

Wiener osiguranje Vienna Insurance Group

**Annual report and financial
statements
for 2014**

Contents

Management Board's report	1
Responsibilities of the Management Board for the preparation and approval of the annual financial statements	6
Independent Auditors' Report to shareholders of Wiener osiguranje Vienna Insurance Group d.d.	7
Statement of financial position	9
Statement of comprehensive income	10
Statement of changes in equity	11
Statement of cash flows	13
Notes to the financial statements	14
Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency	138
Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules	153

Management Board's report

The Management Board is submitting its report together with the audited financial statements for the year ended 31 December 2014.

The Company

Wiener osiguranje Vienna Insurance Group d.d. (the "Company") is a joint stock company offering life and non-life insurance products, with headquarters in Zagreb, Slovenska 24. The major shareholder of the Company and the ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG").

As of 31 May 2013, a related company Helios Vienna Insurance Group d.d. ("Helios") was legally and operationally merged into the Company. Prior to the merger Helios was a composite insurance joint stock company domiciled in Croatia, fully owned by Vienna Insurance Group AG Wiener Versicherung Gruppe. Helios was founded in 1991 as the first Croatian private joint stock insurance company registered for all insurance activities. Helios was acquired by Vienna Insurance Group in 2008.

As of 31 May 2013, in light of the merger, the Company changed its name from Kvarner Vienna Insurance Group d.d. into Wiener osiguranje Vienna Insurance Group d.d. The new name of the Company represents strong brand on the insurance market and alliance to the parent company.

The merger of the Company and Helios strengthened market position of the Company and resulted with bigger and stronger company with strategic goal to combine quality and excellence so to be able to offer better, faster and high quality service to the clients. The merger enlarged the offer of insurance products of the Company, particularly in a segment of life insurance, which was enriched with "Whole Life Get Well" insurance, a unique product in the Croatian market, and expanded the sales network and number of sales points. With the merger the Company boosted the preconditions for future growth and developments.

Through more than 100 sales points located across the country, more than 500 insurance agents and strong external sales channels, the Company's goal is to constantly provide clients with complete insurance cover and to make claims handling faster and more efficient. With stability based on core competences, the Company is a conscious insurer. The Company always strives for reliability and trustworthiness in dealings with business partners, employees and shareholders. With almost 800 employees the Company demonstrates its readiness to provide top performance also in the next years. The business results for 2014 are indicator of further strengthening of the position of the Company.

In order to offset the effects of an unfavourable business environment, the Company is continuously focused on increasing its cost and process efficiency, which has resulted in good financial performance also in 2014. The Company will continue to follow its sustainable growth strategy and a conservative investment policy.

Since 2006, the Vienna Insurance Group became the umbrella brand of Wiener Städtische Group in Central and Eastern Europe, so all the companies belonging to the Group, including the Company, are using the Vienna Insurance Group as a "family" name. Vienna Insurance Group has been one of the leading listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 25 countries generated about EUR 9.1 billion in premiums in 2014.

Local entrepreneurship, and the customer proximity it brings, play a key role in VIG's success and is reflected in the regional ties, multi-brand strategy and the wide variety of used distribution channels. VIG therefore intentionally relies on established regional brands united under the Vienna Insurance Group umbrella, because it is the individual strengths of these brands and local expertise that make VIG successful as a corporate group.

Management Board's report (continued)

The Company (continued)

VIG is a progressive, highly risk-conscious insurer that focuses on its core business, the insurance business. It offers security in the form of reliability, trustworthiness and soundness – not only to its customers, but also in its dealings with business partners, employees and shareholders. All its business decisions in this regard are based on ethical values such as honesty, integrity, diversity, equal opportunity and customer orientation.

The effects of this fundamental approach are shown not only by its strategy of continuous sustainable growth, but also its excellent creditworthiness. In July 2014 the internationally recognised rating agency Standard & Poor's confirmed its A+ rating with a stable outlook. As a result, VIG continues to have the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

VIG shares have been listed on the Vienna Stock Exchange since October 1994. At the end of 2014, slightly more than 20 years after its IPO, VIG was one of the top companies in the Prime Market of the Vienna Stock Exchange with a market capitalisation of around EUR 4.8 billion. While the ATX leading index fell by 15.2% in 2014, VIG shares once again proved their stability by achieving a price gain of around 2.4%.

