

TRIGLAV OSIGURANJE d.d.
Financial statements as at
31 December 2017 together with
independent auditor`s report

Contents

Management Board's report	3
Independent auditor's report	10
Statement of financial position	14
Statement of comprehensive income	15
Statement of changes in equity	16
Cash flow statement	17
1 Notes to the financial statements	18
1.1 Reporting entity	18
1.2 Basis of preparation	18
1.3 Significant accounting policies	24
1.4 Accounting estimates and judgements	40
1.4.1 Key sources of estimation uncertainty	40
1.4.2 Critical accounting judgements in applying the Company's accounting policies	41
1.5 Insurance risk management	42
1.6 Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses	45
1.7 Liability adequacy test	49
1.8 The sensitivity of profit or loss and equity to changes in significant variables	51
1.9 Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows	52
1.10 Segment reporting	54
1.11 Property and equipment	59
1.12 Investment property	60
1.13 Deferred acquisition costs	61
1.14 Other intangible assets	62
1.15 Financial investments	62
1.16 Reinsurance share of insurance contracts provisions	69
1.17 Deferred tax assets / liabilities	69
1.18 Insurance and other receivables	70
1.19 Cash and cash equivalents	73
1.20 Insurance contract provisions	73
1.21 Subordinated loan	Error! Bookmark not defined.
1.22 Short-term loan	84
1.23 Provisions for liabilities and expenses	85
1.24 Insurance and other payables	85
1.25 Share capital and reserves	86
1.26 Capital management	88
1.27 Premiums	89

1.28	Fee and commission income	93
1.29	Income related to investments	93
1.30	Expenses related to investments	94
1.31	Other operating income	95
1.32	Net policyholder claims and benefits incurred	96
1.33	Acquisition costs	97
1.34	Administrative expenses	97
1.35	Other operating expenses	98
1.36	Finance costs	98
1.37	Income tax	99
1.38	Operating leases	100
1.39	Related parties	101
1.40	Financial Risk Management	102
1.41	Maturity analysis	109
1.42	Interest rate repricing analysis	110
1.43	Currency risk analysis	113
Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency (HANFA)		115

Management Board's report

The Management Board presents its report and audited financial statements for the year ended 31 December 2017.

Activity overview

Operating results of the Company for the year ended 31 December 2017 are presented in the statement of comprehensive income.

Management Board of Triglav osiguranje d.d.

During 2017 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)
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 2017 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 February 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 2017

1. Realization of basic business objectives and performance indicators

In 2017, insurance market continued to grow and it has grown in total of 3.38% (non-life insurance noted an increase of 4.68% while life insurance noted a increase of 0.76%), which is the highest growth in the last 10 years, since the year 2008. This is a result of continued GDP growth over the past 3 years, but this growth is still to slow in relation to the environment and comparable economies and in the year 2018 is expected to slow down further more.

The decline in the average MTPL policy continued, and it decreased by 0.5% in 2017 compared to the previous year, while the total written premium in this type of insurance increased by 0.2% compared to 2016. In these market conditions, the Company has achieved excellent sales results and the non-life insurance grew by 11.09% and life insurance fall by 3.52%, which led to a total growth rate of 8.73%. Consequently, Company managed to increase volume and market share from 4.21% up to 4.43%.

With respect to the main segment of the Company, gross written premiums in the year 2016 amounted to HRK 400.8 million, of which HRK 343.5 million were non life insurance premiums and HRK 57.3 million were life insurance premiums. 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 4.43%.

Total technical provisions of the Company in 2016 have increased by 6.27% to HRK 845.9 million. Financial investments increased by 3.39% compared to the previous year, reaching HRK 789.3 million. Total assets of the Company increased by 5.32% and by the end of 2017 amounted to HRK 1.14 billion. Share capital and reserves amounted to HRK 215.9 million, which is an increase of 4.14% 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 2017 amounted to 158% due to strong capital reserves, while the coverage degree of mathematical and technical provision with adequate assets amounted to 109.57%. This suggests the financial stability of the company and provides long-term security to policyholders.

In addition to the realized plan sizes related to premiums earned and financial results, the past 2017 was marked by several significant projects contributing to the socially responsible business of Triglav osiguranje d.d. such as:

- Business Document Management Project (electronic tracking of documents will enable savings on paper, printing, postage)
- print optimization project (savings on paper and printing costs)
- The Project of Compliance Analysis with the General Regulation on Personal Data Protection (GDPR)
- Introducing an application for detection and prevention of security fraud
- Prevention of money laundering and terrorist financing - adaptation of business practices, forms and drafting of ordinances for adaptation of the new legal regulation that entered into force on 01.01.2018

At the beginning of June, the Company successfully passed the certification procedure for obtaining the international standard ISO 9001: 2015 (Quality Management System). At the end of the 2017 a new Collective Agreement was signed for employees of Triglav osiguranje d.d. for the period from 01.01.2018. until 31.12.2021. which governed the material rights of employees and ensured social peace for the aforementioned period.

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, 2017, Triglav osiguranje d.d. employed 512 employees, of which 219 internal and 293 insurance agents and sales representatives, which is decrease by one employee compared to the end of 2016.

Human resources division structure of the Company includes one PhDs, 11 Masters of Science, 95 employees with a university degree and 81 employees with college degrees.

During 2017, sales personnel increased in the total number of employees, from 53.8% at the end of 2016 to 57.2% at the end of 2017. The number of internal workers is decreased by 18 and the number of the sales staff has increased by 17. In agreement with the syndicate and with the payment of incentive severance pay, the surplus of internal workers was handled and centralization of certain functions was carried out.

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 Barčiča 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 2017

After the end of the business year 2017 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 2017 had no own shares nor did it repurchase any in the course of 2017.

8. Risk exposure and management

The Company is exposed to a wide spectrum of risks that can be aggregated into the following categories:

- Insurance risks (eg. non-life, health and life insurance risks),
- Market risks (eg. interest rate and currency risk),
- Credit risks (eg. risks associated with non-fulfillment of counterparty liabilities),
- Operational risks (eg. process risks, human error, natural disasters, etc.)
- Other material risks (eg. strategic risks, reputation risk, concentration risk).

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 and credit risks. The main objective of risk management 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. 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 life, non-life and health insurance 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 limit system that is integrated into the investment policy.

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 assessments 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.

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)
- 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 8 (eight) meetings in the period from 01-12/2017, 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
- Nives Matijević, 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. 4 (four) meetings of the Audit Committee were held in the period from 01-12/2017, 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 Poldá, 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.

12. Unfinancial reports for 2017 year

The Company has prepared non-financial reports in accordance with the Accounting Directives 2013/34/EU and Directive 2014/95/EU, amending Directive 2013/34 / EU with regard to the disclosure of non-financial information and information related to the non-financial reporting or corporate social responsibility reporting certain large companies and groups, and publishes them as a separate document.

In Zagreb, 09.04.2018

Company Management:


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


mr.sc. Denis Burmaz
Member of the Management Board




mr.sc. Vladimir Mišo Čepelak,
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 14 to 114 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 115 to 134, are approved by the Board on 28 March 2018 for submission to the Supervisory Board and signed below.

Management Board:


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




mr. sc. Denis Burmaz
Member of the Board


mr.sc. Vladimir Mišo Čeplak
Procurator

Independent auditor's report

To the Shareholders of Triglav osiguranje d.d.

Report on the audit of 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 31 December 2017, statement of 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 2017 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.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How we addressed Key Audit Matter
Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT) Description of key judgments and estimates regarding estimation of insurance liabilities and LAT are presented in Notes 1.6 Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses, 1.7 Liability adequacy test, 1.8 The sensitivity of profit or loss and equity to changes in significant variables, 1.9 Terms and	We assessed the design and operating effectiveness of internal controls over the actuarial valuation close process. We used actuarial specialists to assist us in performing our audit procedures which among others included:

<p>conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows to the financial statements.</p> <p>The Company has significant insurance liabilities of HRK 846 million, representing 75% of the Company's total liabilities. The measurement of insurance liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance liabilities, including any guarantees provided to policyholders. Consistent with the insurance industry, the Company uses actuarial models to support the valuation of the insurance contract liabilities. Economic and actuarial assumptions, such as investment return, costs, interest rates, mortality, morbidity, claims settlement expectations and pattern, customer behavior, longevity and lapse assumptions are key inputs used to estimate these long-term liabilities.</p> <p>Based on the significance of the insurance liabilities and the level of judgement related to the key estimates and assumptions, we considered it a key audit matter for our audit.</p>	<p>(i) Review of the methodology and adequacy of the actuarial methods used to assess insurance liabilities.</p> <p>(ii) Evaluation of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with IFRS as adopted by EU.</p> <p>Further, we performed audit procedures to determine the models were calculating the insurance contracts liabilities accurately and completely;</p> <p>(i) Verification of the validity of management's liability adequacy testing (LAT) which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included review of the projected cash flows and of the assumptions adopted in the context of both the Company and industry experience and specific product features; and</p> <p>(ii) Review of documentation for actuarial assumptions and expert judgment involved.</p> <p>We also assessed the adequacy of the disclosures regarding insurance liabilities in the financial statements to determine they were in accordance with IFRS as adopted by EU.</p>
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Other Information Included In The Company's 2017 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 2017 financial year are consistent, in all material respects, with the enclosed financial statements;
2. the enclosed Management report for 2017 financial year is prepared, in all material respects, 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.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.

Audit Committee 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.

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

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

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 29 June 2012 and our uninterrupted engagement has lasted for 6 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 April 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Report on Regulatory Requirements

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 115 to 134 and which contain a statement of financial position as at 31 December 2017, 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. This financial information is the responsibility of the Company's management and is, pursuant to statutory accounting regulation applicable for insurance companies in Croatia, 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 has 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 IFRS as adopted by EU as presented on pages 14 to 114 and are based on underlying accounting records of the Company.

The partner in charge of the audit resulting in this independent auditor's report is Zvonimir Madunić.



Zvonimir Madunić, Member of the Board and Certified auditor
Ernst & Young d.o.o.
Radnička cesta 50, Zagreb, Republic of Croatia
30 April 2018

Statement of financial position

As at 31 December 2017

	<i>Note</i>	2017 HRK'000	2016 HRK'000
Assets			
Property and equipment	1.11	129,550	129,269
Investment property	1.12	1,381	2,957
Intangible assets			
- Deferred acquisition costs	1.13	17,516	17,308
- Other intangible assets	1.14	5,965	4,690
Held-to-maturity investments	1.15	130,188	140,454
Available-for-sale financial assets	1.15	441,553	388,344
Financial assets at fair value through profit or loss	1.15	181,168	187,993
Loans and receivables	1.15	14,512	16,341
Reinsurers' share of insurance contract provisions	1.16	61,320	36,716
Deferred tax asset	1.17	2,869	3,557
Insurance and other receivables	1.18	127,624	120,256
Cash and cash equivalents	1.19	21,847	30,246
Total assets		1,135,493	1,078,131
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	20,509	13,474
Other reserves		1,691	939
Retained earnings / (accumulated loss)		(25,858)	(26,067)
Profit / (loss) for the year		802	209
Total equity and reserves		215,869	207,280
Liabilities			
Insurance contract provisions	1.20	845,940	796,028
Short-term loan	1.21	20,000	20,000
Provisions for liabilities and expenses	1.22	7,537	4,976
Insurance and other payables	1.23	41,645	46,864
Deferred tax liabilities	1.24; 1.25	4,502	2,983
Total liabilities		919,624	870,851
Total liabilities and equity		1,135,493	1,078,131

The accounting policies and other explanatory notes on pages 19 to 115 form an integral part of these financial statements.

Statement of comprehensive income

For the year 2017

	<i>Note</i>	2017 HRK'000	2016 HRK'000
Gross premiums written	1.26	400,860	368,659
Written premiums ceded to reinsurers	1.26	(61,590)	(62,025)
Net premiums written		339,670	306,634
Change in the gross provision for unearned premiums	1.26	(12,013)	(5,704)
Reinsurers' share of change in the provision for unearned premiums	1.26	(3,554)	(1,220)
Net earned premiums		323,703	299,710
Income related to investments	1.28	39,485	33,689
Expenses related to investments	1.29	(1,605)	(2,051)
Fee and commission income	1.27	9,170	7,384
Other operating income	1.30	14,026	11,602
Net revenue		384,779	350,334
Claims and benefits incurred	1.31	(308,422)	(238,612)
Reinsurers' share of claims and benefits incurred	1.31	88,331	44,130
Net policyholder claims and benefits incurred		(220,091)	(194,482)
Acquisition costs	1.32	(65,486)	(62,048)
Administrative expenses	1.33	(85,436)	(84,643)
Other operating expenses	1.34	(7,464)	(2,312)
Finance costs	1.35	(4,813)	(6,640)
Profit / (loss) before tax		1,489	209
Income tax credit / use of deferred tax asset	1.36	(687)	-
Profit / (loss) for the year		802	209
Other comprehensive income			
Net change in fair value of available-for-sale financial assets (net of realised amounts)		8,579	13,346
Change in deferred tax		(1,543)	(1,991)
Other comprehensive income / (loss) for the year		7,036	11,355
Total comprehensive income for the year		7,838	11,564

The accounting policies and other explanatory notes on pages 19 to 115 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 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 (1,991)	-	-	-	13,346 (1,991)
Change in deferred tax asset		-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	11,355	-	-	-	11,355
Profit for the year		-	-	-	-	-	209	-	209
Total comprehensive profit/(loss) 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
At 1 January 2017		209,656	4,692	4,377	13,474	939	(26,067)	209	207,279
Net change in fair value of available-for-sale financial assets, net of realised amounts	1.26	-	-	-	8,579 (1,544)	-	-	-	8,579 (1,544)
Change in deferred tax asset		-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	7,035	-	-	-	7,035
Profit for the year	1.26	-	-	-	-	-	-	802	802
Total comprehensive profit for the year		-	-	-	7,035	-	-	802	7,837
Increase in share capital and reserves		-	-	-	-	-	-	-	-
Allocation of prior year profit or loss	1.26	-	-	-	-	-	209	(209)	-
Allocation of other reserves		-	-	-	-	752	-	-	752
Transactions with owners recognised directly in equity		-	-	-	-	-	-	-	-
At 31 December 2017		209,656	4,692	4,377	20,509	1,691	(25,858)	802	215,869

The accounting policies and other explanatory notes on pages 19 to 115 form an integral part of these financial statements,

Cash flow statement

For the year ended 31 December 2017

	2017 HRK'000	2016 HRK'000
Cash flow from operating activities		
Profit before tax (I)	1,489	209
Adjustments for:		
Depreciation	6,144	7,187
Increase / (decrease) in insurance contract provisions, net of reinsurance	49,912	18,026
Increase / (decrease) in provisions	(2,561)	82
Increase / (decrease) in deferred acquisition costs	(208)	(662)
(Gains)/ losses from impairment of investment property	-	526
Interest income	(22,202)	(23,292)
Interest expense	23	294
Impairment losses on insurance receivables	(596)	(4,837)
(Gains) / losses from fair value adjustment of financial assets	(4,973)	(3,404)
Foreign exchange differences	4,108	5,557
Income from financial lease earlier payment	-	-
Other	(2,840)	(5,996)
	(35,168)	(6,310)
Change in working capital		
(Increase) / decrease in insurance and other receivables	(4,012)	11,068
(Decrease) / increase in insurance and other payables	(5,219)	8,692
Net (acquisition) / disposal of financial investments		
- Equity and debt securities	(58,016)	(29,010)
- Shares in investment funds	(7,743)	(22,411)
- Deposits with banks and loans to customers	1,685	1,719
Interest received	22,513	22,736
Interest paid	(23)	(1,084)
	(32,329)	(8,290)
Net cash from operating activities (II)		
Cash flows from investing activities		
Proceeds from sale of property and equipment and investment property	0	25,073
Increase in intangible assets	(3,395)	(1,892)
Increase in PPE and investment property	(1,311)	(4,940)
Maturity / (Expenditures) for held to maturity investments	10,266	-
	5,560	18,241
Net cash from investing activities (III)		
Cash flows from financing activities		
Proceeds from issue of share capital	0	-
Proceeds from short term borrowings	20,000	20,000
Long term loan repayments	-	(10,243)
Short term loan repayments	20,000	-
	0	9,577
Net cash from financing activities (IV)		
Net increase in cash and cash equivalents (I+II+III+IV)	(8,399)	13,218
Cash and cash equivalents at beginning of year	30,246	17,028
Cash and cash equivalents at end of year	21,847	30,246
Difference in cash flow	(8,399)	13,218

The accounting policies and other explanatory notes on pages 19 to 115 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 (100% 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 March 2018 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 2017 was EUR 1 = HRK 7.513648 (31 December 2016: EUR 1 = HRK 7.557787).

(f) Changes in accounting policies and disclosures

A) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

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. The Amendments were not applicable for the Company.

- **IAS 7: Disclosure Initiative (Amendments)**

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. The Amendments were not applicable for the Company.

- The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Company's financial statements.

➤ **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.

1.2 Basis of preparation (continued)

B) Standards issued but not yet effective and not early adopted

- **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. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

- **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. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

- **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 has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **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. Given insurance contracts are scoped out of IFRS 15, management has assessed that adoption of the new amendment should not have significant impact on the Company's financial statements and related disclosures.

- **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. 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)

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. 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.

- **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.

- **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.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. 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.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such

1.2 Basis of preparation (continued)

long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. 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 interpretation should not have significant impact on the Company's financial statements and related disclosures.

- 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 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 improvements 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.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that adoption of interpretation should not have significant impact on the Company's financial statements and related disclosures.

- The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that adoption of improvements should not have significant impact on the Company's financial statements and related disclosures.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

1.2 Basis of preparation (continued)

- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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:

	2017	2016
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:

	2017	2016
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:

	2017	2016
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 liabilities 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 measurement 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 2017, the Company was involved in 561 (2016: 641) court cases for which HRK 53,990 thousand (2016: HRK 63,363 thousand) was provided as part of the claims reserve for reported but not yet settled claims. As at 31 december 2017, Company has recognized provisions for court cases which are not related to insurance in the amount of 1,490 thousand (2016: 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 540 thousand (2015: profit for the year would decrease/increase for HRK 633 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.

