26	4,377	4,377
Fair value reserve	1.26	13,474	2,119
Other reserves		939	939
Retained earnings / (accumulated loss)		(26,067)	8,422
Profit / (loss) for the year		209	(34,489)
Total equity and reserves		**207,280**	**195,716**
Liabilities			
Insurance contract provisions	1.20	796,028	775,867
Subordinated loan	1.21	-	10,423
Finance lease liabilities	1.22	-	-
Short-term loan	1.23	20,000	-
Provisions for liabilities and expenses	1.24	4,976	4,894
Insurance and other payables	1.24	46,864	38,172
Deferred tax liabilities	1.24; 1.25	2,983	529
Total liabilities		**870,851**	**829,885**
Total liabilities and equity		**1,078,131**	**1,025,601**

The accounting policies and other explanatory notes on pages 16 to 113 form an integral part of these financial statements.

Statement of comprehensive income
For the year

	Note	2016 HRK'000	2015 HRK'000
Gross premiums written	1.27	368,659	343,897
Written premiums ceded to reinsurers	1.27	(62,025)	(52,700)
Net premiums written		**306,634**	**291,197**
Change in the gross provision for unearned premiums	1.27	(5,704)	(8,893)
Reinsurers' share of change in the provision for unearned premiums	1.27	(1,220)	(553)
Net earned premiums		**299,710**	**281,751**
Income related to investments	1.29	33,689	50,944
Expenses related to investments	1.30	(2,051)	(15,054)
Fee and commission income	1.28	7,384	6,503
Other operating income	1.31	11,602	10,589
Net revenue		**350,334**	**334,733**
Claims and benefits incurred	1.32	(238,612)	(241,521)
Reinsurers' share of claims and benefits incurred	1.32	44,130	35,696
Net policyholder claims and benefits incurred		**(194,482)**	**(205,825)**
Acquisition costs	1.33	(62,048)	(55,868)
Administrative expenses	1.34	(84,643)	(90,711)
Other operating expenses	1.35	(2,312)	(6,120)
Finance costs	1.36	(6,640)	(7,626)
Profit / (loss) before tax		**209**	**(31,417)**
Income tax credit / use of deffered tax asset	1.37	-	(3,072)
Profit / (loss) for the year		**209**	**(34,489)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets (net of realised amounts)		13,346	(9,577)
Change in deferred tax		(1,991)	1,915
Other comprehensive income / (loss) for the year		**11,355**	(7,662)
Total comprehensive income for the year		**11,564**	**(42,151)**

The accounting policies and other explanatory notes on pages 16 to 113 form an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital HRK'000	Premium on issued shares HRK'000	Statutory reserve HRK'000	Fair value reserve HRK'000	Other reserves HRK'000	Retained profit HRK'000	Profit/loss for the year HRK'000	Total HRK'000
At 1 January 2015		**123,016**	**4,692**	**4,318**	**9,781**	**939**	**7,291**	**1,190**	**151,227**
Net change in fair value of available-for-sale financial assets, net of realised amounts	1.26	-	-	-	(9,577)	-	-	-	(9,577)
Change in deferred tax asset		-	-	-	1,915	-	-	-	1,915
Other comprehensive income		-	-	-	*(7,662)*	-	-	-	(7,662)
Profit for the year		-	-	-	-	-	-	(34,489)	(34,489)
Total comprehensiveprofit/(loss) for the year		-	-	-	(7,662)	-	-	(34,489)	(42,151)
Increase in share capital and reserves		86,640	-	-	-	-	-	-	86,640
Allocation of prior year profit or loss	1.26	-	-	59	-	-	1,131	(1,190)	-
Allocation of other reserves		-	-	-	-	-	-	-	-
Transactions with owners recognised directly in equity		-	-	-	-	-	-	-	-
At 31 December 2015		**209,656**	**4,692**	**4,377**	**2,119**	**939**	**8,422**	**(34,489)**	**195,716**
At 1 January 2016		**209,656**	**4,692**	**4,377**	**2,119**	**939**	**8,422**	**(34,489)**	**195,716**
Net change in fair value of available-for-sale financial assets, net of realised amounts	1.26	-	-	-	13,346	-	-	-	13,346
Change in deferred tax asset		-	-	-	(1,991)	-	-	-	(1,991)
Other comprehensive income		-	-	-	*11,355*	-	-	-	11,355
Profit for the year	1.26	-	-	-	-	-	-	209	209
Total comprehensive profit for the year		-	-	-	11,355	-	-	209	11,564
Increase in share capital and reserves		-	-	-	-	-	-	-	-
Allocation of prior year profit or loss	1.26	-	-	-	-	-	(34,489)	34,489	-
Allocation of other reserves		-	-	-	-	-	-	-	-
Transactions with owners recognised directly in equity		-	-	-	-	-	-	-	-
At 31 December 2016		**209,656**	**4,692**	**4,377**	**13,474**	**939**	**(26,067)**	**209**	**207,280**

The accounting policies and other explanatory notes on pages 16 to 113 form an integral part of these financial statements,

Cash flow statement
For the year ended 31 December 2016

	2016 HRK'000	2015 HRK'000
Cash flow from operating activities		
Profit before tax (I)	**209**	**(31,417)**
Adjustments for:		
Depreciation	7,187	8,643
Increase / (decrease) in insurance contract provisions, net of reinsurance	18,026	40,821
Increase / (decrease) in provisions	82	2,418
Increase / (decrease) in deferred acquisition costs	(662)	(2,657)
(Gains)/ losses from impairment of investment property	526	7,600
Interest income	(23,292)	(29,378)
Interest expense	294	5,059
Impairment losses on insurance receivables	(4,837)	(1,018)
(Gains) / losses from fair value adjustment of financial assets	(3,404)	(3,279)
Foreign exchange differences	5,557	1,718
Income from financial lease earlier payment	-	(3,600)
Other	(5,996)	(1,091)
	(6,310)	**(6,181)**
Change in working capital		
(Increase) / decrease in insurance and other receivables	11,068	(8,977)
(Decrease) / increase in insurance and other payables	8,692	(8,955)
Net (acquisition) / disposal of financial investments		
- Equity and debt securities	(29,010)	(41,260)
- Shares in investment funds	(22,411)	(13,288)
- Deposits with banks and loans to customers	1,719	1,800
Interest received	22,736	24,527
Interest paid	(1,084)	(7,567)
Net cash from operating activities (II)	**(8,290)**	**(53,720)**
Cash flows from investing activities		
Proceeds from sale of property and equipment and investment property	25,073	249
Increase in intangible assets	(1,892)	(1,491)
Increase in PPE and investment property	(4,940)	(1,994)
Maturity / (Expenditures) for held to maturity investments	-	42,789
Net cash from investing activities (III)	**18,241**	**39,553**
Cash flows from financing activities		
Proceeds from issue of share capital	-	86,640
Proceeds from short term borrowings	20,000	-
Long term loan repayments	(10,243)	(38,201)
Finance lease repayments	-	(32,213)
Net cash from financing activities (IV)	**9,577**	**16,226**
Net increase in cash and cash equivalents (I+II+III+IV)	**13,218**	**(4,122)**
Cash and cash equivalents at beginning of year	17,028	21,150
Cash and cash equivalents at end of year	**30,246**	**17,028**
Difference in cash flow	**13,218**	**(4,122)**

The accounting policies and other explanatory notes on pages 16 to 113 form an integral part of these financial statements.

1 Notes to the financial statements

1.1 Reporting entity

Triglav osiguranje d,d, (the "Company") is a joint stock company incorporated and domiciled in Croatia, A. Heinza 4, Zagreb.

The Company is a composite insurer offering life and non-life insurance products in Croatia. The company is regulated by Croatian Financial Services Supervision Agency ("HANFA").

At the reporting date the Company's major owner (99.91% of voting rights) is Triglav INT d.d. Ljubljana. The ultimate parent company that prepares consolidated financial statements is Zavarovalnica Triglav d.d. Ljubljana. Both Triglav INT d.d. and Zavarovalnica Triglav d.d. are joint stock companies incorporated and domiciled in Slovenia.

1.2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU ("IFRS"). These financial statements represent non-consolidated financial statements of the parent company Triglav osiguranje d.d., consolidated financial statements of Triglav osiguranje d.d. are not prepared since the criteria of International Financial Reporting Standard 10, item 4 have been met.

These financial statements were authorised for issue by the Management Board on 28 April 2017 and delivered to the Supervisory Board for approval.

(b) Basis of measurement

These financial statements are prepared on the historical cost basis, except available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at their fair value.

(c) Functional and presentation currency

The financial statements are prepared in Croatian kuna (HRK), the official currency of the primary economic environment in which the Company operates ("the functional currency"), with numbers rounded to the nearest thousand.

(d) Use of estimates and judgements

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and information available at the date of preparation of the financial statements, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1.4.

1.2 Basis of preparation (continued)

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in or linked to foreign currency 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. The translation differences are recognised in income as part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within investment income or investment expense in the statement of comprehensive income. At the balance sheet date the Company did not have any non-monetary securities denominated in or linked to foreign currency classified as available for sale.

The translation differences on fair valuation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income together with other related changes.

The most significant foreign currency in which the Company holds its assets and liabilities is Euro, The exchange rate used for translation at 31 December 2016 was EUR 1 = HRK 7.557787 (31 December 2015: EUR 1 = HRK 7.635047).

(f) Effective standards and interpretations

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Company's financial statements.

  - ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
  - ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
  - ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
  - ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
  - ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

1.2 Basis of preparation (continued)

(f) Effective standards and interpretations (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Company's financial statements.

  - ➢ ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - ➢ ***IFRS 7 Financial Instruments*: *Disclosures***: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
  - ➢ ***IAS 19 Employee Benefits***: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - ➢ ***IAS 34 Interim Financial Reporting:*** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

g) Standards issued but not yet effective

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management is currently assessing the impact of the new pronouncements on the Company's financial reporting and plans to adopt standard when it becomes effective.

- **Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**
  In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

1.2 Basis of preparation (continued)

g) Standards issued but not yet effective (continued)

- **IFRS 15 Revenue from Contracts with Customers**
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is currently assessing the impact of the new pronouncements on the Company's financial reporting and plans to adopt standard when it becomes effective.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. Management is currently assessing the impact of the new pronouncements on the Company's financial reporting and plans to adopt standard when it becomes effective.

- **IFRS 16: Leases**
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Management is currently assessing the impact of the new pronouncements on the Company's financial reporting and plans to adopt standard when it becomes effective.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The amendments address an acknowledged 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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the new pronouncements on the Company's financial reporting and plans to adopt standard when it becomes effective.

1.2 Basis of preparation (continued)

g) Standards issued but not yet effective (continued)

- **IAS 7: Disclosure Initiative (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. These Amendments have not yet been endorsed by the EU. Management is currently assessing the impact of the new amendments on the Company's financial reporting and plans to adopt standard when it becomes effective.

- **IAS 40: Transfers to Investment Property (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

1.2 Basis of preparation (continued)

g) Standards issued but not yet effective (continued)

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

  - ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
  - ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

1.3 Significant accounting policies

(a) Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services or administrative purposes.

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property the property is reclassified as investment property.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Assets under finance lease are depreciated over their estimated useful lives. Land and assets under construction are not depreciated.

Estimated useful lives are as follows:

	2016	**2015**
Buildings	40 years	40 years
Improvements of assets under finance lease	40 years	40 years
Equipment	4 – 10 years	4 – 10 years
Furniture	5 years	5 years
Motor vehicles	4 years	4 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit and loss.

(b) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment property is carried at cost less accumulated depreciation and any impairment losses.

All investment properties other than assets under construction are depreciated using the straight-line method at prescribed rates to allocate their cost over the estimated useful life of the asset as follows:

	2016	**2015**
Investment property	40 years	40 years

1.3 Significant accounting policies (continued)

(c) Intangible assets: deferred acquisition costs – insurance contracts

Acquisition costs comprise all direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of existing contracts.

Deferred acquisition costs for non-life business comprise commissions paid to the external sales force and salaries of the internal sales force incurred in concluding insurance policies during a financial year but which relate to a subsequent financial year and other variable underwriting and policy issue costs. General selling expenses and line of business costs are not deferred.

For non-life insurance business the deferred acquisition cost asset at the balance sheet date has been calculated by comparing the provision for unearned premiums at the balance sheet date with gross premiums written during the year and deferring a comparable proportion of deferrable acquisition costs.

For life insurance business, acquisition costs are taken into account in calculating life provisions by means of Zillmerisation. For life riders and for unit-linked products, acquisition costs are not deferred. As such, a separate deferred acquisition cost asset for life insurance business is not recognised at the balance sheet date.

The recoverable amount of deferred acquisition costs is assessed at each balance sheet date as part of the liability adequacy test.

(d) Other intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Assets under construction are not amortised. The estimated useful lives are as follows:

	2016	**2015**
Computer programmes	5 years	5 years
Licences	5 years	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit and loss.

1.3 Significant accounting policies (continued)

(e) Financial instruments

Classification and recognition

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

The Company classifies financial assets that do not have a quoted price in an active market to loans and receivables category and a portion of assets for which it has the positive intention and ability to hold to maturity to held-to-maturity investments.

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

Reclassification

In October 2008, the International Accounting Standards Board issued the Amendment to International Accounting Standard 39: "*Financial instruments: Recognition and measurement*" ("IAS 39") and International Financial Reporting Standard 7: "*Financial instruments: Disclosures*" ("IFRS 7"). This amendment to IAS 39 allows entities in some circumstances to reclassify financial assets out of category at fair value through profit or loss, which must be disclosed in detail in accordance with amendments to IFRS 7. Amendments are applied retrospectively from 1 July 2008.

Based on these amendments, in 2008, the Company reclassified certain financial assets from category at fair value through profit or loss to category of available-for-sale financial assets. The effect of this reclassification is presented in Note 1.15.

The Company also, irrespective of the changes described above, in year 2008 and 2011 reclassified a portion of available-for-sale financial assets that do not have a quoted price in an active market to loans and receivables category, and a portion of assets for which it has positive intention and ability to hold to maturity to held-to-maturity investments category. The effect of these reclassifications is also presented in Note 1.15.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Any sale of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments include debt securities.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

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. Available-for-sale financial assets include debt securities, investments in investment fund units and equity securities.

Available-for-sale financial assets are initially recognised and subsequently measured at fair value. Losses or gains on changes in fair value are recorded as a separate item within other comprehensive income until the moment of derecognition or impairment. At the moment of derecognition or impairment, gains or losses previously recorded within other comprehensive income are transferred to profit or loss.

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

Financial assets and liabilities at fair value through profit or loss are financial assets which are classified as held for trading or on initial recognition designated by the Company as at fair value through profit or loss. The Company does not apply hedge accounting.

As stated above this category has two sub-categories: financial instruments held for trading and those designated by management as at fair value through profit or loss at inception. Trading assets and liabilities are those assets and liabilities that the Company 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 Company designates financial assets and liabilities at fair value through profit or loss when either:

- the assets or 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 instruments at fair value through profit or loss include equity securities, debt securities and investments in investment fund units, both for the Company's own and for the account of policyholders.

Loans and receivables

Financial assets classified as loans and receivables comprise are non-derivative financial assets with fixed or determinable payments, loans, cash and placements to banks, for which there is no intention to sell immediately or in close future.

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 has the intention to sell immediately or in the short term that will be classified as held-for-trading financial assets and those that the entity designates as assets at fair value through profit or loss at initial recognition;
- those that the entity designates as available for sale upon initial recognition; or
- those for which the entity will probably not recover the majority of initially invested value, other than due to deterioration of credit ability that will be classified as available for sale.

Loans and receivables arise when the Company provides money to a debtor with no intention of trading with the receivable and include deposits with financial institutions, loans to customers and debt securities.

Receivables from insurance contracts are accounted for in accordance with IFRS 4 "*Insurance contracts*".

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. The Company has no financial liabilities carried at fair value through profit or loss other than unit-linked products as described in accounting policy 1.3 (y). Liabilities arisen under insurance contracts are accounted for in accordance with IFRS 4 *"Insurance contracts"*. Other financial liabilities are recorded in the statement of financial position under " *Long-term loan*" *"Insurance and other payables"* and *"Subordinate loan"*.

Recognition and de-recognition

Regular way purchases and sales of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised on the trade date which is the date when the Company commits to purchase or sell the instrument. Loans and receivables and financial liabilities at amortised cost are recognised when advanced to borrowers or received from lenders.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company derecognises financial liabilities only when the financial liability is extinguished, i.e. when it is discharged, cancelled or has expired. If the terms of a financial liability substantially change, the Company will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

Initial and subsequent measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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

Loans and receivables and held-to-maturity investments are measured at amortised cost. Financial liabilities not designated 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 related instrument and amortised based on the effective interest rate of the 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 and loss.

Gains and losses from a change in the fair value of available-for-sale assets are recognised 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 and loss. Dividend income is recognised in profit and loss.

Upon sale or other derecognition of available-for-sale assets, any cumulative gains or losses are transferred to profit and loss.

Interest income on monetary assets at fair value through profit or loss is recognised within investment income, at coupon interest rate.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Gains and losses (continued)

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

Other than gains and losses on the change in fair value of available-for-sale assets that are recognised in other comprehensive income as described above, all other gains and losses and interest are recognised in profit or loss under "*Net investment income*".

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 bid market price at the balance sheet date without any deductions for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reason, the fair value cannot be reliably measured by market price, the Company establishes fair value by using valuation techniques. These include the use of prices achieved in recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate related to the financial instrument with similar terms and conditions at the balance sheet date.

Fair value hierarchy

The Company uses following levels for determining the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company assesses separately each financial instrument to determine if there is an active or inactive market for the instrument.

Active market

According to the management judgement, if transactions are occurring frequently enough to obtain reliable pricing information on an ongoing basis, the Company considers the market as active. Furthermore, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from market participants, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Furthermore, a significantly lower than usual volume of transactions does not necessarily provide sufficient evidence that there is not an active market and the absence of transactions for a short period does not imply that a market has ceased to be active.

Inactive market

The management of the Company regularly considers the indicators of market activity. The Company considers that the characteristics of an inactive market include a significant decline in the volume of trading activity, the available prices varying significantly over time or the prices not being current, although these factors alone do not necessarily mean that a market is no longer active. The management assesses the market as inactive if observed arm's length transactions are no longer regularly occurring even if prices might be available, or the only observed transactions are forced transactions or distressed sales.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Impairment of financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, prolonged or significant decrease of fair value of an equity security, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

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 rates. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances and deposits held with banks. Interest income on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

In case of equity investment 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 that the assets are impaired. If any such evidence exists for available-for-sale securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit and loss. Impairment losses recognised in profit and loss on equity instruments are not reversed through profit and loss.

Impairment losses on available-for-sale debt securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income to profit or loss.

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Specific instruments

Debt securities

Debt securities are classified as available-for-sale financial assets or as fair value in statement of profit and loss and are carried at fair value, unless there is no reliable measure of the fair value, in which case debt securities are stated at amortised cost and, depending on the intention for which the debt security was acquired, are classified as held-to-maturity investments or loans and receivables (if there is no active market).

Deposits with banks

Deposits with banks are classified as loans and receivables and are carried at amortised cost.

Loans to customers

Loans to customers are classified as loans and receivables and are presented net of impairment allowances to reflect the estimated recoverable amounts.

Loans and advances based on surrender value of life insurance policies

Loans to customers are classified as loans and receivables and are stated net of impairment allowances to reflect the estimated recoverable amounts.

Equity securities

Equity securities are classified as financial assets at fair value through profit or loss or as available-for-sale financial assets and are carried at fair value, unless there is no reliable measure of the fair value, in which case equity securities are stated at cost less impairment.

Investments in funds

Investments in open-ended funds are classified as financial assets at fair value through profit or loss and available for sale financial assets and are carried at fair value.

Investments held on account and at risk of life insurance policyholders

Investments held on account and at risk of life insurance policyholders comprise policyholders' investments in unit-linked products and are classified as financial assets at fair value through profit or loss.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Specific instruments (continued)

Trade and other receivables

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(f) Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are included in property and equipment or other intangible assets and are carried at cost less accumulated depreciation or amortization. Other leases are operating leases and leased assets when the Company is lessee are not recognised in the Company's statement of financial position.

Payments made under operating leases, where the Company is lessee and amounts received from lessees where the Company is lessor, are recognised in profit and loss on a straight-line basis over the period of the lease.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits at call placed with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are subsequently measured at amortised cost.

(h) Employee benefits

Defined pension contributions and post-employment benefits

The Company pays contributions to insurance plans on a mandatory, contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Furthermore, according to the Collective bargaining agreement the Company has an obligation for a one-off payment of HRK 8 thousand at the time of the employee's retirement. The liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of governmental bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement severance payment.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they occur.

Past-service costs are amortised on a straight-line basis over the employee's actual remaining working life.

1.3 Significant accounting policies (continued)

(h) Employee benefits (continued)

Long-term employee benefits

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability includes assumptions of the likely number of staff to whom the benefit will be payable, estimated benefit cost and the discount rate.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality state bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating to the terms of the related liability.

(i) Income tax

Income tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are not discounted and are classified as non-current.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Share capital and reserves

Ordinary share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in HRK. Direct additional expenses arising from the issue of new shares are recorded in capital as a deduction item from proceeds, net of related taxes. The excess fair value of proceeds over the nominal value of issued shares is recorded as premium on issued shares.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Statutory reserve

Since 1 January 2006 statutory reserves are formed in accordance with the Companies Act. The statutory reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

1.3 Significant accounting policies (continued)

(k) Share capital and reserves (continued)

Other reserves

Other reserves include reserves, other than statutory reserves, attributable to the Company's shareholders. Other reserves are formed from retained earnings of previous periods and from contribution of assets into the Company by the parent company without compensation.

Fair value reserve

The fair value reserve represents unrealised net gains and losses arising from a change in the fair value of available-for-sale financial assets, net of deferred tax.

Retained earnings

Any profit for the year retained after appropriations is transferred to reserves based on shareholders' decision or is retained in retained earnings. Retained earnings are available for distribution to shareholders.

(l) Impairment of other non financial assets

Assets that have an indefinite useful life – for example, land – are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

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

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions.

Allocation of costs between the life insurance and non-life insurance segments

The Company allocates premiums earned, claims occurred, related income and expenses based on reinsurance contracts and other income and expenses that may be closely linked to individual types of insurance directly to segments of life and non-life based on the type of insurance to which the income and expenses relate.
The Company allocates finance income and finance costs to segments of life and non-life based on segment allocation of assets from which the related income and expenses arose, as all Company's assets are unambiguously allocated to individual segments.
During the year direct administration costs, acquisition costs (commission expenses and other acquisition costs) and other operating expenses that may be directly attributable to individual segments are directly charged to the life or non-life segments. Where expenses cannot be directly allocated, a key is used to allocate the expenses. The main categories used in calculating allocation keys between life and non-life insurance: gross written premium, number of working hours, kilometers travelled by company cars and area of business premises.

1.3 Significant accounting policies (continued)

(m) Segment reporting (continued)

Staff costs are allocated based on estimated staff time spent on in life and non-life insurance.

Allocation of equity and assets and liabilities

The Company keeps separately assets, liabilities and equity for individual operating segments.

All property and equipment as well as intangible assets are allocated to non-life segment, whereby costs related to these assets are allocated to the life segment based on appropriate allocation keys. Financial investments are allocated according to the source of funding. Other assets and liabilities are allocated on the basis of type of business they arise from, Capital and reserves are directly allocated to life and non-life segments.

(n) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in Note 1.3 (q).

Investment income

Interest income is recognised in profit and loss as it accrues for all interest-bearing financial instruments measured at amortised cost using the effective interest method, i,e, the rate that discounts expected future cash flows to the net present value over the period of the related contract or currently effective variable interest rate. Accounting policy related to recognising investment income is described in Note 1.3 (e) in section *"Gains and losses"*.

Dividend income is recognised in profit and loss on the date that the dividend is declared. Income from investment property comprises realised gains triggered by sale, rental income and other income related to investment property. Rental income from investment properties and other operating leases is recognised in profit and loss on a straight-line basis over the term of each lease.

Investment income also includes foreign exchange gains on monetary assets and liabilities at the reporting date.

Fee and commission income

Fee and commission income includes reinsurance commission.

(o) Expenses

Operating expenses

Operating expenses consist of policy acquisition costs, administration costs and other operating expenses.

Operating lease expenses
Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of each lease.

Administration costs
Administration costs include personnel expenses, depreciation of property and equipment, amortisation, costs of material and services, energy costs and other costs. Other costs consist mainly of costs of premium collection, policy termination costs, portfolio management costs and administration costs of reinsurance.

Acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts such as sales representatives' commission and marketing and advertising expenses.

Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related income recognition criteria (see accounting policy 1.3 (q)).

1.3 Significant accounting policies (continued)

(o) Expenses (continued)

Company's accounting policy relating to deferred acquisition costs in accounting policy 1.3 (c).

Investment expenses

Investment expenses from financial assets include impairment of financial assets, depreciation and other expenses related to investment property, net realised losses on sale of financial assets, net unrealised losses on financial assets at fair value through profit or loss and exchange losses on monetary assets and liabilities at the reporting date.

Finance costs

Finance costs include interest expense on borrowings and foreign exchange losses from financial liablilities at the reporting date.

Accounting policies related to recognising finance costs are described in Note 1.3 (e) in section "Gains and losses".

(p) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts. At the balance sheet date the Company did not have any investment contracts.

Contracts with discretionary participation features

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 mathematical provision for both: amounts which have not been and those which have been allocated to specific policyholders at the balance sheet date.

1.3 Significant accounting policies (continued)

(q) Premiums

Non-life business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments of premiums written in previous accounting periods.

Premiums written do not include adjustments to reflect write-offs of amounts due from policyholders and movement in impairment allowances for premiums due from policyholders.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business.