VIG's secondary listing on the Prague Stock Exchange in February 2008 underscores the great importance of the Central and Eastern European region to the Company. With a market capitalisation of around CZK 132.1 billion, VIG was also one of the largest companies on the Prague Stock Exchange at the end of 2014.

Around 70% of VIG's shares are held by Wiener Städtische Versicherungsverein, a stable principal shareholder with a long-term orientation. The remaining shares are in free float.

Business performance

In 2014, the Company reported net profit of HRK 24.6 million which reflects stability in operations of the Company, continuous synergy effects of the merger, strict cost management and conservative investment policy. Although implemented the growth strategy, the Company was following selective underwriting policy in order to be even more earning oriented, regardless of possible premium losses. This management principle will be continued also in the following years.

The Company wrote gross premiums of HRK 563.5 million, representing an increase of 2.03% in comparison to 2013 (gross written premium for 2013 aggregated with premium of Helios for the first five months before merger), while the market was dropping down by 5.68%, which places the Company on fifth place among insurance companies in Croatia, with a total market share of 6.58%, representing an increase of the market share by almost 0.5%. In life-segment the Company realised an increase of 3.94% and holds fourth place with market share of 10.65%. In non-life segment the Company increased gross written premiums by 0.20% and holds sixth place with market share of 4.77%. As in previous years, the largest share in total premium relates to life insurance (50%) and motor insurance (28%).

In 2014, net policyholder claims and benefits incurred amounted to HRK 301.6 million, which is, compared to the previous year, increase by HRK 84.6 million (39%). Increase in net policyholders claims and benefits also reflects the enlargement of claims portfolio due to the merger. Total acquisition, administrative and other operating expenses (including technical expenses) amounted to HRK 239.5 million which is an increase by HRK 8.5 million (4%) compared to the previous year. However, the acquisition, administrative and other operating expenses of the Company aggregated with the same categories of expenses of Helios incurred in the five-month period prior to merger, are lower by HRK 29.9 million (11%) compared to aggregated operating expenses of the two companies in 2013.

As of 31 December 2014 the Company's total assets amounted to HRK 3.408 million and have increased by HRK 159 million or 5% compared to the end of previous year.

Management Board's report (continued)

Business performance (continued)

The Company is a parent company of Wiener nekretnine d.o.o. (former Kvarner Wiener Städtische nekretnine d.o.o.) which is involved in investment property. The subsidiary is a limited liability company incorporated and domiciled in Croatia. The address of its registered office is Slovenska 24, Zagreb. In 2014, Wiener nekretnine d.o.o realised net profit of HRK 0.6 million and revenue in amount of HRK 9.1 million.

The Company has strong capital base and was in compliance with all regulatory capital requirements during 2014. Strong capital base provides security to our policyholders.

In 2014, the Company started with a new tariff in motor third party liability line of business following the liberalisation of the motor third party liability market in Croatia and also with new motor casco tariff supporting the profitability strategy of the Company.

As reaction on recognized needs of the market, the Company launched a new life tariff with single premium payments, which recorded big success.

In order to maintain financial stability and security, business objectives of the Company are focused on further increase of profitability of the Company, through growth of premium income and market share, in combination with reduction of overall operating costs.

Risk management

The management of risks to which the Company is exposed in its ordinary business is conducted on regular basis. Risk management allows for identification, analysis, quantification and control of risks. The main risks to which the Company is exposed to are: insurance risks, credit risk, market risks (price risk, interest rate risk, and foreign exchange risk), liquidity risk, operational risks, strategic risks and reputational risks. In each risk category the Company undertakes measures for management and control of risks in order to limit the risks to acceptable level. Exposure to these risks is shown in the notes to the financial statements.

The changes to the European insurance supervisory system referred to as Solvency II and which will enter into force at the beginning of 2016 and are to be implemented by all member states of the EU, present great challenges for the whole insurance industry. The Company is part of the Group-wide "Solvency project" during which standardised guidelines, calculation and reporting solutions and advanced risk management processes were developed and implemented with the assistance of experts from the Group companies. The Company is well prepared for the qualitative, and quantitative requirements of Solvency II.