Type of insurance	Insured amount			
	2017		2016	
	HRK `000	%	HRK `000	%
Motor (third party)	7,656,710,677	95.75	6,527,533,440	96.67
Motor (other classes)	97,964,540	1.23	37,931,167	0.56
Property	151,827,156	1.90	100,774,497	1.49
Personal lines	65,361,144	0.82	61,385,394	0.91
Other	23,920,463	0.30	24,619,436	0.36
As at 31 December	<u>7,995,783,980</u>	<u>100.00</u>	<u>6,752,243,934</u>	<u>100.00</u>

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 2017

(in HRK)	Total insured amount			
	Before reinsurance		After reinsurance	
	HRK '000	%	HRK '000	%
Life insurance – traditional products	707,944	39.93	707,944	39.93
Life insurance where policyholder assumes investment risk	313,080	17.66	313,080	17.66
Life riders	751,844	42.41	751,844	42.41
As at 31 December 2017	<u>1,772,868</u>	<u>100.00</u>	<u>1,772,868</u>	<u>100.00</u>

Insured amount as at 31 December 2016

(in HRK)	Total insured amount			
	Before reinsurance		After reinsurance	
	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	<u>1,803,018</u>	<u>100.00</u>	<u>1,803,018</u>	<u>100.00</u>

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.

Insured amount as at 31 December 2017 (in HRK)	Total insured amount without life riders			
	Before reinsurance		After reinsurance	
	HRK'000	%	HRK'000	%
< 20,000	113,224	10.4	113,224	10.4
20,001-40,000	246,705	22.66	246,705	22.66
40,001-60,000	271,039	24.89	271,039	24.89
60,001-80,000	209,189	19.21	209,189	19.21
80,001-100,000	78,159	7.18	78,159	7.18
> 100,001	170,543	15.66	170,543	15.66
As at 31 December 2017	<u>1,088,859</u>	<u>100.00</u>	<u>1,088,859</u>	<u>100.00</u>

Insured amount as at 31 December 2016

(in HRK)	Total insured amount without life riders			
	Before reinsurance		After reinsurance	
	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	<u>1,042,988</u>	<u>100.00</u>	<u>1,042,988</u>	<u>100.00</u>

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 2017 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 inception;
- 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, KBI_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, ISO_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-10, Z-MES-1E	HR_2004_M, HR_2004_Z	3.25%, 2.75%	Endowment – one person
Z-MES-20	HR_2004_V	3.25%, 2.75%	Endowment – two persons
Z-MED-10	HR_2004_M, HR_2004_Z	3.25%, 2.75%	Endowment with double insured amount in the event of death
Z-KBI-10	HR_2004_M + KBI_2004_M, HR_2004_Z + KBI_2004_Z	3.25%	Endowment with critical illness coverage – one person
Z-KBI-20	HR_2004_V + KBI_2004_V	3.25%	Endowment with critical illness coverage – two persons
O-DOT-10	HR_2004_M, HR_2004_Z	3.25%	Marriage insurance – one person
O-DOT-20	HR_2004_V	3.25%	Marriage insurance – two persons
O-STI-10, O-STI-1E	HR_2004_M, HR_2004_Z	3.25%, 2.75%	Grant insurance – one person
O-STI-20	HR_2004_V	3.25%, 2.75%	Grant insurance – two persons
I1, M1AA	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
RICC, R1OC, R2OC	SAVA98, SAVA98_2, SAVA98_R	3.3%	Annuity insurance
T-SMT-10, T-SMT-1E	HR_RIZ_2008, HR_RIZ_2008	2.75%	Risk insurance in the event of death
T-HPK-10, T-HPK-1E	HR_RIZ_2008	2.75%	Insurance in the event of death – one person – with decreasing insured amount
T-HPK-20, 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 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 illness

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 2017. 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 3.9%. The following expenses per policy are applied: renewal and administration expense for active and capitalised policies of HRK 214.14 (EUR 28.5) per policy annually, operating cost for supplemental accident is 13.5% of gross written premium, claims handling expense of HRK 86.41 (EUR 11.5) per claim for basic cover, 1.5% of claims amount for rider claims handling expenses, asset management expense for investments of life insurance funds of 0.02% 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 denominated in EUR as at 31 December 2017.

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 2017, the Company formed reserves for unexpired risks in the amount of HRK 3,098 thousand by types: accident insurance, vessel insurance, aircraft liability insurance, other property insurance, miscellaneous financial loss insurance (31 December 2016: HRK 3,476 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 2017 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 312,682 thousand		
Decrease in technical interest rate	0.25%	4,170
Increase in EUR exchange rate	1% higher	3,127
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

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 2017

	Non-life	Life	Exclusion of internal relations L/NL	Total
	HRK'000	HRK'000	HRK'000	HRK'000
Assets				
Property and equipment	129,550	-	-	129,550
Investment property	1,381	-	-	1,381
Intangible assets				
- Deferred acquisition costs	17,516	-	-	17,516
- Other intangible assets	5,965	-	-	5,965
Held-to-maturity investments	0	130,188	-	130,188
Available-for-sale financial assets	135,630	305,923	-	441,553
Financial assets at fair value through profit or loss	26,492	154,676	-	181,168
Loans and receivables	6,945	7,567	-	14,512
Reinsurers' share in insurance contract provision	61,320	-	-	61,320
Deferred tax asset	2,572	297	-	2,869
Insurance and other receivables	117,354	10,270	(681)	126,943
Cash and cash equivalents	14,139	7,708	-	21,847
Internal receivables			681	681
Total assets	518,864	616,629	-	1,135,493
Liabilities				
Insurance contract provision	384,830	461,110	-	845,940
Subordinate loan	-	-	-	0
Finance lease payable	20,000	-	-	20,000
Short-term loan	7,537	-	-	7,537
Provision for liabilities and expenses	34,774	6,871	(681)	40,964
Insurance liabilities and other liabilities	962	3,540	-	4,502
Internal liabilities			681	681
Total liabilities	448,103	471,521	-	919,624
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	4,384	16,125	-	20,509
Other reserves	1,691	-	-	1,691
(Accumulated loss)/retained earnings	(103,155)	77,297	-	(25,858)
Profit / loss for the year	(18,346)	19,148	-	802
Total equity attributable to shareholders of the Company	70,761	145,108	-	215,869
Total liabilities and equity	518,864	616,629	-	1,135,493

1.10 Segment reporting (continued)

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

	Non-life	Life	Exclusion of internal relations L/NL	Total
	HRK'000	HRK'000	HRK'000	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 comprehensive income by operating segment for 2017

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	343,514	57,346	400,860
Written premiums ceded to reinsurers	(61,540)	(50)	(61,590)
Net premiums written	281,974	57,296	339,270
Change in the gross provision for unearned premiums	(12,016)	3	(12,013)
Reinsurers' share of change in the provision for unearned premiums	(3,554)	0	(3,554)
Net earned premiums	266,404	57,299	323,703
Net investment income	7,484	32,001	39,485
Investments costs	(840)	(765)	(1,605)
Fees and commission income	9,170	-	9,170
Other operating income	13,912	114	14,026
Net income	296,130	88,649	384,779
Claims and benefits incurred	(256,079)	(52,343)	(308,422)
Reinsurers' share of claims and benefits incurred	88,331	-	88,331
Net policyholder claims and benefits incurred	(167,748)	(52,343)	(220,091)
Acquisition costs	(60,672)	(4,814)	(65,486)
Administrative expenses	(77,170)	(8,266)	(85,436)
Other operating expenses	(7,432)	(32)	(7,464)
Finance costs	(766)	(4,046)	(4,812)
(Loss)/profit before tax	(17,658)	19,147	1,489
Income tax credit	(687)	-	(687)
Loss/(profit) for the year	(18,345)	19,147	802
Other comprehensive income			
Net change in fair value of available-for-sale financial assets (net of realised amounts)	2,601	5,978	8,579
Change in deferred tax	(468)	(1,075)	(1,543)
Other comprehensive income for the year	2,133	4,903	7,036
Total comprehensive income for the year	(16,212)	24,050	7,838

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
Investment expenses	(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 asset	(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)

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:

<i>(in thousand HRK)</i>	Gross written premium in 2017	Gross written premium in 2016
Non-life:		
Motor TPL	121,744	113,265
Motor casco	59.16	49,641
Accident, health, travel	18,984	15,867
Marine & transport	16,134	10,504
Other liability	40,105	37,666
Property	87,431	82,280
	<hr/>	<hr/>
Total	343,514	309,223
	<hr/>	<hr/>
Life:		
Endowment	36,546	39,780
Annuity insurance	333	366
Unit-linked	20,467	19,290
	<hr/>	<hr/>
Total	57,346	59,436
	<hr/>	<hr/>
Total gross written premium (Non-life + Life)	400,860	368,659
	<hr/> <hr/>	<hr/> <hr/>

Geographical segment

2.2% or HRK 8.717 thousand of the total income comes from income realized on foreign markets (2016: 0%). Thereby, more detailed information on the geographical area has not been published.

1.11 Property and equipment

	Land and buildings	Land and Buildings under construction	Equipment and motor vehicles	Office equipment	Small inventory and car tires	Investment in third-party property	Assets under construction	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
<u>Cost</u>								
As at 1 January 2016	142,737	-	14,998	9,496	2,913	916	324	171,384
Additions	3,506	3,697	860	386	80	-	1,243	9,772
Disposals	(315)	(3,697)	(2,632)	(497)	-	-	(1,246)	(8,387)
Reclassification from investment in third party property	-	-	-	-	-	240	(240)	-
As at 31 December 2016	145,928	-	13,226	9,385	2,993	1,156	81	172,769
As at 1 January 2017	145,928	-	13,226	9,385	2,993	1,156	81	172,769
Additions	1,212	1,963	-	-	233	-	1,311	5,944
Disposals	(163)	(1,963)	(487)	-	-	-	-	(3,839)
Reclassification from investment in third party property	3,636	-	-	-	-	-	-	3,636
Transfer into use	-	-	1,163	62	-	-	(1,226)	0
As at 31 December 2017	150,613	-	13,902	9,447	3,226	1,156	166	178,510
<u>Depreciation and impairment</u>								
As at 1 January 2016	18,217	-	11,884	8,457	2,913	641	113	42,225
Depreciation charge to the period	2,804	-	1,149	404	80	15	-	4,452
Disposals	(55)	-	(2,625)	(497)	-	113	(113)	(3,177)
As at 31 December 2016	20,966	-	10,408	8,364	2,993	769	-	43,500
As at 1 January 2017	20,966	-	10,408	8,364	2,993	769	-	43,500
Depreciation charge to the period	2,672	-	1,004	347	233	14	-	4,270
Disposals	-	-	(229)	-	-	-	-	(229)
Reclassification from investment in third party property	1,419	-	-	-	-	-	-	1,419
As at 31 December 2017	25,057	-	11,183	8,711	3,226	783	-	48,960
<u>Net book value</u>								
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
As at 1 January 2017	124,962	-	2,818	1,021	-	387	81	129,269
As at 31 December 2017	125,556	-	2,719	736	-	373	166	129,550

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 31.12.2017 the Company's off balance sheet includes two properties (2016: 3) with a book value of HRK 1,038 thousand (in 2016: HRK 1,300 thousand).

1.12 Investment property

	HRK '000
Cost	
As at 1 January 2016	40,571
Additions	1,815
Disposals	(37,819)
Reclassification	581
As at 31 December 2016	5,148
As at 1 January 2017	5,148
Additions	751
Disposals	-
Reclassification	(3,636)
As at 31 December 2017	2,263
Depreciation and impairment	
As at 1 January 2016	12,994
Depreciation charge for the year	353
Reclassification	581
Impairment	(11,737)
As at 31 December 2016	2,191
As at 1 January 2017	2,190
Depreciation charge for the year	110
Reclassification	(1,419)
Disposals	-
As at 31 December 2017	882
Net book amount	
As at 1 January 2016	27,577
As at 31 December 2016	2,957
As at 1 January 2017	2,958
As at 31 December 2017	1,381

1.12 Investment property (continued)

During 2017, the Company made the reclassification of one investment property into category of property and equipment with estimated value of HRK 5.138 thousand.

Estimated fair value of investment property at balance sheet date equals HRK 1.881 thousand (2015: HRK 6.132 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 2016: one property). Impairment on 31 December 2017 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 115 thousand (2016: HRK 303 thousand). The average monthly rental price is HRK 268,00 per square meter (2016: HRK 70.50 / 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:

	2017 Non-life HRK'000	2017 Life HRK'000	2017 Total HRK'000	2016 Non-life HRK'000	2016 Life HRK'000	2016 Total HRK'000
At 1 January	17,308	-	17,308	16,646	-	16,646
Net increase/(decrease) (Note 1.34)	208	-	208	662	-	662
At 31 December	17,516	-	17,516	17,308	-	17,308

1.14 Other intangible assets

	Licences HRK'000	Software HRK'000	Assets under development HRK'000	Total HRK'000
Cost				
At 1 January 2016	7,272	17,068	676	25,016
Additions	-	-	1,892	1,892
Disposal	-	(5)	-	(5)
Transfer into use	113	1,681	(1,794)	-
At 31 December 2016	7,385	18,744	774	26,903
At 1 January 2017	7,385	18,744	774	26,903
Additions	-	-	3,395	3,395
Disposal	(508)	-	-	(508)
Transfer into use	101	3,289	(3,390)	-
At 31 December 2017	6,978	22,033	779	29,790
Amortisation and impairment losses				
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
At 1 January 2017	5,669	16,544	-	22,213
Amortisation charge for the year	973	859	-	1,832
Disposal	(220)	-	-	(220)
At 31 December 2017	6,422	17,403	-	23,825
Net book value				
At 1 January 2016	2,678	1,906	676	5,260
At 31 December 2016	1,716	2,200	774	4,690
At 1 January 2017	1,716	2,200	774	4,690
At 31 December 2017	556	4,630	779	5,965

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

1.15 Financial investments

	2017 HRK'000	2016 HRK'000
Held-to-maturity investments	130,188	140,454
Available-for-sale financial assets	441,553	388,344
Financial assets at fair value through profit or loss		
- Held for trading	37,995	47,060
- Designated	143,173	140,933
Loans and receivables	14,512	16,341
	767,421	733,132

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)

2017	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	-	508	4,823	-	5,331
Government bonds, listed	130,188	423,391	-	-	553,579
Corporate bonds and commercial bills, listed	-	17,654	1,147	-	18,801
Municipal bonds, listed	-	-	-	-	-
Debt securities – fixed rate	130,188	441,045	1,147	-	572,380
Investment funds – listed	-	-	32,025	-	32,025
Investment funds – listed	-	-	143,173	-	143,173
Deposits	-	-	-	1,382	1,382
Corporate bonds, listed	-	-	-	-	-
Investments for the account and risk of life insurance policyholders	-	-	143,173	1,382	144,555
Deposits with banks	-	-	-	-	-
Loans	-	-	-	13,130	13,130
	130,188	441,553	181,168	14,512	767,421
2016					
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

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:

	2017 HRK'000	2016 HRK'000
Deposits with banks	4,612	4,557
Loans to policyholders	23,990	26,100
Corporate bonds listed in markets that are not active	-	199
Impairment	(14,090)	(14,515)
	<u>14,512</u>	<u>16,341</u>

Loans and receivables are analysed as follows:

	2017 HRK'000	2016 HRK'000
Deposits with banks	1,382	1,327
Neither past due nor impaired	1,382	1,327
Past due, but not impaired	-	-
Past due and impaired	3,230	3,230
Impairment provision	(3,230)	(3,230)
Loans to policyholders	13,130	14,815
Neither past due nor impaired	9,120	10,202
Past due, but not impaired	-	-
Past due and impaired	14,870	15,898
Impairment provision	(10,860)	(11,285)
Corporate bonds listed in markets that are not active	-	199
Neither past due nor impaired	-	199
Past due, but not impaired	-	-
Past due and impaired	-	-
Impairment provision	-	-
	<u>14,512</u>	<u>16,341</u>

1.15 Financial investments (continued)

At 31 December 2017

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	-	-	10,860

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

The difference between the gross exposure of impaired loans and related impairment provisions amounts to HRK 4,010 thousand (2016: HRK 4,613 thousand) and is collateralized by mortgage on properties.

As at 31 December 2017, there was no unimpaired past due loans secured by mortgage on property (2016: HRK 0 thousand).

As at 31 December 2017, there was no unimpaired past due loans secured by other instruments (2016: HRK 0 thousand).

As at 31 December 2017, the Company has loans secured by life insurance policies in the amount of HRK 1,558 thousand (in 2016: HRK 1,829 thousand) and advances secured by life insurance policies in the amount of HRK 4,627 thousand (in 2016: HRK 5,024 thousand).

Financial assets classified as loans and receivables include investments for the account and risk of life insurance policyholders in the amount of HRK 1,382 thousand (2015: HRK 1,327 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 2016 HRK'000	Deposits with banks 2016 HRK'000	Total 2016 HRK'000
At 1 January	11,285	3,230	14,515	11,036	3,230	14,266
Increase	-	-	-	249	-	249
Decrease	425	-	425	-	-	-
At 31 December	10,860	3,230	14,090	11,285	3,230	14,515

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 1.29).

Financial assets carried at fair value

As at 31 December 2017 and 2016 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 143,173 thousand (2016: HRK 140,933 thousand).

As at 31 December 2017 there were no financial assets classified as available for sale include investments for the account and risk of life insurance policyholders (2016: 3,202 thousand).

Held-to-maturity financial assets

As at 31 December 2017 there was no past due held-to-maturity assets.

During 2017, the Company has no written off impairment losses on domestic corporate bonds (HRK 1,400 thousand).

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

	2017	2016
<i>(in thousand HRK)</i>		
At 1 January	-	1,400
Increase	-	-
Decrease	-	(1,400)
At 31 December	-	-

Analysis of credit quality of financial assets carried at fair value and financial assets held-to-maturity is presented in Note 1.39.

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 2017 and 2016 there were no reclassifications of financial assets.