In accordance with the exemption provided by IFRS 4, premiums in respect of life insurance business continue to be accounted for on a cash receipts basis.

(r) Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method ("pro rata temporis"), adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

The provision for unearned premiums in respect of life insurance is included within the life insurance provision.

Provision for unearned premiums for individual insurance is formed in the amount of the portion of premium calculated that relates to covering the insurance for the insurance period after the accounting period for which the provision is calculated.

In calculation of reinsurance share of unearned premium, the "pro rata temporis" method is used.

(s) Unexpired risk provision

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisitions costs and administrative expenses likely to arise after the end of the financial year) attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

(t) The claim provision

The claims provision represents the estimated ultimate cost of settling all claims, including direct and indirect settlement costs, arising from events that occurred up to the balance sheet date. The claims provision includes the provision for reported, but not settled claims, the provision for incurred but unreported claims and the provision for claims handling expenses.

1.3 Significant accounting policies (continued)

(u) Life insurance provisions

The life insurance provision has been computed by the Company's actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life insurers, issued by the Croatian Financial Service Supervisory Agency (HANFA).

The life insurance provision has been computed on an in-force premium basis, applying a Zillmer type valuation method, and taking into account actual acquisition, collection and administrative costs as well as all guaranteed benefits and bonuses already declared and proposed. A prospective net premium valuation method has been adopted with exception of unit-linked products where provision is based on the fair value of the underlying assets.

The Company uses full Zillmer factor of 3.5% in the year in which the policy originated. The applied Zillmer rate is within the limits prescribed by HANFA.

The life insurance provision for unit-linked products is stated at the fair value of the related investment.

The provision is initially measured using the assumptions used for calculating the corresponding premiums.

A liability adequacy test (LAT) is performed at each reporting date by the Company's actuaries using current estimates of future cash flows under its insurance contracts (refer accounting policy 1.3 (x)). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in profit and loss with a corresponding increase to the life insurance provision.

The amount of bonus to be allocated to policyholders has been irrevocably fixed at the balance sheet date and is presented within the life insurance provision.

(v) Claims

Claims arising from non-life business

Claims incurred in respect of non-life business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims paid are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.

Claims outstanding based on case estimates and statistical methods comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the balance sheet date whether reported or not, together with related internal and external claims handling expenses and an appropriate prudential margin. The provision for reported but not settled claims is determined based on the individual assessment of each reported claim and by forming provisions for incurred but not reported claims, which are a result of internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries, and estimates of salvage are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims provision according to the contract that was effective at the moment the claim occurred.

In respect of Motor Third Party Liability ("MTPL") insurance, a part of the claims payment is in the form of an annuity. The provision for such claims is established at the present value of the expected payments over the whole period of entitlement of the claimants using a discount rate of 3.3%. With the exception of annuities, the Company does not discount provisions for outstanding claims.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly. This is further discussed in Note 1.6.

Claims arising from life insurance business

Life insurance business claims reflect the cost of all claims arising during the year, including policyholder bonuses allocated in anticipation of a bonus declaration.

1.3 Significant accounting policies (continued)

(w) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and the statement of financial position on a gross basis.

Only 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 related claim.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company records an allowance for estimated irrecoverable reinsurance assets, if any.

Reinsurance commissions

Reinsurance commissions include commissions received or receivable from reinsurers based on reinsurance contracts.

(x) Liabilities and related assets under the liability adequacy test

Insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs and other related assets and liabilities. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in profit and loss.

IFRS 4 requires adequacy test for liabilities arising from insurance contracts. At each reporting date, the Company assesses whether recorded insurance liabilities are adequate, using present estimations of future cash flows on all its insurance contracts. If the estimation shows that the carrying amount of insurance liabilities (plus related deferred acquisition costs) is insufficient in relation to estimated future cash flows, the overall deficit is recognised through profit or loss. Estimations of future cash flows are based on realistic actuarial presumptions taking into account experience of claims occurrence, latest demographic tables, aspects of mortality, morbidity, return on investments, costs and inflation.

(y) Measuring liabilities from unit-linked contracts

Liabilities related to "unit-linked" contracts are carried at fair value through profit or loss. Transaction costs and entrance fees in relation to financial liabilities measured at fair value are not included at initial measurment and are recognised as expense as they occur. Financial liability is measured on the basis of net carrying amount of assets and liabilities held for coverage of contracts.

(z) Insurance receivables and payables

Insurance receivables and payables are accounted for in accordance with IFRS 4. Insurance receivables and payables include receivables and payables from insurance and reinsurance contracts concluded by the Company.

Life insurance premiums are recognised on a cash basis.

Impairment of receivables is performed for non-life insurance premiums that were past due more than 365 days.

1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note: 1.41) and insurance risk management (Note 1.5).

The Company makes estimates and assumptions concerning the future. Such accounting estimates will, by definition, rarely fully match to the related actual results. The estimates connected to provisioning represent most significant source of uncertainty. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.4.1 Key sources of estimation uncertainty

Estimation of uncertainty in relation to provisioning

The most significant estimates in relation to the Company's financial statements relate to provisioning. The Company takes a reasonably prudent approach to provisions and applies HANFA regulations. The Company employs certified actuaries.

The Group's policy is to make provision for unexpired risks arising from non-life insurance business where the claims, deferred acquisition costs and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums available under those contracts.

Major assumptions in calculating the life insurance provision are set out in Note 1.6. Insurance risk management is discussed in detail in Note 1.5. whilst insurance contract provisions are analysed in Note 1.20. Sensitivity is analysed in Note 1.8.

Losses on impairment of loans and receivables

Assets accounted for at amortised cost are assessed for impairment on the basis described in accounting policy 1.3 (e) on impairment of financial assets.

Impairment losses from individual exposures are based upon management's best estimate of the present value of the cash flows that are expected to be received. While estimating these cash flows, management makes judgements on counterparty's financial position and the net realisable value of any underlying collateral.

Estimation of uncertainty in relation to court cases

A significant estimation uncertainty stems from court cases. At 31 December 2016, the Company was involved in 641 (2015: 637) court cases for which HRK 63,363 thousand (*2015: HRK 69,455 thousand*) was provided as part of the claims reserve for reported but not yet settled claims. As at 31 december 2016, Company has not recognize provisions for court cases which are not related to insurance (*2015: HRK 0*). The management believes current level of provisions is sufficient.

If estimated loss in relation to court cases would increase/decrease for 1%, loss for the year would decrease/increase for HRK 633 thousand (*2015: profit for the year would decrease/increase for HRK 695 thousand*).

Regulatory requirements

HANFA is entitled to carry out regulatory inspections of the Company's operations and to request changes to the carrying values of assets and liabilities, in accordance with the underlying regulations.

1.4.2 Critical accounting judgements in applying the Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies include:

Financial asset and liability classification

The Company's accounting policies provide the scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (e). It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. Reclassification of financial assets and liabilities at fair value through profit or loss held for trading is allowed only in exceptional circumstances as described in accounting policy 1.3 (e) under "*Reclassification*".

Held-to-maturity investments may be classified in this group only if the Company has a positive intention and ability to hold them to maturity.

Classification of products

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. At the reporting date, the Company's portfolio did not contain any insurance products that would meet the definition of investment contracts.

Allocation of indirect expenses between life and non-life segment

During the year direct administration costs, acquisition costs (commission expenses and other acquisition costs) and other operating expenses that may be directly attributable to individual segments are directly charged to the life or non-life segments. Where expenses cannot be directly allocated, a key is used to allocate the expenses. The main categories used in calculating allocation keys between life and non-life insurance are: gross written premium, number of working hours, kilometres travelled by company cars and area of business premises.

Staff costs are allocated on the bases of estimated time spent on life insurance and non-life insurance.

Impairment of insurance receivables

Insurance receivables are reviewed at each reporting date for any indications of impairment, based on the assessment of probability that the carrying amount of the assets will be recovered. Each receivable is assessed separately based on the expected date and amount of collection and possible collaterals. Management believes insurance receivables at the reporting date are recorded at their recoverable amount.

Deferred tax asset

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Unrecognised potential deferred tax assets and carrying amounts of recognised tax asset are reviewed at each reporting date.

Deferred acquisition costs

For non-life insurance business the deferred acquisition cost asset at the balance sheet date has been calculated by comparing the provision for unearned premiums at the balance sheet date with gross premiums written during the year and deferring a comparable proportion of acquisition costs. The calculation is based on Company's assumptions on allocation of acquisition costs during the insurance contract term to which they relate. Management believes that deferred acquisition costs are fully recoverable during the remaining period of effective insurance contracts at the balance sheet date, and it is proved by performed LAT tests.

1.5 Insurance risk management

The Group is exposed to insurance risk arising from a wide range of life and non-life products offered to customers: participating traditional life products, annuities, unit-linked policies and all lines of non-life products (property, accident and health, motor vehicle, third party liability, marine and transport).

Insurance risk relates to the uncertainty of the insurance business. The most significant components of insurance risk are the premium risk and the reserve risk. These concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base.

Premium risk is present when the policy is issued before any insured event has happened. The risk is that expenses and incurred losses will be higher than the premium received. Reserve risk represents the risk that the absolute level of the technical provisions is misestimated or that the actual claims will fluctuate around the statistical mean value.

Non-life underwriting risk includes also catastrophe risk, which results from extraordinary events that are not sufficiently covered by premium and reserve risk. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid up status (cessation of premium payment) and surrenders.

Management of risks

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance.

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years which reduces the variability of the outcome. The majority of non-life contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys a combination of proportional (property insurance-fire, other property insurance, general liability and financial loss insurance) and non-proportional reinsurance treaties (MTPL, accident, transport and earthquake, life and crop insurance) to reduce the net exposure for an individual risk, For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe agreement provides cover up to EUR 100 million. The Company records the sum of insured amounts (possible claims) of property insurances and believes there is no realistic probability of claims higher than this amount.

When concluding individual insurance contracts that exceed the capacity of concluded reinsurance contracts, the Company contracts individual optional reinsurance in order to limit its exposure to insurance risk.

Ceded reinsurance contains credit risk and such reinsurance receivables are reported after deductions for known uncollectible items. The Company monitors the financial condition of reinsurers and enters into reinsurance agreements with reinsurers with good credit ratings.

The adequacy of liabilities is assessed taking into consideration the supporting assets, changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business.

For a detailed description of the liability adequacy test refer to accounting policy Note 1.3 and Note 1.7.

1.5 Insurance risk management (continued)

Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact the Company's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low frequency, high-severity events such as natural disasters; in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or legislative risks could cause a large single loss, or have a pervasive effect on many contracts.

The risks underwritten by the Company are primarily located in the Republic of Croatia.

Non-life insurance

Within non-life insurance, management believes that the Company has no significant concentration of exposure to any group of policyholders measured by social, professional, age or similar criteria.

The greatest likelihood of significant losses to the Company arises from catastrophe events, such as flood, storm or earthquake damage. The techniques and assumptions that the Company uses to calculate these risks are as follows:

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

According to data available to the Company, insured amounts by types of insurance at the end of 2016 and 2015 are presented in the table below. Insured amounts represent the theoretical effect on the Company if maximum claims per each policy in the Company's portfolio occurred.

	Insured amount			
Type of insurance	**2016**		**2015**	
	HRK `000	**%**	**HRK `000**	**%**
Motor (third party)	6,527,533,440	96.67	5,212,207,402	96.56
Motor (other classes)	37,931,167	0.56	24,456,650	0.45
Property	100,774,497	1.49	90,324,801	1.67
Personal lines	61,385,394	0.91	51,794,481	0.96
Other	24,619,436	0.36	19,340,545	0.36
As at 31 December	**6,752,243,934**	**100.00**	**5,398,123,879**	**100.00**

1.5 Insurance risk management (continued)

Concentration of insurance risk (continued)

Life insurance

For life insurance contracts that cover policyholder's death there is no significant geographical concentration of risk, although concentration of the amount under risk may impact the ratio of insurance payment on the portfolio level.

Insured amount as at 31 December 2016	**Total insured amount**			
	Before reinsurance		**After reinsurance**	
(in HRK)	**HRK '000**	%	**HRK '000**	%
Life insurance – traditional products	722,437	40.07	722,437	40.07
Life insurance where policyholder assumes investment risk	320,551	17.78	320,551	17.78
Life riders	760,030	42.15	760,030	42.15
As at 31 December 2016	**1,803,018**	**100.00**	**1,803,018**	**100.00**

Insured amount as at 31 December 2015	**Total insured amount**			
	Before reinsurance		**After reinsurance**	
(in HRK)	**HRK'000**	%	**HRK'000**	%
Life insurance – traditional products	726,987	39.58	726,987	39.58
Life insurance where policyholder assumes investment risk	333,574	18.16	333,574	18.16
Life riders	776,131	42.26	776,131	42.26
As at 31 December 2015	**1,836,692**	**100.00**	**1,836,692**	**100.00**

Tables for long-term insurance are presented below, and provide overview of concentration of risk through six groups of contracts grouped by insured amounts for each life insured.

	Total insured amount without life riders			
Insured amount as at 31 December 2016	**Before reinsurance**		**After reinsurance**	
(in HRK)	**HRK'000**	%	**HRK'000**	%
< 20,000	104,619	10.03	104,619	10.03
20,001-40,000	215,571	20.67	215,571	20.67
40,001-60,000	264,015	25.31	264,015	25.31
60,001-80,000	207,208	19.87	207,208	19.87
80,001-100,000	79,572	7.63	79,572	7.63
> 100,001	172,003	16.49	172,003	16.49
As at 31 December 2016	**1,042,988**	**100.00**	**1,042,988**	**100.00**

Insured amount as at 31 December 2015	**Total insured amount without life riders**			
	Before reinsurance		**After reinsurance**	
(in HRK)	**HRK'000**	%	**HRK'000**	%
< 20,000	103,209	9.70	103,209	9.70
20,001-40,000	218,964	20.56	218,964	20.56
40,001-60,000	266,134	25.00	266,134	25.00
60,001-80,000	212,175	19.93	212,175	19.93
80,001-100,000	90,440	8.50	90,440	8.50
> 100,001	173,567	16.31	173,567	16.31
As at 31 December 2015	**1,064,489**	**100.00**	**1,064,489**	**100.00**

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

Non-life insurance

Provision is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The liability for reported claims (RBNS) is assessed on a separate case-by-case basis taking into consideration claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

Reinsurance share is determined by individual calculation on the basis of the reinsurance contract that was effective at the moment of claim occurrence.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Company's certified actuaries using statistical methods prescribed by HANFA, like Bornhuetter-Ferguson method and Chain Ladder method.

The Company uses Bornhuetter-Ferguson method for the calculation of claims incurred but not reported in MTPL insurance and other liability insurance. The Bornhuetter-Ferguson method combines the estimated claims ratio and the chain ladder method, for the estimation of the total claim expense up to given date. For other types of non-life insurance, in 2016 the Company used the chain ladder method adjusted by inflation.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- economic practice, legal regulations, political trends;
- changes in the mix of insurance contracts incepted;
- random fluctuations, including the impact of large losses,

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The assumptions which have the greatest effect on the measurement of non-life insurance liabilities are as follows:

Expected claims ratio

The expected claims ratio represents the ratio of expected claims incurred to premiums earned. The assumptions in respect of expected claims ratios for the most recent accident year, per class of business, have a significant influence on the level of provisions.

Tail factors

For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. Other tail factors are based on actuarial judgment.

Discounting

With the exception of annuities (MTPL), non-life claims provisions are not discounted.

Annuities

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of 3.3% per annum. Annuities are calculated using the Republic of Croatia mortality table from 2010-2012. Annuity claims are fixed at their nominal value over the length of the period of payment.

1.6 Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses (continued)

Life insurance

The life insurance provision is calculated separately for each policy. The life insurance provision is calculated by a prospective net premium method using the same statistical data and interest rates that are used in calculation of tariffs, except for cases where the regulator prescribed lower interest rates for the calculation of life insurance provision. Assumptions used are determined at the inception of the policy and remain in effect until the obligations expire. Life insurance policies are linked to Euro.

Guaranteed technical interest rate in insurance policies varies between 1.75% and 4% according to the actual technical rate used in determining the premium. In all tariffs applicable from 1 July 2013 the Company uses unisex tables.

When calculating life insurance provision, the Company uses mortality tables YU54 (1950-1954), SAVA 98 (1980-1982), HR 2004, U_HR2004A, HR_RIZ_2008, KBI_2004, RH 2000-2002, DAV_1994_R, PKB_2004, KBJ_2006, UNI_2002, UNI_RIZ_2002, KB4_2012, KB23_2012, PKB_2012 and TRI 50P 2012, HANFA_2002, HR_UNI_RIZ_2014, HR-UA-2004, HR_KBI_2002_DEP, I50_2004, HR_KB23_2016, HR_KB4_2016, PKB_2012_CROKBJ_2006, SMN_BRIC2, SMN_50P_2012, SAVA98R. All mortality tables are internally developed within Triglav Group based on own mortality experience and with regard to available statistical data.

As defined by Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions in accordance with accounting rules, maximum technical interest rate for the calculation of life insurance provision is 3.3% for contracts concluded prior to 2010 and 1.75% for contracts concluded after 1 July 2016.

Product	***Mortality tables***	***Interest rates for provision calculation***	***Product***
Z-MES-1O, Z-MES-1E	*HR_2004_M, HR_2004_Z*	*3.25%, 2.75%*	*Endowment – one person*
Z-MES-2O	*HR_2004_V*	*3.25%, 2.75%*	*Endowment – two persons*
Z-MED-1O	*HR_2004_M, HR_2004_Z*	*3.25%, 2.75%*	*Endowment with double insured amount in the event of death*
Z-KBI-1O	*HR_2004_M + KBI_2004_M, HR_2004_Z + KBI_2004_Z*	*3.25%*	*Endowment with critical illness coverage – one person*
Z-KBI-2O	*HR_2004_V + KBI_2004_V*	*3.25%*	*Endowment with critical illness coverage – two persons*
O-DOT-1O	*HR_2004_M, HR_2004_Z*	*3.25%*	*Marriage insurance – one person*
O-DOT-2O	*HR_2004_V*	*3.25%*	*Marriage insurance – two persons*
O-STI-1O, O-STI-1E	*HR_2004_M, HR_2004_Z*	*3.25%, 2.75%*	*Grant insurance – one person*
O-STI-2O	*HR_2004_V*	*3.25%, 2.75%*	*Grant insurance – two persons*
I1, MIAA	*YU54, SAVA98*	*3.3%*	*Endowment – one person (old policy)*
I2	*YU54_2*	*3.3%*	*Endowment – two persons (old policy)*
M1BA	*SAVA98*	*3.3%*	*Endowment with double insured amount in the event of death (old policy)*
M2AA	*SAVA98_2*	*3.3%*	*Endowment – two persons*
R1CC, R1OC, R2OC	*SAVA98, SAVA98_2,SAVA98_R*	*3.3%*	*Annuity insurance*
T-SMT-1O, T-SMT-1E	*HR_RIZ_2008, HR_RIZ_2008*	*2.75%*	*Risk insurance in the event of death*
T-HPK-1O, T-HPK-1E	*HR_RIZ_2008*	*2.75%*	*Insurance in the event of death – one person – with decreasing insured amount*
T-HPK-2O, T-HPK-2E	*HR_RIZ_2008*	*2.75%*	*Insurance in the event of death – two persons – with decreasing insured amount*

1.6 Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses (continued)

Product	*Mortality tables*	*Interest rates for provision calculation*	*Product*
P-KBI-1O	HR_RIZ_2008, PKB_2004	2.75%	Additional insurance – one person – with instalment payment of the premium with payment of basic insured amount in case of critical illness
P-KBI-2O	HR_RIZ_2008, PKB_2004	2.75%	Additional mutual insurance with instalment payment of the premium with payment of basic insured amount in case of critical illness
P-KBI-1E	HR_RIZ_2008, PKB_2004	2.75%	Additional insurance – one person – with one-off premium payment with payment of basic insured amount in case of critical illness
P-KBI-2E	HR_RIZ_2008, PKB_2004	2.75%	Additional mutual insurance with one-off premium payment with payment of basic insured amount in case of critical illness
R-DOZ-1E-MG	DAV_1994_R	2.75%	Annuity insurance
R-DOZ-1E-M0	DAV_1994_R	2.75%	Annuity insurance
T-SMT-1O, T-SMT-1E	RH 2000-2002	2.75%	Riziko insurance in the event of death
T-SMT-1O, T-SMT-1E	RH 2000-2002	1.75%	Riziko insurance in the event of death
T-HPK-1O, T-HPK-1E	RH 2000-2002	2.75%	Insurance in the event of death – one person – with decreasing insured amount
T-HPK-2O, T-HPK-2E	RH 2000-2002	2.75%	Insurance in the event of death – two persons – with decreasing insured amount
Z-MES-1O, Z-MES-1E	UNI_2002	2.75%	Insurance for Endowment for one person
Z-MES-1O, Z-MES-1E	UNI_2002	1.75%	Insurance for Endowment for one person
Z-MES-1O, Z-GMES-1E	UNI_2002	1.75%	Insurance for Endowment for one person
Z-MES-2O	UNI_2002	2.75%, 1.75%	Insurance for Endowment for two persons
Z-MED-1O	UNI_2002	2.75%, 1.75%	Insurance for Endowment double sum in case of death
Z-GMED-1O	UNI_2002	2.75%, 1.75%	Insurance for Endowment double sum in case of death
O-STI-1O	UNI_2002	2.75%, 1.75%	Scholarship insurance for one person
O-STI-2O	UNI_2002	2.75%, 1.75%	Scholarship insurance for two persons
T-SMT-1O, T-SMT-1E	UNI_RIZ_2002	2.75%	Riziko insurance in the event of death
T-HPK-1O, T-HPK-1E	UNI_RIZ_2002	2.75%	Ensuring a person in case of death with decreasing sum insured
T-HPK-1O, T-HPK-1E	UNI_RIZ_2014	1.75%	Ensuring a person in case of death with decreasing sum insured
T-HPK-2O, T-HPK-2E	UNI_RIZ_2002	2.75%	Insurance in case of death of two persons from the sum insured
T-GHPK-2E	UNI_RIZ_2002	2.75%, 1.75%	Insurance in case of death of two persons with decreasing sum insured
T-HPK-2O, T-HPK-2E	UNI_RIZ_2014	1.75%	Insurance in case of death of two persons with decreasing sum insured
P-KBI-1O	PKB_2012, UNI_RIZ_2002	2.75%	In addition to ensuring a person with installment payments with the payment of basic insured amount in the event of a a critical illness
P-KBI-2O	PKB_2012, UNI_RIZ_2002	2.75%	In addition, mutual insurance with premium Instalment payment with the payment of the basic sum insured in case of critical illness
P-KBI-1E	PKB_2012, UNI_RIZ_2002	2.75%	Additional insurance of a person with a single premium payment with the payment of the insured amount in the event of a critical ilness

1.6 Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses (continued)

Product	*Mortality tables*	*Interest rates for provision calculation*	*Product*
P-KBI-2E	*PKB_2012, UNI_RIZ_2002*	2.75%	*In addition, mutual insurance with single premium payment of the basic insured amount in the event of a critical illness*
D-HBP-O-10	*KB4_2012*	2.75%	*Supplementary insurance for critical illness and injury BASIC PACKAGE*
D-HBP-R-10	*KB23_2012*	2.75%	*Supplementary insurance for critical illness and injury EXTENDED PACKAGE*

Policyholder participation in profit

Policyholders or beneficiaries of endowment policies are entitled to a share in profit based on discretionary decision by Management. The right of participation is calculated for policies (traditional life except term insurance) in force as at 31 December 2016. The Company determines shares in profit on the basis of realised net profit for the year from investments of life insurance provision. The amount of share in profit is determined by Management.

In the event of survival, the share in profits is paid along with the sum insured, In the event of death, the Company pays the sum insured and the shares in the profits accounted for by that time. The Company provides for discretionary bonuses allocated to policyholders within the life insurance provision.

1.7 Liability adequacy test

Life insurance

life insurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. For this purpose the Company uses the present value of future profits ("PVFP") calculation from the embedded value calculation model, which is signed off and approved by the parent company.

Where reliable market data is available, assumptions are derived from observable market prices.

Assumptions which cannot be reliably derived from market values are based on current estimates calculated by reference to the Company's own internal models and publicly available resources (e,g, demographic information published by the Croatian Statistical Bureau).

Due to the levels of uncertainty in the future development of insurance markets and the Company's portfolio, the Company uses conservative margins for risk and uncertainty within the liability adequacy test. Input assumptions are updated annually based on recent experience, according to parent company's guidelines. The methodology of testing considers current estimates of all future contractual cash flows. This methodology enables quantification of the correlation between all risks factors.

Liability adequacy test is performed on traditional and investment insurance types, and the principal assumptions used are:

Segmentation

The Company segments the products into two groups that represent traditional insurance contracts and unit linked insurance contracts. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities. If that comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss, by establishing an additional provision.

Mortality and morbidity

Based on results of the experience analyses company's last year assumptions 61% of mortality table HANFA_2012 (the latest Croatian population mortality table) was taken as the best estimate for modelling mortality for traditional insurance and 61% of mortality table HANFA_2012 for Unit linked insurances. The assumed morbidity rates are 50% of the rates ACI (23) from 2012.

Persistency

Estimates for lapses (cancellation, surrender or capitalisation) are based on the Company's past experience and appropriate actuarial judgement. Obtained lapse rates are applied per each policy. The Company regularly investigates its actual persistency rates by product type and duration and amends its assumptions accordingly.

Expenses

Estimates for future renewal and maintenance expenses included in the liability adequacy test are derived from the Company's current experience.