The economic environment

Croatia entered the European Union on 1 July 2013. Since then, the aim is to raise Croatia's competitiveness to compete in the large EU market and maximize the opportunities that membership brings, especially the absorption of a large amount of EU Structural Funds. Before the global financial crisis of 2008-09, the Croatian economy grew.

The prolonged crisis is testing this progress, as well as Croatia's aspirations, as the country is now entering its seventh year of recession. On the year-on-year basis, GDP for 2014 is supposed to decline by -0.5%. There is more optimism about the prospect for growth in 2015. Unfavourable developments in the labour market continued in 2014 and are likely to continue in the next year. At the end of December 2014 the Croatian Employment Service reported an unemployment rate of 19.6% and a very high rate of youth unemployment.

Management Board's report (continued)

The economic environment (continued)

The stagnation of Croatian economy and focus of domestic economy policy on fiscal sector are expected to be continued in 2015. The monetary policy is expected to continue securing high liquidity of domestic financial markets. Personal consumption is expected to stagnate as a result of high unemployment, depressed disposable incomes and uncertainties about future developments. Unfavourable developments in the labour market are likely to continue in the next year. Active labour market measures are bound to have a limited effect on the reduction of unemployment as long as the labour demand remains weak. Average unemployment rate is projected to remain near 20% or even increase due to limited demand from the private sector and likely effects of further restructuring and privatization in parts of the public sector.

Despite of difficult economic environment the Company realised good performance and managed to maintain sustainable growth.

Croatian insurance market

According to statistical data from the Croatian Insurance Bureau, in 2014 total gross written premium of the insurance companies decreased by -5.68% compared to 2013. The main factors that affected the insurance business on the Croatian market were closure of many companies, high unemployment and stagnation in construction. Significant impact had also the regulation of prebankruptcy procedure.

The insurance market in Croatia had to battle with recession. In 2014, 25 insurance companies operating on the Croatian insurance market recorded a gross written premium of HRK 8.559 million. Non-life segment experienced decline of 9.41% compared to 2013 while life segment increased by 3.41% in comparison to 2013.

Market liberalisation of motor third party liability insurance lead to higher competition and thus to decrease of prices and gross written premiums which inevitably had negative impact on claims ratio. The Company compensated this loss of premium in this line of business by sales of increased number of policies and premium increase in other non-life lines of business.

Social responsibility

Corporate Social Responsibility is the continuing commitment by business to ensure sustainable development, behave ethically and contribute to economic development while improving the quality of life of the workforce and of the local community and society at large. It includes meeting quality requirements in internal operations – in dealing with employees, as well as externally – in dealing with shareholders, policyholders, partners, the regulator and the community.

The Company therefore considers an obligation to provide support for cultural and social concerns through social projects (Social Active Day) and donations and sponsorships to community.

Corporate Governance

The Company considers responsible Corporate Governance to be a prerequisite for the creation of sustainable values, growth and creation of values to shareholders, policyholders and other stakeholders.

The Company implements both external and internal regulations, as well as the regulations of its parent company, Vienna Insurance Group, provided these are not in conflict with the regulations in force in the Republic of Croatia, and it also monitors the alignment of its organisational structure, to be able to modify and adjust promptly if needed.

Management Board's report (continued)

Corporate governance (continued)

The shareholders exercise their voting rights in the General Assembly which is convened by the Management Board after the Supervisory Board approves the decisions that are to be adopted by the Assembly on the basis of the Statute and law. The Assembly in particular decides on the appointment of the Supervisory Board members, the annual financial statements, profit distribution, appointment of the Company's auditor.

The Management Board is responsible for the management of the Company's activities and represents the Company toward third parties. It ensures that the Company operates in line with risk management regulations, that is secures and maintains an adequate level of capital, manages control functions, the performance of external and internal audit, draws up financial and other reports in line with accounting regulations and standards and reports to the Croatian Financial Services Supervisory Agency.

The Management Board, during the course of 2014 and up to the date of the signing of this report, comprised:

Walter Leonhartsberger	President
Tamara Rendić	Member
Jasminka Horvat Martinović	Member from 23 January 2014
Božo Šaravanja	Member from 5 November 2014

The Supervisory Board monitors the performance of the Company's activities, appoints and recalls members of the Management Board, participates in the development of annual financial reports, submits a written supervisory report to the General Assembly, adopts internal audit annual plan, represents the Company before the Management Board and grants prior approval to Management Board decision when this is prescribed by law or the Statute of the Company.