Carrying amounts of reclassified assets and their fair values at the reclassification date and at 31 December 2017 and 31 December 2016 were as follows:

	As at reclassification date		31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets</i>						
Investment funds	30,705	30,705	-	-	-	-
Equity securities	8,024	8,024	482	482	466	466
<i>Available-for-sale financial assets reclassified to held-to-maturity investments</i>						
Debt securities – reclassification 2008	134,369	134,369	21,886	23,929	31,921	34,730
Debt securities – reclassification 2011	128,040	128,040	108,303	122,041	108,533	126,378
<i>Available-for-sale financial assets reclassified to loans and receivables</i>						
Debt securities	12,935	12,935	-	-	199	206
	<u>314,073</u>	<u>314,073</u>	<u>130,671</u>	<u>146,452</u>	<u>141,119</u>	<u>161,780</u>

1.15 Financial investments (continued)

The table below presents amounts recognised in profit or loss and other comprehensive income during 2017 and 2016 under reclassified financial assets:

	2017		2016	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
<i>Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets as at 30 September 2008</i>	-	-	-	-
Losses on change in fair value of financial assets	-	39	-	51
Losses from sale of financial asset	-	-	-	-
<i>Available-for-sale financial assets reclassified to held-to-maturity investments as at 30 September 2008 and on 1 October 2011</i>				
Foreign exchange differences	(758)	-	(1,327)	-
Interest income	7,860	-	8,430	-
Change in fair value reserve	-	742	-	783
<i>Available-for-sale financial assets reclassified to loans and receivables as at 30 June 2008</i>				
Interest income	9	-	22	-
	<u>7,111</u>	<u>781</u>	<u>7,125</u>	<u>834</u>

The table below presents amounts that would have been recognised in profit or loss and other comprehensive income during 2017 and 2016 under reclassified financial assets if no reclassification had taken place:

	2017		2016	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
<i>Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets as at 30 September 2008</i>				
Losses on change in fair value of financial assets	39	-	51	-
<i>Available-for-sale financial assets reclassified to held-to-maturity investments as at 30 September 2008 and on 1 October 2011</i>				
Foreign exchange differences	(758)	-	(1,327)	-
Interest income	7,860	-	8,430	-
Change in fair value reserve	-	14,283	-	18,420
<i>Available-for-sale financial assets reclassified to loans and receivables as at 30 June 2008</i>				
Interest income	9	-	22	-
	<u>7,150</u>	<u>14,283</u>	<u>7,176</u>	<u>18,420</u>

1.16 Reinsurance share of insurance contracts provisions

	Note	2017 HRK'000	2016 HRK'000
Non-life			
Reinsurance share in unearned premium reserve	1.16 a)	14,343	14,343
Reinsurance share in notified outstanding claims reserve	1.16 b)	20,979	20,979
Reinsurance share in incurred but not reported claims reserve	1.16 c)	1,394	1,394
Reinsurance share in unexpired risk reserve		39	-
Total reinsurance share in insurance contract provisions		61,320	36,716

1.17 Deferred tax assets / liabilities

	2017 HRK'000	Recognised through profit or loss HRK'000	Recognised through other comprehensive income HRK'000	2016 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	2,379	(688)	-	3,067
	<u>2,869</u>	<u>(688)</u>	<u>-</u>	<u>3,557</u>

	2016 HRK'000	Recognised through profit or loss HRK'000	Recognised through other comprehensive income HRK'000	2015 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	-	-	3,067
	<u>3,557</u>	<u>-</u>	<u>-</u>	<u>3,557</u>

Movement of Tax losses for transfer to future periods is shown in Note 1.36.

1.18 Insurance and other receivables

	2017 HRK'000	2016 HRK'000
Receivables arising from insurance contracts (premium)	141,625	127,431
- Premium impairment losses	(66,812)	(66,752)
Total	74,813	60,679
Accrued interests	11,842	13,038
- Impairment	(1,305)	(1,492)
Total	10,537	11,546
Receivables from recourse	60,143	62,360
- impairment of recourse receivables	(55,404)	(56,953)
Total	4,739	5,407
Other receivables	8,016	9,267
- Impairment of other receivables	(763)	(2,520)
Total	7,253	6,747
Credit card receivables	3,246	3,272
- Impairment of credit card receivables	(176)	(99)
Total	3,070	3,173
Receivables from reinsurance	27,212	32,704
Total	127,624	120,256

Insurance and other receivables are classified as Loans and receivables measurement category. In the category of other receivables are included internal non-life insurance receivables from life insurance receivables in the amount of HRK 681 thousand (2016: 506 thousand).

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

	2017 HRK'000	2016 HRK'000
At 1 January	66,752	79,600
Increase in provisions	4,786	3,113
Decrease in provisions	(4,726)	(15,961)
Reclassification	-	-
At 31 December	66,812	66,752

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 2017							
Neither past due nor impaired	32,191	11,842	1,707	3,070	27,212	-	76,022
Past due but not impaired	42,621	-	3,032	-	-	7,253	52,906
Past due and impaired	66,813	-	55,404	176	-	763	123,156
Impairment provision	(66,812)	(1,305)	(55,404)	(176)	-	(763)	(124,460)
	74,813	10,537	4,739	3,070	27,212	7,253	127,624
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

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 2017							
High quality	-	11,842	-	3,070	27,211	-	42,123
Standard quality	32,191	-	1,707	-	-	-	33,898
	32,191	11,842	1,707	3,070	27,211	-	76,021
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

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.

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 2017:

<i>(in thousand HRK)</i>	< 90 days	90 – 180 days	> 180 days	Total
Analysis of past due but not impaired by days past due				
Insurance receivables	22,577	14,426	5,618	42,621
Receivables from recourse	896	908	1,228	3,032
Reinsurance receivables	-	-	-	-
Other receivables	-	-	7,253	7,253
Total	23,473	15,334	14,099	52,906

As at 31 December 2016:

<i>(in thousand HRK)</i>	< 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

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

	2017 HRK'000	2016 HRK'000
At 1 January	61,064	60,579
Increase in provisions	1,295	5,006
Decrease in provisions	(4,711)	(4,521)
At 31 December	57,648	61,064

1.19 Cash and cash equivalents

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

	2017 HRK'000	2016 HRK'000
Cash at bank	5,246	8,299
Cash in hand	1	72
Deposits with original maturity < 90 days	16,600	21,875
	<hr/>	<hr/>
Total cash and cash equivalents	21,847	30,246
	<hr/> <hr/>	<hr/> <hr/>

1.20 Insurance contract provisions

	2017 HRK'000	2016 HRK'000
<i>Non-life insurance</i>		
Provision for unearned premiums	154,343	142,326
Notified outstanding claims reserve	157,806	133,908
Incurred but not reported claims reserve	64,175	56,589
Provision for claims handling expenses	4,677	4,506
Provision for unexpired risks	3,098	3,476
Provision for bonuses and rebates	401	1,129
Equalization reserve	330	303
	<hr/>	<hr/>
Total non-life insurance	384,830	342,237
	<hr/> <hr/>	<hr/> <hr/>
<i>Life insurance</i>		
Provision for unearned premiums	95	98
Life insurance provision	312,682	305,758
Life insurance provision for unit-linked	145,023	144,582
Life insurance provision for LAT	-	-
Notified outstanding claims reserve	1,644	1,572
Incurred but not reported claims reserve	1,479	1,591
Provision for claims handling expenses	187	190
	<hr/>	<hr/>
Total life insurance	461,110	453,791
	<hr/> <hr/>	<hr/> <hr/>
Total insurance contract provisions	845,940	796,028
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2016, life insurance provisions did not include any reserves for the allocation of profit for 2016.
As at 31 December 2017, life insurance provisions did not include any reserves for the allocation of profit for 2017.

1.20 Insurance contract provisions (continued)

a) Analysis of movement on provision for unearned premium

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
<i>Non-life business</i>						
At 1 January	142,327	(14,342)	127,985	136,620	(15,563)	121,057
Premiums written during the year	343,514	(61,540)	281,974	309,223	(61,981)	247,242
Less: premiums earned during the year	(331,498)	65,094	(266,404)	(303,516)	63,202	(240,314)
At 31 December	<u>154,343</u>	<u>(10,788)</u>	<u>143,555</u>	<u>142,327</u>	<u>(14,342)</u>	<u>127,985</u>
<i>Life insurance business</i>						
At 1 January	98	-	98	101	-	101
Premiums written during the year	57,346	(50)	57,296	59,436	(44)	59,392
Less: premiums earned during the year	(57,349)	50	(57,299)	(59,439)	44	(59,395)
At 31 December	<u>95</u>	<u>-</u>	<u>95</u>	<u>98</u>	<u>-</u>	<u>98</u>

b) Analysis of movements in notified outstanding claims reserve

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
<i>Non-life business</i>						
At 1 January	133,908	(20,979)	112,929	127,543	(18,186)	109,357
Current year claims	199,718	(53,567)	146,151	163,102	(16,076)	147,026
Change in previous year claims	42,277	(35,479)	6,798	25,745	(27,491)	(1,746)
Claims paid	(218,097)	60,172	(157,925)	(182,482)	40,774	(141,708)
At 31 December	<u>157,806</u>	<u>(49,853)</u>	<u>107,953</u>	<u>133,908</u>	<u>(20,979)</u>	<u>112,929</u>
<i>Life insurance business</i>						
At 1 January	1,572	-	1,572	1,642	-	1,642
Current year claims	43,875	-	43,875	33,459	-	33,459
Change in previous year claims	1,217	-	1,217	1,435	-	1,435
Claims paid	(45,020)	-	(45,020)	(34,964)	-	(34,964)
At 31 December	<u>1,644</u>	<u>-</u>	<u>1,644</u>	<u>1,572</u>	<u>-</u>	<u>1,572</u>

1.20 Insurance contract provisions (continued)

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

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
<i>Non-life business</i>						
At 1 January	56,589	(1,394)	55,195	53,855	(831)	53,024
Additions recognised during the year	21,090	(3,883)	17,207	21,090	(3,883)	17,207
Transfer to claims reported provision	(18,356)	3,320	(15,036)	(18,356)	3,320	(15,036)
	35,296	(7,179)	28,117			
At 31 December	(27,710)	7,933	(19,777)	56,589	(1,394)	55,195
	64,175	(640)	63,535			
<i>Life insurance business</i>						
At 1 January				1,485	-	1,485
Additions recognised during the year	1,448	-	1,448	1,448	-	1,448
Transfer to claims reported provision	(1,342)	-	(1,342)	(1,342)	-	(1,342)
	1,591	-	1,591			
At 31 December	970	-	970	1,591	-	1,591

d) Analysis of movement in provision for unexpired risks

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
At 1 January	3,476	-	3,476	13,398	-	13,398
Release through profit or loss	(3,476)	-	(3,476)	(13,398)	-	(13,398)
Provision recognised during year	3,098	-	3,098	3,476	-	3,476
At 31 December	3,098	-	3,098	3,476	-	3,476

1.20 Insurance contract provisions (continued)

e) Analysis of movement in provision for bonuses and discounts

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
At 1 January	1,129	-	1,129	2,412	-	2,412
Release through profit or loss	(766)	-	(766)	(1,439)	-	(1,439)
Provision recognised during year	38	-	38	156	-	156
At 31 December	<u>401</u>	<u>-</u>	<u>401</u>	<u>1,129</u>	<u>-</u>	<u>1,129</u>

f) Life insurance provisions

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
At 1 January	305,758	-	305,758	295,844	-	295,844
Premium allocation, net	24,972	-	24,972	24,104	-	24,104
Release of liabilities due to benefits paid, surrenders and other terminations	(24,256)	-	(24,256)	(20,569)	-	(20,569)
Change in Zillmer adjustment	(437)	-	(437)	(522)	-	(522)
Allocation of regular interest	10,789	-	10,789	10,509	-	10,509
Effect of change in technical interest rate to 3,3%	(1,034)	-	(1,034)	(1,461)	-	(1,461)
Other	(3,110)	-	(3,110)	(2,147)	-	(2,147)
At 31 December	<u>312,682</u>	<u>-</u>	<u>312,682</u>	<u>305,758</u>	<u>-</u>	<u>305,758</u>

g) Life insurance provisions for unit linked

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
At 1 January	144,582	-	144,582	138,452	-	138,452
Premium allocation, net	14,134	-	14,134	14,649	-	14,649
Release of liabilities due to benefits paid, surrenders and other terminations	(17,670)	-	(17,670)	(10,579)	-	(10,579)
Change in value of fund units	3,760	-	3,760	1,773	-	1,773
Other	217	-	217	287	-	287
At 31 December	<u>145,023</u>	<u>-</u>	<u>145,023</u>	<u>144,582</u>	<u>-</u>	<u>144,582</u>

1.20 Insurance contract provisions (continued)

h) Life insurance provisions for LAT

	2017 Gross HRK'000	2017 Reinsurance HRK'000	2017 Net HRK'000	2016 Gross HRK'000	2016 Reinsurance HRK'000	2016 Net HRK'000
At 1 January	-	-	-	-	-	-
Increasing during the year	-	-	-	-	-	-
Decreasing during the year	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

1.20 Insurance contract provisions (continued)

i) Development of provisions for non-life insurance claims as at 31 December 2017

	Prior to 2003	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	HRK'000
Estimate of cumulative claims at the end of accident year																	
One year later		93.600	103.308	125.492	131.281	168.942	196.207	210.687	239.741	208.850	305.152	194.860	161.676	180.563	194.937	236.325	
Two years 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	209.211		
Three years later		114.662	125.745	136.478	144.445	180.236	186.246	178.622	206.099	183.428	261.031	174.763	156.986	176.242			
Four years later		116.794	126.873	140.136	145.742	178.672	182.796	175.934	200.731	180.174	264.201	174.304	155.859				
Five years later		117.344	130.989	139.466	142.655	176.246	181.396	174.445	200.357	178.158	259.803	175.974					
Six years later		119.724	129.991	139.297	143.341	175.440	181.867	174.231	199.532	178.712	257.213						
Seven years later		120.594	129.249	138.406	143.215	175.595	183.278	173.184	199.718	179.138							
Eight years later		120.178	129.433	138.128	143.311	175.399	184.455	176.299	200.324								
Nine years later		120.065	130.258	138.210	143.979	175.950	186.505	176.247									
Ten years later		120.579	130.474	138.474	144.404	176.871	185.902										
Eleven years later		127.757	130.128	138.901	145.951	176.988											
Twelve years later		128.261	130.235	138.852	145.973												
Thirteen years later		128.408	130.481	138.806													
Fourteen years later		128.419	129.741														
Estimate of cumulative claims																	
Cumulative payments	228.504 (215.425)	129.391 (127.980)	129.741 (128.727)	138.806 (137.164)	145.973 (143.113)	176.988 (172.635)	185.902 (181.264)	176.247 (172.775)	200.324 (194.156)	179.138 (173.373)	257.213 (247.967)	175.974 (166.690)	155.859 (147.679)	176.242 (162.885)	209.211 (174.238)	236.325 (133.783)	2.901.836 (2.679.854)
Value recognised in the statement of financial position of the current year	13.079	1.411	1.014	1.642	2.860	4.353	4.638	3.472	6.168	5.765	9.246	9.284	8.180	13.357	34.973	102.542	221.982
Claims handling costs	414	35	16	32	24	50	45	50	49	45	76	119	124	151	395	3.052	4.677
Value recognised in the statement of financial position	13.493	1.446	1.030	1.674	2.884	4.403	4.683	3.522	6.217	5.810	9.322	9.403	8.304	13.508	35.368	105.594	226.659

1.20 Insurance contract provisions (continued)

j) Development of provisions for life insurance claims as at 31 December 2017

	Prije 2017 '000	2013 '000	2014 '000	2015 '000	2016 '000	2017 '000	2018 '000	2019 '000	2010 '000	2011 '000	2012 '000	2013 '000	2014 '000	2015 '000	2016 '000	2017 '000	Total HRK'0
Estimate of		2.9 61	15.4 69	7.6 94	7.4 53	26.7 17	26.0 26	22.7 39	24.0 79	23.3 59	29.8 26	28.6 68	35.1 68	33.1 80	32.0 87	43.54 2	
One year later		4.4 41	14.3 71	5.1 29	6.6 74	24.8 27	24.5 76	21.1 61	22.7 08	22.2 89	29.0 54	28.2 52	36.8 47	33.2 72	34.075		
Two years later		3.6 53	13.7 18	4.4 67	5.8 41	24.3 73	24.2 25	20.4 95	22.5 28	22.2 96	28.7 87	28.7 13	36.7 20	33.8 80			
Three years later		3.7 22	14.2 78	4.3 92	6.0 44	24.3 72	24.1 31	20.7 94	22.7 21	22.3 25	29.0 27	28.5 55	36.9 93				
Four years later		3.5 21	14.0 76	4.4 60	6.0 10	24.2 56	24.0 97	20.7 28	22.9 27	22.3 96	28.9 46	28.7 10					
Five years later		3.5 01	14.0 64	4.4 52	6.0 99	24.2 71	24.0 99	20.6 71	23.0 88	22.3 65	29.0 85						
Six years later		3.4 86	14.0 45	4.3 60	6.1 16	24.2 73	24.0 97	20.6 92	23.0 52	22.3 83							
Seven years later		3.4 78	14.0 23	4.3 60	6.1 04	24.3 74	24.1 13	20.6 71	23.0 71								
Eight years later		3.4 48	14.0 23	4.3 61	6.4 75	24.5 41	24.0 97	20.6 75									
Nine years later		3.4 48	14.0 23	4.3 75	6.8 96	24.3 74	24.1 23										
Ten years later		3.4 48	14.0 24	4.4 55	6.4 81	24.5 47											
Eleven years later		3.4 48	14.0 24	4.5 65	6.8 68												
Twelve years later		3.4 48	14.0 24	4.5 65													
Thirteen years later		3.4 48	14.0 24														
Fourteen years later		3.4 48															
Estimate of cumulative claims	12.9 41	3.4 48	14.0 24	4.5 65	6.4 81	24.3 74	24.0 97	20.6 71	23.0 52	22.3 65	28.9 46	28.5 55	36.7 20	33.2 72	32.0 87		315.5 98
Cumulative payments	12.941	3.448	14.024	-4.565	-6.481	24.535	24.097	20.673	23.054	22.380	28.965	28.610	36.862	33.528	33.317	42.324	317.480
Value recognised in the statement of financial position of the current year	0	0	0	0	387	12	26	2	17	3	119	98	93	222	519	148	1.646
Claims handling costs	0	0	0	0	23	1	2	0	1	0	7	6	8	21	45	73	187
Value recognised in the statement of financial position	0	0	0	0	410	13	28	2	18	3	126	104	101	243	564	221	1.612

1.20 Insurance contract provisions (continued)

k) Remaining maturities of insurance liabilities

2017	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	145,350	9,027	61	-	-	-	154,438
Notified outstanding claims reserve & incurred but not reported claims reserve	130,822	65,136	22,509	5,446	1,026	165	225,104
Life insurance provisions, provision for unit linked products	3,236	107,211	112,655	157,953	67,044	9,606	457,705
Provision for claims handling costs	2,571	1,566	549	148	26	4	4,864
Provision for unexpired risks	3,086	12	-	-	-	-	3,098
Provision for bonuses and discounts	401	-	-	-	-	-	401
Equalization reserve	330	-	-	-	-	-	330
Insurance liabilities	285,796	182,952	135,774	163,547	68,096	9,775	845,940

2016	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 year HRK'000	Between 10 and 15 year HRK'000	Between 15 and 20 year 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

1.20 Insurance contract provisions (continued)

1) 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 2017			31 December 2016		
	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	312,556	13,092	325,648	330,518	7,290	337,808
Life insurance provision	312,682	-	312,682	305,758	-	305,758
Provision for claims for risk types for which it is necessary to form life insurance provision	694	-	694	1,140	-	1,140
Required coverage of life insurance provision	313,376	-	313,376	306,898	-	306,898
Excess of coverage	(820)	13,092	12,272	23,620	7,290	30,910

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
2017					
Assets for covering life insurance provision	11,864	125,119	108,285	80,380	325,648
Life insurance provision	(2,582)	(87,012)	(87,348)	(135,740)	(312,682)
Claims reserve	(609)	(85)	-	-	(694)
	<u>8,673</u>	<u>38,022</u>	<u>20,937</u>	<u>(55,360)</u>	<u>12,272</u>
Maturity gap	<u><u>8,673</u></u>	<u><u>38,022</u></u>	<u><u>20,937</u></u>	<u><u>(55,360)</u></u>	<u><u>12,272</u></u>
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)
	<u>4,387</u>	<u>70,124</u>	<u>76,965</u>	<u>(120,566)</u>	<u>30,910</u>
Maturity gap	<u><u>4,387</u></u>	<u><u>70,124</u></u>	<u><u>76,965</u></u>	<u><u>(120,566)</u></u>	<u><u>30,910</u></u>

As at 31 December 2017 and 31 December 2016 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 2017, the Company realised yields on investment of life insurance provision of 5.75% (2016: 3.94%). The average three-year yield on investment of life insurance provision is 5.17%.