Estimates for future renewal and maintenance expenses included in the liability adequacy test are derived from experience increased by estimate of annual inflation rate of 1.8%. The following expenses per policy are applied: renewal and administration expense for active and capitalised policies of HRK 182.9 (EUR 24.20) per policy annually, operating cost for supplemental accident is 9.7% of gross written premium, claims handling expense of HRK 388.47 (EUR 51.40) per claim for basic cover, 5.2% of claims amount for rider claims handling expenses, asset management expense for investments of life insurance funds of 0.01% of the value of the assets.

1.7 Liability adequacy test (continued)

Expected investment return and discount rate

Future investment returns are calculated using the yield curve derived from return on government bonds. Estimated return on investments and discount risk rate determined by the parent company is the yield curve of the Croatian Government Bonds as at 31 December 2016.

Profit sharing

The bonus distribution rate is being determined as the difference between 70% of the forward rate in the period and technical interest rate of the contract (for participating policies only). The bonus distributed is determined as the product of the bonus distribution rate and the mathematical reserve in the projection period.

Non-life insurance

Contrary to life insurance, insurance liabilities connected with non-life insurance are calculated by using both current and historical assumptions.

The liability adequacy test for non-life insurance is therefore limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date with the amount of unearned premiums in relation to such policies. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur.

The test is performed by product groups.

As at 31 December 2016, the Company formed reserves for unexpired risks in the amount of HRK 3,476 thousand by types: health insurance, Casco, vessel insurance, other property insurance, loans and guarantee insurance (31 December 2015: HRK 13,398 thousand).

1.8 The sensitivity of profit or loss and equity to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in investment rate, mortality, lapse rate, expense rate which are estimated for calculating the adequate value of insurance liabilities. As life insurance is linked to Euro, the Company is also exposed to foreign exchange risk regarding premiums, provisions and related investments.

The Company estimates the impact of changes in key variables on the profit or loss for the year and on equity at the year end.

Life insurance

Changes in variables represent reasonable possible changes which, if they occurred, would have led to significant changes in insurance liabilities at the balance sheet date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios.

The analysis has been prepared for a change in variable with all other assumptions remaining unchanged and ignores changes in values of the related assets.

Sensitivity was calculated for effects of a decrease in the lowest technical interest rate for the calculation of life insurance provision by 0.25 percentage points and for the increase in the value of EUR against HRK by 1%.

Assumptions and sensitivity analysis for long-term operations

Change in balance of life insurance provision as at 31 December 2016 in relation to the effect of change in variables	**Change in variable %**	**Increase in life insurance provision HRK'000**
Initial balance of life insurance provision amounts to HRK 305,758 thousand		
Decrease in technical interest rate	0.25%	3,974
Increase in EUR exchange rate	1% higher	3,058
Change in balance of life insurance provision as at 31 December 2015 in relation to the effect of change in variables	**Change in variable %**	**Increase in life insurance provision HRK'000**
Initial balance of life insurance provision amounts to HRK 295,844 thousand		
Decrease in technical interest rate	0.25%	3,652
Increase in EUR exchange rate	1% higher	2,958

Non-life insurance

In non-life the insurance variables which would have the greatest impact on insurance liabilities relate to MTPL court claims. Liabilities related to court claims are sensitive to legal, judicial, political, economic and social trends. Management believes it is not practicable to quantify the sensitivity of non-life reserves to changes in these variables. The total exposure to insurance risk is set out in Note 1.5.

1.9 Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows

Non-life insurance contracts

The Company offers many types of non-life insurances, including motor, property, liability, marine, transport, health and accident insurance. Non-life insurance contracts may be concluded for a fixed term of one year or on a long-term basis whereby either party has the option to cancel at 3 months notice. Given the stated conditions, the Company retains the possibility of reassessment of risk prices in intervals not longer than one year. It also has the possibility to increase the premium as well as to reject claims arising from fraud.

The main source of uncertainty affecting the amount and the timing of future cash flows arises from the uncertainty of future claims. The amount paid for one claim is limited by the insured amount determined in the insurance policy.

Other significant sources of uncertainty connected with non-life insurance arise from legislative regulations which entitle the policyholders to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence for material claims and 3 years for non-material claims after the end of hospitalisation or after the enforceable judgment. This provision is particularly significant in case of permanent disability arising from accident insurance, due to difficulty in assessing the period between the occurrence and confirmation of its permanent consequences.

Characteristics of individual types of insurance, if significantly different from the characteristics set out above, are described below.

Motor insurance

The Company motor portfolio comprises both motor third party liability insurance (MTPL) and motor (casco) insurance. The third party liability insurance (MTPL) covers the bodily injury claims and property claims on the territory of the Republic of Croatia and countries within the Green Card system.

Property damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The amount of claims relating to bodily injury and related losses of earnings are influenced by directives set by the Supreme Court which influences court practice.

Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured.

Property insurance

This is broadly split into Industrial and Personal lines. For Industrial lines risks the Company uses risk management techniques to identify risks and analyse losses and hazards and also cooperates with reinsurers. Personal property insurance consists of standard buildings and contents insurance. Claims are normally notified promptly and can be settled without delay.

Liability insurance

This covers all types of liability and includes commercial liability, product liability and professional liabilities as well as personal liability.

Accident insurance

Accident insurance is traditionally sold as a rider to life insurance or MTPL sold by the Company.

1.9 Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows (continued)

Life insurance contracts

Profit sharing

The Company's life insurance policies include an entitlement to participate in profit sharing in accordance with terms of insurance. Profit sharing is granted at the discretion of the Company and is recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders, profit sharing is guaranteed.

Premiums

Premiums may be payable in regular instalments or as a single premium at inception of the policy.

Endowment products

These are traditional life insurance products providing life-long financial protection. Many long-term policies give to the policy holders the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offer covering for risks of death, endowment, waiver of premium in case of permanent disability. Accident can be added as a rider to the main endowment coverage, Insurance benefits are usually paid in a lump-sum.

Annuity insurance

Annuity insurance is a type of insurance and a type of savings that enables policyholder to receive monthly annuity upon endowment, depending on the policy, of certain duration or until death. During the entire period of paying the premium, it provides insurance in case of death in the contracted insured amount. The insurer pays monthly annuities until the policyholder's death, but not less than 10 years. The premium may be paid in instalments or as a single premium. With one-off payments, the annuity may start to be received immediately or a delayed annuity payment may be agreed.

Unit-linked life insurance

Unit-linked life insurance is related to investments in funds of policyholder's choice – funds of ZB Invest d.o.o. (ZB Aktiv, ZB Bond, ZB Euroaktiv, ZB Trend, ZB Global, ZB Plus, ZB BRIC +), Smart Equity, Money One, Crobex 10, Triglav High Yield Bond, Triglav Sjeverna Amerika, Triglav Rastoči Trgi, Triglav Svetovni Razviti Trgi, Triglav Azija, Triglav Hitro Rastoča Podjetja, Triglav Zdravje In Farmacija, Triglav Steber Global, Triglav Renta, Triglav Obvezniški, Triglav Em Potrošne Dobrine, Triglav Balkan, Triglav Nepremičnine, Triglav Evropa, Triglav Money Market Eur i Triglav Naravni Viri Bond.

1.10 Segment reporting

Statement of financial position by operating segment as at 31 December 2016

	Non-life HRK'000	Life HRK'000	Exclusion of internal relations L/NL HRK'000	Total HRK'000
Assets				
Property and equipment	129,269	-	-	129,269
Investment property	2,957	-	-	2,957
Intangible assets				
- Deferred acquisition costs	17,308	-	-	17,308
- Other intangible assets	4,690	-	-	4,690
Held-to-maturity investments	-	140,454	-	140,454
Available-for-sale financial assets	126,627	261,717	-	388,344
Financial assets at fair value through profit or loss	31,873	156,120	-	187,993
Loans and receivables	8,068	8,273	-	16,341
Reinsurers' share in insurance contract provision	36,716	-	-	36,716
Deferred tax asset	3,259	298	-	3,557
Insurance and other receivables	109,923	10,333	(506)	119,750
Cash and cash equivalents	25,184	5,062	-	30,246
Internal receivables	-	-	506	506
Total assets	**495,874**	**582,257**	-	**1,078,131**
Liabilities				
Insurance contract provision	342,237	453,791	-	796,028
Subordinate loan	-	-	-	-
Finance lease payable	-	-	-	-
Short-term loan	20,000	-	-	20,000
Provision for liabilities and expenses	4,976	-	-	4,976
Insurance liabilities and other liabilities	42,438	7,409	(506)	49,341
Internal liabilities	-	-	506	506
Total liabilities	**409,651**	**461,200**	-	**870,851**
Shareholders' equity				
Share capital	178,725	30,931	-	209,656
Premium on issued shares – capital reserves	4,692	-	-	4,692
Statutory reserve	2,770	1,607	-	4,377
Fair value reserves	2,252	11,222	-	13,474
Other reserves	939	-	-	939
(Accumulated loss)/retained earnings	(90,486)	64,419	-	(26,067)
Profit / loss for the year	(12,669)	12,878	-	209
Total equity attributable to shareholders of the Company	**86,223**	**121,057**	-	**207,280**
Total liabilities and equity	**495,874**	**582,257**	-	**1,078,131**

1.10 Segment reporting (continued)

Statement of financial position by operating segment as at 31 December 2015

	Non-life	Life	Exclusion of internal relations L/NL	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Assets				
Property and equipment	129,159	-	-	129,159
Investment property	27,577	-	-	27,577
Intangible assets				
- Deferred acquisition costs	16,646	-	-	16,646
- Other intangible assets	5,260	-	-	5,260
Held-to-maturity investments	-	141,231	-	141,231
Available-for-sale financial assets	126,462	231,622	-	358,084
Financial assets at fair value through profit or loss	9,597	145,196	-	154,793
Loans and receivables	10,029	8,128	-	18,157
Reinsurers' share in insurance contract provision	34,581	-	-	34,581
Deferred tax asset	3,259	298	-	3,557
Insurance and other receivables	109,140	10,388	(349)	119,179
Cash and cash equivalents	15,305	1,723	-	17,028
Internal receivables	-	-	349	349
Total assets	**487,015**	**538,586**	-	**1,025,601**
Liabilities				
Insurance contract provision	338,154	437,713	-	775,867
Subordinate loan	10,423	-	-	10,423
Finance lease payable	-	-	-	-
Long term loan	-	-	-	-
Provision for liabilities and expenses	4,894	-	-	4,894
Insurance and other payables	35,386	3,315	(349)	38,352
Internal liabilities			349	349
Total liabilities	**388,857**	**441,028**	**-**	**829,885**
Shareholders' equity				
Share capital	178,725	30,931	-	209,656
Premium on issued shares	4,692	-	-	4,692
Statutory reserve	2,769	1,608	-	4,377
Fair value reserves	1,519	600	-	2,119
Other reserves	939	-	-	939
(Accumulated loss)/retained earnings	(46,727)	55,149	-	8,422
Profit/loss for the period	(43,759)	9,270	-	(34,489)
Total equity attributable to shareholders of the Company	**98,158**	**97,558**	**-**	**195,716**
Total liabilities and equity	**487,015**	**538,586**	-	**1,025,601**

1.10 Segment reporting (continued)

Statement of comprehensive income by operating segment for 2016

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	309,224	59,435	368,659
Written premiums ceded to reinsurers	(61,981)	(44)	(62,025)
Net premiums written	**247,243**	**59,391**	**306,634**
Change in the gross provision for unearned premiums	(5,707)	3	(5,704)
Reinsurers' share of change in the provision for unearned premiums	(1,220)	-	(1,220)
Net earned premiums	**240,316**	**59,394**	**299,710**
Net investment income	9,046	24,643	33,689
Investments costs	(886)	(1,165)	(2,051)
Fees and commission income	7,384	-	7,384
Other operating income	11,602	-	11,602
Net income	**267,462**	**82,872**	**350,334**
Claims and benefits incurred	(187,567)	(51,045)	(238,612)
Reinsurers' share of claims and benefits incurred	44,130	-	44,130
Net policyholder claims and benefits incurred	**(143,437)**	**(51,045)**	**(194,482)**
Acquisition costs	(57,013)	(5,035)	(62,048)
Administrative expenses	(76,056)	(8,587)	(84,643)
Other operating expenses	(2,173)	(139)	(2,312)
Finance costs	(1,450)	(5,190)	(6,640)
(Loss)/profit before tax	**(12,667)**	**12,876**	**209**
Income tax credit	-	-	-
Loss/(profit) for the year	**(12,667)**	**12,876**	**209**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets (net of realised amounts)	849	12,497	13,346
Change in deferred tax	(115)	(1,876)	(1,991)
Other comprehensive income for the year	734	10,621	11,355
Total comprehensive income for the year	**(11,933)**	**23,497**	**11,564**

1.10 Segment reporting (continued)

Statement of comprehensive income by operating segment for 2015

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	284,857	59,040	343,897
Written premiums ceded to reinsurers	(52,673)	(27)	(52,700)
Net premiums written	**232,184**	**59,013**	**291,197**
Change in the gross provision for unearned premiums	(8,882)	(11)	(8,893)
Reinsurers' share of change in the provision for unearned premiums	(553)	-	(553)
Net earned premiums	**222,749**	**59,002**	**281,751**
Net investment income	18,963	31,981	50,944
Investment expenses	(7,516)	(7,538)	(15,054)
Fees and commission income	6,498	5	6,503
Other operating income	8,424	2,165	10,589
Net income	**249,118**	**85,615**	**334,733**
Claims and benefits incurred	(183,439)	(58,082)	(241,521)
Reinsurers' share of claims and benefits incurred	35,696	-	35,696
Net policyholder claims and benefits incurred	**(147,743)**	**(58,082)**	**(205,825)**
Acquisition costs	(52,040)	(3,828)	(55,868)
Administrative expenses	(78,119)	(12,592)	(90,711)
Other operating expenses	(6,039)	(81)	(6,120)
Finance costs	(5,864)	(1,762)	(7,626)
(Loss)/profit before tax	**(40,687)**	**9,270**	**(31,417)**
Income tax credit	(3,072)	-	(3,072)
Loss/(profit) for the year	**(43,759)**	**9,270**	**(34,489)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets, net of realised amounts	(4,087)	(4,900)	(8,987)
Change in deferred tax asset	817	508	1,325
Other comprehensive income for the year	**(3,270)**	**(4,392)**	**(7,662)**
Total comprehensive income for the year	**(47,029)**	**4,878**	**(42,151)**

1.10 Segment reporting (continued)

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The main business segments of the Company are Non-life insurance and Life insurance. Note 1.9 of these financial statements provides further information about significant terms and conditions of insurance products.

Segment results, assets and liabilities include items directly attributable to the segment as well as those which have been allocated on a reasonable basis. Measure of segments result is profit or loss for the year.

The main products offered by the reported business segments include:

(in thousand HRK)	**Gross written premium in 2016**	**Gross written premium in 2015**
Non-life:		
Motor TPL	113,265	95,247
Motor casco	49,641	41,626
Accident, health, travel	15,867	14,119
Marine & transport	10,504	8,634
Other liability	37,666	35,845
Property	82,280	89,386
Total	**309,223**	**284,857**
Life:		
Endowment	39,780	38,683
Annuity insurance	366	371
Unit-linked	19,290	19,986
Total	**59,436**	**59,040**
Total gross written premium (Non-life + Life)	**368,659**	**343,897**

Geographical segment

100% of the entire income comes from clients located in the Republic of Croatia (2015: 99.7%), i.e. the Company did not realize any income on foreign markets (2015: HRK 1,042 thousand or 0.3%). Thereby, more detailed information on the geographical area has not been published.

1.11 Property and equipment

	Land and Buildings HRK '000	Land and Buildings under construction HRK '000	Equipment and motor vehicles HRK '000	Office equipment HRK '000	Investment in third-party property HRK'000	Assets under construction HRK '000	Total HRK '000
Cost							
As at 1 January 2015	134,164	1,970	15,961	10,055	1,036	179	163,365
Additions	2,123	153	1,335	456	6	1,699	5,772
Disposals	(670)	-	(2,298)	(1,015)	(126)	-	(4,109)
Reclassification	7,120	-	-	-	-	239	7,359
Transfer into use	-	(2,123)	-	-	-	(1,793)	(3,916)
As at 31 December 2015	**142,737**	**-**	**14,998**	**9,496**	**916**	**324**	**168,471**
As at 1 January 2016	142,737	-	14,998	9,496	916	324	168,471
Additions	3,506	3,697	860	386	-	1,243	9,692
Disposals	(315)	(3,697)	(2,632)	(497)	-	(1,246)	(8,387)
Reclassification	-	-	-	-	240	(240)	-
Transfer into use	-	-	-	-	-	-	-
As at 31 December 2016	**145,928**	**-**	**13,226**	**9,385**	**1,156**	**81**	**169,776**
Depreciation and impairment							
As at 1 January 2015	14,553	-	13,110	9,137	181	-	36,981
Depreciation charge to the period	2,264	-	1,065	335	399	-	4,063
Disposals	1,400	-	(2,291)	(1,015)	61	113	(1,732)
As at 31 December 2015	**18,217**	**-**	**11,884**	**8,457**	**641**	**113**	**39,312**
As at 1 January 2016	18,217	-	11,884	8,457	641	113	39,312
Depreciation charge to the period	2,804	-	1,149	404	15	-	4,372
Reclassification / disposals	(55)	-	(2,625)	(497)	113	(113)	(3,177)
As at 31 December 2016	**20,966**	**-**	**10,408**	**8,364**	**769**	**-**	**40,507**
Net book value							
As at 1 January 2015	119,611	1,970	2,851	918	855	179	126,384
As at 31 December 2015	124,520	-	3,114	1,039	275	211	129,159
As at 1 January 2016	**124,520**	**-**	**3,114**	**1,039**	**275**	**211**	**129,159**
As at 31 December 2016	**124,962**	**-**	**2,818**	**1,021**	**387**	**81**	**129,269**

1.11 Property and equipment (continued)

The depreciation charge is recognised under "Administrative expenses" in the statement of comprehensive income.

Part of the property owned by the Company, which is in the process of registering the ownership in the land register, is recorded off balance sheet, and will be record on the balance sheet upon completion of the process of the ownership registration in the land registry. As at 31.12.2016 the Company's off balance sheet includes three properties (*2015: 3*) with a book value of HRK 1,300 thousand (*in 2015: HRK 1,300 thousand*).

1.12 Investment property

	HRK '000
Cost	
As at 1 January 2015	47,517
Additions	-
Disposals	-
Reclassification	(6,946)
As at 31 December 2015	**40,571**
Aa at 1 January 2016	40,571
Additions	1,815
Disposals	(37,819)
Reclassification	581
As at 31 December 2016	**5,148**
Depreciation and impairment	
As at 1 January 2015	6,351
Depreciation charge for the year	638
Reclassification	(1,058)
Impairment	7,063
As at 31 December 2015	**12,994**
As at 1 January 2016	12,994
Depreciation charge for the year	353
Reclassification	581
Disposals	(11,737)
As at 31 December 2016	**2,191**
Net book amount	
As at 1 January 2015	41,166
As at 31 December 2015	**27,577**
As at 1 January 2016	27,577
As at 31 December 2016	**2,957**

1.12 Investment property (continued)

During 2016, the Company made the transfer of 16 investment properties, with estimated fair value of HRK 24,868 thousand, to the newly established company Triglav upravljanje nekretninama d.o.o. (real estate management). By the end of 2016, company Triglav upravljanje nekretninama d.o.o. was sold to a sister company within Triglav Group, whose core business is real estate management.

Estimated fair value of investment property at balance sheet date equals HRK 6,132 thousand (*2015: HRK 34,388 thousand*).

Estimated values of investment property are based on Level 3. Methodology used in valuation of investment property is cost method, adjusted by value obtained by comparative method and capitalization method.

The Company has provided a reconciliation of net book value with the estimated market value of real estate used for investment and partially reduced the value of one property (*in 2015: seven properties*). Impairment on 31 December 2016 is HRK 526 thousand (*2015: 7,063 thousand*).

Depreciation charge is recognised under "Net investment income" in the statement of comprehensive income (Note 1.31).

Rental income from investment property amounts to HRK 303 thousand (*2015: HRK 946 thousand*). The average monthly rental price is HRK 70.50 per square meter (*2015: HRK 72.50 / m2*).

1.13 Deferred acquisition costs

As part of the Company's insurance business, certain non-life acquisition costs are deferred. Deferred acquisition costs include deferred commission costs and deferred payroll expenses for direct sales employees

For life insurance business, commission costs are taken into account in calculation of life provisions by means of Zillmerisation. As such, a separate deferred acquisition cost asset for life insurance business is not recognised at the balance sheet date. For life riders and unit-linked products, acquisition costs are not deferred.

Analysis of deferred acquisition costs is set out below:

	2016 Non-life HRK'000	**2016 Life HRK'000**	**2016 Total HRK'000**	2015 Non-life HRK'000	2015 Life HRK'000	2015 Total HRK'000
At 1 January	**16,646**	**-**	**16,646**	13,989	-	13,989
Net increase/(decrease) (Note 1.33)	**662**	**-**	**662**	2,657	-	2,657
At 31 December	**17,308**	**-**	**17,308**	16,646	-	16,646

1.14 Other intangible assets

	Licences	Software	Assets under development	Total
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Cost				
At 1 January 2015	7,115	15,557	852	23,524
Additions	157	1,511	1,491	3,159
Disposal	-	-	(1,667)	(1,667)
At 31 December 2015	**7,272**	**17,068**	**676**	**25,016**
At 1 January 2016	7,272	17,068	676	25,016
Additions	113	1,681	1,892	3,686
Disposal	-	(5)	(1,794)	(1,799)
At 31 December 2016	**7,385**	**18,744**	**774**	**26,903**
Amortisation and impairment losses				
At 1 January 2015	3,362	12,179	-	15,541
Amortisation charge for the year	1,232	2,983	-	4,215
Disposal	-	-	-	-
At 31 December 2015	**4,594**	**15,162**	-	**19,756**
At 1 January 2016	4,594	15,162	-	19,756
Amortisation charge for the year	1,075	1,387	-	2,462
Disposal	-	(5)	-	(5)
At 31 December 2016	**5,669**	**16,544**	-	**22,213**
Net book value				
At 1 January 2015	**3,753**	**3,378**	**852**	**7,984**
At 31 December 2015	**2,678**	**1,906**	**676**	**5,260**
At 1 January 2016	**2,678**	**1,906**	**676**	**5,260**
At 31 December 2016	**1,716**	**2,200**	**774**	**4,690**

The amortisation charge is recognised under "Administrative expenses" in the statement of comprehensive income.

1.15 Financial investments

	2016	2015
	HRK'000	**HRK'000**
Held-to-maturity investments	140,454	141,231
Available-for-sale financial assets	388,344	358,084
Financial assets at fair value through profit or loss		
- Held for trading	47,060	20,768
- Designated	140,933	134,025
Loans and receivables	16,341	18,157
	733,132	**672,265**

Investments for the account and risk of life insurance policyholders are designated at inception as financial assets at fair value through profit or loss.

1.15 Financial investments (continued)

2016	Held-to-maturity investments HRK'000	Available-for-sale financial assets HRK'000	Financial assets at fair value through profit or loss HRK'000	Loans and receivables HRK'000	Total HRK'000
Equity securities, listed	**-**	**501**	**5,390**	**-**	**5,891**
Government bonds,listed	140,454	364,804	-	-	505,258
Corporate bonds and commercial bills, listed	-	19,837	975	199	21,011
Municipal bonds, listed	-	-	-	-	-
Debt securities – fixed rate	**140,454**	**384,641**	**975**	**199**	**526,269**
Investment funds – listed	**-**	**-**	**40,695**	**-**	**40,695**
Investment funds – listed	-	-	140,933	-	140,933
Deposits	-	-	-	1,327	1,327
Corporate bonds, listed	-	3,202	-	-	3,202
Investments for the account and risk of life insurance policyholders	**-**	**3,202**	**140,933**	**1,327**	**145,462**
Deposits with banks	**-**	**-**	**-**	**-**	**-**
Loans	**-**	**-**	**-**	**14,815**	**14,815**
	140,454	**388,344**	**187,993**	**16,341**	**733,132**
2015					
Equity securities, listed	**-**	**448**	**5,334**	**-**	**5,782**
Government bonds, listed	141,211	335,337	-	-	476,548
Corporate bonds and commercial bills, listed	20	18,656	600	398	19,674
Municipal bonds, listed	-	320	-	-	320
Debt securities – fixed rate	**141,231**	**354,313**	**600**	**398**	**496,542**
Investment funds, listed	**-**	**50**	**14,834**	**-**	**14,884**
Investment funds, listed	-	-	134,025	-	134,025
Deposit	-	-	-	1,280	1,280
Corporate bonds, listed	-	3,273	-	-	3,273
Investments for the account and risk of life insurance policyholders	**-**	**3,273**	**134,025**	**1,280**	**138,578**
Deposits with banks	**-**	**-**	**-**	**50**	**50**
Loans	**-**	**-**	**-**	**16,429**	**16,429**
	141,231	**358,084**	**154,793**	**18,157**	**672,265**

1.15 Financial investments (continued)

Loans and receivables

Loans and receivables consist of deposits held with banks, loans, corporate bonds not listed in active markets and bills of exchange.