The Supervisory Board, during the course of 2014 and up to the date of the signing of this report, comprised:

Peter Franz Höfing	Chairman
Hans-Peter Hagen	Deputy Chairman
Natalia Cadek	Member
Roland Gröll	Member
Wolfgang Petschko	Member
Zoran Dimov	Member
Svemir Kovač	Member


Efficient cooperation has been established between the Company's Management Board and the Supervisory Board. The Management Board reports regularly (through quarterly and annual reports) to the Supervisory Board about the Company's operations, performance and financial plan realisation.


Walter Leonhartsberger
President of the Management Board


Tamara Rendić
Member of the Management Board


Jasminka Horvat Martinović
Member of the Management Board

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VIENNA INSURANCE GROUP d.d.
ZAGREB 11


Božo Šaravanja
Member of the Management Board

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

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

After making enquiries, the Management Board has a reasonable expectation that the Group and 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 consolidated and unconsolidated 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, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

For and on behalf of Wiener osiguranje Vienna Insurance Group d.d.:



Walter Leonhartsberger
President of the Management Board



Tamara Rendić
Member of the Management Board

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ZAGREB

11



Jasminka Horvat Martinović
Member of the Management Board



Božo Šaravanja
Member of the Management Board

Independent Auditors' Report to shareholders of Wiener osiguranje Vienna Insurance Group d.d.

We have audited the accompanying unconsolidated financial statements of Wiener osiguranje Vienna Insurance Group d.d. („Company“) and consolidated financial statements of Group Wiener osiguranje Vienna Insurance Group d.d. („Group“), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated and consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated and consolidated financial statements.

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

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlińska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR10 2484 0081 1002 4090 5

Deloitte se odnosi na Deloitte Touche Tohmatsu Limited, pravnu osobu osnovanu sukladno pravu Ujedinjenog Kraljevstva Velike Britanije i Sjeverne Irske (izvorno "UK private company limited by guarantee"), i mrežu njegovih članova, od kojih je svaki zaseban i samostalan pravni subjekt. Molimo posjetite www.deloitte.com/hr/o-nama za detaljni opis pravne strukture Deloitte Touche Tohmatsu Limited i njegovih tvrtki članica.

Independent Auditors' Report to shareholders of Wiener osiguranje Vienna Insurance Group d.d. (continued)

Opinion

In our opinion, the unconsolidated and consolidated financial statements present fairly, in all material respects, the financial position of Company and Group Wiener osiguranje Vienna Insurance Group d.d. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted in European Union.

Other Legal and Regulatory Requirements

- i. The Management Board has prepared reporting forms in accordance with the Regulation on the Structure and Content of the Financial Statements of Insurance and/or Reinsurance Companies (NN 85/13, 140/14 - "the Regulation"), adopted by the Croatian Financial Services Supervisory Agency. The reporting forms are provided as a supplement to these financial statements, set out on pages 138 to 152, and comprise the statement of financial position and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended and notes of reconciliation. These reporting forms are the responsibility of the Company's management and do not form an inseparable part of the financial statements set out on pages 9 to 137, but rather a requirement specified by the Regulation.

- ii. The management is also responsible for the preparation of the Annual Report in accordance with the requirements of the Croatian Accounting Law. Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit. Our procedures have been conducted in accordance with the International Standards on Auditing and limited solely to assessing of whether information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion. In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2014.


Branislav Vrtačnik, President of Management Board and certified auditor

Zagreb, 9 March 2015

Deloitte d.o.o.