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 2017			31 December 2016		
	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	79,157	296,018	375,175	139,156	191,763	330,919
Provision for unearned premiums	95	143,555	143,650	98	127,985	128,083
Claims reserve	2,616	176,165	178,781	2,213	172,629	174,841
Other reserves	-	3,790	3,790	-	4,908	4,908
Required coverage of insurance contract provision other than life insurance provision	2,711	323,510	326,221	2,311	305,521	307,832
Excess/(deficit) of coverage	76,446	(27,492)	48,954	136,845	(113,758)	23,087

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
2017					
Assets for covering insurance contract provision	119,235	125,446	129,293	1,201	375,175
Provision for unearned premiums	(135,093)	(8,499)	(58)	-	(143,650)
Claims reserve and other reserves	(96,098)	(58,550)	(21,615)	(6,308)	(182,571)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Maturity gap	(111,956)	58,397	107,620	(5,107)	48,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Maturity gap	3,629	(8,217)	33,565	(5,891)	23,086
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 31 December 2017 and 31 December 2016, 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 Short-term loan

	Maturity	Annual interest rate %	2017 HRK'000	2016 HRK'000
Short-term loan	30 June 2018	variable	20,000	20,000
			<u> </u>	<u> </u>
Short-term loan			20,000	20,000
			<u> </u>	<u> </u>

During 2017, the Company used a short-term loan from a commercial bank. Loan was fully repaid in 2018.

1.22 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 2017	-	3,876	-	1,100
Provisions used during year	-	(189)	-	(398)
Additional provisions during year	1,490	-	1,658	-
At 31 December 2017	<u>1,490</u>	<u>3,687</u>	<u>1,658</u>	<u>702</u>
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	<u>-</u>	<u>3,876</u>	<u>1,100</u>	<u>4,976</u>

Short-term provisions for post-employment benefits are designed in accordance with the planned retirement contracts concluded in the year 2017. Provisions will be utilized in the year 2018.

1.23 Insurance and other payables

	2017 HRK'000	2016 HRK'000
Insurance contract payables		
- to policyholders	9,464	8,053
- other payables from insurance contracts	11,001	10,369
Reinsurance contract payables	8,127	18,400
Trade payables	1,322	982
Due to employees	6,800	6,398
Other payables and accrued expenses	3,525	2,662
Other payables and accrued expenses – voluntary health insurance fee	1,406	-
Total insurance and other payables	<u>41,645</u>	<u>46,864</u>

1.24 Share capital and reserves

Share capital	2017 HRK'000	2016 HRK'000
<i>Authorised, issued and fully paid</i>		
99,836 ordinary shares with nominal value of HRK 2,100 (2016: 99,836 ordinary shares with nominal value of HRK 2,100)	<u>209,656</u>	<u>209,656</u>

The share capital of the Company is denominated in Croatian kuna (HRK). As at 31 December 2017, the nominal value of each share issued is HRK 2,100 (2016: HRK 2,100).

Table below presents movement in number of shares – there were no new issues of ordinary shares during 2017:

	2017	2016
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	<u>99,836</u>	<u>99,836</u>

As at 31 December 2017, the major owner is Triglav INT d.d., a joint stock company based in Ljubljana, Slovenia, with 100% of voting rights (2016: 99.91%).

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

	2017 %	2016 %
Triglav INT d.d.	100.00	99.91
Other shareholders	-	0.09
	<u>100.00</u>	<u>100.00</u>

1.25 Share capital and reserves (continued)

Treasury shares

In 2017, 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 2017, statutory reserve amounts to HRK 4,377 thousand (2016: HRK 4,377 thousand).

Other capital reserves

Other capital reserves amount to HRK 6,383 thousand (2015: HRK 5,632 thousand).

Fair value reserve

As at both 31 December 2017 and 31 December 2016, 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:

	2017 HRK'000	2016 HRK'000
Fair value reserve as at 1 January (gross)	16,433	2,649
Deferred tax	(2,959)	(530)
At 1 January	13,474	2,119
Revaluation	8,579	13,784
Recognition of deferred tax	(1,544)	(2,429)
Fair value reserve as at 31 December (gross)	25,012	16,433
Deferred tax	(4,503)	(2,959)
At 31 December	20,509	13,474

1.25 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 2017, the Company had only basic own funds totaling HRK 234,644 thousand (2016: HRK 259,465 thousand). The equity capital of the Company was HRK 209,656 thousand (2016: HRK 209,656 thousand) and provisions for adjusting amounted to HRK 49,810 thousand (2016: HRK 49,810 thousand).

The Company had no auxiliary funds as at 31 December 2017.

In the table below is given an overview of the Company's capital as at 31 December 2017 and 31 December 2016 which hasn't been audited at financial statements' issue date:

	2017 Unaudited HRK'000 Total	2016 Unaudited HRK'000 Total
Core capital		
Share capital	209,656	209,656
Statutory reserves	4,377	4,377
Premium on issued shares	0	-
Other reserves	6,383	5,631
Retained earnings	(25,858)	(26,067)
Profit / loss for the current year	802	209
Total Core capital	195,360	193,806
Acceptable eligible capital for SCR coverage	234,644	259,465
Acceptable eligible capital for MCR coverage	234,644	259,465
Solvency capital required (SCR)	141,183	146,603
Minimum capital required (MCR)	59,255	57,720
SCR ratio (Solvency ratio)	166%	177%
MCR ratio (Minimum solvency ratio)	396%	450%
SCR buffer (Capital surplus over SCR)	93,462	112,862

1.26 Premiums

	2017 HRK'000	2016 HRK'000
<i>Non-life insurance</i>		
Gross premium written	343,514	309,223
Premiums ceded to reinsurers	(61,540)	(61,981)
Change in unearned premiums (gross)	(12,016)	(5,707)
Change in unearned premiums (reinsurance share)	(3,554)	(1,220)
Total net premium income (earned) from non-life insurance	266,404	240,315
<i>Life insurance</i>		
Gross premium written	57,346	59,436
Premiums ceded to reinsurers	(50)	(44)
Change in unearned premiums, net	3	3
Total net premium income (earned) from life insurance	57,299	59,395
Total premiums	323,703	299,710

Gross written premiums of the Company for life insurance include HRK 18,841 thousand (2016: HRK 19,290 thousand) of premiums from unit-linked products.

1.27 Premiums (continued)

Analysis by class of business

2017	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
<i>Non-life insurance business</i>						
Accident insurance	13,155	13,656	(8,413)	(4,123)	(4,080)	816
Health insurance	2,992	1,467	(769)	(3,105)	(1,980)	4,285
Road vehicles insurance	57,851	53,938	(42,051)	(9,305)	(6,884)	5,395
Rail vehicles insurance	-	-	-	-	-	-
Aircrafts insurance	1,265	2,063	(35)	(771)	(348)	921
Vessel insurance	14,897	11,378	(23,979)	(3,691)	(3,914)	18,922
Goods in transport insurance	1,237	1,306	(205)	(602)	(286)	604
Fire property and other perils insurance	31,596	31,096	(15,283)	(7,493)	(8,389)	21,371
Other property insurance	55,835	53,346	(72,247)	(12,228)	(8,806)	64,046
Motor third party liability	121,744	118,823	(72,476)	(24,015)	(17,922)	12,087
Aircraft third party liability	180	236	(25)	(778)	(37)	175
Vessel third party liability	3,124	2,427	(1,443)	(688)	(1,080)	578
Other liability insurance	27,822	28,411	(8,225)	(6,383)	(4,342)	21,306
Loan insurance	-	300	1,744	(1,793)	(1)	71
Guarantee insurance	3,681	4,539	(2,301)	(1,458)	(601)	776
Financial loss insurance	5,223	5,612	(1,714)	(1,322)	(1,023)	3,769
Legal expense insurance	75	220	1	(113)	(41)	211
Travel insurance	2,837	2,678	(1,225)	(668)	(591)	114
Total non-life	343,514	331,496	(248,646)	(78,536)	(60,325)	155,447
<i>Life</i>						
Life insurance	32,814	32,814	(24,636)	(4,689)	(2,754)	21
Annuity insurance	333	333	(488)	(66)	(28)	-
Riders	5,338	5,341	(1,621)	(565)	(448)	12
Marriage and birth insurance	20	20	-	(2)	(2)	-
Life or annuity insurance provisions where the policyholder bears the investment risk	18,841	18,841	(18,234)	(2,977)	(1,581)	17
Total life	57,346	57,349	(44,979)	(8,299)	(4,813)	50
Total life and non-life	400,860	388,845	(293,625)	(86,835)	(65,138)	155,497

1.27 Premiums (continued)

Analysis by class of business (continued)

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
<i>Non-life insurance business</i>						
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
<i>Life</i>						
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 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.

2017	Claims ratio	Expense ratio	Combined ratio
Accident insurance	61.16%	62.36%	123.52%
Health insurance	52.39%	169.93%	222.32%
Road vehicles insurance	78.03%	27.98%	106.02%
Rail vehicles insurance	0.00%	0.00%	0.00%
Aircrafts insurance	1.30%	88.47%	0.00%
Vessel insurance	203.07%	51.05%	254.12%
Goods in transport insurance	15.81%	71.74%	87.55%
Fire property and other perils insurance	49.44%	50.27%	99.71%
Other property insurance	137.53%	37.67%	175.21%
Motor third party liability	60.99%	34.45%	95.44%
Aircraft third party liability	0.00%	453.18%	453.18%
Vessel third party liability	59.39%	56.58%	115.98%
Other liability insurance	29.07%	38.55%	67.62%
Loan insurance	(581.48%)	0.00%	(581.48%)
Guarantee insurance	50.70%	55.92%	106.62%
Financial loss insurance	43.72%	44.89%	88.62%
Legal expense insurance	0.00%	204.30%	204.30%
Travel insurance	47.55%	44.38%	91.93%
Total non-life	75.34%	40.42%	115.76%
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%

1.27 Fee and commission income

	2017 HRK'000	2016 HRK'000
<i>Reinsurance commission</i>		
Reinsurance commission – non-life	9,170	7,384
Reinsurance commission – life	-	-
	<u> </u>	<u> </u>
Total reinsurance commission	<u>9,170</u>	<u>7,384</u>

1.28 Income related to investments

	2017 HRK'000	2016 HRK'000
<i>Interest income</i>		
- Held-to-maturity investments	7,860	8,508
- Available for sale financial assets	13,719	14,057
- Financial assets at fair value through profit or loss	78	79
- Loans and receivables	545	648
	<u> </u>	<u> </u>
Dividend income	36	41
Net fair value gains of financial assets at fair value through profit or loss	<u>5,052</u>	<u>3,609</u>
<i>Net realised gains on financial assets</i>		
- Available for sale financial assets	6,866	2,211
- Financial assets at fair value through profit or loss	927	244
	<u> </u>	<u> </u>
Foreign exchange gains	41	181
Rental income	115	304
Other income	4,246	3,807
	<u> </u>	<u> </u>
Total investment income	<u>39,485</u>	<u>33,689</u>

The table below presents finance income by source of fund.

	2017			2016		
	Non-life HRK'000	Life HRK'000	Total HRK'000	Non-life HRK'000	Life HRK'000	Total HRK'000
Income from capital investment	2,942	20	2,962	2,633	6	2,639
Income from investment of life insurance provisions	-	21,911	21,911	-	16,562	16,562
Income from investment of other insurance contract provisions	4,541	10,071	14,612	6,413	8,075	14,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>7,483</u>	<u>32,002</u>	<u>39,485</u>	<u>9,046</u>	<u>24,643</u>	<u>33,689</u>

1.29 Expenses related to investments

	2017 HRK'000	2016 HRK'000
Net fair value losses of financial assets at fair value through profit or loss	(79)	(205)
<i>Net realised losses on financial assets</i>		
- Financial asset available for sale	(2)	(209)
- Investment property	-	-
<i>Net decrease in value</i>		
- Held-to-maturity investments	-	-
- Investments in associates	(559)	-
- Loans and receivables	(642)	(394)
Depreciation of investment property		
Value impairment of investment property	(117)	(359)
Other investment expenses	(206)	(884)
Total investment expense	(1,605)	(2,051)

The table below presents finance expenses by source of funds.

	2017			2016		
	Non-life HRK'000	Life HRK'000	Total HRK'000	Non-life HRK'000	Life HRK'000	Total HRK'000
Expenses from capital investment	(85)	(721)	(806)	(686)	(774)	(1,460)
Expenses from investment of life	-	-	-	-	(125)	(125)
Expenses from investment of other	(113)	(686)	(799)	(200)	(266)	(466)
	<u>(198)</u>	<u>(1,407)</u>	<u>(1,605)</u>	<u>(886)</u>	<u>(1,165)</u>	<u>(2,051)</u>

1.30 Other operating income

	2017 HRK'000	2016 HRK'000
<i>Other operating income</i>		
Net salvage income	8,501	8,019
Sale of property and equipment	93	105
Income from service claims	604	666
Other operating income	4,828	2,812
	<hr/>	<hr/>
Total other operating income	14,026	11,602
	<hr/> <hr/>	<hr/> <hr/>

1.31 Net policyholder claims and benefits incurred

	2017	2016
	HRK'000	HRK'000
<i>Non-life insurance</i>		
Claims paid (including claims costs, without decrease for recourses)		
Gross amount	(225,503)	(189,191)
Reinsurers' share	60,172	40,774
Change in notified outstanding claims reserve		
Gross amount	(23,898)	(6,365)
Reinsurers' share	28,874	2,793
Change in incurred but not reported claims reserve		
Gross amount	(7,586)	(2,734)
Reinsurers' share	(754)	563
Change in provision for claims handling costs, gross and net	(171)	(444)
Change in provision for unexpired risks	378	9,922
Change in equalization reserves	(27)	(38)
Provisions for bonus	-	1,283
Gross amount	728	-
Reinsurers' share	39	-
	<hr/>	<hr/>
Total gross claims incurred from non-life insurance	(256,079)	(187,567)
	<hr/>	<hr/>
Total reinsurers' share of claims incurred from non-life insurance	88,331	44,130
	<hr/>	<hr/>
Total net claims incurred from non-life insurance	(167,748)	(143,437)
	<hr/>	<hr/>
<i>Life insurance</i>		
Claims paid for traditional products		
Gross amount	(27,192)	(26,250)
Reinsurers' share	-	-
Claims paid for unit linked products	(17,828)	(7,758)
Change in life insurance provision, gross and net	(6,924)	(8,282)
Change in other technical provisions, net from reinsurance	-	38
Change in life insurance provision for unit linked products, gross and net	(441)	(16,370)
Change in notified outstanding claims reserve, gross and net	(73)	67
Change in incurred but not reported claims reserve, gross and net	113	443
Change in provision for claims handling costs, gross and net	2	30
	<hr/>	<hr/>
Total gross claims incurred from life insurance	(52,343)	(58,082)
	<hr/>	<hr/>
Total reinsurers' share of claims incurred from life insurance	-	-
	<hr/>	<hr/>
Total net claims incurred from life insurance	(52,343)	(58,082)
	<hr/>	<hr/>
Total gross claims incurred	(308,422)	(241,521)
Total reinsurers' share of claims incurred	88,331	35,696
	<hr/>	<hr/>
Total claims incurred, net of reinsurance	(220,091)	(205,825)
	<hr/>	<hr/>

1.32 Acquisition costs

	2017 HRK'000	2016 HRK'000
<i>Non-life insurance</i>		
Commission expenses	19,556	12,598
Salaries	30,253	31,354
Other acquisition costs	11,071	10,745
Change in deferred acquisition costs (Note 1.13)	-208	(2,657)
	<hr/>	<hr/>
Total acquisition costs, non-life	60,672	52,040
	<hr/>	<hr/>
<i>Life insurance</i>		
Commission expenses	3,298	1,899
Salaries	613	1,158
Other acquisition costs	903	771
	<hr/>	<hr/>
Total acquisition costs, life	4,814	3,828
	<hr/>	<hr/>
Total acquisition costs, non life and life	65,486	55,868
	<hr/> <hr/>	<hr/> <hr/>

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.

1.33 Administrative expenses

	2017 HRK'000	2016 HRK'000
Depreciation of property and equipment	4,195	4,364
Amortisation of intangible assets	1,832	2,461
Personnel expenses	50,297	48,883
Entertainment	874	539
Materials and services	15,958	15,605
Statutory audit	274	471
Rental costs	4,089	4,601
Other expenses	7,917	7,719
	<hr/>	<hr/>
	85,436	84,643
	<hr/> <hr/>	<hr/> <hr/>

In 2016, the average number of employees of the Company was 520 (2016: 525). In 2017, the Company paid HRK 11,758 thousand (2016: HRK 12,357 thousand) of pension contributions into obligatory pension funds.

1.34 Other operating expenses

	2017 HRK'000	2016 HRK'000
Fire brigade contributions	732	740
Costs for HUO and charges for guarantee fund	1,940	3,208
Net losses on impairment of insurance receivables /i/	596	(4,837)
Compulsory duty to Croatian Institute of Health Insurance based on collected premium from MTPL	2,758	2,701
Other expenses	1,438	500
Total other operating expenses	7,464	2,312

/i/ Amount of HRK 596 thousand (2016: HRK -4,836 thousand) relates to premium receivable that was directly impaired and recorded as expense, net of collected premiums for which impairment 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 disclosure under IFRS, it is disclosed under other operating expenses.