Loans and receivables are set out below:

	2016 HRK'000	**2015 HRK'000**
Deposits with banks	4,557	4,560
Loans to policyholders	26,100	27,465
Corporate bonds listed in markets that are not active	199	398
Impairment	(14,515)	(14,266)
	16,341	**18,157**

Loans and receivables are analysed as follows:

	2016 HRK'000	**2015 HRK'000**
Deposits with banks	**1,327**	**1,330**
Neither past due nor impaired	1,327	1,330
Past due, but not impaired	-	-
Past due and impaired	3,230	3,230
Impairment provision	(3,230)	(3,230)
Loans to policyholders	**14,815**	**16,429**
Neither past due nor impaired	10,202	11,713
Past due, but not impaired	-	-
Past due and impaired	15,898	15,752
Impairment provision	(11,285)	(11,036)
Corporate bonds listed in markets that are not active	**199**	**398**
Neither past due nor impaired	199	398
Past due, but not impaired	-	-
Past due and impaired	-	-
Impairment provision	-	-
	16,341	**18,157**

1.15 Financial investments (continued)

At 31 December 2016

Analysis of past due, but not impaired loans and receivables by days past due :

	< 90 days	90 – 180 days	> 180 days
Deposits with banks	-	-	-
Loans to policyholders	-	-	-

Analysis of past due and impaired loans and receivables by days past due :

	< 90 days	90 – 180 days	> 180 days
Deposits with banks	-	-	3,230
Loans to policyholders	-	-	11,285

At 31 December 2015

Analysis of past due, but not impaired loans and receivables by days past due :

	< 90 days	90 – 180 days	> 180 days
Deposits with banks	-	-	-
Loans to policyholders	-	-	-

Analysis of past due and impaired loans and receivables by days past due :

	< 90 days	90 – 180 days	> 180 days
Deposits with banks	-	-	3,230
Loans to policyholders	-	-	11,036

The difference between the gross exposure of impaired loans and related impairment provisions amounts to HRK 4,613 thousand *(2015: HRK 4,716 thousand)* and is collateralized by mortgage on properties.

As at 31 December 2016, there was no unimpaired past due loans secured by mortgage on property *(2015: HRK 0 thousand).*

As at 31 December 2016, there was no unimpaired past due loans secured by other instruments *(2015: HRK 0 thousand).*

As at 31 December 2016, the Company has loans secured by life insurance policies in the amount of HRK 1,829 thousand (*in 2015: HRK 1,858 thousand*) and advances secured by life insurance policies in the amount of HRK 5,024 thousand (*in 2015: HRK 4,804 thousand*).

Financial assets classified as loans and receivables include investments for the account and risk of life insurance policyholders in the amount of HRK 1,327 thousand *(2015: HRK 1,280 thousand).*

1.15 Financial investments (continued)

Movement in impairment provision for loans to policyholders and deposits with banks during the year was as follows:

	Loans 2016 HRK'000	Deposits with banks 2016 HRK'000	Total 2016 HRK'000	Loans 2015 HRK'000	Deposits with banks 2015 HRK'000	Total 2015 HRK'000
At 1 January	**11,036**	**3,230**	**14,266**	**10,676**	**3,230**	**13,906**
Increase	249	-	249	360	-	360
Decrease	-	-	-	-	-	-
At 31 December	**11,285**	**3,230**	**14,515**	**11,036**	**3,230**	**14,266**

Provision for impairment of deposits with financial institutions relates to deposits with banks undergoing bankruptcy that are fully provided for.

Net change in impairment provision is recorded within "Net investment income" in the statement of comprehensive income (Note 1.30).

Financial assets carried at fair value

As at 31 December 2016 and 2015 there were no past due assets available for sale or assets at fair value through profit or loss.

Recognised financial assets at fair value through profit or loss include investments for the account and risk of life insurance policyholders in the amount of HRK 140,933 thousand *(2015: HRK 134,025 thousand).*

Recorded financial assets classified as available for sale include investments for the account and risk of life insurance policyholders in the amount of HRK 3,202 thousand (*2015: HRK 3,273 thousand*).

Held-to-maturity financial assets

As at 31 December 2016 there was no past due held-to-maturity assets.

During 2016, the Company has written off HRK 1,400 thousand of impairment losses on domestic corporate bonds considering these became due, in line with pre-bankruptcy settlements' provisions (*2015: HRK 4,200 thousand*).

The table below presents movement in provisions for impariment of held-to-maturity investments:

(in thousand HRK)	2016	2015
At 1 January	**1,400**	**5,600**
Increase	-	-
Decrease	(1,400)	(4,200)
At 31 December	**-**	**1,400**

Analysis of credit quality of financial assets carried at fair value and financial assets held-to-maturity is presented in Note 1.40.

1.15 Financial investments (continued)

Reclassification of financial assets

Following the Management Decision, based on point 50 of the International Accounting Standard 39, as of 30 September 2008 the Company reclassified a portion of financial assets at fair value through profit or loss to available-for-sale financial assets in the amount of HRK 38,729 thousand, which represents the fair value as at 30 September 2008. Upon reclassification, all further gains and losses that would previously be recognised through profit or loss, are recognised directly in other comprehensive income. If the reclassification had not been performed, the Company's loss before tax for 2008 would have been higher by HRK 9,444 thousand.

Also following the Management Decision, based on point 50 of the International Accounting Standard 39, as of 30 September 2008 the Company reclassified available-for-sale financial assets to held-to-maturity investments in the amount of HRK 134,369 thousand at fair value as at 30 September 2008.

Also following the Management Decision, based on point 50 of the International Accounting Standard 39, as of 1 October 2011 the Company reclassified available-for-sale financial assets to held-to-maturity investments in the amount of HRK 128,040 thousand at fair value as at 1 October 2011.

Upon reclassification, assets are measured at amortised cost and further gains and losses on changes in fair values are not recognized. Average effective interest rate of reclassified investments at the reclassification date was 5.64%. If the reclassifications during 2008 and 2011 had not been performed, negative fair value reserve as at 31 December 2011 would have been higher by HRK 1,076 thousand. The Company has the positive intention and ability to hold the reclassified financial assets to maturity.

As at the date of reclassification of assets in 2008, estimated amount of cash flows expected to be recovered was equal to HRK 195,183 thousand.

As at the date of reclassification of assets in 2011, estimated amount of cash flows expected to be recovered was equal to HRK 251,172 thousand.

Also following the Management Decision, based on point 54 of the International Accounting Standard 39, due to a lack of active market for certain financial investments in the amount of HRK 12,935 thousand, as of 30 June 2008 the Company reclassified certain investments from the category of available-for-sale financial assets to the category of loans and receivables. Average effective interest rate of reclassified investments at the reclassification date was 8.67%. The Company performed reclassifications with the aim to reduce oscillations of yield on invested funds and for the purpose of protection from the direct impact of change in prices of debt and equity securities in the market due to financial crisis.

During 2016 and 2015 there were no reclassifications of financial assets.

Carrying amounts of reclassified assets and their fair values at the reclassification date and at 31 December 2016 and 31 December 2015 were as follows:

	As at reclassification date		**31 December 2016**		**31 December 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	HRK'000	HRK'000	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets						
Investment funds	30,705	30,705	-	-	50	50
Equity securities	8,024	8,024	466	466	414	414
Available-for-sale financial assets reclassified to held-to-maturity investments						
Debt securities – reclassification 2008	134,369	134,369	31,921	34,730	32,001	35,151
Debt securities – reclassification 2011	128,040	128,040	108,533	126,378	109,211	127,523
Available-for-sale financial assets reclassified to loans and receivables						
Debt securities	12,935	12,935	199	206	398	416
	314,073	**314,073**	**141,119**	**161,780**	**142,074**	**163,554**

1.15 Financial investments (continued)

The table below presents amounts recognised in profit or loss and other comprehensive income during 2016 and 2015 under reclassified financial assets:

	2016		2015	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets as at 30 September 2008				
Losses on change in fair value of financial assets	-	51	-	(103)
Losses from sale of financial asset	-	-	-	-
Available-for-sale financial assets reclassified to held-to-maturity investments as at 30 September 2008 and on 1 October 2011				
Foreign exchange differences	(1,327)	-	(761)	-
Interest income	8,430	-	9,869	-
Change in fair value reserve	-	783	-	1,036
Available-for-sale financial assets reclassified to loans and receivables as at 30 June 2008				
Interest income	22	-	37	-
	7,125	**834**	**9,145**	**933**

The table below presents amounts that would have been recognised in profit or loss and other comprehensive income during 2016 and 2015 under reclassified financial assets if no reclassification had taken place:

	2016		2015	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets as at 30 September 2008				
Losses on change in fair value of financial assets	51	-	(103)	-
Available-for-sale financial assets reclassified to held-to-maturity investments as at 30 September 2008 and on 1 October 2011				
Foreign exchange differences	(1,327)	-	(761)	-
Interest income	8,430	-	14,497	-
Change in fair value reserve	-	18,420	-	21,462
Available-for-sale financial assets reclassified to loans and receivables as at 30 June 2008				
Interest income	22	-	37	-
	7,176	**18,420**	**13,670**	**21,462**

1.16 Reinsurance share of insurance contracts provisions

	Note	2016 HRK'000	2015 HRK'000
Non-life			
Reinsurance share in unearned premium reserve	1.16 a)	14,343	15,563
Reinsurance share in notified outstanding claims reserve	1.16 b)	20,979	18,187
Reinsurance share in incurred but not reported claims reserve	1.16 c)	1,394	831
Total reinsurance share in insurance contract provisions		**36,716**	**34,581**

1.17 Deferred tax assets / liabilities

	2016 HRK'000	Recognised through profit or loss HRK'000	Recognised through other comprehensive income HRK'000	2015 HRK'000
Deferred tax assets / (liabilities) arising from temporary differences				
Unrealised (gains) / losses on available-for-sale assets	-	-	-	-
Unrealised losses on assets at fair value through profit or loss	490	-	-	490
Tax losses for transfer to future periods	3,067	-	-	3,067
	3,557	**-**	**-**	**3,557**

	2015 HRK'000	Recognised through profit or loss HRK'000	Recognised through other comprehensive income HRK'000	2014 HRK'000
Deferred tax asset arising from temporary differences				
Unrealised losses on available-for-sale assets	-	-	-	-
Unrealised losses on assets at fair value through profit or loss	490	-	-	490
Tax losses for transfer to future periods	3,067	3,072		6,139
	3,557	**3,072**	**-**	**6,629**

Movement of Tax losses for transfer to future periods is shown in Note 1.38.

1.18 Insurance and other receivables

	2016 HRK'000	2015 HRK'000
Receivables arising from insurance contracts (premium)	127,431	137,915
- Premium impairment losses	(66,752)	(79,600)
Total	**60,679**	**58,315**
Accrued interests	13,038	14,118
- Impairment	(1,492)	(1,611)
Total	**11,546**	**12,507**
Receivables from recourse	62,360	64,029
- impairment of recourse receivables	(56,953)	(56,203)
Total	**5,407**	**7,826**
Other receivables	9,267	9,389
- Impairment of other receivables	(2,520)	(2,127)
Total	**6,747**	**7,262**
Credit card receivables	3,272	7,453
- Impairment of credit card receivables	(99)	(96)
Total	**3,173**	**7,357**
Receivables from reinsurance	32,704	26,261
Total	**120,256**	**119,528**

Insurance and other receivables are classified as Loans and receivables measurement category.

Movement of impairment of insurance receivables during the year was as follows:

	2016 HRK'000	2015 HRK'000
At 1 January	**79,600**	**86,136**
Increase in provisions	3,113	10,127
Decrease in provisions	(15,961)	(16,663)
Reclasification	-	-
At 31 December	**66,752**	**79,600**

Net losses on impairment of insurance receivables are presented within "Other operating expenses".

1.18 Insurance and other receivables (continued)

Analysis of insurance and other receivables by maturity is as follows:

	Insurance receivables	Accrued interests	Receivables from recourse	Credit card receivables	Receivables from reinsurance	Other receivables	Total
31 December 2016							
Neither past due nor impaired	28,971	11,546	2,454	3,173	32,704	-	78,848
Past due but not impaired	31,708	-	2,953	-	-	6,747	41,408
Past due and impaired	66,752	1,492	56,953	99	-	2,520	127,816
Impairment provision	(66,752)	(1,492)	(56,953)	(99)	-	(2,520)	(127,816)
	60,679	**11,546**	**5,407**	**3,173**	**32,704**	**6,747**	**120,256**
31 December 2015							
Neither past due nor impaired	31,576	12,507	2,434	7,357	26,261	-	80,035
Past due but not impaired	26,739	-	5,392	-	-	7,262	39,493
Past due and impaired	79,600	1,611	56,371	96	-	2,501	139,637
Impairment provision	(79,600)	(1,611)	(56,371)	(96)	-	(2,501)	(139,637)
	58,315	**12,507**	**7,826**	**7,357**	**26,261**	**7,262**	**119,528**

Credit quality of neither past due nor impaired loans and receivables was as follows:

	Insurance receivables	Accrued interests	Receivables from recourse	Credit card receivables	Receivables from reinsurance	Other receivables	**Total**
31 December 2016							
High quality	-	11,546	-	3,173	32,704	-	47,423
Standard quality	28,971	-	2,454	-	-	-	31,425
	28,971	**11,546**	**2,454**	**3,173**	**32,704**	**-**	**78,848**
31 December 2015							
High quality	-	12,507	-	7,357	26,261	-	46,125
Standard quality	31,576	-	2,434			-	34,010
	31,576	**12,507**	**2,434**	**7,357**	**26,261**	**-**	**80,135**

Insurance and other receivables are divided per credit risk quality between two categories: High quality and Standard quality assets. Assets considered as High quality are those with the rating same or better than BB. The assets with lower rating are considered as Standard quality.

1.18 Insurance and other receivables (continued)

All past due and impaired insurance receivables are past due over 365 days. In 2016, there was a change in the accounting estimate for impairment of insurance receivables in a way that the allowance is settled 365 days after the maturity of receivables (compared to 2015 when the Company applied the accounting estimate for impairment of insurance receivables 180 days after maturity). The effect of the change in the accounting estimate of impairment in 2016 amounts to HRK 4,763 thousand.

Accounting estimate for impairment of recourse receivables did not change in comparison to previous year. All past due and impaired recourse receivables are past due over 180 days.

Table below presents analysis of past due receivables not impaired by days past due:

As at 31 December 2016:

(in thousand HRK)	**< 90 days**	**90 – 180 days**	**> 180 days**	**Total**
Analysis of past due but not impaired by days past due				
Insurance receivables	19.906	7.038	4.764	31.708
Receivables from recourse	777	781	1.395	2.953
Reinsurance receivables	-	-	-	-
Other receivables	-	-	6.747	6.747
Total	**20,683**	**7,819**	**12,906**	**41,408**

As at 31 December 2015:

(in thousand HRK)	**< 90 days**	**90 – 180 days**	**> 180 days**	**Total**
Analysis of past due but not impaired by days past due				
Insurance receivables	19.754	6.985	-	26.739
Receivables from recourse	1.477	2.271	1.644	5.392
Reinsurance receivables	-	-	-	-
Other receivables	-	7.262	-	7.262
Total	**21,231**	**16,518**	**1,644**	**39,393**

Movement in impairment of other receivables and prepayments during the year was as follows:

	2016 HRK'000	**2015 HRK'000**
At 1 January	**60,579**	**58,901**
Increase in provisions	5,006	6.606
Decrease in provisions	(4.521)	(4.928)
At 31 December	**61,064**	**60,579**

1.19 Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables with maturity <90 days for measurement purposes.

	2016 HRK'000	2015 HRK'000
Cash at bank	8,299	1,758
Cash in hand	72	25
Deposits with original maturity < 90 days	21,875	15,245
Total cash and cash equivalents	**30,246**	**17,028**

1.20 Insurance contract provisions

	2016 HRK'000	2015 HRK'000
Non-life insurance		
Provision for unearned premiums	142,326	136,620
Notified outstanding claims reserve	133,908	127,543
Incurred but not reported claims reserve	56,589	53,855
Provision for claims handling expenses	4,506	4,062
Provision for unexpired risks	3,476	13,398
Provision for bonuses and rebates	1,129	2,412
Equalization reserve	303	265
Total non-life insurance	**342,237**	**338,155**
Life insurance		
Provision for unearned premiums	98	101
Life insurance provision	305,758	295,844
Life insurance provision for unit-linked	144,582	138,452
Life insurance provision for LAT	-	-
Notified outstanding claims reserve	1,572	1,642
Incurred but not reported claims reserve	1,591	1,485
Provision for claims handling expenses	190	188
Total life insurance	**453,791**	**437,712**
Total insurance contract provisions	**796,028**	**775,867**

As at 31 December 2015, the amount of HRK 569 thousand within the life insurance provision was reserved for the allocation of profit for 2015, which was attributed to individual policies at the beginning of 2016. As at 31 December 2016, life insurance provisions did not include any reserves for the allocation of profit for 2016.

1.20 Insurance contract provisions (continued)

a) Analysis of movement on provision for unearned premium

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
Non-life business						
At 1 January	**136,620**	**(15,563)**	**121,057**	**127,738**	**(16,116)**	**111,622**
Premiums written during the year	309,223	(61,981)	247,242	284,857	(52,674)	232,183
Less: premiums earned during the year	(303,516)	63,202	(240,314)	(275,975)	53,227	(222,748)
At 31 December	**142,327**	**(14,342)**	**127,985**	**136,620**	**(15,563)**	**121,057**
Life insurance business						
At 1 January	**101**	**-**	**101**	**91**	**-**	**91**
Premiums written during the year	59,436	(44)	59,392	59,040	(27)	59,013
Less: premiums earned during the year	(59,439)	44	(59,395)	(59,030)	27	(59,003)
At 31 December	**98**	**-**	**98**	**101**	**-**	**101**

b) Analysis of movements in notified outstanding claims reserve

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
Non-life business						
At 1 January	**127,543**	**(18,186)**	**109,357**	**123,654**	**(13,829)**	**109,825**
Current year claims	163,102	(16,076)	147,026	148,795	(15,962)	132,833
Change in previous year claims	25,745	(27,491)	(1,746)	21,389	(21,106)	283
Claims paid	(182,482)	40,774	(141,708)	(166,295)	32,711	(133,584)
At 31 December	**133,908**	**(20,979)**	**112,929**	**127,543**	**(18,186)**	**109,357**
Life insurance business						
At 1 January	**1,642**	**-**	**1,642**	**1,709**	**-**	**1,709**
Current year claims	33,459	-	33,459	31,875	-	31,875
Change in previous year claims	1,435	-	1,435	2,066	-	2,066
Claims paid	(34,964)	-	(34,964)	(34,008)	-	(34,008)
At 31 December	**1,572**	**-**	**1,572**	**1,642**	**-**	**1,642**

1.20 Insurance contract provisions (continued)

c) Analysis of movement in incurred but not reported claims reserve

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
Non-life business						
At 1 January	**53,855**	**(831)**	**53,024**	**51,287**	**(2,203)**	**49,084**
Additions recognised during the year	21,090	(3,883)	17,207	16,945	471	17,416
Transfer to claims reported provision	(18,356)	3,320	(15,036)	(14,377)	901	(13,476)
At 31 December	**56,589**	**(1,394)**	**55,195**	**53,855**	**(831)**	**53,024**
Life insurance business						
At 1 January	**1,485**	-	**1,485**	**1,928**	-	**1,928**
Additions recognised during the year	1,448	-	1,448	484	-	484
Transfer to claims reported provision	(1,342)	-	(1,342)	(927)	-	(927)
At 31 December	**1,591**	-	**1,591**	**1,485**	-	**1,485**

d) Analysis of movement in provision for unexpired risks

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
At 1 January	**13,398**	-	**13,398**	**10,543**	-	**10,543**
Release through profit or loss	(13,398)	-	(13,398)	(10,543)	-	(10,543)
Provision recognised during year	3,476	-	3,476	13,398	-	13,398
At 31 December	**3,476**	-	**3,476**	**13,398**	-	**13,398**

1.20 Insurance contract provisions (continued)

e) Analysis of movement in provision for bonuses and discounts

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
At 1 January	**2,412**	**-**	**2,412**	**1,882**	**-**	**1,882**
Release through profit or loss	(1,439)	-	(1,439)	(2,277)	-	(2,277)
Provision recognised during year	156	-	156	2,807	-	2,807
At 31 December	**1,129**	**-**	**1,129**	**2,412**	**-**	**2,412**

f) Life insurance provisions

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
At 1 January	**295,844**	**-**	**295,844**	**287,562**	**-**	**287,562**
Premium allocation, net	24,104	-	24,104	23,710	-	23,710
Release of liabilities due to benefits paid, surrenders and other terminations	(20,569)	-	(20,569)	(23,688)	-	(23,688)
Change in Zillmer adjustment	(522)	-	(522)	(936)	-	(936)
Allocation of regular interest	10,509	-	10,509	10,399	-	10,399
Effect of change in technical interest rate to 3,3%	(1,461)	-	(1,461)	(1,862)	-	(1,862)
Other	(2,147)	-	(2,147)	659	-	659
At 31 December	**305,758**	**-**	**305,758**	**295,844**	**-**	**295,844**

g) Life insurance provisions for unit linked

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
At 1 January	**138,452**	**-**	**138,452**	**122,082**	**-**	**122,082**
Premium allocation, net	14,649	-	14,649	16,057	-	16,057
Release of liabilities due to benefits paid, surrenders and other terminations	(10,579)	-	(10,579)	(6,982)	-	(6,982)
Change in value of fund units	1,773	-	1,773	7,965	-	7,965
Other	287	-	287	(670)	-	(670)
At 31 December	**144,582**	**-**	**144,582**	**138,452**	**-**	**138,452**

1.20 Insurance contract provisions (continued)

h) Life insurance provisions for LAT

	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000
At 1 January	-	-	-	**38**	-	**38**
Increasing during the year	-		-	-		-
Decreasing during the year	-	-	-	(38)	-	(38)
At 31 December	-	-	-	-	-	-

1.20 Insurance contract provisions (continued)

i) Development of provisions for non-life insurance claims as at 31 December 2016

	Prior to 2003	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year		93,600	103,308	125,422	131,281	168,942	196,207	210,687	239,741	208,850	305,152	194,860	161,676	180,563	**194,935**	
One year later		109,556	123,617	130,576	141,434	178,014	195,986	192,952	216,027	191,373	270,768	174,586	159,206	**173,772**		
Two years later		114,662	125,745	136,478	144,445	180,236	186,246	178,622	206,099	183,428	261,031	174,763	**156,985**			
Three years later		116,794	126,873	140,136	145,742	178,672	182,796	175,934	200,731	180,174	261,201	**174,304**				
Four years later		117,344	130,909	139,466	142,655	176,246	181,396	174,445	200,357	178,158	**259,803**					
Five years later		119,724	129,991	139,297	143,341	175,440	181,867	174,231	199,532	**178,712**						
Six years later		120,594	129,249	138,406	143,215	175,595	183,278	173,184	**199,718**							
Seven years later		120,178	129,433	138,128	143,311	175,399	184,455	**176,299**								
Eight years later		120,065	130,258	138,210	143,979	175,950	**186,505**									
Nine years later		120,579	130,474	138,474	144,404	**176,871**										
Ten years later		127,757	130,128	138,901	**145,951**											
Eleven years later		128,261	130,235	**138,852**												
Twelve years later		128,408	**130,481**													
Thirteen years later		**128,419**														
Estimate of cumulative claims	**227,418**	**128,419**	**130,481**	**138,852**	**145,951**	**176,871**	**186,505**	**176,299**	**199,718**	**178,712**	**259,803**	**174,304**	**156,985**	**173,772**	**194,935**	**2,649,026**
Cumulative payments	(210,438)	(125,119)	(127,617)	(136,303)	(142,425)	(171,269)	(179,877)	(171,884)	(193,347)	(172,905)	(246,856)	(164,510)	(144,718)	(153,704)	(117,559)	(2,458,531)
Value recognised in the statement of financial position of the current year	16,980	3,300	2,864	2,549	3,526	5,602	6,628	4,415	6,371	5,807	12,947	9,794	12,267	20,068	77,376	190,495
Claims handling costs	379	48	25	38	35	63	67	74	71	64	102	163	189	313	2,875	4,506
Value recognised in the statement of financial position	**17,361**	**3,348**	**2,889**	**2,587**	**3,561**	**5,665**	**6,695**	**4,489**	**6,442**	**5,871**	**13,049**	**9,957**	**12,456**	**20,381**	**80,251**	**195,003**

1.20 Insurance contract provisions (continued)

j) Development of provisions for life insurance claims as at 31 December 2016

	Prior to 2003	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year		2,961	15,469	7,694	7,453	26,717	26,026	22,739	24,079	23,359	29,826	28,668	35,168	33,180	**33,205**	
One year later		4,441	14,371	5,129	6,674	24,827	24,576	21,161	22,708	22,289	29,054	28,252	36,847	**33,569**		
Two years later		3,653	13,718	4,467	5,841	24,373	24,225	20,495	22,528	22,296	28,787	28,713	**37,337**			
Three years later		3,722	14,278	4,392	6,044	24,372	24,131	20,794	22,721	22,325	29,027	**28,739**				
Four years later		3,521	14,076	4,460	6,010	24,256	24,097	20,728	22,927	22,396	**29,082**					
Five years later		3,501	14,064	4,452	6,099	24,271	24,099	20,671	23,088	**22,465**						
Six years later		3,486	14,045	4,360	6,116	24,273	24,097	20,692	**23,052**							
Seven years later		3,478	14,023	4,360	6,104	24,374	24,113	**20,741**								
Eight years later		3,448	14,023	4,361	6,475	24,541	**24,120**									
Nine years later		3,448	14,023	4,375	6,896	**24,409**										
Ten years later		3,448	14,024	4,455	**6,647**											
Eleven years later		3,448	14,024	**4,982**												
Twelve years later		3,448	**14,024**													
Thirteen years later		**3,448**														
Estimate of cumulative claims	**12,941**	**3,448**	**14,024**	**4,982**	**6,647**	**24,409**	**24,120**	**20,741**	**23,052**	**22,465**	**29,082**	**28,739**	**37,337**	**33,569**	**33,205**	**318,761**
Cumulative payments	(12,941)	(3,448)	(14,024)	(4,565)	(6,481)	(24,374)	(24,097)	(20,671)	(23,052)	(22,365)	(28,946)	(28,555)	(36,720)	(33,272)	(32,087)	(315,598)
Value recognised in the statement of financial position of the current year	-	-	-	-	417	166	35	23	70	1	103	164	292	774	1,118	3,163
Claims handling costs	-	-	-	-	25	10	2	1	4	-	6	10	18	46	68	190
Value recognised in the statement of financial position	-	-	-	-	**442**	**176**	**37**	**24**	**74**	**1**	**109**	**174**	**310**	**1,347**	**1,186**	**3,880**

It is not practical to disclose claims development for years prior to 2003 due to incomplete historical information.