Radnička cesta 80

10 000 Zagreb

Statement of financial position as at 31 December

	Note	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Assets					
Property and equipment	12	101,701	112,638	54,925	55,978
Investment property	13	59,486	50,794	44,789	44,682
Intangible assets					
Deferred acquisition costs	14	15,514	16,649	15,514	16,649
Other intangible assets	15	8,496	9,592	8,496	9,592
Investments in subsidiary and associate	16 b)	6	6	1,600	1,600
Held-to-maturity investments	17	954,660	894,882	954,660	894,882
Available-for-sale financial assets	17	1,044,397	999,989	1,044,397	999,989
Financial assets at fair value through profit or loss	17	334,006	303,705	334,006	303,705
Loans and receivables	17	166,426	136,923	172,426	142,923
Reinsurers' share of technical provisions	18	506,874	483,126	506,874	483,126
Deferred tax asset	19	2,355	8,083	2,355	8,083
Inventories		350	604	350	604
Insurance and other receivables	20	249,418	262,019	250,020	262,757
Current income tax prepayment		132	195	-	-
Assets held for sale	21	9,204	13,239	9,204	13,239
Cash and cash equivalents	22	6,815	11,063	6,599	10,910
Total assets		3,459,840	3,303,507	3,406,215	3,248,719
Shareholders' equity					
Share capital	23a)	235,795	235,795	235,795	235,795
Capital reserves	23	50,453	50,453	50,453	50,453
Legal and statutory reserve	23	4,188	4,188	4,188	4,188
Other reserves	23	122,838	122,838	122,838	122,838
Fair value reserve	23f)	63,011	25,751	63,011	25,751
Retained earnings		79,604	75,203	75,872	72,103
Total equity		555,889	514,228	552,157	511,128
Liabilities					
Technical provisions	25	2,193,224	2,090,382	2,193,224	2,090,382
Discretionary profit participation provision	26	49,649	53,682	49,649	53,682
Subordinated loan	27	15,323	15,275	15,323	15,275
Borrowings	28	49,383	51,254	-	-
Provisions for liabilities and charges	29	10,574	9,458	10,387	9,413
Deferred tax liability	19	15,753	6,438	15,753	6,438
Current income tax liability		731	-	731	-
Insurance and other payables	30	569,314	562,790	568,991	562,401
Total liabilities		2,903,951	2,789,279	2,854,058	2,737,591
Total liabilities and equity		3,459,840	3,303,507	3,406,215	3,248,719

The accounting policies and other explanatory notes on pages 14 to 137 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December

	Note	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Gross premiums written	31	557,577	473,721	557,650	473,791
Written premiums ceded to reinsurers	31	(178,024)	(169,245)	(178,024)	(169,245)
Net premiums written		379,553	304,476	379,626	304,546
Change in the gross provision for unearned premiums	31	(965)	18,433	(965)	18,433
Reinsurers' share of change in the provision for unearned premiums	31	(682)	(10,373)	(682)	(10,373)
Net earned premiums		377,906	312,536	377,979	312,606
Fees and commission income	32	54,453	57,269	54,453	57,269
Financial income	33	149,806	122,323	148,835	121,858
Other operating income	34	8,902	10,182	8,902	8,492
Operating income		591,067	502,310	590,169	500,225
Claims and benefits incurred	35	(421,340)	(321,193)	(421,346)	(321,228)
Reinsurers' share of claims and benefits incurred	35	119,755	104,223	119,755	104,223
Net policyholder claims and benefits incurred		(301,585)	(216,970)	(301,591)	(217,005)
Acquisition costs	36	(52,294)	(46,794)	(52,294)	(46,794)
Administrative expenses	37	(166,195)	(159,694)	(168,868)	(162,305)
Other operating expenses	38	(18,271)	(21,953)	(18,270)	(21,953)
Financial expenses	39	(20,819)	(38,521)	(18,033)	(35,754)
Profit before income tax		31,903	18,378	31,113	16,414
Income tax (expense)/benefit	40	(6,680)	7,939	(6,522)	8,083
Profit for the year		25,223	26,317	24,591	24,497
Other comprehensive income for the year, net of income tax					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax		37,260	(25,716)	37,260	(25,716)
Total comprehensive income for the year		62,483	601	61,851	(1,219)
Earnings per share		HRK	HRK		
Basic and diluted earnings per share	24	67	70		

The accounting policies and other explanatory notes on pages 14 to 137 form an integral part of these financial statements.