1.35 Finance costs

	2017 HRK'000	2016 HRK'000
Other expenses	723	608
Interest expense	23	294
Foreign exchange losses	4,067	5,738
Total	4,813	6,640

1.36 Income tax

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

	2017 HRK'000	2016 HRK'000
Profit/loss before tax	1.489	209
Current tax	-	-
Deferred tax	(687)	-
Income tax credit	(687)	-

b) Reconciliation of accounting profit and income tax at rate of 18%

	2017 HRK'000	2016 HRK'000
Profit/(loss) before tax	802	209
Income tax at legally prescribed rate of 18% (2016: 20%)	144	42
Expenses not deductible for tax purposes	296	310
Income not subject to tax	(77)	(1,461)
Use of the tax losses from previous periods	363	(1,109)
Tax liability as at 31 December	-	-
(Increase) / use of tax losses not recognised as deferred tax asset	(363)	-
Change in other net deferred taxes	(324)	-
Income tax credit / (charge)	(687)	-

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.

	2017 HRK'000	2016 HRK'000
Tax losses carried forward	26,063	20,520
Expiry of tax losses in the current year	(2,015)	-
Tax loss from the previous year	-	5,543
Tax losses used	<u>-</u>	<u>-</u>
	24,048	
Total tax losses available for carry-forward		26,063
Tax effect of tax losses carried forward (at rate of 18%)	4,329	4,691
Amount unrecognised as deferred tax asset	<u>(1,950)</u>	<u>(1,624)</u>
Recognised deferred tax asset	<u>2,379</u>	<u>3,067</u>

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

At 31 December 2017, gross tax losses available for carry-forward expire as follows:

	2016 HRK'000	2015 HRK'000
Up to 1 year	-	1,926
Up to 2 years	-	-
Up to 3 years	18,505	-
Up to 4 years	5,543	18,594
Up to 5 years	<u>-</u>	<u>5,543</u>
Total tax losses available for carry-forward	<u>24,048</u>	<u>26,063</u>

1.37 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 2017, HRK 4,089 thousand (2016: HRK 4,601 thousand) was recognised as an expense in the Company's statement of comprehensive income in respect of operating leases.

1.38 Related parties

The key shareholder of the Company is Triglav INT d.d., with holdings of 100% (2016: 99.91%) 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 2017 and 2016, the Company did not have loans granted to Management Board members. Management Board members compensation amounted to HRK 2,229 thousand (2016: HRK 2,960 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 compensation to the Supervisory Board members in amount of HRK 104 thousand (2016: HRK 109 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:

2017	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expenses HRK'000
Key management personnel				
- Salaries and other short-term employee benefits	-	-	-	-
- Contributions to pension funds	-	-	-	-
Zavarovalnica Triglav	30,726	6,820	(23,213)	(30,165)
Triglav RE	23,835	2,769	(25,358)	(45,092)
Other	2,028	555	426	2,357
Total	56,589	10,144	(48,145)	(72,900)
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)

1.39 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 25,956/28,435 thousand (2016: HRK 15,910/17,126 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 2017, 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 8,991 thousand (2016: HRK 9,630 thousand) better/worse, while fair value reserve in capital would have been higher/lower by HRK 25 thousand (2016: 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 2017, 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 5.139 thousand better/worse (2016: HRK 5,372 thousand better/worse), while fair value reserve in capital would have been by HRK 0 thousand lower/higher (2016: 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:

	2017 HRK'000	2016 HRK'000
Cash and cash equivalents	21,847	30,246
Debt securities	572,380	529,471
Deposits with banks	1,382	1,327
Loans to customers	13,130	14,815
Insurance receivables, net of impairment provisions	74,813	60,679
Receivables from reinsurance and other receivables, net of impairment provisions	52,810	59,577
	<u>736,362</u>	<u>696,115</u>

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:

	2017 HRK'000	2016 HRK'000
Government bonds	553,579	505,257
Accrued interest	9,427	10,396
	<u>563,006</u>	<u>515,653</u>

The total exposure to Croatian state risk represents 72.13% of the Company's total assets (2016: 68.92%).

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	2017 HRK'000	2016 HRK'000
Cash in bank	A	21,306	29,633
	Without rating	541	613
Debt securities	A	10,500	-
	AA	-	-
	B	-	-
	BB	553,579	490,081
	BBB	-	4,693
	Without rating	8,301	34,697
Deposits with financial institutions	Without rating	1,382	1,327
Loans	Without rating	13,130	14,815
Total		<u><u>608,739</u></u>	<u><u>575,859</u></u>

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 ratings of the country from where 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	27,211	32,704
Without rating	-	-
	<u>27,211</u>	<u>32,704</u>

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	
	2017	2016	2017	2016
Financial assets				
Held-to-maturity investments	130,188	140,454	148,438	161,108
Loans	13,130	14,815	13,130	14,815
Deposits	-	-	-	-
Other financial assets classified as Loans and receivables	1,382	1,526	1,568	1,761
Cash and cash equivalents	21,847	30,246	21,847	30,246
Total financial assets	166,547	187,041	184,983	207,930
Financial liabilities				
Subordinated loan	-	-	-	-
Short term loan	20,000	20,000	20,000	20,000
Total financial liabilities	20,000	20,000	20,000	20,000

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 2017 amounted to HRK 638 thousand (2016: HRK 311 thousand). The Company did not purchase additional assets classified as level 3 during 2017.

1.40 Financial Risk Management (continued)

Fair values (continued)

31 December 2017	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
<i>Available-for-sale financial assets</i>				
Equity securities	508	-	-	508
Debt securities	-	441,046	-	441,046
Investment funds	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>				
Equity securities	1,466	-	3,357	4,823
Debt securities	-	1,148	-	1,148
Investment funds	175,003	195	-	175,198
Total financial assets at fair value	176,977	442,389	3,357	622,723

31 December 2016	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
<i>Available-for-sale financial assets</i>				
Equity securities	501	-	-	501
Debt securities	28,471	359,372	-	387,843
Investment funds	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>				
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 2017	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 2016				
Financial liabilities carried at fair value through profit or loss	20,000	-	-	20,000

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 2017 are presented at level 3 (2016 : Level 3). In the current year, Company has impaired mentioned investment by 100% and as at 31 December 2017 it amounts to HRK 0 thousand (2016: HRK 559 thousand).

1.40 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Company at 31 December 2017 and 31 December 2016 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).

2017	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						
<i>Held-to-maturity investments</i>						
Debt securities	-	9,823	26,442	93,923	-	130,188
<i>Available-for-sale financial assets</i>						
Debt securities	-	9,353	5,247	116,054	310,391	441,045
Equity securities	508	-	-	-	-	508
Investment funds	-	-	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>						
Equity securities	4,823	-	-	-	-	4,823
Debt securities	-	-	-	1,148	-	1,148
Investment funds	175,198	-	-	-	-	175,198
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	1,382	-	1,382
Loans	517	4,622	1,478	1,885	4,628	13,130
Corporate bonds	-	-	-	-	-	-
<i>Cash and cash equivalents</i>	21,847	-	-	-	-	21,847
Total financial assets	202,893	23,798	33,167	214,392	315,019	789,269
Subordinate loan	-	-	-	-	-	-
Short term loan	20,000	-	-	-	-	20,000
Insurance and other payables	41,645	-	-	-	-	41,645
Total financial liabilities	61,645	-	-	-	-	61,645

1.41 Maturity 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	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>						
Debt securities	9,985	-	9,717	111,131	9,621	140,454
<i>Available-for-sale financial assets</i>						
Debt securities	57,841	48,604	17,874	65,016	198,508	387,843
Equity securities	501	-	-	-	-	501
Investment funds	-	-	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>						
Equity securities	5,390	-	-	-	-	5,390
Debt securities	-	-	-	-	975	975
Investment funds	181,628	-	-	-	-	181,628
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	1,327	-	1,327
Loans	784	552	5,586	2,869	5,024	14,815
Corporate bonds	-	199	-	-	-	199
<i>Cash and cash equivalents</i>	30,246	-	-	-	-	30,246
Total financial assets	286,375	49,355	33,177	180,343	214,128	763,378
Subordinate loan	-	-	-	-	-	-
Long term loan	20,000	-	-	-	-	20,000
Insurance and other payables	49,847	-	-	-	-	49,847
Total financial liabilities	69,847	-	-	-	-	69,847

1.41 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 2017 and 31 December 2016 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.

1.41 Interest rate repricing analysis (continued)

2017	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								
<i>Held-to-maturity investments</i>								
Debt securities	-	9,823	26,442	93,923	-	-	130,188	130,188
<i>Available-for-sale financial assets</i>								
Debt securities	-	9,353	5,247	116,054	310,391	-	441,045	441,045
Equity securities	-	-	-	-	-	508	508	-
Investment funds	-	-	-	-	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>								
Equity securities	-	-	-	-	-	4,823	4,823	-
Debt securities	-	-	-	1,148	-	-	1,148	1,148
Investment funds	-	-	-	-	-	175,198	175,198	-
<i>Loans and receivables</i>								
Deposits with banks	-	-	-	1,382	-	-	1,382	1,382
Loans	517	4,622	1,478	1,885	4,628	-	13,130	13,130
Corporate bonds	-	-	-	-	-	-	-	-
<i>Cash and cash equivalents</i>	16,600	-	-	-	-	5,247	21,847	16,600
Total financial assets	17,117	23,798	33,167	214,392	315,019	185,776	789,269	603,493
Subordinated loan								
Short-term loan	20,000	-	-	-	-	-	20,000	-
Insurance and other payables	-	-	-	-	-	41,645	41,645	-
Total financial liabilities	20,000	-	-	-	-	41,645	61,645	-

1.42 Interest rate repricing analysis (continued)

2016	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								
<i>Held-to-maturity investments</i>								
Debt securities	9,985	-	9,717	111,131	9,621	-	140,454	140,454
<i>Available-for-sale financial assets</i>								
Debt securities	57,841	48,604	17,874	65,016	198,508	-	387,843	387,843
Equity securities	-	-	-	-	-	501	501	-
Investment funds	-	-	-	-	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>								
Equity securities	-	-	-	-	-	5,390	5,390	-
Debt securities	-	-	-	-	975	-	975	975
Investment funds	-	-	-	-	-	181,628	181,628	-
<i>Loans and receivables</i>								
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
<i>Cash and cash equivalents</i>	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 Currency risk analysis

The Company's financial assets within scope of IAS 39 were denominated as follows as at 31 December 2017 and 31 December 2016:

2017	EURO and EURO linked HRK'000	HRK HRK'000	HRK HRK'000	Total HRK'000
Financial assets				
<i>Held-to-maturity investments</i>				
Debt securities	130,188	-	-	130,188
<i>Available-for-sale financial assets</i>				
Debt securities	251,541	-	189,504	441,045
Equity securities	-	-	508	508
Investment funds	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>				
Equity securities	-	-	4,823	4,823
Debt securities	-	-	1,148	1,148
Investment funds	124,322	4,242	46,634	175,198
<i>Loans and receivables</i>				
Deposits with banks	1,382	-	-	1,382
Loans	12,044	-	1,086	13,130
Corporate bonds	-	-	-	-
<i>Cash and cash equivalents</i>	311	-	21,536	21,847
Total financial assets	519,788	4,242	265,239	789,269
 <i>Subordinated loan</i>	 -	 -	 20,000	 20,000
<i>Short-term loan</i>	-	-	41,645	41,645
<i>Insurance and other payables</i>	-	-	61,645	61,645
Total financial liabilities	130,188	-	-	130,188

1.43 Currency risk analysis (continued)

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

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.

Triglav osiguranje d.d.

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

Insurance Company: Triglav osiguranje d.d.				Form: IFF					
STATEMENT ON FINANCIAL POSITION				as at: 31.12.2017.					
				in kuna					
Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
001	001-002	I	INTANGIBLE ASSETS		4.990.466	4.990.466		5.965.434	5.965.434
002		1	Goodwill						
003		2	Other intangible assets		4.990.466	4.990.466		5.965.434	5.965.434
004	003-005-007	II	TANGIBLE ASSETS		129.259.478	129.259.478		129.549.901	129.549.901
005		1	Land and buildings used by the company in its usual business activities		125.234.557	125.234.557		125.820.039	125.820.039
006		2	Equipment		3.207.148	3.207.148		2.822.735	2.822.735
007		3	Other tangible assets and inventory		827.775	827.775		907.129	907.129
008	008-009-014-015	III	INVESTMENTS	430.994.072	192.329.533	623.323.606	468.168.962	192.682.864	660.851.826
009		A	Investments in land and buildings not used in the company's usual business activities		2.957.136	2.957.136		1.380.548	1.380.548
010	011-015-017	B	Investments in subsidiaries, associates and joint ventures	558.600		558.600			
011		1	Shares in subsidiaries						
012		2	Shares in associates	558.600		558.600			
013		3	Joint ventures						
014	016-017-020-025	C	Financial investments	430.435.472	189.372.397	619.807.870	468.166.962	181.272.318	649.439.280
015	016-017	1	Financial assets held to maturity	143.122.513		143.122.513	132.856.642		132.856.642
016		1.1	Debt securities	143.122.513		143.122.513	132.856.642		132.856.642
017		1.2	Other						
018	018-020-021-026	2	Financial assets available for sale	264.699.707	128.301.539	393.001.246	311.657.067	137.026.474	448.683.541
019		2.1	Equity financial instruments		501.283	501.283		507.926	507.926
020		2.2	Debt financial instruments	264.699.707	127.800.276	392.499.983	311.657.067	136.518.548	448.175.615
021		2.3	Shares in investment funds						
022		2.4	Other						
023	024-025-026-027-028	3	Financial assets at fair value through profit and loss	14.834.868	31.872.979	46.507.847	11.509.426	26.491.539	38.000.965
024		3.1	Equity financial instruments	4.526.785	304.031	4.830.796	4.455.667	366.998	4.822.663
025		3.2	Debt financial instruments	981.744		981.744	1.153.569		1.153.569
026		3.3	Derivative financial instruments						
027		3.4	Shares in investment funds	9.126.097	31.568.947	40.695.044	6.900.189	26.124.543	32.024.733
028		3.5	Other						
029	030-031-038	4	Loans and receivables	7.978.647	29.197.860	37.176.527	12.344.827	17.764.308	30.099.132
030		4.1	Deposits with financial institutions (banks)	750.204	21.128.333	21.878.537	5.800.481	10.800.044	16.600.446
031		4.2	Loans	7.135.169	7.964.971	15.100.181	6.544.426	6.954.260	13.498.686
032		4.3	Other	93.254	106.576	199.829			
033		D	Deposits from reinsurance operations						
034		IV	INVESTMENTS BACK TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS	145.470.586		145.470.586	144.563.326		144.563.326
035	036-037-038-039-041-045	V	REINSURERS' SHARE IN INSURANCE RESERVES		36.715.579	36.715.579		61.319.881	61.319.881
036		1	Unearned premiums, reinsurers' share		14.342.446	14.342.446		10.788.187	10.788.187
037		2	Mathematical provisions, reinsurers' share						
038		3	Claims provisions, reinsurers' share		22.373.133	22.373.133		50.492.490	50.492.490
039		4	Premium refund reserve, depending on or regardless of result, reinsurers' share					39.004	39.004
040		5	Equalization 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	044-046	VI	DEFERRED AND CURRENT TAX ASSETS	297.642	3.258.931	3.556.573	297.642	2.571.808	2.869.450
044		1	Deferred tax assets	297.642	3.258.931	3.556.573	297.642	2.571.808	2.869.450
045		2	Current tax assets						
046	047-050-051	VII	RECEIVABLES	1.183.208	107.541.323	108.724.528	1.693.682	115.392.034	117.085.716
047	048-049	1	Receivables arising out of direct insurance operations		60.737.983	60.737.983		74.941.125	74.941.125
048		1.1	From policyholders		60.679.226	60.679.226		74.812.713	74.812.713
049		1.2	From the agent		58.757	58.757		128.412	128.412
050		2	Receivables arising out of reinsurance operations		32.703.743	32.703.743		27.210.955	27.210.955
051	052-053-054	3	Other receivables	1.183.208	14.099.598	15.282.803	1.693.682	15.240.214	14.933.898
052		3.1	Receivables from other insurance business	44.242	6.203.506	6.247.828	16.666	5.727.986	5.744.662
053		3.2	Receivables for returns on investments		115.619	115.619		23.175	23.175
054		3.3	Other receivables	1.138.963	7.780.383	8.919.346	1.677.016	7.489.054	9.166.070
055	056-057-061	VIII	OTHER ASSETS	4.311.836	4.058.896	8.370.734	1.907.014	3.336.501	5.243.515
056	057-058-059	1	Cash at banks and in hand	4.311.836	4.058.896	8.370.734	1.907.014	3.336.501	5.243.515
057		1.1	Cash at banks	4.108.579	3.987.501	8.096.080	1.742.449	3.336.701	5.081.150
058		1.2	Cash on account for mathematical reserve coverage	205.260		205.260	164.565		164.565
059		1.3	Cash in hand		71.395	71.395		800	800
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other						
062	063-064-065	IX	PREPAID EXPENSES AND ACCRUED INCOME		18.010.076	18.010.076		19.072.647	19.072.647
063		1	Accrued interest and rent		39.950	39.950		64.940	64.940
064		2	Deferred acquisition costs		17.307.983	17.307.983		17.516.057	17.516.057
065		3	Other prepaid expenses and accrued income		662.143	662.143		491.650	491.650
066	066-069-070-071-072-073-074-075-076	X	TOTAL ASSETS	582.257.343	495.674.282	1.077.931.625	616.826.026	518.863.989	1.135.689.995
067		XI	OFF-BALANCE SHEET ITEMS		1.299.774	1.299.774		1.037.555	1.037.555