1.20 Insurance contract provisions (continued)

k) Remaining maturities of insurance liabilities

2016	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	Between 10 and 15 years HRK'000	Between 15 and 20 years HRK'000	More than 20 years HRK'000	Total HRK'000
Unearned premium reserve	131,807	10,510	108	-	-	-	**142,425**
Notified outstanding claims reserve & incurred but not reported claims reserve	99,308	62,687	25,286	5,377	880	122	**193,660**
Life insurance provisions, provision for unit linked products	36,506	96,782	102,482	146,724	61,485	6,361	**450,340**
Provision for claims handling costs	2,270	1,604	646	150	22	3	**4,696**
Provision for unexpired risks	3,412	63	-	-	-	-	**3,476**
Provision for bonuses and discounts	1,129	-	-	-	-	-	**1,129**
Equalization reserve	303	-	-	-	-	-	**303**
Insurance liabilities	**274,736**	**171,647**	**128,521**	**152,251**	**62,387**	**6,486**	**796,028**

2015	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5and 10 year HRK'000	Between 10and 15 year HRK'000	Between 15 and 20 year HRK'000	More than 20 years HRK'000	Total HRK'000
Unearned premium reserve	124,612	11,939	170	-	-	-	**136,721**
Notified outstanding claims reserve & incurred but not reported claims reserve	112,477	49,474	17,948	3,526	938	162	**184,525**
Life insurance provisions, provision for unit linked products	25,375	99,493	96,638	133,319	72,836	6,635	**434,296**
Provision for claims handling costs	2,585	1,159	402	79	21	4	**4,250**
Provision for unexpired risks	11,636	1,577	185	-	-	-	**13,398**
Provision for bonuses and discounts	2,412	-	-	-	-	-	**2,412**
Equalization reserve	265	-	-	-	-	-	**265**
Insurance liabilities	**279,362**	**163,642**	**115,343**	**136,924**	**73,795**	**6,801**	**775,867**

1.20 Insurance contract provisions (continued)

l) Overview of investment of assets for covering life insurance provision

The following table presents the analysis of financial assets for covering life insurance provision by categories on the basis of currency in which they are denominated. Life insurance provision for traditional products is denominated in EUR, while provision for claims for types of risk for which it is necessary to form life insurance provision is mainly denominated in HRK.

	31 December 2016			31 December 2015		
	EURO and EURO-linked HRK'000	HRK HRK'000	Total HRK'000	EURO and EURO-linked HRK'000	HRK HRK'000	Total HRK'000
Assets for covering life insurance provision	**330,518**	**7,290**	**337,808**	**305,906**	**7,107**	**313,013**
Life insurance provision	305,758	-	305,758	295,844	-	295,844
Provision for claims for risk types for which it is necessary to form life insurance provision	1,140	-	1,140	727	-	727
Required coverage of life insurance provision	**306,898**	**-**	**306,898**	**296,571**	**-**	**296,571**
Excess of coverage	**23,620**	**7,290**	**30,910**	**9,335**	**7,107**	**16,442**

1.20 Insurance contract provisions (continued)

m) Overview of investment of assets for covering life insurance provision (continued)

The table below analyses investments for covering life insurance provision by remaining maturities and estimated remaining maturities of life insurance provision and claims provision for risk types for which it is necessary to form life insurance provision for which coverage is required:

	Up to 1 year HRK'000	1-5 years HRK'000	5-10 years HRK'000	More than 10 years HRK'000	Total HRK'000
2016					
Assets for covering life insurance provision	26,877	150,413	156,232	4,286	**337,808**
Life insurance provision	(21,872)	(79,767)	(79,267)	(124,852)	**(305,758)**
Claims reserve	(618)	(522)	-	-	**(1,140)**
Maturity gap	**4,387**	**70,124**	**76,965**	**(120,566)**	**30,910**
2015					
Assets for covering life insurance provision	29,812	166,617	112,889	3,695	**313,013**
Life insurance provision	(18,185)	(76,639)	(75,008)	(126,012)	**(295,844)**
Claims reserve	(413)	(314)	-	-	**(727)**
Maturity gap	**11,214**	**89,664**	**37,881**	**(122,317)**	**16,442**

As at 31 December 2016 and 31 December 2015 approximately half of the total assets for covering life insurance provision are classified as available for sale and they can easily be sold by the Company, if required, in order to settle due liabilities.

In 2016, the Company realised yields on investment of life insurance provision of 3.94% (*2015: 5.82%*). The average three-year yield on investment of life insurance provision is 5.24%.

1.20 Insurance contract provisions (continued)

n) Overview of investment of assets for covering insurance contract provision other than life insurance provision

The following table presents the analysis of financial assets for covering insurance contract provision by categories on the basis of currency in which they are denominated. Provisions for unearned premium, claims reserve and other reserves are denominated in HRK.

	31 December 2016			31 December 2015		
	EURO and EURO-linked HRK'000	HRK HRK'000	Total HRK'000	EURO and EURO-linked HRK'000	HRK HRK'000	Total HRK'000
Assets for covering insurance contract provision other than life insurance provision	**139,156**	**191,763**	**330,919**	**149,530**	**159,062**	**308,592**
Provision for unearned premiums	98	127,985	128,083	101	121,057	121,158
Claims reserve	2,213	172,629	174,841	2,589	166,442	169,031
Other reserves	-	4,908	4,908	-	16,074	16,074
Required coverage of insurance contract provision other than life insurance provision	**2,311**	**305,521**	**307,832**	**2,690**	**303,573**	**306,263**
Excess/(deficit) of coverage	**136,845**	**(113,758)**	**23,087**	**146,840**	**(144,511)**	**2,329**

1.20 Insurance contract provisions (continued)

o) Overview of investment of assets for covering insurance contract provision other than life insurance provision (continued)

The table below analyses investments for covering insurance contract provision other than life insurance provision by remaining maturities and estimated remaining maturities of life insurance provision and claims provision for risk types for which it is necessary to form life insurance provision for which coverage is required:

	Up to 1 year HRK'000	1–5 years HRK'000	5-10 years HRK'000	More than 10 years HRK'000	Total HRK'000
2016					
Assets for covering insurance contract provision	212,300	60,574	57,563	482	**330,919**
Provision for unearned premiums	(118,695)	(9,285)	(103)	-	**(128,083)**
Claims reserve and other reserves	(89,976)	(59,506)	(23,895)	(6,373)	**(179,750)**
Maturity gap	**3,629**	**(8,217)**	**33,565**	**(5,891)**	**23,086**
2015					
Assets for covering insurance contract provision	124,068	129,390	41,783	13,350	**308,592**
Provision for unearned premiums	(110,458)	(10,531)	(169)	-	**(121,158)**
Claims reserve and other reserves	(111,981)	(50,120)	(18,279)	(4,725)	**(185,105)**
Maturity gap	**(98,371)**	**68,739**	**23,335**	**8,625**	**2,329**

As at 31 December 2016 and 31 December 2015, the majority of total assets for covering insurance contract provision other than life insurance provision are classified as available for sale and they can easily be sold by the Company, if required, in order to settle due liabilities.

1.21 Subordinated loan

	Maturity	Annual interest rate %	2016 HRK'000	2015 HRK'000
Loan in the amount of EUR 1,365,130 (in HRK)	Indefinitely, repayable with 1 year upfront announcement	7.0% fixed	-	10,423
Subordinated loan			**-**	**10,423**

Loan was fully repaid during 2016.

1.22 Short-term loan

	Maturity	Annual interest rate %	2016 HRK'000	2015 HRK'000
Short-term loan	30 June 2017	2.95% fixed	20,000	-
Short-term loan			**20,000**	**-**

During 2016, the Company used a short-term loan from a commercial bank. Loan was fully repaid in 2017.

1.23 Provisions for liabilities and expenses

	Provision for legal disputes HRK'000	Provisions for jubilee awards and post-employment benefits HRK'000	Provision for unused vacation days HRK'000	Total HRK'000
At 1 January 2016	-	**3,480**	**1,414**	**4,894**
Provisions used during year	-	-	(314)	**(314)**
Additional provisions during year	-	396	-	**396**
At 31 December 2016	**-**	**3,876**	**1,100**	**4,976**
At 1 January 2015	**531**	**3,211**	**1,212**	**4,954**
Provisions used during year	(531)	(279)	-	(810)
Additional provisions during year	-	548	202	750
At 31 December 2015	**-**	**3,480**	**1,414**	**4,894**

1.24 Insurance and other payables

	2016 HRK'000	2015 HRK'000
Insurance contract payables		
- to policyholders	8,053	5,093
- other payables from insurance contracts	10,369	9,476
Reinsurance contract payables	18,400	12,377
Trade payables	982	1,118
Due to employees	6,398	6,746
Other payables and accrued expenses	2,662	3,362
Total insurance and other payables	**46,864**	**38,172**

1.25 Share capital and reserves

Share capital	**2016 HRK'000**	**2015 HRK'000**
Authorised, issued and fully paid		
99,836 ordinary shares with nominal value of HRK 2,100 *(2015: 99,836 ordinary shares with nominal value of HRK 2,100)*	**209,656**	**209,656**

The share capital of the Company is denominated in Croatian kuna (HRK). As at 31 December 2016, the nominal value of each share issued is HRK 2,100 (*2015: HRK 2,100*).

Table below presents movement in number of shares – there were no new issues of ordinary shares during 2016:

	2016	**2015**
Number of ordinary shares as at 1 January	**99,836**	**99,836**
Issue of new ordinary shares	-	-
Number of ordinary shares as at 31 December	**99,836**	**99,836**

In 2016, there were no significant changes in the ownership structure. As at 31 December 2016, the major owner is Triglav INT d.d., a joint stock company based in Ljubljana, Slovenia, with 99.91% of voting rights (*2015: 99.86%*). In 2016, the majority owner, Triglav INT d.d. began the official process of extraditing minority shareholders, which was completed in 2017, when Triglav INT d.d. became the owner of all 100% of the shares, i.e. voting rights.

At the reporting date, the Company's ownership structure was as follows:

	2016 %	**2015 %**
Triglav INT d.d.	99.91	99.86
Other shareholders	0.09	0.14
	100.00	**100.00**

1.25 Share capital and reserves (continued)

Treasury shares

In 2016, the Company had no treasury shares nor reserves for treasury shares.

Statutory reserve

Requirements for formation of statutory reserve are explained in Note 1.3 (k). As at 31 December 2016, statutory reserve amounts to HRK 4,377 thousand *(2015: HRK 4,377 thousand).*

Other capital reserves

Other capital reserves amount to HRK 5,632 thousand (*2015: HRK 5,632 thousand*).

Fair value reserve

As at both 31 December 2016 and 31 December 2015, fair value reserve includes only unrealised gains and losses on changes in fair value of available-for-sale investments, net of related deferred tax.

Movement in fair value reserve was as follows:

	2016 HRK'000	2015 HRK'000
Fair value reserve as at 1 January (gross)	**2,649**	**12,226**
Deferred tax	**(530)**	**(2,445)**
At 1 January	**2,119**	**9,781**
Revaluation	13,784	(9,577)
Recognition of deffered tax	(2,429)	1,915
Fair value reserve as at 31 December (gross)	**16,433**	**2,649**
Deferred tax	**(2,959)**	**(530)**
At 31 December	**13,474**	**2,119**

1.26 Capital management

According to Solvency II methodology (below: SII) capital is calculated as an excess or deficit between total assets and liabilities valued at market value, ie fair value in accordance with the Insurance Act (O.G., No. 30/15) and the Delegated Commission Regulation (EU) 2015/35.

According to new regulations, capital is classified into classes (called Tier), taking into account the quality, subordination and availability of capital items to cover unexpected losses. The Company, according to the relevant criteria, classifies the entire available capital into the 1st category of highest quality.

To cover the required solvency capital, the basic own funds which are made up of items of own funds of Category 1 with and without limitation, as well as items of own funds of categories 2 and 3, as defined in the Insurance Act and the Delegated Regulation, are acceptable.

The value of the Company's own eligible assets to cover the required solvency capital must be at least equal to the required solvency capital (ie 100% SCR). In order to monitor and ensure the fulfillment of the obligation to cover the required solvency capital, the Company regularly monitors the value and quality of eligible own funds and the amount of solvent capital required.

As at 31 December 2016, the Company had only basic own funds totaling HRK 259,465 thousand (*2015: HRK 266,794 thousand*). The equity capital of the Company was HRK 209,656 thousand (*2015: HRK 209,656 thousand*) and provisions for adjusting amounted to HRK 49,810 thousand (*2015: HRK 49,810 thousand*).

The Company had no auxiliary funds as at 31 December 2016.

In the table below is given an overview of the Company's capital as at 31 December 2016 and 31 December 2015 which hasn`been audited at financial statements` issue date:

	2016 **Unaudited** **HRK'000** **Total**	**2015** **Unaudited** **HRK'000** **Total**
Core capital		
Share capital	209,656	209,656
Statutory reserves	4,377	4,377
Premium on issued shares	-	-
Other reserves	5,631	5,631
Retained earnings	(26,067)	8,422
Profit / loss for the current year	209	(34,489)
Total Core capital	**193,806**	**193,597**
Acceptable eligible capital for SCR coverage	259,465	266,794
Acceptable eligible capital for MCR coverage	259,465	266,794
Solvency capital required (SCR)	146,603	146,406
Minimum capital required (MCR)	57,720	57,720
SCR ratio (Solvency ratio)	177%	182%
MCR ratio (Minimum solvency ratio)	450%	462%
SCR buffer (Capital surplus over SCR)	112,862	120,388

1.27 Premiums

	2016 HRK'000	2015 HRK'000
Non-life insurance		
Gross premium written	309,223	284,857
Premiums ceded to reinsurers	(61,981)	(52,673)
Change in unearned premiums (gross)	(5,707)	(8,882)
Change in unearned premiums (reinsurance share)	(1,220)	(553)
Total net premium income (earned) from non-life insurance	**240,315**	**222,749**
Life insurance		
Gross premium written	59,436	59,040
Premiums ceded to reinsurers	(44)	(27)
Change in unearned premiums, net	3	(11)
Total net premium income (earned) from life insurance	**59,395**	**59,002**
Total premiums	**299,710**	**281,751**

Gross written premiums of the Company for life insurance include HRK 19,290 thousand *(2015: HRK 19,986 thousand)* of premiums from unit-linked products.

1.27 Premiums (continued)

Analysis by class of business

2016	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Administrative expenses HRK'000	Acquisition costs HRK'000	Reinsurance balance HRK'000
Non-life insurance business						
Accident insurance	13,233	13,688	(6,916)	(4,535)	(3,879)	911
Health insurance	223	108	20	(1,256)	(52)	-
Road vehicles insurance	49,641	47,340	(27,252)	(8,968)	(6,773)	6,490
Rail vehicles insurance	-	-	-	-	-	-
Aircrafts insurance	2,994	3,672	(176)	(1,054)	(674)	2,561
Vessel insurance	6,104	5,978	(7,514)	(2,418)	(776)	532
Goods in transport insurance	1,407	1,392	(329)	(705)	(168)	795
Fire property and other perils insurance	29,978	29,392	(11,524)	(8,325)	(7,297)	23,405
Other property insurance	52,302	52,408	(44,237)	(14,511)	(10,260)	41,337
Motor third party liability	113,265	105,833	(67,782)	(23,262)	(18,275)	10,707
Aircraft third party liability	266	381	-	(256)	(71)	126
Vessel third party liability	1,676	1,524	(444)	(884)	(415)	262
Other liability insurance	26,689	28,465	(10,547)	(6,984)	(4,217)	19,569
Loan insurance	-	428	4,448	(364)	-	216
Guarantee insurance	2,997	4,973	(3,047)	(1,077)	(871)	1,748
Financial loss insurance	5,783	5,622	(4,419)	(1,612)	(723)	3,515
Legal expense insurance	255	137	(36)	(132)	(60)	5
Travel insurance	2,411	2,176	(1,065)	(1,171)	(1,063)	96
Total non-life	**309,224**	**303,517**	**(180,820)**	**(77,514)**	**(55,574)**	**112,275**
Life						
Life insurance	34,335	34,335	(32,101)	(5,142)	(2,908)	(12)
Annuity insurance	366	366	(355)	(62)	(31)	-
Riders	5,425	5,428	(1,622)	(660)	(460)	(11)
Marriage and birth insurance	20	20	(22)	(2)	(2)	-
Life or annuity insurance provisions where the policyholder bears the investment risk	19,290	19,290	(16,945)	(2,758)	(1,634)	(16)
Total life	**59,436**	**59,439**	**(51,045)**	**(8,624)**	**(5,035)**	**(39)**
Total life and non-life	**368,660**	**362,956**	**(231,865)**	**(86,138)**	**(60,609)**	**112,236**

1.27 Premiums (continued)

Analysis by class of business (continued)

2015	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Administrative expenses HRK'000	Acquisition costs HRK'000	Reinsurance balance HRK'000
Non-life insurance business						
Accident insurance	12,207	11,581	(3,852)	(2,566)	(3,038)	293
Health insurance	268	339	(98)	(89)	(82)	-
Road vehicles insurance	41,626	36,380	(42,053)	(11,233)	(5,594)	2,736
Rail vehicles insurance	-	-	-	-	-	-
Aircrafts insurance	1,944	429	-	(59)	(122)	(313)
Vessel insurance	4,968	3,559	(8,946)	(1,769)	(690)	1,875
Goods in transport insurance	1,722	1,878	(199)	(347)	(194)	(683)
Fire property and other perils insurance	28,770	28,944	(10,414)	(6,756)	(7,085)	(7,712)
Other property insurance	60,615	59,204	(44,737)	(15,498)	(11,665)	(206)
Motor third party liability	95,249	94,258	(46,357)	(29,023)	(16,545)	2,259
Aircraft third party liability	263	73	-	(10)	(15)	(56)
Vessel third party liability	947	751	(23)	(210)	(184)	(46)
Other liability insurance	25,965	26,830	(18,876)	(8,290)	(4,260)	(7,169)
Loan insurance	-	613	2,934	(144)	-	370
Guarantee insurance	2,703	4,383	(1,947)	(884)	(832)	365
Financial loss insurance	5,852	5,333	(1,457)	(952)	(1,174)	(2,524)
Legal expense insurance	114	101	(35)	(19)	(30)	4
Travel insurance	1,644	1,319	(467)	(270)	(530)	(224)
Total non-life	**284,857**	**275,975**	**(176,527)**	**(78,119)**	**(52,040)**	**(11,031)**
Life						
Life insurance	33,296	33,296	(32,682)	(7,830)	(2,160)	(18)
Annuity insurance	371	371	(413)	(84)	(24)	1
Riders	5,368	5,357	(693)	(925)	(348)	(10)
Marriage and birth insurance	20	20	(18)	(3)	(1)	-
Life or annuity insurance provisions where the policyholder bears the investment risk	19,985	19,985	(24,276)	(3,754)	(1,297)	5
Total life	**59,040**	**59,029**	**(58,082)**	**(12,592)**	**(3,830)**	**(22)**
Total life and non-life	**343,897**	**335,004**	**(234,609)**	**(90,711)**	**(55,870)**	**(11,053)**

1.27 Premiums (continued)

Analysis of gross claims ratio, expense ratio and combined ratio

Gross claims ratio (before reinsurance), expense ratio and combined ratio are presented below by insurance groups calculated in accordance with the Instructions for the completion of financial statements for insurance and reinsurance companies.

2016	Claims ratio	Expense ratio	Combined ratio
Accident insurance	50.31%	63.58%	113.89%
Health insurance	14.81%	586.55%	601.36%
Road vehicles insurance	74.16%	31.71%	105.87%
Rail vehicles insurance	0.00%	0.00%	0.00%
Aircrafts insurance	4.79%	57.72%	0.00%
Vessel insurance	98.21%	52.33%	150.54%
Goods in transport insurance	23.71%	62.05%	85.75%
Fire property and other perils insurance	39.27%	52.11%	91.38%
Other property insurance	90.12%	47.36%	137.49%
Motor third party liability	64.06%	36.67%	100.73%
Aircraft third party liability	0.00%	122.93%	122.93%
Vessel third party liability	29.00%	77.51%	106.51%
Other liability insurance	37.20%	41.97%	79.17%
Loan insurance	(392.99%)	0.00%	(392.99%)
Guarantee insurance	61.27%	65.00%	126.27%
Financial loss insurance	64.37%	40.38%	104.75%
Legal expense insurance	26.28%	75.29%	101.57%
Travel insurance	46.83%	92.66%	139.49%
Total non-life	**63.27%**	**43.04%**	**106.31%**

2015	Claims ratio	Expense ratio	Combined ratio
Accident insurance	33.03%	75.33%	108.37%
Health insurance	48.64%	1,111.19%	1,159.83%
Road vehicles insurance	103.12%	32.04%	135.16%
Rail vehicles insurance	0.00%	0.00%	0.00%
Aircrafts insurance	0.00%	15.79%	0.00%
Vessel insurance	241.18%	84.44%	325.62%
Goods in transport insurance	10.52%	159.47%	169.99%
Fire property and other perils insurance	35.77%	51.57%	87.35%
Other property insurance	73.15%	38.35%	111.50%
Motor third party liability	50.17%	32.36%	82.53%
Aircraft third party liability	0.00%	48.67%	48.67%
Vessel third party liability	3.09%	461.56%	464.65%
Other liability insurance	70.04%	47.15%	117.19%
Loan insurance	(139.11%)	0.00%	(139.11%)
Guarantee insurance	45.06%	54.79%	99.85%
Financial loss insurance	27.46%	69.63%	97.10%
Legal expense insurance	34.65%	677.19%	711.85%
Travel insurance	35.36%	198.11%	233.47%
Total non-life	**62.74%**	**45.04%**	**107.78%**

1.28 Fee and commission income

	2016 HRK'000	2015 HRK'000
Reinsurance commission		
Reinsurance commission – non-life	7,384	6,498
Reinsurance commission – life	-	5
Total reinsurance commission	**7,384**	**6,503**

1.29 Income related to investments

	2016 HRK'000	2015 HRK'000
Interest income		
- Held-to-maturity investments	8,508	9,910
- Available for sale financial assets	14,057	18,014
-Financial assets at fair value through profit or loss	79	79
- Loans and receivables	648	1,375
Dividend income	41	36
Net fair value gains of financial assets at fair value through profit or loss	3,609	7,748
Net realised gains on financial assets		
- Available for sale financial assets	2,211	7,290
- Financial assets at fair value through profit or loss	244	249
Foreing exchange gains	181	728
Rental income	304	946
Other income	3,807	4,569
Total investment income	**33,689**	**50,944**

The table below presents finance income by source of fund.

	2016			2015		
	Non-life HRK'000	Life HRK'000	Total HRK'000	Non-life HRK'000	Life HRK'000	Total HRK'000
Income from capital investment	2,633	6	**2,639**	7,746	6	**7,752**
Income from investment of life insurance provisions	-	16,562	**16,562**	-	17,642	**17,642**
Income from investment of other insurance contract provisions	6,413	8,075	**14,488**	11,217	14,333	**25,550**
Total	**9,046**	**24,643**	**33,689**	**18,963**	**31,981**	**50,944**

1.30 Expenses related to investments

	2016 HRK'000	2015 HRK'000
Net fair value losses of financial assets at fair value through profit or loss	(205)	(4,469)
Net realised lossess on financial assets	(209)	(523)
- Investment property	-	-
Net decrease in value		
- Held-to-maturity investments	-	-
- Loans and receivables	(394)	(1,624)
Depreciation of investment property	(359)	(715)
Value impairment of investment property	-	(7,376)
Foreing exchange losses	-	-
Other investment expenses	(884)	(347)
Total investment expense	**(2,051)**	**(15,054)**

The table below presents finance expenses by source of funds.

	2016			2015		
	Non-life HRK'000	**Life HRK'000**	**Total HRK'000**	**Non-life HRK'000**	**Life HRK'000**	**Total HRK'000**
Expenses from capital investment	(686)	(774)	**(1,460)**	(165)	(48)	**(213)**
Expenses from investment of life	-	(125)	**(125)**	-	(4,226)	**(4,226)**
Expenses from investment of other	(200)	(266)	**(466)**	(7,351)	(3,264)	**(10,615)**
	(886)	**(1,165)**	**(2,051)**	**(7,516)**	**(7,538)**	**(15,054)**

1.31 Other operating income

	2016	2015
	HRK'000	HRK'000
Other operating income		
Net salvage income	8,019	6,944
Sale of property and equipment	105	139
Income from service claims	666	724
Other operating income	2,812	2,782
Total other operating income	**11,602**	**10,589**

1.32 Net policyholder claims and benefits incurred

	2016	2015
	HRK'000	HRK'000
Non-life insurance		
Claims paid (including claims costs, without decrease for recourses)		
Gross amount	(189,191)	(173,151)
Reinsurers' share	40,774	32,711
Change in notified outstanding claims reserve		
Gross amount	(6,365)	(3,889)
Reinsurers' share	2,793	4,357
Change in incurred but not reported claims reserve		
Gross amount	(2,734)	(2,568)
Reinsurers' share	563	(1,372)
Change in provision for claims handling costs,gross and net	(444)	(390)
Change in provision for unexpired risks	9,922	(2,855)
Change in equalization reserves	(38)	(56)
Provisions for bonus	1,283	(530)
Total gross claims incurred from non-life insurance	**(187,567)**	**(183,439)**
Total reinsurers' share of claims incurred from non-life insurance	44,130	35,696
Total net claims incurred from non-life insurance	**(143,437)**	**(147,743)**
Life insurance		
Claims paid for traditional products		
Gross amount	(24,073)	(26,250)
Reinsurers' share	-	-
Claims paid for unit linked products	(10,891)	(7,758)
Change in life insurance provision, gross and net	(9,914)	(8,282)
Change in other technical provisions, net from reinsurance	-	38
Change in life insurance provision for unit linked products, gross and net	(6,130)	(16,370)
Change in notified outstanding claims reserve, gross and net	71	67
Change in incurred but not reported claims reserve, gross and net	(106)	443
Change in provision for claims handling costs, gross and net	(2)	30
Total gross claims incurred from life insurance	(51,045)	(58,082)
Total reinsurers' share of claims incurred from life insurance	-	-
Total net claims incurred from life insurance	**(51,045)**	**(58,082)**
Total gross claims incurred	**(238,612)**	**(241,521)**
Total reinsurers' share of claims incurred	**44,130**	**35,696**
Total claims incurred, net of reinsurance	**(194,482)**	**(205,825)**

1.33 Acquisition costs

	2016 HRK'000	2015 HRK'000
Non-life insurance		
Commission expenses	16,303	12,598
Salaries	32,516	31,354
Other acquisition costs	8,856	10,745
Change in deferred acquisition costs (Note 1.13)	(662)	(2,657)
Total acquisition costs, non-life	**57,013**	**52,040**
Life insurance		
Commission expenses	2,995	1,899
Salaries	1,153	1,158
Other acquisition costs	887	771
Total acquisition costs, life	**5,035**	**3,828**
Total acquisition costs, non life and life	**62,048**	**55,868**

Commission for life insurance, as explained in Note 1.3 (o), is recognised on the collection basis, which is consistent with recognition of related revenue.