Statement of changes in equity

Group

	Share capital	Capital reserves	Legal and statutory reserve	Other reserves	Fair value reserve	Retained earnings	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January 2013	235,795	43,700	1,463	-	29,322	10,296	320,576
Acquired on merger with Helios Vienna Insurance Group d.d. (Note 11)	-	-	2,725	122,838	22,145	46,331	194,039
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	26,317	26,317
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(32,145)	-	(32,145)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	6,429	-	6,429
<i>Total other comprehensive income</i>	-	-	-	-	(25,716)	-	(25,716)
Total comprehensive income for the year	-	-	-	-	(25,716)	26,317	601
Transactions with owners recognised directly in equity							
Transfer to capital reserves	-	6,753	-	-	-	(6,753)	-
Dividends for 2012 (Note 23 e)	-	-	-	-	-	(988)	(988)
Balance at 31 December 2013	235,795	50,453	4,188	122,838	25,751	75,203	514,228
Balance at 1 January 2014	235,795	50,453	4,188	122,838	25,751	75,203	514,228
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	25,223	25,223
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	46,575	-	46,575
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(9,315)	-	(9,315)
<i>Total other comprehensive income</i>	-	-	-	-	37,260	-	37,260
Total comprehensive income for the year	-	-	-	-	37,260	25,223	62,483
Transactions with owners recognised directly in equity							
Dividends for 2013 (Note 23 e)	-	-	-	-	-	(20,822)	(20,822)
Balance at 31 December 2014	235,795	50,453	4,188	122,838	63,011	79,604	555,889

The accounting policies and other explanatory notes on pages 14 to 137 form an integral part of these financial statements.

Statement of changes in equity (continued)
Company

	Share capital	Capital reserves	Legal and statutory reserve	Other reserves	Fair value reserve	Retained earnings	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January 2013	235,795	43,700	1,463	-	29,322	9,016	319,296
Acquired on merger with Helios Vienna Insurance Group d.d. (Note 11)	-	-	2,725	122,838	22,145	46,331	194,039
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	24,497	24,497
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(32,145)	-	(32,145)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	6,429	-	6,429
<i>Other comprehensive income</i>	-	-	-	-	(25,716)	-	(25,716)
Total comprehensive income for the year	-	-	-	-	(25,716)	24,497	(1,219)
Transactions with owners recognised directly in equity							
Transfer to capital reserves	-	6,753	-	-	-	(6,753)	-
Dividends for 2012 (Note 23 e)	-	-	-	-	-	(988)	(988)
Balance 31 December 2013	235,795	50,453	4,188	122,838	25,751	72,103	511,128
Balance at 1 January 2014	235,795	50,453	4,188	122,838	25,751	72,103	511,128
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	24,591	24,591
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	46,575	-	46,575
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(9,315)	-	(9,315)
<i>Other comprehensive income</i>	-	-	-	-	37,260	-	37,260
Total comprehensive income for the year	-	-	-	-	37,260	24,591	61,851
Transactions with owners recognised directly in equity							
Dividends for 2013 (Note 23 e)	-	-	-	-	-	(20,822)	(20,822)
Balance 31 December 2014	235,795	50,453	4,188	122,838	63,011	75,872	552,157

The accounting policies and other explanatory notes on pages 14 to 137 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December