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
068	068-073+074+077+081+084	XII	EQUITY AND RESERVES	121.057.053	86.223.113	207.280.166	145.107.631	70.761.186	215.868.817
069	070-071	1	Share capital	30.930.720	178.724.880	209.655.600	30.930.720	178.724.880	209.655.600
070		1.1	Ordinary share capital	30.930.720	178.724.880	209.655.600	30.930.720	178.724.880	209.655.600
071		1.2	Preference share capital						
072		2	Share premium						
073	074-075+078	3	Revaluation reserve	11.222.391	2.251.537	13.473.928	16.125.334	4.384.111	20.509.444
074		3.1	from land and buildings						
075		3.2	from financial investments	11.222.391	2.251.537	13.473.928	16.125.334	4.384.111	20.509.444
076		3.3	other						
077	078+079+080	4	Reserves	1.607.436	8.401.504	10.008.940	1.607.436	9.152.904	10.760.340
078		4.1	Legal reserves	1.607.436	2.769.782	4.377.218	1.607.436	2.769.782	4.377.218
079		4.2	Statutory reserves						
080		4.3	Other reserves		5.631.723	5.631.723		6.383.122	6.383.122
081	082-083	5	Retained earnings/accumulated losses	64.418.354	-90.485.852	-26.067.499	77.296.506	-103.154.808	-25.858.302
082		5.1	Retained earnings	64.418.354		64.418.354	77.296.506		77.296.506
083		5.2	Accumulated losses (-)		-90.485.852	-90.485.852		-103.154.808	-103.154.808
084	085-088	6	Profit/loss for the period	12.878.152	-12.668.956	209.197	19.147.636	-18.345.901	801.735
085		6.1	Profit for the period	12.878.152		12.878.152	19.147.636		19.147.636
086		6.2	Loss for the period (-)		-12.668.956	-12.668.956		-18.345.901	-18.345.901
087		XIII	SUBORDINATED LIABILITIES						
088		XIV	MINORITY INTEREST						
089	090-091+092+093+094+095	XV	TECHNICAL PROVISIONS	309.208.713	342.237.293	651.446.006	316.087.102	384.830.298	700.917.399
090		1	Unearned premiums, gross amount	98.050	142.326.700	142.424.750	95.107	154.342.850	154.437.957
091		2	Mathematical provisions, gross amount	305.758.086		305.758.086	312.681.671		312.681.671
092		3	Claims provisions, gross amount	3.352.576	195.002.649	198.355.225	3.310.324	226.657.913	229.968.237
093		4	Premium refund reserve, depending on or regardless of result, gross amount		1.129.022	1.129.022		400.865	400.865
094		5	Equalisation reserve, gross amount		303.345	303.345		330.295	330.295
095		6	Other reserves, gross amount		3.475.577	3.475.577		3.098.374	3.098.374
096		XVI	PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS	144.582.104		144.582.104	145.022.878		145.022.878
097	098-099	XVII	OTHER RESERVES		6.776.253	6.776.253		7.536.594,11	7.536.594,11
098		1	Reserves for pensions		4.976.253	4.976.253		6.046.863,26	6.046.863,26
099		2	Other		1.800.000	1.800.000		1.489.730,85	1.489.730,85
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITIES	2.488.716	494.240	2.982.956	3.539.707	962.366	4.502.073
101		1	Deferred tax liabilities	2.488.716	494.240	2.982.956	3.539.707	962.366	4.502.073
102		2	Current tax liabilities						
103		XIX	RETAINED DEPOSITS FROM BUSINESS CEDED TO REINSURERS						
104	105+106+107	XX	FINANCIAL LIABILITIES		20.000.000	20.000.000		20.000.000	20.000.000
105		1	Loan liabilities						
106		2	Liabilities for securities issued						
107		3	Other financial liabilities		20.000.000	20.000.000		20.000.000	20.000.000
108	109+110+111+112	XXI	OTHER LIABILITIES	4.920.757	39.997.600	44.918.356	6.871.307,07	33.344.440,49	40.215.747,56
109		1	Payables arising out of direct insurance operations	4.135.872	13.337.628	17.473.500	5.916.002,99	13.228.055,64	19.144.058,63
110		2	Payables arising out of reinsurance operations		18.400.455	18.400.455		8.096.731,33	8.096.731,33
111		3	Liabilities for discontinued operations						00
112		4	Other payables	784.885	8.259.516	9.044.401	955.304,08	12.019.653,52	12.974.957,60
113	114+115	XXII	ACCRUED EXPENSE AND DEFERRED INCOME		145.784	145.784		1.428.985	1.428.985
114		1	Deferred reinsurance commission					1.405.810	1.405.810
115		2	Other accrued expense and deferred income		145.784	145.784		23.175	23.175
116	058-059+066+069-068+087+100+103+104+108+113	XXIII	TOTAL LIABILITIES	582.257.343	495.874.282	1.078.131.625	616.628.626	518.863.869	1.135.492.495
117		XXIV	OFF-BALANCE SHEET ITEMS		1.299.774	1.299.774		1.037.555	1.037.555

STATEMENT OF COMPREHENSIVE INCOME

for the period: 01.01.2017.- 31.12.2017.

in kuna

Position number	Sum elements	Position label	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
001	001-003+004-005-006	I	Earned premiums (income)	59.395.054	245.151.358	304.546.412	57.299.068	265.807.928	323.106.996
002		1	Gross written premiums	59.435.731	309.223.465	368.659.196	57.345.667	343.513.548	400.859.215
003		2	Value adjustment of premium receivables		4.836.247	4.836.247		-595.478	-595.478
004		3	Premium ceded to reinsurance (-)	-44.104	-61.980.774	-62.024.877	-49.542	-61.539.732	-61.589.273
005		4	Change in unearned premium, gross amount (+/-)	3.426	-5.707.154	-5.703.728	2.943	-12.016.150	-12.013.207
006		5	Change in unearned premium, reinsurance share (+/-)		-1.220.426	-1.220.426		-3.554.260	-3.554.260
007	007-008-010-011+012-013-014	II	Income from financial assets	24.638.208	6.634.500	31.272.708	31.982.147	4.678.496	36.660.643
008		1	Income from subsidiaries, associates and joint venture		40.553	40.553		36.553	36.553
009		2	Income from investment in land and building		303.908	303.908		114.671	114.671
010		3	Interest income	18.626.462	4.665.330	23.291.792	17.916.096	4.286.317	22.202.413
011		4	Unrealized gains on investments	3.513.586	95.791	3.609.377	4.986.886	64.928	5.051.814
012		5	Realized gains on investments	1.287.481	1.163.506	2.450.987	7.759.079	34.653	7.793.733
013		6	Net positive foreign exchange differences	3.023	199.074	202.096	864		864
014		7	Other investment income	1.207.656	166.339	1.373.995	1.319.221	141.374	1.460.595
015		III	Fee and commission income		7.384.492	7.384.492	372	9.169.546	9.169.917
016		IV	Other net technical income	61.828	4.259.861	4.321.689	47.323	4.733.222	4.780.546
017		V	Other income	50	1.996.806	1.996.856	90.000	3.619.320	3.709.320
018	018-022	VI	Net insurance benefits and claims	-35.000.987	-147.894.759	-182.895.746	-44.978.046	-161.460.797	-206.438.843
019	020+021	1	Claims paid	-34.963.525	-141.708.318	-176.671.844	-45.020.298	-157.924.890	-202.945.188
020		1.1	Gross amount (-)	-34.963.525	-182.482.267	-217.445.792	-45.020.298	-218.096.752	-263.117.050
021		1.2	Reinsurer's share (+)		40.773.949	40.773.949		60.171.862	60.171.862
022	023-024	2	Change in claim provisions (+/-)	-37.462	-6.186.441	-6.223.902	42.253	-3.535.907	-3.493.655
023		2.1	Gross amount (-)	-37.462	-9.542.237	-9.579.698	42.253	-31.655.264	-31.613.012
024		2.2	Reinsurer's share (+)		3.355.796	3.355.796		28.119.357	28.119.357
025	025-029	VII	Change in mathematical provisions and other technical provisions, net of reinsurance (+/-)	-9.914.164	11.165.952	1.251.789	-6.923.585	1.117.414	-5.806.171
026	027-028	1	Change in mathematical provisions (+/-)	-9.914.164		-9.914.164	-6.923.585		-6.923.585
027		1.1	Gross amount (-)	-9.914.164		-9.914.164	-6.923.585		-6.923.585
028		1.2	Reinsurer's share (+)						
029	030+031	2	Change in other technical provisions reinsurer's share (+/-)		11.165.952	11.165.952		1.117.414	1.117.414
030		2.1	Gross amount (-)		11.165.952	11.165.952		1.117.414	1.117.414
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 (+/-)	-6.129.959		-6.129.959	-440.774		-440.774
033		1	Gross amount (-)	-6.129.959		-6.129.959	-440.774		-440.774
034		2	Reinsurer's share (+)						
035	036-037	IX	Net expenses for premium refund		-1.439.014	-1.439.014		-766.333	-766.333
036		1	Depending on result (bonus)		-1.439.014	-1.439.014		-766.333	-766.333
037		2	Regardless of result (discounts)						
038	038-043	X	Operating expenses, net	-13.658.384	-133.088.289	-146.746.673	-13.112.493	-138.441.837	-151.554.130
039	040+041+042	1	Acquisition expenses	-5.034.866	-55.574.433	-60.609.299	-4.813.575	-59.905.576	-64.719.151
040		1.1	Commission	-3.832.934	-33.487.590	-37.320.524	-3.591.913	-34.067.967	-37.659.880
041		1.2	Other acquisition expenses	-1.201.931	-22.748.669	-23.950.601	-1.221.662	-26.045.683	-27.267.345
042		1.3	Change in deferred acquisition expenses		661.827	661.827		208.074	208.074
043	044-045-046	2	Administration expenses	-8.623.518	-77.513.837	-86.137.355	-8.298.918	-78.536.061	-86.834.979
044		2.1	Depreciation	-360.436	-6.465.247	-6.825.682	-965.878	-5.060.486	-6.026.364
045		2.2	Salaries, taxes and contributions on salaries	-4.810.108	-35.334.507	-40.144.615	-4.287.592	-34.930.681	-39.218.273
046		2.3	Other administration expenses	-3.452.974	-35.714.083	-39.167.057	-3.045.448	-38.544.894	-41.590.342

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	-6.355.123	-2.336.189	-8.691.312	-4.812.471	-1.605.461	-6.417.932
048		1	Depreciation of land and buildings not used in the		-359.236	-359.236		-117.114	-117.114
049		2	Interest		-293.611	-293.611		-22.974	-22.974
050		3	Investment value adjustment		-393.754	-393.754	-637.808	-641.656	-1.279.484
051		4	Realised losses	-179.930	-29.070	-209.000	-1.693	-709	-2.402
052		5	Unrealized losses from investments in financial assets at fair value through profit or loss account	-204.952		-204.952			
053		6	Negative foreign exchange differences	-4.782.141	-955.784	-5.737.925	-3.562.308	-504.495	-4.066.804
054		7	Other investment expenses	-1.188.101	-304.734	-1.492.834	-610.662	-318.513	-929.175
055	056+057	XII	Other net technical expenses	-158.371	-4.503.694	-4.662.065	-3.907	-3.934.542	-3.938.448
056		1	Prevention activity expenses		-739.846	-739.846		-732.122	-732.122
057		2	Other technical expenses for insurance	-158.371	-3.763.848	-3.922.218	-3.907	-3.202.420	-3.206.326
058		XIII	Other expenses, including value adjustments					-575.933	-575.933
059	001+007+011+016+017+018+020+022+025+028+047+055+058	XIV	Profit or loss before tax (+/-)	12.878.152	-12.668.956	209.197	19.147.636	-17.658.778	1.488.858
060	061+062	XV	Tax on profit or loss					-687.123	-687.123
061		1	Current tax expense					-687.123	-687.123
062		2	Deferred tax expense (income)						
063	059+060	XVI	Profit or loss for the period after tax (+/-)	12.878.152	-12.668.956	209.197	19.147.636	-18.345.901	801.735
064		1	Attributable to equity holders of the parent						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	84.095.140	265.427.017	349.522.157	89.418.910	288.008.512	377.427.422
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSES	-71.216.988	-278.095.973	-349.312.961	-70.271.274	-306.354.413	-376.625.687
068	068+070+071+072+073+074+075+076	XX	Other comprehensive income	10.620.119	734.476	11.354.596	4.902.942	2.132.574	7.035.516
069		1	Gains / losses on translation of financial statements of foreign operations						
070		2	Gains / losses on revaluation of financial assets available for sale	10.620.119	734.476	11.354.596	4.902.942	2.132.574	7.035.516
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	078+079	XX	Total comprehensive income	23.498.272	-11.934.479	11.563.792	24.050.578	-16.213.327	7.837.252
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
080		XXI	Reclassification adjustments						

Insurance Company Triglavosiguranje d.d.

Form: I/PK

STATEMENT OF CHANGES IN EQUITY
for the period: 01.01.2017. - 31.12.2017.

in kuna

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	Profits/loss for the period	Total equity and reserves		
I.	Balance at 01 January of the previous year	209.655.600		2.119.332	10.008.940	6.421.490	-34.488.989	195.716.374		
1.	Changes in accounting policies									
2.	Correction of prior period errors									
II.	Balance at 01 January of the previous year (restated)	209.655.600		2.119.332	10.008.940	6.421.490	-34.488.989	195.716.374		
III.	Comprehensive profit or loss of the previous year			11.354.596		-34.488.989	34.898.186	11.663.792		
1.	Profits/loss for the period						209.197	209.197		
2.	Other comprehensive income or loss of the previous 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			
IV.	Transactions with owners (previous period)									
1.	Increase/decrease in share capital									
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	209.655.600		13.473.928	10.008.940	-26.067.499	209.197	207.280.166		
VI.	Balance at 01 January of the current year	209.655.600		13.473.928	10.008.940	-26.067.499	209.197	207.280.166		
1.	Changes in accounting policies									
2.	Correction of prior period errors									
VII.	Balance at 01 January of the current year (restated)	209.655.600		13.473.928	10.008.940	-26.067.499	209.197	207.280.166		
VIII.	Comprehensive income or loss of the current year			7.035.516		209.197	682.538	7.837.252		
1.	Profits/loss for the period						801.735	801.735		
2.	Other comprehensive income or loss of the current year			7.035.516		209.197	-209.197	7.035.516		
2.1.	Unrealised gains/losses from tangible assets (land and building)									
2.2.	Unrealised gains/losses from financial assets available for sale			7.035.516				7.035.516		
2.3.	Realised gains/losses from financial assets available for sale									
2.4.	Other non-equity capital changes					209.197	-209.197			
IX.	Transactions with owners (current period)				751.400			751.400		
1.	Increase/decrease in share capital									
2.	Other owner payments									
3.	Dividends to equity holders									
4.	Other distributions to owners				751.400			751.400		
X.	Balance on the last day of the reporting period in current year	209.655.600		20.509.444	10.760.340	-25.856.302	801.735	215.868.817		

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

for the period: 01.01.2017.- 31.12.2017.

in kuna

Position number	Sum elements	Position label	Position description	Current business period	Previous business period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-8.027.411	-9.271.916
002	003+004	1	Cash flow before the change of operating assets and liabilities	-18.319.454	-18.471.357
003		1.1	Profit/loss before tax	1.488.858	209.197
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments:	-19.808.312	-18.680.553
005		1.2.1	Depreciation of property and equipment	4.311.786	4.723.560
006		1.2.2	Amortization of intangible asset	1.831.692	2.461.358
007		1.2.3	Impairment and gains / losses on fair valuation	-3.772.351	-3.010.671
008		1.2.4	Interest expense	22.974	293.611
009		1.2.5	Interest income	-22.202.413	-23.291.792
010		1.2.6	Share in profit of associates	0	
011		1.2.7	Gains / losses on sale of tangible assets (including land and built-in assets)	0	143.380
012		1.2.8	Other adjustments	0	
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	10.292.043	9.199.440
014		2.1	Increase/decrease in available for sale assets	-47.822.161	-26.590.416
015		2.2	Increase/decrease in financial assets at fair value through profit or loss account	12.278.969	-23.286.872
016		2.3	Increase/decrease in loans and receivables	7.077.395	-5.054.385
017		2.4	Increase/decrease of deposits from reinsurance operations	0	
018		2.5	Increase/decrease in investments back to policies where the investment risk is borne by the policy holders	907.260	-6.891.979
019		2.6	Increase/decrease in the reinsurance share in insurance liabilities	-24.604.102	-2.135.370
020		2.7	Increase/decrease in tax assets	687.123	
021		2.8	Increase/decrease in receivables	-8.361.187	-1.523.331
022		2.9	Increase/decrease in other assets	0	
023		2.10	Increase/decrease in prepaid expenses and accrued income	22.139.843	34.254.236
024		2.11	Increase/decrease in insurance liabilities	49.471.394	14.031.637
025		2.12	Increase/decrease in provisions for policies where the investment risk is borne by the policyholders	440.774	6.129.959
026		2.13	Increase/decrease in tax liabilities	1.519.117	2.454.241
027		2.14	Increase/decrease in deposits retained from reinsurance		
028		2.15	Increase/decrease in financial liabilities		20.000.000
029		2.16	Increase/decrease in other liabilities	-4.702.609	-1.656.234
030		2.17	Increase/decrease in accrued expense and deferred income	1.260.227	-532.047
031		3	Income tax paid		
032	033+034+...+046	II	CASH FLOW FROM INVESTMENT ACTIVITIES	4.903.191	15.859.692
033		1	Receipts from the sale of tangible assets		-143.380
034		2	Payments for the purchase of tangible assets	-4.592.209	-4.833.943
035		3	Receipts from the sale of intangible assets		
036		4	Payments for the purchase of intangible assets	-3.106.661	-1.891.932
037		5	Receipts from sale of land and buildings not used in the company's usual business activities	1.576.590	24.620.346
038		6	Payments for the purchase 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	558.600	
040		8	Proceeds from held-to-maturity investments	10.466.871	-1.891.400
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		
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenditure for repayment of short-term and long-term loans		
051		4	Expenditure for purchase of own shares		
052		5	Expenditure for payment of shares in profit (dividends)		
053	001+032+047		NET CASH FLOW	-3.124.220	6.587.775
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		
055	053+054	V	NET INCREASE / DECREASE IN CASH AND CASH EQUIV	-3.124.220	6.587.775
056		1	Cash and cash equivalents at beginning of period	8.370.734	1.782.959
057	055+056	2	Cash and cash equivalents at end of period	5.246.515	8.370.734

Insurance Company: Triglav osiguranje d.d.

Form: REG

OVERVIEW OF ASSETS COVERING TECHNICAL PROVISIONS
as at 31.12.2017.

in kuna			
Position number	Investment category	Assets covering mathematical provisions	Assets covering technical provisions except mathematical provisions
1	Government bonds	318.932.498	244.074.458
2	Corporate bonds		18.977.871
3	Shares and business units		1.973.748
4	Investment funds	900.000	31.124.732
5	Structured products		
6	Secured securities		
7	Cash and deposits	164.565	19.901.434
8	Mortgages and loans	5.651.479	1.882.414
9	Real estate		1.201.593
10	Other investments		
11	Receivables from direct insurance business		56.039.135
12	Futures		
13	Call option		
14	Put option		
15	Swaps		
16	Forwards		
17	Credit derivatives		
18	TOTAL ASSETS COVERING MATHEMATICAL PROVISIONS (1+2+...+17)	325.648.543	375.175.387
19	Unearned premium reserve		143.649.770
20	Mathematical provisions	312.681.671	
21	Claims provisions	694.799	178.780.948
22	Provision for bonuses and discounts		361.861
23	Equalising reserve		330.295
24	Other technical provisions according to the accounting		3.098.374
25	REQUIRED COVERAGE (19+20+...24)	313.376.470	326.221.248
26	SURPLUS / DEFICIT COVERING ASSETS (18-25)	12.272.072	48.954.139

Insurance Company Triglav osiguranje d.d. Form: SSP

AGEING STRUCTURE OF RECEIVABLES ARISING FROM INSURANCE CONTRACTS
as at 31.12.2017.