1.34 Administrative expenses

	2016 HRK'000	2015 HRK'000
Depreciation of property and equipment	4,364	4,564
Amortisation of intangible assets	2,461	4,215
Personnel expenses	48,883	50,834
Entertainment	539	616
Materials and services	15,605	16,776
Statutory audit	471	79
Rental costs	4,601	4,600
Other expenses	7,719	9,027
	84,643	**90,711**

In 2016, the average number of employees of the Company was 525 *(2015: 528)*. In 2016, the Company paid HRK 12,357 thousand *(2015: HRK 12,365 thousand)* of pension contributions into obligatory pension funds.

1.35 Other operating expenses

	2016	2015
	HRK'000	HRK'000
Fire brigade contributions	740	769
Costs for HUO and charges for guarantee fund	3,208	1,648
Net losses on impairment of insurance receivables /i/	(4,837)	(1,018)
Compulsory duty to Croatian Institute of Health Insurance based on collected premium from MTPL	2,701	2,278
Other expenses	500	2,443
Total other operating expenses	**2,312**	**6,120**

/i/ Amount of HRK -4,837 thousand (*2015: HRK 1,018 thousand*) relates to premium receivable that was directly impaired and recorded as expense, net of collected premiums for which impairement was recognized in previous years. According to the regulations of the insurance sector in the Republic of Croatia, this position is expressed as a decrease in income from premiums, but because of the disclouse under IFRS, it is disclosed under other operating expenses.

1.36 Finance costs

	2016	2015
	HRK'000	HRK'000
Other expenses	608	121
Interest expense	294	5,059
Foreign exchange losses	5,738	2,446
Total	**6,640**	**7,626**

1.37 Income tax

a) Income tax is recognised in the statement of comprehensive income

	2016 HRK'000	2015 HRK'000
Current tax	-	-
Deferred tax	-	3,072
Income tax credit	**-**	**3,072**

b) Reconciliation of accounting profit and income tax at rate of 20%

	2016 HRK'000	2015 HRK'000
Profit/(loss) before tax	209	(31,417)
Income tax at legally prescribed rate of 20% (*2015: 20%*)	-	0
Expenses not deductible for tax purposes	1,550	16,131
Income not subject to tax	(7,303)	(236)
Use of the tax losses from previous periods	**(5,543)**	**(15,895)**
Tax liability as at 31 December	**-**	**-**
(Increase) / use of tax losses not recognised as deferred tax asset	-	(3,072)
Change in other net deffered taxes	-	-
Income tax credit / (charge)	**-**	**(3,072)**

1.37 Income tax (continued)

c) Tax losses

The Company is subject to income tax in accordance with Croatian law. Tax losses may be carried forward for up to 5 years.

	2016 HRK'000	2015 HRK'000
Tax losses carried forward	20,520	38,397
Expiry of tax losses in the current year	-	(36,471)
Tax loss from the previous year	5,543	34,489
Tax losses used	-	(15,895)
Total tax losses available for carry-forward	**26,063**	**20,520**
Tax effect of tax losses carried forward (at rate of 18%)	4,691	4,104
Amount unrecognised as deferred tax asset	-	(1,037)
Recognised deferred tax asset	**-**	**3,067**

According to the Company's five year business plan, the Company expects to achieve taxable profits over the next three years.

At 31 December 2016, gross tax losses available for carry-forward expire as follows:

	2016 HRK'000	2015 HRK'000
Up to 1 year	-	-
Up to 2 years	-	1,926
Up to 3 years	-	-
Up to 4 years	20,520	-
Up to 5 years	5,543	18,594
Total tax losses available for carry-forward	**26,063**	**20,520**

1.38 Operating leases

The Company leases business premises for performing activities. All Company leases are cancellable and typically run for an initial period of one to five years. None of the leases include contingent rentals.

During the year ended 31 December 2016, HRK 4,601 thousand (*2015: HRK 4,600 thousand*) was recognised as an expense in the Company's statement of comprehensive income in respect of operating leases.

1.39 Related parties

The key shareholder of the Company is Triglav INT d,d,, with holdings of 99.91% *(2015: 99.86%)* of the Company's shares at year end while the ultimate parent Company is Zavarovalnica Triglav d.d. The Company considers that it has an immediate related party relationship with the key shareholder, the ultimate parent and their subsidiaries (together Triglav Group); the Supervisory Board members, Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled or jointly controlled by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

Key management personnel

Key management personnel include Management Board members and Supervisory Board members. During 2016 and 2015, the Company did not have loans granted to Management Board members. Management Board members compensation amounted to HRK 2,960 thousand *(2015: HRK 2,126 thousand)* and consisted of gross compensation including short-term and long-term benefits such as fixed salary, accrued bonuses, compensation in kind, pension contributions and life insurance premiums. The Company paid compenstation to the Supervisory Board members in amount of HRK 109 thousand (*2015: HRK 56 thousand*).

Parent company

Parent company which has to provide consolidated financial statements is Zavarovalnica Triglav d.d. Ljubljana. Volume of business transactions with parent company is shown below.

Company has transactions with Triglav INT d,d, Ljubljana for the costs of posted workers. The transactions are included in the review of related party transactions.

Other members of Triglav Group

Also, a portion of Company's reinsurance was ceded to Zavarovalnica Triglav and Triglav RE, both members of Triglav Group. The result of these transactions are reinsurance premiums, commissions and collection of claims from reinsurer during the year and receivables and liabilities at the year-end. Assets, liabilities, income and expenses as at 31 December arising from transactions with related parties were as follows:

2016	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expenses HRK'000**
Key management personnel				
- Salaries and other short-term employee benefits	-	-	-	1,784
- Contributions to pension funds	-	-	-	-
Zavarovalnica Triglav	1,145	13,156	(28,468)	(1,289)
Triglav RE	42,691	5,024	(23,894)	(31,877)
Other	2,328	491	400	285
Total	**46,164**	**18,671**	**(51,962)**	**(31,097)**

2015	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expenses HRK'000**
Key management personnel				
- Salaries and other short-term employee benefits	-	-	-	1,157
- Contributions to pension funds	-	-	-	-
Zavarovalnica Triglav	612	5,096	(11,160)	(1,159)
Triglav RE	23,303	2,503	(18,789)	(32,236)
Other	988	220	282	(594)
Total	**24,903**	**7,819**	**(29,667)**	**(32,832)**

1.40 Financial Risk Management

Transactions with financial instruments result in the Company assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

Market risk

Market risk includes three types of risk:

- currency risk – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates,
- fair value interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates,
- price risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market,

Market risk embodies not only the potential for loss but also the potential for gain.

Asset/liability matching

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the after-tax, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash-flow basis. Management reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing oversight of the asset/liability management process. Due attention is also given to the compliance with the rules established by the Insurance Law.

The Company establishes target asset portfolios for each significant business segment, which represents the investment strategies used to fund profitably its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly re-evaluated.

Many of these estimates are inherently subjective and could affect the Company's ability to achieve its asset/liability management goals and objectives.

Interest rate risk

The Company's exposure to market risk for changes in interest rates is concentrated in its investment portfolio and finance lease liabilities. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts.

The Company is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk is, however, limited considering that the majority of the Company's interest bearing investments at the balance sheet date bear fixed interest rates.

The Company has liabilities for finance lease contracted at a variable interest rate. Interest rate changes do not influence the level of non-life provisions, other than for motor third party annuities, which are not significant at the balance sheet date. The life insurance provision is discounted using the lower of the technical interest rate or regulatory prescribed rate. The prescribed discount rate, to some extent, reflects expected movement in interest yields over a longer period of time. Therefore, changes in investment values attributable to interest rate changes will not be mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

1.40 Financial Risk Management (continued)

Interest rate risk (continued)

The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to investment portfolio and insurance contract provision, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

The Company attempts to match the future receipts from these assets with its insurance liabilities by purchasing Government bonds. However, due to the relatively short duration of such bonds, and the longer duration of life insurance liabilities, and the inability of the Company to purchase interest rate swaps of appropriate duration in Croatia, the Company is exposed to interest rate risk.

The Company is presently contractually committed to accrue interest at rates of 1.75% to 4.00% per annum on premiums paid under life insurance policies for distribution to policyholders upon maturity of such policies and is not able currently to hedge the future interest rate on assets invested to meet those future liabilities.

The sensitivity analysis for interest risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

For liabilities under long-term insurance contracts, changes in interest rate will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

For debt securities classified as fair value at profit or loss and available for sale, an increase/decrease in 1% in interest yields would result in a loss/profit for the period of HRK 15,910/17,126 thousand (*2015: HRK 13,437/13,437 thousand*).

Equity price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company's portfolio of marketable equity securities carried in the statement of financial position at fair value gives exposure to price risk. The Company's objective is to earn competitive returns by investing in a diverse portfolio of securities. Portfolio characteristics are analysed regularly. The Company's holdings are diversified across industries, and concentrations in one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

As at 31 December 2016, if prices of equity securities and investments funds had been higher/lower by 5%, with all other variables held constant, the Company's result after tax for the year would have been HRK 9,630 thousand (*2015: HRK 7,973 thousand*) better/worse, while fair value reserve in capital would have been higher/lower by HRK 25 thousand (*2015: HRK 25 thousand*).

Foreign exchange risk

The Company is exposed to currency risk through transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency exposure arises from credit, deposit and investment activities as well as from premium income, calculation of related insurance contract provisions and settlement of claims on insurance policies linked to foreign currency. The currency giving rise to this risk is mostly Euro.

The Company manages foreign currency risk by trying to minimise the gap between assets and liabilities denominated in or linked to foreign currency. Investments backing life insurance provision are mostly denominated in Euro, as most of the life insurance provision is denominated in Euro.

Note 1.43 discloses the currency analysis at the reporting date for the Company's financial assets.

1.40 Financial Risk Management (continued)

Foreign exchange risk (continued)

As at 31 December 2016, if the value of HRK had been higher/lower by 1% against the EUR, with all other variables held constant, the Company's net result after tax for the year would have been HRK 5,372 thousand better/worse (*2015: HRK 5,564 thousand better/worse*), while fair value reserve in capital would have been by HRK 0 thousand lower/higher (*2015: HRK 0 thousand lower/higher*).

Credit risk

In the normal course of operations, the Company is exposed to credit risk. Credit risk is defined as a risk where one party will cause financial loss to the counterparty if they default on their obligations. This is usually a result of adverse changes in the ability of debtor to repay debts. The maximum exposure of the Company to credit risk is represented by the carrying amount of financial assets.

The Company's portfolios of fixed income securities, deposits with banks, mortgage loans and loans to policyholders, and to a lesser extent short-term and other investments are subject to credit risk. The Company manages this risk by up-front, stringent underwriting analysis, reviews by the Management and regular meetings to review credit developments.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans. Collateral is as prescribed by the Insurance Law.

Maximum exposure to credit risk is represented by carrying amounts of assets in the table below:

	2016	**2015**
	HRK'000	**HRK'000**
Cash and cash equivalents	30,246	17,028
Debt securities	529,471	499,815
Deposits with banks	1,327	1,280
Loans to customers	14,815	16,429
Insurance receivables, net of impairment provisions	60,679	58,315
Receivables from reinsurance and other receivables, net of impairment provisions	59,577	61,213
	696,115	**654,080**

1.40 Financial Risk Management (continued)

Credit risk (continued)

The Company has adopted a risk averse investment policy.

Accordingly, at the reporting date, the Company had significant concentration of receivables from the Republic of Croatia:

	2016 HRK'000	2015 HRK'000
Government bonds	505,257	472,708
Accrued interest	10,396	10,461
	515,653	**483,169**

The total exposure to Croatian state risk represents 68.92% of the Company's total assets (*2015: 63.56%*).

To mitigate the risk of reinsurance counterparties not paying amounts due, business and financial standards for reinsurer and broker approval are established, incorporating ratings by major rating agencies and considering current market information.

The table below presents Company's credit exposure by asset type:

	Rating	2016 HRK'000	2015 HRK'000
Cash in bank	A	29,633	16,480
	Without rating	613	548
Debt securities			
	A	-	-
	AA	-	-
	B	-	-
	BB	490,081	488,966
	BBB	4,693	6,153
	Without rating	34,697	17,283
Deposits with financial institutions	Without rating	1,327	1,280
Loans	Without rating	14,815	16,429
Total		**575,859**	**547,139**

Financial assets are divided per credit risk quality between two categories High quality and Standard quality Assets. Assets considered as High quality are those with the rating same or better than the domestic country Croatia, the assets with lower rating are considered as Standard quality. The Company does not consider any asset to be of Substandard quality. Those assets that do not have official rating are categorised to High quality and Standard quality based on raitings of the country from were those assets originate. All assets presented in the table above without rating are considered to be of Standard quality.

Aging analysis of insurance receivables and other receivables is presented in Note 1.18, while ageing analysis of deposits and loans is presented in Note 1.15.

1.40 Financial Risk Management (continued)

Credit risk (continued)

Exposure to credit risk from receivables from reinsurance as at 31 December was as follows:

Credit rating	2016 HRK'000	2015 HRK'000
A	32,704	26,261
Without rating	-	-
	32,704	**26,261**

Receivables from reinsurance include receivables for claims and receivables for commission. Those receivables are not secured by collaterals.

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Company holds a portfolio of liquid assets, as part of its liquidity risk management strategy, to ensure continuous operations and legal requirements.

Note 1.42 discloses the maturity analysis at the balance sheet for the Company's financial assets and financial liabilities.

Note 1.20 (i) discloses the maturity analysis of the Company's insurance contract provisions.

Fair values

Fair value represents the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties on an arm's length basis. Financial assets available for sale and financial assets at fair value through profit or loss are measured at fair value. Loans and receivables and Held to maturity investments are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses.

1.40 Financial Risk Management (continued)

Fair values (continued)

Fair value of financial assets and liabilities carried at amortised cost:

	Carrying amount		Fair value	
	2016	**2015**	**2016**	**2015**
Financial assets				
Held-to-maturity investments	140,454	141,231	161,108	163,313
Loans	14,815	16,429	14,815	16,429
Deposits	-	50	-	50
Other financial assets classified as Loans and receivables	1,526	1,679	1,761	1,881
Cash and cash equivalents	30,246	17,028	30,246	17,028
Total financial assets	**187,041**	**176,417**	**207,930**	**198,701**
Financial liabilities				
Subordinated loan	-	10,423	-	10,423
Short term loan	20,000	-	20,000	-
Total financial liabilities	**20,000**	**10,423**	**20,000**	**10,423**

Management believes that carrying amount of loans and receivables is not significantly different from their fair value with assumption that payments for all exposures with no impairment will be collected as contracted without taking into account any future losses. Loans and receivables include also fixed – rate deposits with other banks. Management believes that the fair value of deposits with banks and other receivables and other liabilities approximates their carrying amount due to their short-term maturity. Fair value of finance lease liabilities and subordinated loan do not differ from the carrying amount because the interest rates of these financial instruments do not differ significantly from the market rate.

The Company uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value of financial instruments is based on their quoted market prices available in active market,
- Level 2: Fair value of financial instruments is estimated using valuation techniques on the basis of observable inputs, either direct (as prices) or indirect (derived from prices),
- Level 3: Fair value of financial instruments is estimated using valuation techniques that are not based on observable inputs

In level 2 Company includes securities that have not been traded on the balance sheet date but are valued either at the last available trading price (if it is realized within 15 days of the balance sheet date) or by discounting future cash flows starting from the last trading price of a particular debt instrument (if the trading was realized more than 15 days after the balance sheet date).

Estimated value of equity financial instruments included in Level 3 is created based on the liquidation value method of the company.

Changing one or more of the inputs to reasonably possible alternative assumptions would not significantly change the fair value of financial assets included in level 3.

Total losses from financial instruments classified under Level 3 recognised in profit or loss during 2016 amounted to HRK 311 thousand (*2015: HRK 3,600 thousand*). The Company did not purchase additional assets classified as level 3 during 2016.

1.40 Financial Risk Management (continued)

Fair values (continued)

31 December 2016	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Available-for-sale financial assets				
Equity securities	501	-	-	**501**
Debt securities	28,471	359,372	-	**387,843**
Investment funds	-	-	-	**-**
Financial assets at fair value through profit or loss				
Equity securities	1,395	-	3,995	**5,390**
Debt securities	-	975	-	**975**
Investment funds	181,484	144	-	**181,628**
Total financial assets at fair value	**211,851**	**360,491**	**3,995**	**576,337**

31 December 2015	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Available-for-sale financial assets				
Equity securities	448	-	-	**448**
Debt securities	357,586	-	-	**357,586**
Investment funds	50	-	-	**50**
Financial assets at fair value through profit or loss				
Equity securities	1,602	-	4,306	**5,908**
Debt securities	600	-	-	**600**
Investment funds	148,286	-	-	**148,286**
Total financial assets at fair value	**508,572**	**-**	**4,306**	**512,878**

31 December 2016	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Financial liabilities carried at fair value through *profit or loss*	20,000	-	-	**20,000**
31 December 2015				
Financial liabilities carried at fair value through *profit or loss*	10,423	-	-	**10,423**

During 2016, the Company amended the instruction defining methods and procedures related to measurement of financial assets, resulting in a change of hierarchy fair value from level 1 to level 2. Investments in affiliated companies for 2016 are presented at level 3 (2015 : Level 1) in the amount of HRK 559 thousand.

1.41 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Company at 31 December 2016 and 31 December 2015 into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date except for financial assets at fair value through profit or loss and available for sale which are analysed as maturing within six months. Estimated remaining contractual maturities of insurance provisions are analysed in Note 1.20 (i).

2016	**Up to 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Financial assets						
Held-to-maturity investments						
Debt securities	9,985	-	9,717	111,131	9,621	**140,454**
Available-for-sale financial assets						
Debt securities	57,841	48,604	17,874	65,016	198,508	**387,843**
Equity securities	501	-	-	-	-	**501**
Investment funds	-	-	-	-	-	**-**
Financial assets at fair value through profit or loss						
Equity securities	5,390	-	-	-	-	**5,390**
Debt securities	-	-	-	-	975	**975**
Investment funds	181,628	-	-	-	-	**181,628**
Loans and receivables						
Deposits with banks	-	-	-	1,327	-	**1,327**
Loans	784	552	5,586	2,869	5,024	**14,815**
Corporate bonds	-	199	-	-	-	**199**
Cash and cash equivalents	30,246	-	-	-	-	**30,246**
	286,375	**49,355**	**33,177**	**180,343**	**214,128**	**763,378**

Subordinate loan	-	-	-	-	-	**-**
Short term loan	20,000	-	-	-	-	**20,000**
Insurance and other payables	49,847	-	-	-	-	**49,847**
	69,847	**-**	**-**	**-**	**-**	**69,847**

1.41 Maturity analysis (continued)

2015	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Held-to-maturity investments						
Debt securities	-	-	9,875	121,667	9,689	**141,231**
Available-for-sale financial assets						
Debt securities	6,153	42,285	143,080	21,788	144,280	**357,586**
Equity securities	448	-	-	-	-	**448**
Investment funds	50	-	-	-	-	**50**
Financial assets at fair value through profit or loss						
Equity securities	5,907	-	-	-	-	**5,907**
Debt securities	-	-	-	-	600	**600**
Investment funds	148,286	-	-	-	-	**148,286**
Loans and receivables						
Deposits with banks	-	50	-	1,280	-	**1,330**
Loans	1,687	2,166	6,433	1,236	4,907	**16,429**
Corporate bonds	-	-	398	-	-	**398**
Cash and cash equivalents	17,028	-	-	-	-	**17,028**
Total financial assets	**179,559**	**44,501**	**159,786**	**145,971**	**159,476**	**689,293**
Subordinate loan	-	-	-	10,423	-	**10,423**
Long term loan	-	-	-	-	-	**-**
Insurance and other payables	38,701	-	-	-	-	**38,701**
Total financial liabilities	**38,701**	**-**	**-**	**10,423**	**-**	**49,124**

1.42 Interest rate repricing analysis

The following tables present the Company's financial assets and liabilities within scope of IAS 39 analysed according to repricing periods determined as the earlier of remaining contractual maturity and contractual repricing.

The tables are management's estimate of the interest rate risk for the Company as at 31 December 2016 and 31 December 2015 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of life insurance provision is based (Note 1.6), provide some indication of the sensitivities of the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities. The Company has a significant proportion of interest-bearing assets and interest-bearing liabilities in foreign currency.

1.42 Interest rate repricing analysis (continued)

2016	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non-interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets								
Held-to-maturity investments								
Debt securities	9,985	-	9,717	111,131	9,621	-	**140,454**	140,454
Available-for-sale financial assets								
Debt securities	57,841	48,604	17,874	65,016	198,508	-	**387,843**	387,843
Equity securities	-	-	-	-	-	501	**501**	-
Investment funds	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss								
Equity securities	-	-	-	-	-	5,390	**5,390**	-
Debt securities	-	-	-	-	975	-	**975**	975
Investment funds	-	-	-	-	-	181,628	**181,628**	-
Loans and receivables								
Deposits with banks	-	-	-	1,327	-	-	**1,327**	1,327
Loans	784	552	5,586	2,869	5,024	-	**14,815**	14,815
Corporate bonds	-	199	-	-	-	-	**199**	199
Cash and cash equivalents	21,875	-	-	-	-	8,371	**30,246**	21,875
Total financial assets	**90,485**	**49,355**	**33,177**	**180,343**	**214,128**	**195,890**	**763,378**	**567,488**
Subordinated loan	-	-	-	-	-	-	-	-
Short-term loan	20,000	-	-	-	-	-	**20,000**	20,000
Insurance and other payables	-	-	-	-	-	49,847	**49,847**	-
Total financial liabilities	**20,000**	**-**	**-**	**-**	**-**	**49,847**	**69,847**	**20,000**

1.42 Interest rate repricing analysis (continued)

2015	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non-interest bearing	Total	Amounts subject to fixed rates
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets								
Held-to-maturity investments								
Debt securities	-	-	9,875	121,667	9,689	-	**141,231**	141,231
Available-for-sale financial assets								
Debt securities	6,153	42,285	143,080	21,788	144,280	-	**357,586**	357,586
Equity securities	-	-	-	-	-	448	**448**	-
Investment funds	-	-	-	-	-	50	**50**	-
Financial assets at fair value through profit or loss								
Equity securities	-	-	-	-	-	5,907	**5,907**	-
Debt securities	-	-	-	-	600	-	**600**	600
Investment funds	-	-	-	-	-	148,286	**148,286**	-
Loans and receivables								
Deposits with banks	50	-	-	1,280	-	-	**1,330**	1,280
Loans	1,687	2,166	6,433	1,236	4,907	-	**16,429**	16,429
Corporate bonds	-	-	398	-	-	-	**398**	398
Cash and cash equivalents	11,245	-	-	-	-	5,783	**17,028**	11,245
Total financial assets	**19,135**	**44,451**	**159,786**	**145,971**	**159,476**	**160,474**	**689,293**	**528,769**
Subordinated loan	-	-	-	10,423	-	-	**10,423**	10,423
Short-term loan	-	-	-	-	-	-	**-**	-
Insurance and other payables	-	-	-	-	-	38,701	**38,701**	-
Total financial liabilities	**-**	**-**	**-**	**10,423**	**-**	**38,701**	**49,124**	**10,423**

1.43 Currency risk analysis

The Company's financial assets within scope of IAS 39 were denominated as follows as at 31 December 2016 and 31 December 2015:

2016	EURO and EURO linked HRK'000	HRK HRK'000	HRK HRK'000	Total HRK'000
Financial assets				
Held-to-maturity investments				
Debt securities	130,469	-	9,985	**140,454**
Available-for-sale financial assets				
Debt securities	278,502	-	109,341	**387,843**
Equity securities	-	-	501	**501**
Investment funds	-	-	-	**-**
Financial assets at fair value through profit or loss				
Equity securities	-	-	5,390	**5,390**
Debt securities	-	-	975	**975**
Investment funds	123,078	3,824	54,726	**181,628**
Loans and receivables				
Deposits with banks	1,327	-	-	**1,327**
Loans	13,716	-	1,099	**14,815**
Corporate bonds	-	-	199	**199**
Cash and cash equivalents	291	-	29,955	**30,246**
Total financial assets	**547,383**	**3,824**	**212,171**	**763,378**
Subordinated loan	-	-	-	**-**
Short-term loan	-	-	20,000	**20,000**
Insurance and other payables	-	-	49,847	**49,847**
Total financial liabilities	**-**	**-**	**69,847**	**69,847**

1.43 Currency risk analysis (continued)

2015	**EURO and EURO linked HRK'000**	**USD and USD linked HRK'000**	**HRK HRK'000**	**Total HRK'000**
Financial assets				
Held-to-maturity investments				
Debt securities	131,376	-	9,855	**141,231**
Available-for-sale financial assets				
Debt securities	300,225	-	57,361	**357,586**
Equity securities	-	-	448	**448**
Investment funds	-	-	50	**50**
Financial assets at fair value through profit or loss				
Equity securities	-	-	5,907	**5,907**
Debt securities	-	-	600	**600**
Investment funds	118,810	3,384	26,092	**148,286**
Loans and receivables				
Deposits with banks	1,280	-	50	**1,330**
Loans	14,569	-	1,860	**16,429**
Corporate bonds	-	-	398	**398**
Cash and cash equivalents	833	-	16,195	**17,028**
Total financial assets	**567,093**	**3,384**	**118,816**	**689,293**
Subordinated loan	10,423	-	-	10,423
Long term loan	-	-	-	-
Insurance and other payables	-	-	38,701	38,701
Total financial liabilities	**10,423**	**-**	**38,701**	**49,124**

Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency (HANFA)

Croatian Financial Services Supervisory Agency issued the Ordinance on the structure and contents of financial statements of insurance and reinsurance companies on 21 April 2016 (Official Gazette 37/2016).