	Note	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Cash flows from operating activities					
Profit for the year		25,223	26,317	24,591	24,497
Adjustments for:					
Income tax benefit/(expense)	40	6,680	(7,939)	6,522	(8,083)
Depreciation, amortisation and impairment losses	12,13,15	10,930	10,161	9,617	8,845
Change in deferred acquisition costs	14	1,135	1,832	1,135	1,832
Depreciation of small inventory		431	393	431	386
Impairment losses on financial assets	17,39	2,717	17,487	2,717	17,487
Impairment losses on insurance and other receivables	20,38,39	6,402	11,815	6,402	11,815
Net fair value gains on financial assets	33	(25,933)	(9,431)	(25,933)	(9,431)
Net foreign exchange gains	33	(3,920)	(8,522)	(4,066)	(9,089)
Dividend income	33	(1,016)	(338)	(1,016)	(338)
Interest income	33	(115,227)	(101,501)	(115,587)	(101,861)
Interest expense	39	12,758	12,778	10,189	10,131
Profit on disposal of equipment		(238)	(124)	(238)	(124)
Provisions for liabilities and charges	29	2,280	(5,748)	2,122	(5,743)
Equipment write off		6	2	6	2
Changes in operating assets and liabilities					
Net increase in held-to-maturity investments		(57,944)	(310)	(57,944)	(310)
Net decrease / (increase) in available-for-sale financial assets		12,112	(75,146)	12,112	(75,146)
Net increase in financial assets at fair value through profit or loss		(14,334)	(7,527)	(14,334)	(7,527)
Net (increase) / decrease in loans and receivables		(31,425)	27,015	(31,425)	27,015
Net increase in investment property	13	(3,058)	(1,215)	(3,054)	(1,215)
Net increase in reinsurance share in technical provisions		(23,747)	(12,033)	(23,747)	(12,033)
Net decrease / (increase) in receivables and other assets		1,640	(2,940)	1,774	(2,385)
Net decrease in assets held for sale		4,037	3,833	4,037	3,833
Net increase in technical provisions		98,807	27,138	98,807	27,138
Net increase in insurance and other liabilities		3,786	21,362	3,900	22,572
Interest received		122,674	88,716	123,003	89,076
Interest paid		(12,746)	(12,778)	(10,176)	(10,131)
Dividend received		1,000	338	1,000	338
Income tax paid		(141)	(450)	(45)	-
Net cash from operations		22,889	3,185	20,800	1,551
Cash flow from investing activities					
Purchases of property and equipment		(3,088)	(1,693)	(3,079)	(1,693)
Purchases of other intangible assets	15	(1,665)	(1,274)	(1,665)	(1,274)
Proceeds from sale of equipment		455	311	455	311
Net cash used in investing activities		(4,298)	(2,656)	(4,289)	(2,656)
Cash flows from financing activities					
Payment of borrowings		(2,017)	(2,014)	-	-
Dividends paid		(20,822)	(988)	(20,822)	(988)
Net cash used in financing activities		(22,839)	(3,002)	(20,822)	(988)
Acquired on merger of Helios VIG		-	6,490	-	6,490
Net (decrease)/increase in cash and cash equivalents		(4,248)	4,017	(4,311)	4,397
Cash and cash equivalents at 1 January		11,063	7,046	10,910	6,513
Cash and cash equivalents at 31 December	22	6,815	11,063	6,599	10,910

The accounting policies and other explanatory notes on pages 14 to 137 form an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Wiener osiguranje Vienna Insurance Group d.d. (the “Company”) is a joint stock company incorporated and domiciled in Croatia, whose registered address is at Slovenska ulica 24, Zagreb. Until 14 January 2013 the registered address of the Company was Osječka 46, Rijeka. The former name of the Company was Kvarner Vienna Insurance Group d.d. which was changed into Wiener osiguranje Vienna Insurance Group d.d. as of 31 May 2013.

The Company is the parent of Wiener nekretnine d.o.o. (former Kvarner Wiener Städtische nekretnine d.o.o.) and together form “the Group”.

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

The Company’s major shareholder (99.47% of voting rights) and ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe, which is a joint stock company, incorporated and domiciled in Austria, Vienna.

As of 31 May 2013, following a decision of the majority shareholder to undertake a reorganization of its operations in Croatia, a related company Helios Vienna Insurance Group d.d. (“Helios VIG”) was legally and operationally merged into the Company, as a result of which Helios VIG ceased to exist as a separate legal entity. Prior to the merger Helios VIG was a composite insurance joint stock company domiciled in Croatia, 100% owned by Vienna Insurance Group AG Wiener Versicherung Gruppe. The effects of the merger are set out in Notes 2 (e) and 11.

2 Basis of preparation

(a) Statement of compliance

These financial statements comprise both the consolidated and separate financial statements of the Company as defined in International Financial Reporting Standard 10 “*Consolidated Financial Statements*”. The consolidated and separate financial statements of the Company and the Group, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by EU.

The financial statements were authorised for issue by the Management Board on 9 March 2015 for approval by the Supervisory Board.

(b) Basis of measurement

These financial statements are prepared on a historical or amortised cost basis except for the following assets which are measured at their fair value: available-for-sale financial assets and financial assets at fair value through profit or loss.

(c) Functional and presentation currency

The financial statements are presented in the currency of the primary economic environment in which the Group operates (“the functional currency”), Croatian kuna (HRK), rounded to the nearest thousand.

(d) Use of estimates and judgements

The 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.

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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.

Information about judgments made by management in the application of IFRS that have significant effect on the financial statements and information about estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4.

(e) Legal merger with Helios Vienna Insurance Group d.d.