Position number	Position description	in kuna										
		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
I	NON-LIFE											
01	Personal accident insurance	222.179	175.909	157.880	437.123	175.586	2.289.730	3.468.308	1.305.321	4.763.627	2.289.730	2.473.897
02	Health insurance	85.375	30.050	2.040	30.125	12.250	21.212	160.952	1.482.564	1.643.516	21.212	1.642.304
03	Insurance of land motor vehicles	1.873.258	899.484	1.835.513	4.437.787	654.931	7.663.063	16.664.033	7.466.739	24.130.772	7.863.063	16.267.710
04	Insurance of railway locomotives and rolling stock											
05	Insurance of aircrafts						74.830	74.830		74.830		74.830
06	Insurance of vessels	332.372	157.563	178.580	919.591	436.783	1.191.511	3.216.400	1.486.220	4.704.620	1.191.511	2.513.109
07	Insurance of goods in transit	24.484	408	1.065	840	1.440	8.198.565	8.206.782	39.950	8.246.731	5.198.565	68.166
08	Insurance against fire and natural disasters	801.834	338.145	131.109	653.223	198.598	8.087.708	9.210.614	2.854.337	11.105.462	8.087.708	5.017.746
09	Other property insurance lines	7.910.991	1.235.867	761.390	4.296.996	2.192.821	12.470.280	27.967.745	3.789.944	31.757.689	12.470.280	19.287.409
10	Motor vehicle liability insurance	2.195.027	1.260.710	1.039.408	2.826.058	1.857.378	26.880.132	36.958.713	9.895.332	45.844.045	26.880.132	18.963.913
11	Aircraft liability insurance	2.524	2.524	2.524	8.083	17.559	118.792	148.015	5.048	154.063	118.792	38.270
12	Insurance of liability arising out of use of vessels	30.431	22.329	20.402	158.897	52.937	262.431	547.428	145.109	692.537	262.431	430.105
13	Other liability insurance lines	896.153	718.409	148.705	431.073	250.856	4.034.597	6.479.784	2.860.795	9.340.589	4.034.597	5.305.992
14	Credit insurance						21.842	21.842		21.842		21.842
15	Suretyship insurance	50.674			10.287	13.171	95.414	126.747	10.384	140.130	50.674	84.716
16	Insurance of miscellaneous financial losses	563.791	81.339	15.407	99.579	26.153	161.016	967.388	706.468	1.673.756	151.018	1.522.737
17	Insurance of legal protection	1.473	734	492	833	1.153	44.859	48.545	5.218	54.763	44.859	9.904
18	Travel insurance	26.842	14.480	8.185	15.277	16.921	49.754	130.999	105.489	236.488	49.754	186.734
I.1	Receivables arising out of direct insurance operations (01+02+...+18)	14.136.927	4.937.649	3.502.899	14.425.782	5.818.239	66.812.535	108.433.631	32.191.417	141.625.249	66.812.535	74.812.713
I.2	Receivables from the agent					128.412	13.027	141.439		141.439	13.027	128.412
I.3	Receivables arising out of reinsurance operations		760	14.000	516.394	433.413		964.567	26.248.128	27.212.695		27.210.895
I.4	Receivables arising out of Co-insurance operations											
I.5	Total (I.1+I.2+I.3+I.4)	14.136.927	4.938.409	3.516.899	14.942.176	6.180.064	66.825.563	110.538.637	58.437.545	168.977.382	66.825.563	102.151.820
I.6	Value adjustment						66.825.563	66.825.563		66.825.563	66.825.563	
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)	14.136.927	4.938.409	3.516.899	14.942.176	6.180.064	66.825.563	110.538.637	58.437.545	168.977.382	66.825.563	102.151.820

Insurance Company: Triglav osiguranje d.d.

Form: PIT

INVESTMENT INCOME AND EXPENSES BY SOURCE
for the period: 01.01.2017.- 31.12.2017.

in kuna

Position number	Sum elements	Position description	Previous accounting period			Current accounting period		
			Life	Non-life	Total	Life	Non-life	Total
I	(1+2+3+4)	Total investment income	24.836.208	8.834.589	31.272.708	31.982.147	4.678.496	36.660.643
1		Income from equity investment		371.620	371.620		136.151	136.151
2		Income from the investment of mathematical provisions	16.561.647		16.561.647	21.910.501		21.910.501
3		Income from the investment where the risk is born by the policyholder	2.946.344		2.946.344	5.241.340		5.241.340
4		Income from the investment of other technical provisions (not included in position 2. and 3.)	5.130.217	6.262.880	11.393.098	4.830.305	4.542.345	9.372.651
II	(1+2+3+4)	Total investment expenses	-6.355.123	-2.336.189	-8.691.312	-4.812.471	-1.805.461	-6.417.932
1		Equity investment expenses	-34.440	-997.563	-1.032.003	-82.478	-867.632	-950.110
2		Mathematical provisions investment expenses	-3.669.729		-3.669.729	-2.056.064		-2.056.064
3		Expenses from the investment where the risk is born by the policyholder	-1.205.826		-1.205.826	-1.255.025		-1.255.025
4		Other technical provisions investment expenses (not included in position 2. and 3.)	-1.445.130	-1.338.626	-2.783.756	-1.418.904	-737.828	-2.156.733

Insurance Company Triglav osiguranje d.d.

Form: RDG-O

STATEMENT OF COMPREHENSIVE INCOME

for the period: 01.01.2017 - 31.12.2017.

Position number	Sum elements	Position label	Position description	01	02	03	04	05	06	07	08	09	10	11	12	13
001	001-001-001-001-001	I	Earned premiums (income)	13.430.998	687.719	82.191.294		328.388	8.290.878	790.884	16.299.843	35.433.014	113.989.318	32.750	2.042.848	12.683.067
002		1	Gross written premiums	13.154.081	2.991.547	57.851.049		1.284.579	14.897.400	1.237.007	31.595.730	55.835.535	121.744.250	180.340	3.122.782	27.821.871
003		2	Value adjustment of premium receivables	59.387	1.143	29.414			-320.921	-7.603	-326.821	-198.787	-29.208		4.369	-27.487
004		3	Premium ceded to reinsurance (-)	-268.473	1.781.329	1.751.401		1.262.834	1.729.857	-499.727	14.441.986	15.151.395	-5.701.187	-179.782	-412.932	-15.187.473
005		4	Change in unearned premium, gross amount (+/-)	501.208	1.524.441	-3.913.448		797.932	-3.919.329	69.563	500.305	-2.488.998	-2.920.230	55.860	-896.927	589.250
006		5	Change in unearned premium, reinsurance share (+/-)	-9.208	983.084	-5.520		-473.289	-36.619	8.387	-20.985	-2.563.341	-3.728	-23.688	25.578	-511.074
007	007-001-001-001-001	II	Income from financial assets	179.183	40.743	787.905		17.323	202.896	16.848	430.319	788.484	1.858.101	2.488	42.331	378.921
008		1	Income from subsidiaries, associates and joint venture	1.400	318	6.156		135	1.585	130	3.362	5.941	12.915	19	332	2.961
009		2	Income from investment in land and building	4.391	999	19.312		422	4.973	413	10.547	18.639	40.640	60	1.042	9.287
010		3	Interest income	164.135	37.328	721.658		15.779	185.888	15.436	394.247	696.709	1.519.106	2.250	38.985	347.158
011		4	Unrealized gains on investments													
012		5	Realized gains on investments													
013		6	Net positive foreign exchange differences	1.327	302	5.836		128	1.503	125	3.187	5.633	12.281	18	315	2.807
014		7	Other investment income	5.414	1.231	23.809		520	6.131	509	13.003	22.979	50.104	74	1.285	11.450
015		III	Fee and commission income	8.785	1.112.899			138.879	48.937	98.708	2.781.438	2.373.381	17.340	18.892	6.972	2.122.288
016		IV	Other net technical income	181.348	41.329	797.121		17.434	205.269	17.944	436.363	798.358	1.577.486	2.488	43.828	383.353
017		V	Other income	138.594	21.519	608.829		13.334	158.982	13.034	332.880	688.393	1.282.719	1.909	32.902	295.130
018	018-001-001-001-001	VI	Net insurance benefits and claims	(7.801.549)	(340.825)	(38.440.916)		(24.570)	(5.922.418)	(16.944)	(11.312.342)	(24.383.460)	(64.184.275)	(1.308.238)	(3.783.106)	
019	019-001-001-001-001	1	Claims paid	(5.818.955)	(230.111)	(38.508.398)		(24.570)	(8.678.799)	(150.270)	(11.348.517)	(21.067.194)	(68.857.551)		(1.408.923)	(5.087.248)
020		1.1	Gross amount (-)	(6.468.711)	(508.265)	(40.157.578)		(26.867)	(24.197.934)	(164.241)	(17.210.688)	(40.863.523)	(73.322.924)		(1.541.038)	(8.325.642)
021		1.2	Reinsurer's share (+)	549.756	278.154	3.651.180		2.297	17.521.134	13.989	5.882.171	19.798.330	6.465.373		132.116	3.251.793
022	022-001-001-001-001	2	Change in claim provisions (+/-)	1.882.595	(110.394)	(1.834.531)			754.381	(42.687)	138.275	(3.216.258)	753.278		99.685	1.214.142
023		2.1	Gross amount (-)	(1.882.595)	(260.509)	(1.932.531)			1.092.738	(42.687)	1.835.671	(32.503.964)	847.133		99.685	85.054
024		2.2	Reinsurer's share (+)		150.115	(2.000)			(338.358)		(1.899.396)	29.287.108	(63.857)			1.249.087
025	025-001-001-001-001	VII	Change in mathematical provisions and other technical provisions, net of reinsurance (+/-)	(82.585)	8	38.799		(575)	(841.450)	879	91.584	1.120.599		(24.591)	(817)	35.033
026	026-001-001-001-001	1	Change in mathematical provisions (+/-)													
027		1.1	Gross amount (-)													
028		1.2	Reinsurer's share (+)													
029	029-001-001-001-001	2	Change in other technical provisions reinsurer's share (+/-)	(82.585)	8	38.799		(575)	(841.450)	879	91.584	1.120.599		(24.591)	(817)	35.033
030		2.1	Gross amount (-)	(82.585)	8	38.799		(575)	(841.450)	879	91.584	1.120.599		(24.591)	(817)	35.033
031		2.2	Reinsurer's share (+)													
032	032-001-001-001-001	VIII	Change in provisions for policies where the investment risk is borne by the policyholders, net of reinsurance (+/-)													
033		1	Gross amount (-)													
034		2	Reinsurer's share (+)													
035	035-001-001-001-001	IX	Net expenses for premium refund	(108.787)	(14)	(30.785)			(23.578)	(622)	(110.703)	(382.998)	(5.048)	(10.575)	(73.988)	
036		1	Depending on result (bonus)	(108.787)	(14)	(30.785)			(23.578)	(622)	(110.703)	(382.998)	(5.048)	(10.575)	(73.988)	
037		2	Regardless of result (discounts)													
038	038-001-001-001-001	X	Operating expenses, net	(6.131.130)	(5.088.170)	(16.138.418)		(1.181.864)	(8.825.300)	(800.843)	(13.781.861)	(21.512.172)	(42.809.224)	(817.778)	(1.378.588)	(16.933.950)
039	039-001-001-001-001	1	Acquisition expenses	(4.008.071)	(1.694.422)	(8.834.511)		(360.682)	(1.833.940)	(298.519)	(8.288.821)	(9.283.787)	(18.794.129)	(30.523)	(887.795)	(4.551.270)
040		1.1	Commission	(2.097.575)	(2.953)	(3.879.121)		(345.842)	(2.503.485)	(94.100)	(4.924.788)	(5.368.992)	(9.210.830)	(32.529)	(642.828)	(3.241.772)
041		1.2	Other acquisition expenses	(1.948.355)	(1.984.028)	(3.179.942)		(22.420)	(420.278)	(198.098)	(3.414.235)	(3.618.126)	(9.147.034)	(8.240)	(241.004)	(1.204.764)
042		1.3	Change in deferred acquisition expenses	35.810	7.443	24.552		(21.387)	989.823	(8.320)	50.220	(238.848)	(436.262)	1.024	198.035	(104.744)
043	043-001-001-001-001	2	Administration expenses	(4.123.058)	(3.104.748)	(9.304.898)		(771.292)	(3.691.448)	(601.525)	(7.493.080)	(12.228.405)	(24.015.096)	(778.256)	(687.794)	(6.382.671)
044		2.1	Depreciation	(265.871)	(200.055)	(589.563)		(49.898)	(237.859)	(38.759)	(482.817)	(787.940)	(1.547.417)	(50.147)	(44.318)	(411.288)
045		2.2	Salaries, taxes and contributions on salaries	(1.833.827)	(1.380.908)	(4.138.563)		(343.050)	(1.641.851)	(267.542)	(3.332.707)	(5.438.858)	(10.681.254)	(346.147)	(305.912)	(2.838.830)
046		2.3	Other administration expenses	(2.023.570)	(1.523.786)	(4.586.773)		(378.544)	(1.811.730)	(295.224)	(3.677.536)	(6.001.607)	(11.786.424)	(381.962)	(337.564)	(3.132.596)
047	047-001-001-001-001	XI	Investment expenses	(61.478)	(13.861)	(270.378)		(8.918)	(98.825)	(8.781)	(147.867)	(298.994)	(868.990)	(843)	(14.595)	(130.030)
048		1	Depreciation of land and buildings not used in the company's usual business activities	(4.485)	(1.020)	(19.723)		(431)	(5.079)	(422)	(10.772)	(19.038)	(41.508)	(81)	(1.065)	(9.485)
049		2	Interest	(880)	(200)	(3.869)		(85)	(998)	(83)	(2.113)	(3.734)	(8.142)	(12)	(209)	(1.861)
050		3	Investment value adjustment	(24.571)	(5.588)	(108.081)		(2.382)	(27.827)	(2.311)	(59.018)	(104.298)	(227.409)	(337)	(5.833)	(51.968)
051		4	Realized losses	(27)	(6)	(119)		(3)	(31)	(3)	(85)	(115)	(251)		(6)	(57)
052		5	Unrealized losses from investments in financial assets at fair value through profit or loss account													
053		6	Negative foreign exchange differences	(9.319)	(4.393)	(84.962)		(1.857)	(21.870)	(1.817)	(48.430)	(82.002)	(178.798)	(265)	(4.586)	(43.680)
054		7	Other investment expenses	(12.197)	(2.774)	(53.841)		(1.173)	(13.813)	(1.147)	(29.296)	(51.772)	(112.884)	(187)	(2.895)	(25.797)
055	055-001-001-001-001	XII	Other net technical expenses	(67.867)	(15.253)	(294.956)		(8.448)	(78.955)	(8.307)	(883.214)	(284.880)	(2.071.720)	(819)	(15.822)	(141.851)
056		1	Prevention activity expenses													
057		2	Other technical expenses for insurance	(67.867)	(15.253)	(294.956)		(8.448)	(78.955)	(8.307)	(883.214)	(284.880)	(2.071.720)	(819)	(15.822)	(141.851)
058	058-001-001-001-001	XIII	Other expenses, including value adjustments						(287.867)						(287.867)	
059	059-001-001-001-001	XIV	Profit or loss before tax (+/-)	(2.283.830)	(3.554.823)	(800.834)		(996.428)	(2.943.434)	(168.300)	(7.774.494)	(5.888.182)	(6.188.818)	(788.680)	(846.418)	864.872
060	060-001-001-001-001	XV	Tax on profit or loss	(26.312)	(3.884)	(118.718)		(2.130)	(28.799)	(2.474)	(83.200)	(111.887)	(243.522)	(361)	(8.248)	(55.653)
061		1	Current tax expense	(26.312)	(3.884)	(118.718)		(2.130)	(28.799)	(2.474)	(83.200)	(111.887)	(243.522)	(361)	(8.248)	(55.653)
062		2	Deferred tax expense (income)													
063	063-001-001-001-001	XVI	Profit or loss for the period after tax (+/-)	(2.310.142)	(3.560.807)	(919.552)		(998.558)	(2.972.233)	(170.774)	(7.857.696)	(5.999.869)	(6.432.340)	(798.019)	(854.666)	809.220
064		1	Attributable to equity holders of the parent													
065		2	Attributable to non-controlling interest													
066	066-001-001-001-001	XVII	TOTAL INCOME	12.846.778	1.914.009	54.345.820		503.029	9.902.940	836.519	20.279.649	30.324.402	117.724.870	58.483	2.168.283	15.882.763
067	067-001-001-001-001	XVIII	TOTAL EXPENSES	(18.358.917)	(5.474.889)	(55.262.363)		(1.201.967)	(12.878.170)	(1.107.293)	(28.117.344)	(45.725.341)	(111.802.790)	(844.480)	(3.020.948)	(15.053.543)