Below are presented required supplementary statements in the form prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency, aligned with the financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as well as additional forms that contain informations that are not presented in the notes to the financial statements, but are required by the Ordinance.

Company name: Triglav osiguranje d.d.

Form: IFP

STATEMENT OF FINANCIAL POSITION
as at: 31.12.2016

in HRK

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS		3,233,831	3,233,831		4,890,465	4,890,465
002		1	Goodwill						
003		2	Other intangible assets		3,233,831	3,233,831		4,890,465	4,890,465
004	005+006+007	II	TANGIBLE ASSETS		129,159,896	129,159,896		128,969,478	128,969,478
005		1	Land and buildings used by the company in its usual business activities		124,800,544	124,800,544		125,234,557	125,234,557
006		2	Equipment		3,822,715	3,822,715		3,207,148	3,207,148
007		3	Other tangible assets and inventory		537,638	537,638		527,773	527,773
008	009+010+014+033	III	INVESTMENTS	528,362,854	188,148,354	716,511,408	433,394,872	182,323,533	615,323,896
009		A	Investments in land and buildings not used in the company's usual business activities		27,277,482	27,277,482		2,957,136	2,957,136
010	011+012+013	B	Investments in subsidiaries, associates and joint ventures	252,500		252,500	252,500		252,500
011		1	Shares in subsidiaries						
012		2	Shares in associates	252,500		252,500	252,500		252,500
013		3	Joint ventures						
014	015+018+023+029	C	Financial investments	387,803,404	160,870,872	548,674,276	439,432,472	180,375,307	619,807,779
015	016+017	1	Financial assets held to maturity	141,231,113		141,231,113	143,122,813		143,122,813
016		1.1	Debt securities	141,231,113		141,231,113	143,122,513		143,122,513
017		1.2	Other						
018	019+020+021+022	2	Financial assets available for sale	228,343,712	126,462,318	354,811,930	254,898,707	128,301,530	383,001,346
019		2.1	Equity financial instruments		447,857	447,857		501,253	501,253
020		2.2	Debt financial instruments	228,343,712	125,984,461	354,313,173	254,893,707	127,800,276	382,499,983
021		2.3	Shares in investment funds		30,000	30,000			
022		2.4	Other						
023	024+025+026+027+028	3	Financial assets at fair value through profit and loss	10,812,750	9,387,221	20,219,841	14,834,830	31,872,879	46,307,294
024		3.1	Equity financial instruments	4,236,782	213,732	4,375,815	4,532,753	304,031	4,836,796
025		3.2	Debt financial instruments	800,000		800,000	581,744		581,744
026		3.3	Derivative financial instruments						
027		3.4	Shares in investment funds	5,456,035	9,372,428	14,834,826	9,125,037	31,368,947	40,885,644
028		3.5	Other						
029	030+031+032	4	Loans and receivables	7,818,838	24,311,303	32,122,143	7,579,847	29,167,290	37,176,837
030		4.1	Deposits with financial institutions (banks)	783,505	14,331,835	15,295,339	750,204	21,129,333	21,879,537
031		4.2	Loans	6,861,316	9,767,106	16,428,822	7,135,139	7,964,971	15,100,101
032		4.3	Other	183,818	212,363	396,181	93,254	105,375	198,229
033		D	Deposits from reinsurance operations						
034		IV	INVESTMENTS BACK TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICY HOLDERS	138,878,987		138,878,987	143,473,336		143,473,336
035	036+037+038+039+040+041+042	V	REINSURERS' SHARE IN INSURANCE RESERVES		34,380,210	34,380,210		36,715,579	36,715,579
036		1	Unearned premiums, reinsurers' share		15,562,873	15,562,873		14,342,446	14,342,446
037		2	Mathematical provisions, reinsurers' share						
038		3	Claims provisions, reinsurers' share		18,817,337	18,817,337		22,373,133	22,373,133
039		4	Premium refund reserve, depending on or regardless of result, reinsurers' share						
040		5	Equalisation reserve, reinsurers' share						
041		6	Other insurance and technical reserves, reinsurers' share						
042		7	Provisions for policies where the investment risk is borne by the policyholders, reinsurers' share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	297,642	3,253,931	3,538,573	297,642	3,252,931	3,536,573
044		1	Deferred tax assets	297,642	3,253,931	3,536,573	297,642	3,252,931	3,536,573
045		2	Current tax assets						
046	047+050+051	VII	RECEIVABLES	1,896,796	185,304,405	187,201,197	1,183,236	157,541,223	158,724,529
047	048+049	1	Receivables arising out of direct insurance operations		58,647,318	58,647,318		88,737,883	88,737,883
048		1.1	From policyholders		58,315,387	58,315,387		88,679,226	88,679,226
049		1.2	From the agent		331,931	331,931		58,757	58,757
050		2	Receivables arising out of reinsurance operations		28,383,774	28,383,774		12,703,743	12,703,743
051	052+053+054	3	Other receivables	1,896,796	20,596,387	22,893,163	1,183,285	14,206,236	15,382,903
052		3.1	Receivables form other insurance business	11,213	8,493,704	8,506,917	44,242	6,303,598	6,347,838
053		3.2	Receivables for returns on investments	180,273	44	180,318		112,819	112,819
054		3.3	Other receivables	1,302,222	12,100,649	13,202,871	1,135,963	7,790,383	8,913,346
055	056+060+061	VIII	OTHER ASSETS	998,968	823,290	1,782,959	4,311,838	4,058,896	8,373,734
056	057+058+059	1	Cash at banks and in hand	998,968	823,290	1,782,959	4,311,838	4,058,896	8,373,734
057		1.1	Cash at banks	906,403	798,117	1,004,610	4,106,579	3,987,501	8,094,080
058		1.2	Cash on account for mathematical reserve coverage	93,367		93,367	205,260		205,260
059		1.3	Cash in hand		24,982	24,982		71,395	71,395
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other						
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME	8,531,168	20,281,352	28,812,520		18,615,578	18,615,578
063		1	Accrued interest and rent	8,531,168	2,291,783	10,822,951		38,930	38,930
064		2	Deferred acquisition costs		16,646,136	16,646,136		17,307,983	17,307,983
065		3	Other prepaid expenses and accrued income		1,343,413	1,343,413		662,143	662,143
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	538,388,038	487,812,422	1,022,801,460	582,257,343	485,874,282	1,078,131,625
067		XI	OFF-BALANCE SHEET ITEMS		1,298,774	1,298,774		1,298,774	1,298,774

Triglav osiguranje d.d.
Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY AND RESERVES	87,359,732	96,157,592	183,716,374	121,857,953	96,222,113	257,290,168
069	070+071	1	Share capital	30,530,720	178,724,880	209,255,600	30,830,720	178,724,880	209,555,600
070		1.1	Ordinary share capital	30,530,720	178,724,880	209,255,600	30,830,720	178,724,880	209,555,600
071		1.2	Preference share capital						
072		2	Share premium						
073	074+075+076	3	Revaluation reserve	802,272	1,317,060	2,119,332	11,222,391	2,251,537	13,473,928
074		3.1	from land and buildings						
075		3.2	from financial investments	802,272	1,317,060	2,119,332	11,222,391	2,251,537	13,473,928
076		3.3	other						
077	078+079+080	4	Reserves	1,507,436	8,501,505	10,008,941	1,507,436	8,501,505	10,008,941
078		4.1	Legal reserves	1,507,436	2,869,782	4,377,218	1,507,436	2,869,782	4,377,218
079		4.2	Statutory reserves						
080		4.3	Other reserves		5,631,723	5,631,723		5,631,723	5,631,723
081	082+083	5	Retained earnings/accumulated losses	53,148,423	-46,728,832	6,419,591	64,412,334	-90,483,852	-26,071,518
082		5.1	Retained earnings	53,148,423		53,148,423	64,412,334		64,412,334
083		5.2	Accumulated losses (-)		-46,728,832	-46,728,832		-90,483,852	-90,483,852
084	085+086	6	Profit/loss for the period	9,293,831	-43,736,820	-34,442,989	12,872,132	-12,668,956	203,176
085		6.1	Profit for the period	9,293,831		9,293,831	12,872,132		12,872,132
086		6.2	Loss for the period (-)		-43,736,820	-43,736,820		-12,668,956	-12,668,956
087		XIII	SUBORDINATED LIABILITIES		10,422,832	10,422,832			
088		XIV	MINORITY INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	298,286,813	339,127,555	637,414,368	308,098,713	343,337,383	651,436,096
090		1	Unearned premiums, gross amount	101,476	136,613,546	136,715,022	96,030	143,328,700	143,424,730
091		2	Mathematical provisions, gross amount	295,943,823		295,943,823	305,754,536		305,754,536
092		3	Claims provisions, gross amount	2,212,114	123,482,412	125,694,526	2,252,578	193,302,849	195,555,427
093		4	Premium refund reserve depending on or regardless of result, gross amount		2,411,530	2,411,530		1,128,022	1,128,022
094		5	Equalisation reserve, gross amount		264,775	264,775		303,345	303,345
095		6	Other reserves, gross amount		13,307,291	13,307,291		3,475,577	3,475,577
096		XVI	PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS	138,452,145		138,452,145	144,382,104		144,382,104
097	098+099	XVII	OTHER RESERVES		6,331,048	6,331,048		5,778,253	5,778,253
098		1	Reserves for pensions		4,494,737	4,494,737		4,278,253	4,278,253
099		2	Other		1,836,311	1,836,311		1,500,000	1,500,000
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITIES	143,450	379,265	522,715	2,488,718	494,340	2,983,058
101		1	Deferred tax liabilities	143,450	379,265	522,715	2,488,718	494,340	2,983,058
102		2	Current tax liabilities						
103		XIX	RETAINED DEPOSITS FROM BUSINESS CEDED TO REINSURERS						
104	105+106+107	XX	FINANCIAL LIABILITIES					20,300,000	20,300,000
105		1	Loan liabilities						
106		2	Liabilities per securities issued						
107		3	Other financial liabilities					20,300,000	20,300,000
108	109+110+111+112	XXI	OTHER LIABILITIES	3,165,148	32,880,571	36,045,719	4,920,727	34,991,570	39,912,297
109		1	Payables arising out of direct insurance operations	2,632,718	10,250,506	12,883,224	4,135,872	13,337,629	17,473,501
110		2	Payables arising out of reinsurance operations		12,376,532	12,376,532		13,400,425	13,400,425
111		3	Liabilities for discontinued operations						
112		4	Other payables	532,430	10,253,533	10,785,963	784,855	8,253,516	9,038,371
113	114+115	XXII	ACCRUED EXPENSE AND DEFERRED INCOME		384,219	384,219		142,734	142,734
114		1	Deferred reinsurance commission						
115		2	Other accrued expense and deferred income		384,219	384,219		142,734	142,734
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL LIABILITIES	536,386,038	487,015,422	1,023,401,460	584,257,343	493,874,282	1,078,131,625
117		XXIV	OFF-BALANCE SHEET ITEMS		1,293,774	1,293,774		1,293,774	1,293,774

Triglav osiguranje d.d.

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

Company name: Triglav osiguranje d.d.

Form: ISD

STATEMENT OF COMPREHENSIVE INCOME

for the period: 01.01.2018. - 31.12.2018.

in HRK

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	33.802,216	223.843,777	257.645,993	38.393,054	346.131,338	384.546,412
002		1	Gross written premiums	33 840.342	234 837.296	343.867,838	38 433.731	329 222,465	368.658,196
003		2	Value adjustment of premium receivables		1 093.306	1.093,306		4.536.347	4.536,347
004		3	Premium ceded to reinsurance (-)	-27.384	-52 873.783	-52,791,168	-44 104	-61.960,774	-62,024,877
005		4	Change in unearned premium, gross amount (+/-)	-10 742	-8 832 023	-8.832,765	3 426	-5 707,154	-5,703,728
006		5	Change in unearned premium, reinsurance share (+/-)		-552 722	-552,722		-1.220.428	-1.220,428
007	008+009+010+011+012+013+014	II	Income from financial assets	31.873,435	15.146,472	47.121,857	24.638,306	6,634,390	31,272,786
008		1	Income from subsidiaries, associates and joint venture		36.000	36,000		40,553	40,553
009		2	Income from investment in land and building		945.273	945,273		303.906	303,906
010		3	Interest income	18 474,154	7 273,738	25.747,892	18 628,462	4.663,330	23.291,792
011		4	Unrealised gains on investments	7.742,123	8.026	7.745,149	3.513.506	95.791	3.609,277
012		5	Realised gains on investments	4.254,173	2 954.562	7.535,237	1.257,461	1,163,506	2.420,967
013		6	Net positive foreign exchange differences		281.462	281,462	3.023	193,074	202,096
014		7	Other investment income	1.205,305	3 637,099	4.842,217	1.207,856	166,330	1.373,985
015		III	Fee and commission income	4,667	8.458,830	8.522,297		7,384,482	7,384,482
016		IV	Other net technical income	237,301	3.959,330	4.196,631	61,823	4,259,861	4.321,688
017		V	Other income	348,382	2.573,782	2.919,373	98	1,996,836	1.966,836
018	019+022	VI	Net insurance benefits and claims	-33.467,872	-137.445,338	-170.913,210	-35.000,587	-147,894,739	-182,895,746
019	020+021	1	Claims paid	-34.008,234	-133.583,341	-167.592,235	-34.963,325	-141.705,316	-176.671,344
020		1.1	Gross amount (-)	-34 008.314	-166 294,534	-200 302,948	-34 963.225	-182 462.287	-217 441,732
021		1.2	Reinsurer's share (+)		32.710.683	32.710,683		40 773.943	40.773,943
022	023+024	2	Change in claim provisions (+/-)	540,336	-3.861.997	-3.321,261	-37 462	-6.156,441	-6.223.902
023		2.1	Gross amount (-)	540,336	-6.847.090	-6.306,734	-37 462	-9.542,337	-9.579,696
024		2.2	Reinsurer's share (+)		2 985.493	2.985,493		3.385.796	3.385,796
025	026+029	VII	Change in mathematical provisions and other technical provisions, net of reinsurance (+/-)	-8.243,428	-3,440,473	-11.683,904	-9.914,184	11,165,932	1,251,769
026	027+028	1	Change in mathematical provisions (+/-)	-8.221,774		-8.221,774	-9.914.184		-9.914,184
027		1.1	Gross amount (-)	-8.221.774		-8.221,774	-9.914.184		-9.914,184
028		1.2	Reinsurer's share (+)						
029	030+031	2	Change in other technical provisions reinsurer's share (+/-)	38,346	-3 440 473	-3.402,130		11,165,932	11.165,932
030		2.1	Gross amount (-)	38,346	-3 440 473	-3 402,130		11.165,932	11.165,932
031		2.2	Reinsurer's share (+)						
032	033+034	VIII	Change in provisions for policies where the investment risk is borne by the policyholders, net of reinsurance (+/-)	-18.370,275		-18,370,275	-8.129.369		-8.129,369
033		1	Gross amount (-)	-18 370,275		-18 370,275	-8.129.369		-8.129,369
034		2	Reinsurer's share (+)						
035	036+037	IX	Net expenses for premium refund		-2,277.478	-2,277,478		-1,439,814	-1.439,814
036		1	Depending on result (bonus)		-2.277 478	-2.277,478		-1 429,314	-1 429,314
037		2	Regardless of result (discounts)						
038	039+043	X	Operating expenses, net	-18.423,833	-126.303,290	-144,732,323	-13,858,384	-133,885,269	-148,744,653
039	040+041+042	1	Acquisition expenses	-3.823.967	-49 752,535	-53.592,367	-5.034.696	-55,574,433	-60.609,296
040		1.1	Commission	-2 460 722	-29 323.371	-31.792,593	-3 832 334	-33.487,590	-37 320,394
041		1.2	Other acquisition expenses	-1 360 245	-23 095 387	-24 456,133	-1 201 331	-22 743,869	-23 960,901
042		1.3	Change in deferred acquisition expenses		2 637,139	2,637,139		661,227	661,227
043	044+045+046	2	Administration expenses	-12.598,902	-78.540,275	-91.138,841	-8.823,313	-77.313,237	-88.137,383
044		2.1	Depreciation	-1.245 746	-7.533 107	-8.778,853	-360 436	-8.465,247	-8.825,683
045		2.2	Salaries, taxes and contributions on salaries	-8.947 457	-33 381.375	-40 328,832	-4 810.103	-35.334.307	-40.144,515
046		2.3	Other administration expenses	-4 405 759	-37 625.997	-42,031,756	-3.452 874	-35.714.383	-39.167,267

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
047	048+049+050+051+052+053+054	**XI**	**Investment expenses**	**-7,837,721**	**-15,[illegible]**	**-22,757,271**	**-6,333,123**	**-2,336,183**	**-8,651,312**
048		1	Depreciation of land and buildings not used in the company's usual business activities	-71,593	-642,843	-714,735		-329,236	-329,236
049		2	Interest	-30,023	-5,028,971	-5,058,994		-253,511	-253,511
050		3	Investment value adjustment	-1,418,520	-7,523,631	-8,000,212		-353,754	-353,754
051		4	Realised losses	-522,175	-463	-522,638	-179,530	-29,275	-209,005
052		5	Unrealised losses from investments in financial assets at fair value through profit or loss account	-3,753,256	-715,397	-4,469,453	-254,953		-254,953
053		6	Negative foreign exchange differences	-1,822,754	-753,693	-2,436,447	-4,752,141	-965,784	-5,727,925
054		7	Other investment expenses	-90,437	-464,790	-555,257	-1,128,101	-304,734	-1,432,834
055	056+057	**XII**	**Other net technical expenses**	**-241,863**	**-6,028,609**	**-6,259,473**	**-138,371**	**-4,503,894**	**-4,652,061**
056		1	Prevention activity expenses		-760,730	-760,796		-729,349	-729,349
057		2	Other technical expenses for insurance	-241,363	-5,227,819	-5,469,673	-138,371	-3,783,545	-3,922,215
058		**XIII**	**Other expenses, including value adjustments**						
059	001+007+013+014+017+018+025+032+035+036+047+055+058	**XIV**	**Profit or loss before tax (+/-)**	**9,269,331**	**-40,687,037**	**-31,417,166**	**12,876,152**	**-12,685,956**	**209,197**
060	061+062	**XV**	**Tax on profit or loss**		**-3,071,583**	**-3,071,583**			
061		1	Current tax expense		-3,071,583	-3,071,583			
062		2	Deferred tax expense (income)						
063	059+060	**XVI**	**Profit or loss for the period after tax (+/-)**	**9,269,331**	**-43,758,320**	**-34,488,989**	**12,876,152**	**-12,685,956**	**209,197**
064		1	Attributable to equity holders of the parent						
065		2	Attributable to non-controlling interest						
066	001+007+013+014+017+053	**XVII**	**TOTAL INCOME**	**31,560,430**	**232,026,410**	**343,586,840**	**34,093,140**	**255,427,917**	**349,523,157**
067	012+023+033+034+035+047+055+058+061	**XVIII**	**TOTAL EXPENSES**	**-82,290,499**	**-293,783,330**	**-376,075,829**	**-71,216,962**	**-278,095,073**	**-349,312,061**
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**-4,391,812**	**-3,259,942**	**-7,651,754**	**10,620,119**	**734,478**	**11,354,596**
069		1	Gains / losses on translation of financial statements of foreign operations						
070		2	Gains / losses on revaluation of financial assets available for sale	-4,391,812	-3,259,942	-7,651,754	10,620,119	734,478	11,354,596
071		3	Gains / losses on revaluation of land and buildings intended for business activities						
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on pension plans with defined pensions						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income						
077	063+068	**XX**	**Total comprehensive income**	**4,878,118**	**-47,023,861**	**-42,155,943**	**23,496,272**	**-11,834,479**	**11,563,792**
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
080		**XXI**	**Reclassification adjustments**						

Company name: Triglav osiguranje d.d.

Form: IPK

STATEMENT OF CHANGES IN EQUITY
for the period 01.01.2016 - 31.12.2016

in HRK

Position number	Position description	Attributable to equity holders of the parent							Attributable to non-controlling interest*	Total equity and reserves
		Share capital (ordinary and preference shares)	Share premium	Revaluation reserve	Reserves (legal, statutory, other)	Retained earnings or accumulated losses	Profit/loss for the period	Total equity and reserves		
I.	Balance at 01 January of the previous year	123,015,900		9,780,886	9,948,456	7,291,327	1,180,845	151,227,217		
1	Changes in accounting policies									
2	Correction of prior period errors									
II.	Balance at 01 January of the previous year (restated)	123,015,900		9,780,886	9,948,456	7,291,327	1,180,845	151,227,217		
III.	Comprehensive profit or loss of the previous year			-7,661,554	50,482	1,130,163	-35,673,834	-42,150,543		
1	Profit/loss for the period						-34,488,989	-34,488,989		
2	Other comprehensive income or loss of the previous year			-7,661,554	50,482	1,130,163	-1,180,845	-7,661,554		
2.1	Unrealised gains/losses from tangible assets (land and building)									
2.2	Unrealised gains/losses from financial assets available for sale			-7,661,554				-7,661,554		
2.3	Realised gains/losses from financial assets available for sale									
2.4	Other non-equity capital changes				50,482	1,130,163	-1,180,845			
IV.	Transactions with owners (previous period)	86,639,700						86,639,700		
1	Increase/decrease in share capital	86,639,700						86,639,700		
2	Other owner payments									
3	Dividends to equity holders									
4	Other distributions to owners									
V.	Balance on the last day of the reporting period in previous year	209,855,000		2,119,332	10,006,946	8,421,490	-34,488,989	195,716,374		
VI.	Balance at 01 January of the current year	209,855,000		2,119,332	10,006,946	8,421,490	-34,488,989	195,716,374		
1	Changes in accounting policies									
2	Correction of prior period errors									
VII.	Balance at 01 January of the current year (restated)	209,855,000		2,119,332	10,006,946	8,421,490	-34,488,989	195,716,374		
VIII.	Comprehensive income or loss of the current year			11,354,596		-34,488,989	34,698,186	11,563,782		
1	Profit/loss for the period						209,187	209,187		
2	Other comprehensive income or loss of the current year			11,354,596		-34,488,989	34,488,989	11,354,596		
2.1	Unrealised gains/losses from tangible assets (land and building)									
2.2	Unrealised gains/losses from financial assets available for sale			11,354,596				11,354,596		
2.3	Realised gains/losses from financial assets available for sale									
2.4	Other non-equity capital changes					-34,488,989	34,488,989			
IX.	Transactions with owners (current period)									
1	Increase/decrease in share capital									
2	Other owner payments									
3	Dividends to equity holders									
4	Other distributions to owners									
X.	Balance on the last day of the reporting period in current year	209,855,000		13,473,928	10,006,946	-26,067,489	209,187	207,383,156		

Company name: Triglav osiguranje d.d.