Insurance Company Triglav osiguranje d.d.														Form: RDG-G						
STATEMENT OF COMPREHENSIVE INCOME														in kuna						
for the period 01.01.2017 - 31.12.2017																				
Position number	Scale element's label	Position label	Position description	14	15	16	17	18	19	20	21	22	23	24	25	01.01.	12.01.	11.01.	12.01.	
001	01-01-01-01-01-01	I	Earned premium (income)	299.487	3.793.207	2.816.180	66.310	2.816.986	22.790.398	302.987	5.336.779	19.875	16.234.117			129.802	108.951.804	32.790	229.863	
002		1	Gross written premium	3.681.367	8.253.292	73.443	2.837.322	32.813.787	302.987	5.336.779	19.875	16.234.117				117.487	119.364.398	180.342	480.389	
003		2	Value adjustment of premium-rebate rates			1.483	284.411	2.544	-8.580							530	-29.223		649	
004		3	Premium ceded to reinsurers (-)		-124.139	-2.853.087	158.187	-51.579	-21.446		-11.920		-16.583			-2.380	-5.288.221	-1.79.763	-84.793	
005		4	Change in unearned premium (gross amount) (+/-)	299.487	856.854	349.413	145.480	-158.482			2.943					4.477	-3.771.137	55.860	-108.342	
006		5	Change in unearned premium (reinsurer share) (+/-)		-484.918	-238.800	4.338									-82	-3.728	-25.688	4.913	
007	01-01-01-01-02-01	II	Income from financial assets		50.156	71.139	1.509	36.450	16.396.809	108.719	2.977.229	11.996	10.907.819			1.800	1.807.346	2.446	8.873	
008		1	Income from subsidiaries, associates and joint venture		302	558	8	307								13	12.563	39	82	
009		2	Income from an asset in land and building		1.219	7.744	21	947								20	39.406	80	164	
010		3	Interest income		40.935	65.175	94	35.434	10.281.787	104.036	1.867.815	6.200	5.690.393			1.466	1.473.387	2.250	6.113	
011		4	Unrealized gains on investments		866	987	14	538	3.853.548	28.959	464.291	1.729	1.639.425			32	22.314	34	93	
012		5	Realized gains on investments		271	527	8	286	4.429.823	43.059	722.293	2.649	2.549.717			12	11.839	18	49	
013		6	Net gains or losses on change differences					436	9				264							
014		7	Other income		1.515	2.130	31	1.168	754.871	7.680	122.907	457	433.435			46	48.585	70	202	
015		III	Fee and commission income		6.960	349.049	47.586		372	2	38		122			79		18.880	1.384	
016		IV	Other net technical income		36.726	71.819	1.340	36.090	27.879	375	4.880	16	15.548			1.619	1.236.631	2.446	8.793	
017		V	Other income		36.787	56.033	796	26.886	51.694	630	5.379	31	25.549			1.236	1.246.531	1.509	5.180	
018	01-01-01-01-03-01	VI	Net income from reinsurance		-472.167	-1.736.723		-1.246.286	-31.818.346	-667.870	-1.838.811		-18.334.718			-48.680	-49.968.300		-306.408	
019		1	Claims paid		1.289.839	-418.418	-3.391.307		-337.816	-25.080.951	-467.870	-1.875.159		-17.876.279			-52.885	-49.402.728		-221.843
020		1.1	Gross amount (-)		1.198.227	-2.381.247	-3.126.414		1.008.802	-25.080.951	-467.870	-1.875.159		-17.876.279			-57.776	-72.847.796		-247.775
021		1.2	Reinsurer's share (-)		71.362	1.143.828	744.480		62.083							8.919	6.425.076		29.728	
022	01-01-01-01-03-02	2	Change in reinsurance (net)		545.895	-363.726	-675.189		-372.862	446.826		2.588		-403.942		18.875	1.307.518		10.840	
023		2.1	Gross amount (-)		545.895	-89.355	-675.189		-372.862	446.826		2.588		-403.942		18.875	1.307.518		10.840	
024		2.2	Reinsurer's share (-)			-423.943														
025	01-01-01-01-03-03	VII	Change in mathematical provisions and other technical provisions, net of reinsurance (+/-)		-26.950		739.680	699	47.363	-4.301.909	62.399	-51.894	-31.574	5.884		-559	-34.581		-128	
026		1.1	Change in mathematical provisions (+/-)							-4.301.909	62.399	-51.894	-31.574	5.884						
027		1.2	Gross amount (-)							-4.301.909	62.399	-51.894	-31.574	5.884						
028		1.2	Reinsurer's share (-)																	
029	01-01-01-01-03-04	2	Change in other technical provisions (reinsurer's share) (+/-)		-26.950		739.680	699	47.363							-559	-34.581		-128	
030		2.1	Gross amount (-)		-26.950		739.680	699	47.363							-559	-34.581		-128	
031		2.2	Reinsurer's share (-)																	
032	01-01-01-01-03-05	VIII	Change in provisions for policies where the investment risk is borne by the policyholders, net of reinsurance (+/-)											-446.774						
033		1	Gross amount (-)											-446.774						
034		2	Reinsurer's share (-)																	
035	01-01-01-01-03-06	IX	Net expenses for premiums received				-1.287	-480	-317							-654	-4.346		-1.889	
036		1	Depositing on result (losses)				-1.287	-480	-317							-654	-4.346		-1.889	
037		2	Reinsurer's share of result (losses)																	
038	01-01-01-01-03-07	X	Operating expenses, net		-1.798.139	-3.318.437	-3.366.196	-177.074	-1.684.386	-7.446.363	-94.981	-1.913.973	-8.282	-4.944.809		-72.836	-41.894.303	-477.378	-21.819	
039		1	Administrative expenses		-883	-1.801.308	-1.893.612	-84.382	-497.343	-2.754.375	-37.803	-448.087	-1.869	-1.591.462		-38.789	-19.347.164	-38.825	-137.900	
040		1.1	Commission		-405.710	-887.137	-98.379	-163.208	-2.084.329	-31.638	-334.373	-1.245	-1.180.119			-16.736	-4.891.664	-32.239	-109.834	
041		1.2	Other acquisition expenses		-181	-74.800	-132.608	-19.158	-181.918	-409.947	-7.094	-113.723	-423	-491.373		-17.384	-4.589.799	-6.343	-37.911	
042		1.3	Change in deferred acquisition expenses			-79.989	-7.130	-11.925	-173.514							329	-445.701	1.024	39.756	
043	01-01-01-01-03-08	2	Administrative expenses		-1.798.139	-1.468.029	-1.309.280	-112.712	-689.347	-4.691.016	-60.879	-584.820	-1.813	-2.876.838		-38.835	-19.367.594	-778.516	-137.900	
044		2.1	Depreciation		-115.505	-83.948	-85.196	-7.263	-43.089	-643.799	-7.751	-65.749	-188	-348.431		-2.315	-1.500.517	-96.147	-4.953	
045		2.2	Salaries, dues and contributions on salaries		-787.284	-548.491	-588.093	-50.131	-297.218	-2.422.838	-34.424	-291.863	-433	-1.337.812		-16.319	-10.357.518	-348.147	-47.963	
046		2.3	Other administrative expenses		-479.730	-715.585	-644.942	-55.318	-317.971	-1.725.789	-34.481	-297.368	-182	-1.082.299		-18.074	-11.429.193	-261.862	-52.987	
047	01-01-01-01-03-09	3	Investment expenses		-17.266	-34.812	-389		-13.261	-2.783.744	-27.466	-447.396	-1.889	-1.581.126		-649	-55.174	-649	-2.230	
048		1	Depreciation of land and buildings not used in the company's usual business activities		1.258	-1.731	-26		-967							-85	-62.246	-41	167	
049		2	Interest			-240	-349	-5	-190							-8	-7.886	-17	-33	
050		3	Investment value adjustment		-6.876	-6.787	-141	-5.303	-384.980	-3.754	-58.374	-221	-278.549			-219	-223.916	-257	-919	
051		4	Realized losses			-8	-17	-141	-8	-889	-13	-138	-1	-530			-344		-1	
052		5	Unrealized losses from investments in financial assets at fair value through profit or loss (net)																	
053		6	Negative foreign exchange differences			-9.407	-17.671	-111	-4.167	-2.036.388	-20.686	-291.615	-1.236	-1.110.382		-1.775	-173.378	-285	-720	
054		7	Other investment expenses		-3.413	-4.843	-70	-2.631	-549.421	-3.546	-68.947	-212	-206.631			-159	-108.463	-187	-454	
055	01-01-01-01-03-10	301	Other net technical expenses		-18.770	-36.833	-360	-14.465	-8.336	-43	-384	-5	-1.263			-969	-2.082.967	-879	-3.489	
056		1	Provision with by expenses																	
057		2	Other technical expenses for insurance		-18.770	-36.833	-360	-14.465	-8.336	-43	-384	-5	-1.263			-969	-2.082.967	-879	-3.489	
058	01-01-01-01-03-11	302	Other expenses, including value adjustments																	
059	01-01-01-01-03-12	303	Profit or loss before tax (+/-)		264.363	652.996	34.599	-88.238	-88.699	9.624.894	7.889	5.148.136	5.480	4.967.342		-26.386	5.210.888	-766.881	-122.639	
060	01-01-01-01-03-13	304	Tax on profit or loss		-7.384	-18.446	-183	-6.873								-234	-206.142	-581	-969	
061		1	Current tax expense		-7.384	-18.446	-183	-6.873								-234	-206.142	-581	-969	
062		2	Deferred tax expense (income)																	
063	01-01-01-01-03-14	305	Profit or loss for the period after tax (+/-)		256.979	644.550	34.416	-95.111	-79.339	9.624.894	7.889	5.148.136	5.480	4.967.342		-26.620	4.974.826	-766.881	-123.610	
064		1	Attributable to equity holders of the parent																	
065		2	Attributable to non-controlling interest																	
066	01-01-01-01-03-15	306	TOTAL INCOME		299.487	3.879.779	3.415.386	118.579	2.727.596	31.771.989	519.511	8.319.811	31.309	23.578.979		194.367	114.445.264	58.483	340.342	
067	01-01-01-01-03-16	307	TOTAL EXPENSES		-4.504	-3.334.033	-2.399.299	-177.389	-2.802.334	-41.738.989	-627.421	-8.171.681	-35.525	-24.808.731		-148.507	-108.485.436	-844.469	-475.969	

Insurance Company: Triglav osiguranje d.d. Form: RU-MP

STRUCTURE OF ASSETS USED TO COVER MATHEMATICAL PROVISIONS AND LIABILITIES FROM MATHEMATICAL PROVISIONS
as at 31.12.2017.

in kuna									
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)	11.864.299	114.243.907	10.875.416	108.284.846	80.280.497	99.437	20.140	325.848.543
1	Held to maturity assets	10.102.485	112.677.999	9.875.158	0	0	0	0	132.655.642
1.1	Debt securities	10.102.485	112.677.999	9.875.158					132.655.642
1.2	Other securities								0
2	Available for sale assets	0	0	0	107.367.677	78.909.179	0	0	186.276.856
2.1	Equity securities								0
2.2	Debt securities				107.367.677	78.909.179			186.276.856
2.3	Shares in investment funds								0
2.4	Other investments								0
3	Financial assets at fair value through profit or loss account	900.000	0	0	0	0	0	0	900.000
3.1	Equity securities								0
3.2	Debt securities								0
3.3	Derivative financial instruments								0
3.4	Shares in investment funds	900.000							900.000
3.5	Other investments								0
4	Loans and receivables	697.249	1.565.909	1.000.257	917.169	1.351.318	99.437	20.140	5.651.479
4.1	Deposits with financial institutions (banks)								0
4.2	Loans	697.249	1.565.909	1.000.257	917.169	1.351.318	99.437	20.140	5.651.479
4.3	Other								0
5	Investments in land and buildings not intended for business activities								0
6	Cash and cash equivalents	164.565							164.565
7	Other investments used to cover mathematical provisions								0
II	Required coverage of mathematical provisions, net of reinsurance (8+9+10+11)	3.190.861	48.415.442	38.681.890	87.347.894	124.495.930	5.908.987	5.335.467	313.378.470
8	Mathematical provisions	2.581.597	48.349.711	38.662.086	87.347.894	124.495.930	5.908.987	5.335.467	312.681.671
9	Unearned premium reserve for risks where mathematical provision is created								0
10	Provision for bonuses and discounts for risks where mathematical provision is created								0
11	Claims provisions for risks where mathematical provision is created	609.264	65.731	19.804					694.799
III	Difference (I-II)	8.673.438	65.828.466	-27.806.474	20.936.951	-44.235.432	-5.809.550	-5.315.327	12.272.072

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

Insurance Company: Triglav osiguranje d.d.

Form: RU-TP

STRUCTURE OF ASSETS USED TO COVER TECHNICAL PROVISIONS AND LIABILITIES FROM TECHNICAL PROVISIONS ACCORDING TO MATURITY

as at 31.12.2017.

in kuna									
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)	119.234.621	23.786.680	101.659.882	129.292.611	0	0	1.201.593	375.175.387
1	Held to maturity assets	0	0	0	0	0	0	0	0
1.1	Debt securities								0
1.2	Other securities								0
2	Available for sale assets	10.087.742	22.570.686	100.455.646	129.292.611	0	0	0	262.406.685
2.1	Equity securities	507.926							507.926
2.2	Debt securities	9.579.816	22.570.686	100.455.646	129.292.611				261.898.759
2.3	Shares in investment funds								0
2.4	Other investments								0
3	Financial assets at fair value through profit or loss account	32.590.555	0	1.153.569	0	0	0	0	33.744.124
3.1	Equity securities	1.465.822							1.465.822
3.2	Debt securities			1.153.569					1.153.569
3.3	Derivative financial instruments								0
3.4	Shares in investment funds	31.124.732							31.124.732
3.5	Other investments								0
4	Loans and receivables	17.216.200	1.215.994	50.666	0	0	0	0	18.482.860
4.1	Deposits with financial institutions (banks)	16.600.446							16.600.446
4.2	Loans	615.754	1.215.994	50.666					1.882.414
4.3	Other								0
5	Investments in land and buildings not intended for business activities							1.201.593	1.201.593
6	Cash and cash equivalents	3.300.989							3.300.989
7	Other investments used to cover mathematical provisions	56.039.135							56.039.135
II	Required coverage of mathematical provisions, net of reinsurance (8+9+10+11+12)	231.192.239	46.995.371	20.052.735	21.673.219	5.086.733	1.051.662	169.290	326.221.248
8	Unearned premium reserve	135.093.263	6.051.051	2.447.268	58.188	0	0	0	143.649.770
9	Claims provisions	92.320.241	40.933.782	17.604.209	21.615.031	5.086.733	1.051.662	169.290	178.780.948
10	Provision for bonuses and discounts	361.861	0	0	0	0	0	0	361.861
11	Equalising reserve	330.295	0	0	0	0	0	0	330.295
12	Other technical provisions	3.086.579	10.537	1.258	0	0	0	0	3.098.374
III	Difference (I-II)	-111.957.618	-23.208.691	81.607.147	107.619.392	-5.086.733	-1.051.662	1.032.304	48.954.139

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	
010	I	Earned premiums	323 107	595																					1	323 703	Earned premiums, net of reinsurance	
017	II	Income from financial assets	36 663		-753	-0	2	793	1 120	1 664	0														-1	79 485	Net investment income	
015	III	Fee and commission income	9 170																								9 170	Income from commissions and fees
016	IV	Other net technical income	-4 781																									
017	V	Other income	3 789																									
	IV + V	Other income	8 400				-2	-793	-4 120		0	6 585	1 549	366	-394	-656	0										14 026	Other business income
018	VI	Net insurance benefits and claims	-216 439																									
025	VII	Net change in mathematical provisions and other technical provisions (+/-)	-5 886																									
032	VIII	Net change in provisions for policies where the investment risk is borne by the policyholder (+/-)	-441																									
018+025+032	VI + VII + VIII	Gross amount	-212 686							-1 664		-6 585	-1 549	-366				2 758							1	-220 093	Claims incurred, net of reinsurance	
035	IX	Net expenses for premium refund	-766																									
039	X 1	Acquisition expenses	-64 719																									
035+039	IX + X 1		-65 485																						-1	-65 486	Acquisition costs	
043	X 2	Administrative expenses	-86 835		753	0										656	0	489	489	233	5	16	-473	-280			-85 436	Administrative costs
																											-1 685	Investment costs
																											-4 812	Financial costs
047	XI	Investment expenses	-6 418																						1	-6 417	Investment costs + Financial costs	
055	XII	Other net technical expenses	-3 938	-595											394			-2 758	-489	-233	-5	-16	-473	280			-6 888	Investment costs + Financial costs
058	XIII	Other expenses	-576																								-576	Other operating expenses
059	XIV	Result before taxation (+/-)	1 489																						-1	1 489	Profit/loss before tax	
060	XV	Income tax	-687																								-687	Tax income/expense income tax
063	XVI	Result after tax (+/-)	802																								802	Profit/loss for the year
068	XIX	Other comprehensive income	7 036																								7 036	Other comprehensive income
077	XX	Total comprehensive income	7 837																						1	7 838	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 off 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.

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

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	5.965							5.965	Other intangible assets
004	II	TANGIBLE ASSETS	129.550							129.550	Real estate and equipment
008	III	INVESTMENTS	650.820								
009	A	Investments in lands and buildings not used in the company's usual business activities	1.381							1.381	Investment property
010	B	Investments in subsidiaries, associates and joint ventures									
014	C	Financial investments	649.439								
034	IV	INVESTMENTS BACK TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICY	144.563								
010+014+034	B+C+IV		794.803	-16.600			-9.612	-369	-1	767.421	Financial assets
035	V	REINSURERS' SHARE IN INSURANCE RESERVES	61.320							61.320	Reinsurers' share in technical provisions
043	VI	DEFERRED AND CURRENT TAX ASSETS	2.869							2.869	Deferred tax assets
046	VII	RECEIVABLES	117.086		65	492	9.612	369	1	127.624	Receivables from reinsurance and other receivables
056	VIII 1	Cash in banks and in hand	5.247	16.600						21.847	Cash and cash equivalents
064	IX 2	Deferred acquisition costs	17.516							17.516	Deferred acquisition costs
063+065	IX1 + IX3	Accrued interest and rent + Other prepaid expenses and accrued income	557		65	492				0	
066	X	TOTAL ASSETS	1.135.492						1	1.135.493	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.

EQUITY AND LIABILITIES			HANFA		Financial statements	
Position number	Position label	Position description	HRK '000	1	2	HRK '000
068	XII	EQUITY AND RESERVES	215.869			215.869
069	1	Share capital	209.656			209.656
072	2	Share premium	0	4.692		4.692
073	3	Revaluation reserve	20.509			20.509
077	4	Reserves	10.760			10.760
078	4.1	Legal reserves	4.377			4.377
080	4.3	Other reserves	6.383	-4.692		1.691
081	5	Retained earnings/accumulated losses	-25.858			-25.858
084	6	Profit/loss for the period	802			802
087	XIII	SUBORDINATED LIABILITIES				0
089	XV	INSURANCE LIABILITIES	700.917			700.917
096	XVI	PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS	145.023			145.023
	XV + XVI		845.940			845.940
097	XVII	OTHER RESERVES	7.537			7.537
098	1	Reserves for pensions	6.047			6.047
099	2	Other reserves	1.490			1.490
100	XVIII	DEFERRED AND CURRENT TAX LIABILITIES	4.502			4.502
104	XX	FINANCIAL LIABILITIES	20.000			20.000
108	XXI	OTHER LIABILITIES	40.216			40.216
113	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	1.429			1.429
099+100+108+113			41.645			41.645
116	XXIII	TOTAL EQUITY AND LIABILITIES	1.135.492		1	1.135.493

(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.