Form: INT

STATEMENT OF CASH FLOWS (INDIRECT METHOD)
for the period: 01.01.2016 - 31.12.2016.

in HRK

Position number	Sum elements	Position label	Position description	Current business period	Previous business period
001	002+013+031	I	**CASH FLOW FROM OPERATING ACTIVITIES**	-20,871,716	-88,249,607
002	003+004	1	**Cash flow before the change of operating assets and liabilities**	-18,471,357	-37,248,118
003		1.1	Profit/loss before tax	209,197	-31,417,106
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments:	-18,680,563	-5,831,012
005		1.2.1	*Depreciation of property and equipment*	4,723,560	5,273,335
006		1.2.2	*Amortization of intagible asset*	2,461,353	4,213,254
007		1.2.3	*Impairment and gains / losses on fair valuation*	-3,010,671	5,721,515
008		1.2.4	*Interest expense*	293,611	5,063,994
009		1.2.5	*Interest income*	-23,291,792	-25,749,592
010		1.2.6	*Share in profit of associates*		
011		1.2.7	*Gains / losses on sale of tangible assets (including land and buildings)*	143,350	-353,221
012		1.2.8	*Other adjustments*		
013	014+015+...+030	2	**Increase/decrease in operating assets and liabilities**	-2,400,360	-51,001,489
014		2.1	Increase/decrease in available for sale assets	-33,180,216	-35,123,367
015		2.2	Increase/decrease in financial assets at fair value through profit or loss account	-23,206,572	-7,352,630
016		2.3	Increase/decrease in loans and receivables	-5,004,385	13,219,457
017		2.4	Increase/decrease of deposits from reinsurance operations		
018		2.5	Increase/decrease in investments back to policies where the investment risk is borne by the policy holders	-6,891,879	-16,173,785
019		2.6	Increase/decrease in the reinsurance share in insurance liabilities	-2,135,370	-2,432,771
020		2.7	Increase/decrease in tax assets		3,071,583
021		2.8	Increase/decrease in receivables	-1,523,331	-13,164,535
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepaid expenses and accrued income	34,254,236	21,886,675
024		2.11	Increase/decrease in insurance liabilities	14,031,637	26,583,424
025		2.12	Increase/decrease in provisions for policies where the investment risk is borne by the policyholders	6,129,959	16,370,575
026		2.13	Increase/decrease in tax liabilities	2,454,241	-1,915,359
027		2.14	Increase/decrease in deposits retained from reinsurance		
028		2.15	Increase/decrease in financial liabilities	20,000,000	-39,477,669
029		2.17	Increase/decrease in other liabilities	-1,636,234	-9,061,115
030		2.16	Increase/decrease in accrued expense and deferred income	-532,047	-4,690,216
031		3	Income tax paid		
032	033+034+...+046	II	**CASH FLOW FROM INVESTMENT ACTIVITIES**	15,859,892	47,188,218
033		1	Receipts from the sale of tangible assets	-143,350	353,221
034		2	Payments for the purchase of tangible assets	-4,833,943	-6,493,125
035		3	Receipts from the sale of intangible assets		
036		4	Payments for the purchase of intangible assets	-1,891,932	-1,491,716
037		5	Receipts from sale of land and buildings not used in the company's usual business activities	24,620,346	12,029,046
038		6	Payments for the purches of land and buildings not used in the company's usual business activities		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Proceeds from held-to-maturity investments	-1,891,400	42,790,792
041		9	Expenditures for held-to-maturity investments		
042		10	Proceeds from sale of securities and shares		
043		11	Payments for investments in securities and shares		
044		12	Proceeds from dividends and share in profit		
045		13	Proceeds from repayment of given short-term and long-term loans		
046		14	Expenditure for given long-term and short-term loans		
047	048+049+050 +051+052	III	**CASH FLOW FROM FINANCIAL ACTIVITIES**	11,599,600	37,830,468
048		1	Proceeds from share capital increase	11,599,600	76,137,823
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenditure for repayment of short-term and long-term loans		-38,307,355
051		4	Expenditure for purchase of own shares		
052		5	Expenditure for payment of shares in profit (dividends)		
053	001+032+047		**NET CASH FLOW**	6,587,775	-3,230,921
054		IV	**EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS**		
055	053+054	V	**NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS**	6,587,775	-3,230,921
056		1	Cash and cash equivalents at beginning of period	1,782,959	5,013,880
057	055+056	2	**Cash and cash equivalents at end of period**	8,370,734	1,782,959

Company name: Triglav osiguranje d.d.

Form: REG

OVERVIEW OF ASSETS COVERING TECHNICAL PROVISIONS
as at: 31.12.2016.

in HRK

Position number	Investment category	Assets covering mathematical provisions	Assets covering technical provisions except mathematical provisions
1	Government bonds	331,487,228	184,165,885
2	Corporate bonds		21,150,956
3	Shares and business units		2,454,611
4	Investment funds		40,695,044
5	Structured products		
6	Secured securities		
7	Cash and deposits	205,260	28,001,885
8	Mortgages and loans	6,115,764	2,548,202
9	Real estate		481,951
10	Other investments		
11	Receivables from direct insurance business		51,419,910
12	Futures		
13	Call option		
14	Put option		
15	Swaps		
16	Forwards		
17	Credit derivatives		
18	TOTAL ASSETS COVERING MATHEMATICAL PROVISIONS (1+2+...+17)	337,808,252	330,918,444
19	Unearned premium reserve		128,082,303
20	Mathematical provisions	305,758,086	
21	Claims provisions	1,140,405	174,641,687
22	Provison for bonuses and discounts		1,129,022
23	Equalising reserve		303,345
24	Other technical provisions according to the accounting standards		3,475,577
25	**REQUIRED COVERAGE (19+20+...24)**	**306,898,492**	**307,831,935**
26	**SURPLUS / DEFICIT COVERING ASSETS (18-25)**	**30,909,760**	**23,086,509**

Company name: Triglav osiguranje d.d.

Form: SSP

AGEING STRUCTURE OF RECEIVABLES ARISING FROM INSURANCE CONTRACTS
as at: 31.12.2018

in HRK

Position number	Position description	Due to 30 days	Due 31 - 60 days	Due 61 - 90 days	Due 91 - 180 days	Due 181 - 365 days	Due over 365 days	Total due	Not due	Total receivables	Value adjustment	Total outstanding receivables
1	2	3	4	5	6	7	8	9 (3+4+5+6+7+8)	10	11 (9+10)	12	13 (11-12)
I	NON-LIFE											
01	Personal accident insurance	242,394	118,465	157,112	259,287	140,149	2,413,003	3,340,408	1,256,734	4,597,143	2,413,003	2,184,140
02	Health insurance	13,132	629	349	1,256	1,404	20,069	36,837	139,518	176,354	20,069	156,285
03	Insurance of land motor vehicles	1,068,548	557,915	1,142,211	2,098,552	483,898	7,957,130	13,320,255	5,565,506	18,891,761	7,957,130	10,934,631
04	Insurance of railway locomotives and rolling stock											
05	Insurance of aircrafts						74,830	74,830	752,278	827,108	74,830	752,278
06	Insurance of vessels	228,732	68,075	74,232	200,740	290,919	870,589	1,733,287	1,125,317	2,858,604	870,589	1,988,014
07	Insurance of goods in transit	13,152	3,463	4,575	3,831	14,575	5,190,962	5,230,558	124,736	5,355,095	5,190,962	164,133
08	Insurance against fire and natural disasters	648,391	275,056	223,730	565,983	601,533	5,772,812	8,085,505	3,071,497	11,157,002	5,772,812	5,384,190
09	Other property insurance lines	5,535,503	1,169,885	898,492	1,552,422	1,134,769	12,275,542	22,566,613	3,714,015	26,270,628	12,275,542	13,995,086
10	Motor vehicle liability insurance	1,842,299	1,152,773	943,658	1,817,706	1,607,106	27,173,818	34,537,355	8,903,854	43,441,209	27,173,818	16,267,393
11	Aircraft liability insurance						115,792	115,792	63,334	179,127	115,792	63,334
12	Insurance of liability arising out of use of vessels	22,829	5,539	4,294	19,734	24,506	256,799	343,802	74,906	418,708	256,799	161,908
13	Other liability insurance lines	1,161,992	1,023,051	217,427	417,780	314,171	4,016,035	7,180,461	2,991,513	10,151,975	4,016,035	6,135,940
14	Credit insurance						21,642	21,642		21,642	21,642	
15	Suretyship insurance	137,118	31,907	7,483	1,584	2,448	56,897	237,418	191,702	429,120	56,897	372,223
16	Insurance of miscellaneous financial losses	611,053	37,742	41,353	77,935	135,031	435,257	1,338,379	908,965	2,248,335	435,257	1,813,078
17	Insurance of legal protection	151,958	725	502	1,142	1,580	47,513	203,418	11,757	215,175	47,513	167,662
18	Travel insurance	23,768	10,361	6,186	12,756	11,484	42,982	107,536	84,374	191,910	42,982	148,928
I.1	Receivables arising out of direct insurance operations (01+02+...+18)	11,718,867	4,465,684	3,721,581	7,038,515	4,763,574	66,751,670	98,459,890	28,971,065	127,430,955	66,751,670	60,679,228
I.2	Receivables from the agent				58,737			58,737		58,737		58,737
I.3	Receivables arising out of reinsurance operations				147,474	2,840,286		2,987,760	29,715,983	32,703,743		32,703,743
I.4	Receivables arising out of Co-insurance operations											
I.5	Total (I.1+I.2+I.3+I.4)	11,718,867	4,465,684	3,721,581	7,244,746	7,603,859	66,751,670	101,506,407	58,686,958	160,193,365	66,751,670	93,441,725
I.6	Value adjustment						66,751,670	66,751,670		66,751,670	66,751,670	
II	LIFE											
19	Life insurance											
20	Annuity insurance											
21	Supplementary insurance linked with life assurance policy											
22	Marriage and birth assurance											
23	Assurance/insurance linked with units of investment funds - unit linked											
24	Tontine											
25	Assurance with paid-up sum assured											
II.1	Receivables arising out of direct insurance operations (19+20+...+25)											
II.2	Receivables from the agent											
II.3	Receivables arising out of reinsurance operations											
II.4	Receivables arising out of Co-insurance operations											
II.5	Total (II.1+II.2+II.3+II.4)											
III	TOTAL (I.5+II.5)	11,718,867	4,465,684	3,721,581	7,244,746	7,603,859	66,751,670	101,506,407	58,686,958	160,193,365	66,751,670	93,441,725

Company name: Triglav osiguranje d.d.

Form: PIT

INVESTMENT INCOME AND EXPENSES BY SOURCE

for the period: 01.01.2016 - 31.12.2016

in HRK

Position number	Sum elements	Position description	Previous accounting period			Current accounting period		
			Life	Non-life	Total	Life	Non-life	Total
1	2	3	4	5	6	7	8	9
I	(1+2+3+4)	**Total investment income**	**31,975,455**	**15,146,472**	**47,121,927**	**24,638,208**	**6,634,500**	**31,272,708**
1		Income from equity investment		3,929,607	**3,929,607**		371,620	**371,620**
2		Income from the investment of mathematical provisions	17,642,401		**17,642,401**	16,561,647		**16,561,647**
3		Income from the investment where the risk is born by the policyholder	9,204,181		**9,204,181**	2,946,344		**2,946,344**
4		Income from the investment of other technical provisions (not included in position 2. and 3.)	5,128,872	11,216,865	**16,345,737**	5,130,217	6,262,880	**11,393,098**
II	(1+2+3+4)	**Total investment expenses**	**-7,537,721**	**-15,220,050**	**-22,757,771**	**-6,355,123**	**-2,336,189**	**-8,691,312**
1		Equity investment expenses	-48,157	-7,468,878	**-7,517,035**	-34,440	-997,563	**-1,032,003**
2		Mathematical provisions investment expenses	-4,225,833		**-4,225,833**	-3,669,728		**-3,669,728**
3		Expenses from the investment where the risk is born by the policyholder	-312,157		**-312,157**	-1,205,826		**-1,205,826**
4		Other technical provisions investment expenses (not included in position 2. and 3.)	-2,951,574	-7,751,172	**-10,702,746**	-1,445,130	-1,338,626	**-2,783,756**

Company name: Triglav osiguranje d.d.

Form: IDG-O

STATEMENT OF COMPREHENSIVE INCOME

for the period: 01.01.2016 - 31.12.2016.

Triglav osiguranje d.d.

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

Company name: Triglav osiguranje d.d.

Form: [illegible]

STATEMENT OF COMPREHENSIVE INCOME

for the period 01.01.2018 - 31.12.2018.

Position number	Sum elements	Position label	Position description	16	17	18	19	20	21	22	23	24	25	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	I	Earned premiums (net)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		1	Gross written premiums	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		2	Value adjustment of premium receivables	[illegible]	[illegible]	[illegible]								[illegible]	[illegible]		[illegible]
[illegible]		3	Premium ceded to reinsurance (-)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		4	Change in unearned premium, gross amount (+/-)	[illegible]	[illegible]	[illegible]			[illegible]					[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		5	Change in unearned premium, reinsurance share (+/-)	[illegible]		[illegible]								[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	II	Income from financial assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		1	Income from subsidiaries, associates and joint ventures	[illegible]	[illegible]	[illegible]								[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		2	Income from investment in land and building	[illegible]	[illegible]	[illegible]								[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		3	Interest income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		4	Unrealised gains on investments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]

Company name: Triglav osiguranje d.d.

Form RU-MP

STRUCTURE OF ASSETS USED TO COVER MATHEMATICAL PROVISIONS AND LIABILITIES FROM MATHEMATICAL PROVISIONS
as at 31.12.2016

in HRK

Position number	Position description	Up to 1 year	From 1 to 3 years	from 3 to 5 years	From 5 to 10 years	From 10 to 15 years	From 15 to 20 years	20 and more years	Total
I	**Assets used to cover mathematical provisions (1+2+3+4+5+6+7)**	26,877,209	46,045,190	104,367,873	160,517,981				337,808,252
1	Held to maturity assets	7,120,316	36,628,499	86,420,558	9,901,576				140,070,949
1.1	*Debt securities*	7,120,316	36,628,499	86,420,558	9,901,576				140,070,949
1.2	*Other securities*								
2	Available for sale assets	19,240,376	8,413,085	17,432,624	146,330,194				191,416,279
2.1	*Equity securities*								
2.2	*Debt securities*	19,240,376	8,413,085	17,432,624	146,330,194				191,416,279
2.3	*Shares in investment funds*								
2.4	*Other investments*								
3	Financial assets at fair value through profit or loss account								
3.1	*Equity securities*								
3.2	*Debt securities*								
3.3	*Derivative financial instruments*								
3.4	*Shares in investment funds*								
3.5	*Other investments*								
4	Loans and receivables	311,257	1,003,606	514,691	4,286,211				6,115,765
4.1	*Deposits with financial institutions (banks)*								
4.2	*Loans*	311,257	1,003,606	514,691	4,286,211				6,115,765
4.3	*Other*								
5	Investments in land and buildings not intended for business activities								
6	Cash and cash equivalents	205,260							205,260
7	Other investments used to cover mathematical provisions								
II	**Required coverage of mathematical provisions, net of reinsurance (8+9+10+11)**	22,489,967	44,581,744	35,708,017	79,286,522	116,382,814	4,710,999	3,756,429	306,896,493
8	Mathematical provisions	21,872,060	44,490,893	35,276,369	79,286,522	116,382,814	4,710,999	3,756,429	305,756,086
9	Unearned premium reserve for risks where mathematical provision is created								
10	Provision for bonuses and discounts for risks where mathematical provision is created								
11	Claims provisions for risks where mathematical provision is created	617,907	90,851	431,647					1,140,405
III	Difference (I-II)	4,387,241	1,463,446	68,659,856	81,231,459	-116,382,814	-4,710,999	-3,756,429	30,909,760

Note: Assets - based on remaining maturity / Liabilities - Remaining maturity of insurance liabilities

- In column "20 and more years" investment property will be included

Triglav osiguranje d.d.
Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

Company name: Triglav osiguranje d.d. Form RU-TP

STRUCTURE OF ASSETS USED TO COVER TECHNICAL PROVISIONS AND LIABILITIES FROM TECHNICAL PROVISONS ACCORDING TO MATURITY
as at: 31.12.2018.

in HRK

Position number	Position description	Up to 1 year	From 1 to 3 years	from 3 to 5 years	From 5 to 10 years	From 10 to 15 years	From 15 to 20 years	20 and more years	Total
I	**Assets used to cover technical provisions (1+2+3+4+5+6+7)**	**212,239,620**	**18,297,182**	**44,278,694**	**57,563,607**			**481,981**	**330,918,444**
1	Held to maturity assets	3,051,564							3,051,564
1.1	Debt securities	3 051 564							3,051,564
1.2	Other securities								
2	Available for sale assets	86,366,451	15,074,043	43,563,197	56,581,263				201,584,967
2.1	Equity securities	501 263							501,263
2.2	Debt securities	85,865,198	15,074,045	43,563,197	56,581,263				201,083,703
2.3	Shares in investment funds								
2.4	Other investments								
3	Financial assets at fair value through profit or loss account	42,648,392			981,744				43,630,136
3.1	Equity securities	1 953 348							1,953,348
3.2	Debt securities				981 744				981,744
3.3	Derivative financial instruments								
3.4	Shares in investment funds	40 695 044							40,695,044
3.5	Other investments								
4	Loans and receivables	22,687,935	1,223,137	713 497					24,624,569
4.1	Deposits with financial institutions (banks)	21 876 537							21,876,537
4.2	Loans	611 569	1 223 137	713 497					2,548,203
4.3	Other	199 829							199,829
5	Investments in land and buildings not intended for business activities							481,981	481,981
6	Cash and cash equivalents	6,125,348							6,125,348
7	Other investments used to cover mathematical provisions	31,419,910							31,419,910
II	**Required coverage of mathematical provisions, net of reinsurance (8+9+10+11+12)**	**209,835,445**	**47,862,424**	**20,930,261**	**23,745,890**	**4,920,130**	**905,244**	**124,921**	**307,831,835**
8	Unearned premium reserve	115 894 763	6 997 847	2 296 743	102 949				123,092,303
9	Claims provisions	56 096 090	40 501 267	18 651 437	23 642 941	4 920 130	905 244	124 921	174,841,687
10	Provision for bonuses and discounts	1 129 022							1,129,022
11	Equalising reserve	303 348							303,348
12	Other technical provisions	3,412,236	63 310	31					3,475,577
III	**Difference (I-II)**	**2,964,144**	**-31,265,241**	**23,338,433**	**33,817,117**	**-4,920,130**	**-905,244**	**357,430**	**23,086,509**

Note: Assets - based on remaining maturity/ Liabilities - Remaining maturity of insurance liabilities
- in column "20 and more years" investment property will be included

Reconciliation of the financial statements prepared in accordance with IFRS reporting framework and financial statements that are prescribed by Ordinance on the structure and contents of financial statements of insurance and reinsurance companies issued by Croatian Financial Services Supervisory Agency (HANFA)

Statement of comprehensive income (income statement)			HANFA																							Financial statements	
Position number	Position label	Position description	HRK '000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	HRK '000	Position description
001	I	Earned premiums	304,546	-4,836																						299,710	Earned premiums, net of reinsurance
010	II	Income from financial assets	31,273		-722	-1	15	731	883	1,390	130															33,609	Net investment income
024	III	Fee and commission income	7,384																							7,384	Income from commissions and fees
025	IV	Other net technical income	4,322																								
026	V	Other income	1,997																								
	IV+V		6,319				-15	-731	-883		-130	8,546	-730	222	-110	-834	7								1	11,602	Other business income
027	VI	Net insurance benefits and claims	-182,896																								
036	VII	Net change in mathematical provisions and other technical provisions (+/-)	1,252																								
044	VIII	Net change in provisions for policies where the investment risk is borne by the policyholders (+/-)	-6,130																								
027+036+044	VI+VII+VIII	Gross amount (-)	-187,774							-1,390		-8,546	730	-222				2.701								-194.482	Claims incurred, net of reinsurance
048	IX	Net expenses for premium refund	-1,439																								
032	X1	Acquisition expenses	-60,609																								
048+032	IX+X1		-62,048																							-62,048	Acquisition costs
056	X2	Administration expenses	-86,137		732	1										854	-7		413	207	4	24	-111	-641	-1	-84,643	Administrative costs
																										-2,031	Investment costs
																										-6,640	Financial costs
060	XI	Investment expenses	-8,691																							-8,691	Investment costs + Financial costs
068	XII	Other net technical expenses	-4,662	4,836											110			-2.701	-413	-207	-4	-24	111	641		-2,312	Other operating expenses
072	XIV	Result before taxation (+/-)	209																							209	Profit / Loss before tax
073	XV	Income tax																									Tax income / Expense income tax
076	XVI	Result after tax (+/-)	209																							209	Profit / Loss for the year
081	XIX	Other comprehensive income	11,355																							11,355	Other comprehensive income
090	XX	Total comprehensive income	11,564																							11,564	Total comprehensive profits

(1) Impairment of premium receivables is presented in the Financial statements as Other operating expenses, deducted for any amount of receivables impaired and subsequently collected.

(2) Expenses from negative foreign exchange differences are presented in the Financial statements as Net investment income, while in separate financial statements prepared for HANFA as part of Administrative expenses.

(3) Fee expense - unit linked insurance - Difference is a result of rounding.

(4) Income from interest on demand deposits are presented in the Financial statements as Net investment income, while in separate financial statements prepared for HANFA as part of Other income.

(5) Income from positive foreign exchange differences are presented in the Financial statements as Net investment income, while in separate financial statements prepared for HANFA as part of Other income.

(6) Income from penalty interest and other interest (except for recourse receivables) are presented in the Financial statements as Net investment income, while in separate financial statements prepared for HANFA as part of Other income.

(7) Income from penalty interest of recourse receivables are presented in the Financial statements in gross amount as Investment income, while in separate financial statements prepared for HANFA as Claims incurred, net of reinsurance.

(8) Income from the sale of land and building are presented in the Financial statements as Investment income, while in separate financial statements prepared for HANFA as part of Other income.

(9) – (11) Receivables for recourses - principal, impairment and collection of impaired receivables and other recourse income are shown in the Financial statements as Other operating income, while in separate financial statements prepared for HANFA Claims incurred, net of reinsurance.

(12) Income from collected previously impaired receivables is presented in the Financial statements as part of Other operating expenses, while in separate financial statements prepared for HANFA as part of Other income.

(13) Income from related companies is presented in the Financial statements as Administrative expenses, while in separate financial statements prepared for HANFA as Other income.

(14) Unamortized value of assets written of is presented in the separated financial statements prepared for HANFA as part of Other income, while under Financial statements as a part of Administrative expenses.

(15) Liabilities to the HZZO are presented in the Financial statements as Other operating expenses, net of reinsurance, while in separate financial statements prepared for HANFA as Claims incurred, net.

(16) – (19) Contributions for HUO and HANFA, cost of tourism contributions and other costs with Zavarovalnica Triglav are presented in the separated financial statements prepared for HANFA as part of Administrative expenses while in Financial statements as part of Other operating expenses.

(20) – (21) Negative foreign exchange differences are presented under separate financial statements prepared for HANFA as Other technical expense, while in Financial statements as Administrative expenses.

(22) Differences are result of rounding.

ASSETS			HANFA							Financial statements	
Position number	Position label	Position description	HRK '000	1	2	3	4	5	6	HRK '000	Position description
001	I	INTANGIBLE ASSETS	4,690							4,690	Other intangible assets
004	II	TANGIBLE ASSETS	129,269							129,269	Real estate and equipment
008	III	INVESTMENTS	623,324								
009	A	Investments in land and buildings not used in the company's usual business activities	2,957							2,957	Real estate investments
010	B	Investments in subsidiaries, associates and joint ventures	559								
014	C	Financial investments	619,808								
034	IV	INVESTMENTS BACK TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICY HOLDERS	145,471								
010+014+034	B+C+IV		765,837	-21,875			-10,546	-295		733,131	Financial assets
035	V	REINSURERS' SHARE IN INSURANCE RESERVES	36,716							36,716	Reinsurers' share of technical provisions
043	VI	DEFERRED AND CURRENT TAX ASSETS	3,557							3,557	Deferred tax assets
046	VII	RECEIVABLES	108,725		40	662	10,546	285		120,257	Receivables from insurance and other receivables
056	VIII 1	Cash at banks and in hand	8,371	21,875						30,246	Cash and cash equivalents
064	IX 2	Deferred acquisition costs	17,308							17,308	Deferred acquisition costs
063+065	IX1+ IX3	Accrued interest and rent + Other prepaid expenses and accrued income	702		-40	-662				0	
066	X	TOTAL ASSETS	1,078,132						-1	1,078,131	Total assets

(1) Investments in deposits maturing in less than 30 days are presented in the financial statements as Cash and cash equivalents, while in the separate financial statements prepared for HANFA as Financial investment i.e. Other financial investment and Investments back to policies where the investment risk is borne by the policyholders.

(2) i (3) Deferred interest, rent and prepaid expenses are presented in the financial statements as Insurance and other receivables, while in the separate financial statements prepared for HANFA as Prepaid expenses and accrued income.

(4) i (5) Accrued interest and loan interest are presented in the financial statements as Insurance and other receivables, while in the separate financial statements prepared for HANFA as Financial investments.

(6) Differences are result of rounding.

Triglav osiguranje d.d.
Statement of financial position – reconciliation of the Statement of financial position

EQUITY AND LIABILITIES			HANFA			Financial statements	
Position number	Position label	Position description	HRK '000	1	2	HRK '000	Position description
068	XII	EQUITY AND RESERVES	207,280			207,280	Total capital and reserves
069	1	Share capital	209.656			209.656	Share capital
072	2	Share premium	0	4,692		4,692	Premiums on issued shares - capital reserves
073	3	Revaluation reserve	13.474			13.474	Fair value reserve
077	4	Reserves	10.009				
078	*4.1*	*Legal reserves*	4.377			4.377	Statutory reserve
080	*4.3.*	*Other reserves*	5,632	-4,692		939	Other reserves
081	5	Retained earnings/accumulated losses	-26,067			-26.067	Accumulated loss / retained earnings
084	6	Profit/loss for the period	209			209	Profit / Loss for the period
087	XIII	SUBORDINATED LIABILITIES					Subordinated loan
089	XV	INSURANCE LIABILITIES	651,446				Technical provisions
096	XVI	PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS	144,582				Technical provisions
097	XVII	Other reserves	6.776				
098	1	Reserves for pensions	4.976			4.976	Provisions for liabilities and expenses
099	2	Other	1.800				
100	XVIII	DEFERRED AND CURRENT TAX LIABILITIES	2,983				
104	XX	Financial liabilities	20.000			20.000	Short-term loan
108	XXI	OTHER LIABILITIES	44.918				
113	XXII	ACCRUED EXPENSE AND DEFERRED INCOME	146				
099+100+108+113			49.847			49.847	Obligations from insurance business and other obligations
116	XXIII	TOTAL EQUITY AND LIABILITIES	1,078,132		-1	1,078,131	Total liabilities and capital and reserves

(1) Reserves that results from the simplified decrease of share capital in the financial statements is presented as part of the Share premium – capital reserves, while in the separate financial statements prepared for HANFA are presented under Other reserves.

(2) Differences are result of rounding.