As of 31 May 2013, based on a decision of major shareholder, Helios VIG was legally merged into the Company and ceased to exist as a separate legal and operational entity. The comparative information for statement of comprehensive income for 2013 does not include the results of Helios VIG prior to the merger.

The assets and liabilities acquired as a result of the merger were recognised at the carrying amounts recognised immediately prior to the merger in the financial statements of Helios VIG. The merger was accounted for at the carrying amounts given that the merger involved companies under common control ie the combining companies were ultimately controlled by the same party both before and after the merger, and that control is not transitory. The components of equity of Helios VIG were added to the same components within the Company's equity except that issued capital was recognised as part of other reserves. The assets, liabilities and equity assumed on merger are summarised in Note 11.

2 Basis of preparation (continued)

(f) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired including intangible assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

In the separate financial statements of the Company, the investment in subsidiaries are stated at cost, less impairment losses, if any.

Loss of control

When the Group loses control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-contributing interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments (refer to accounting policy 3 f)) depending on the level of influence retained.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit and loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

In the separate financial statements of the Company, the investment in associate is stated at cost, less impairment losses, if any.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Basis of preparation (continued)

(g) New standards and interpretations

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 “Joint Arrangements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

2 Basis of preparation (continued)

(g) New standards and interpretations (continued)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 6 March 2015:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017),
- Amendments to 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 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),

2 Basis of preparation (continued)

(g) New standards and interpretations (continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3 Significant accounting policies

(a) Property and equipment

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

Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is reclassified as investment property with unchanged carrying amount of transferred property.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. 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 component of an item of property and equipment. Land and assets acquired but not brought into use are not depreciated.

The estimated useful lives are as follows:

	2014	2013
Buildings	50 years	50 years
Equipment and furniture	4 -10 years	4 -10 years
Motor vehicles	5 years	5 years
Leasehold improvements	over the period of the lease	over the period of the lease

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 of the related asset, and are included in profit or loss.

3 Significant accounting policies (continued)

(b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in supply of services or for administrative purposes. The Group holds some investment property acquired through the enforcement of security over mortgage loans to policyholders.

Investment property is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of investment property changes from investment property to owner-occupied, the property is reclassified as owner-occupied with unchanged carrying amount of transferred property.

Depreciation is provided on all investment property, except for investment property not yet brought into use, on a straight-line basis at prescribed rates designed to write off the cost over the estimated useful life of the asset as follows:

	2014	2013
Investment property	50 years	50 years

(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 policy issue costs.

For non-life insurance business, the deferred acquisition cost asset is calculated by applying the rate of 11.447% on unearned premiums.

For life assurance business, except part of life rider products, acquisition costs are taken into account in calculating life provisions by means of Zillmerisation. As such, a separate deferred acquisition cost asset for the life assurance business is not recognised at the reporting date.

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

(d) Other intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the underlying net identifiable assets acquired, including intangible assets, at the date of acquisition. Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Goodwill represents amounts arising on acquisition of subsidiaries and is included in intangible assets.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment (Note 4.2). Impairment losses on goodwill are not reversed.

3 Significant accounting policies (continued)

(d) Other intangible assets (continued)

Acquired present value of in-force business

Insurance contracts acquired in business combinations and portfolio transfers are measured at fair value at the acquisition date. The difference between the fair value of the insurance contracts and the liability measured in accordance with the accounting policies for the insurance contracts is recorded as the acquired present value of in-force business ("acquired PVIF") and is amortised over the estimated life of the insurance contracts. It is tested for impairment at each reporting date. Best estimate actuarial assumptions for interest, mortality, persistency and expenses are used in calculating acquired PVIF.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and 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, other than goodwill, from the date that they are available for use. Assets acquired but not brought into use are not depreciated. The estimated useful lives are as follows:

	2014	2013
Software	4 years	4 years
Acquired present value of in-force business	10 years	10 years

Amortisation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and are included in profit or loss.

(e) Non-current assets and disposal groups classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group of assets and liabilities) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(f) Financial instruments

Classification and recognition

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of financial assets and financial liabilities at initial recognition and, where appropriate, re-evaluates this designation.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Reclassification

In October 2008, the International Accounting Standards Board (“IASB”) issued Amendments to IAS 39: “*Financial Instruments: Recognition and Measurement*” and IFRS 7: “*Financial Instruments: Disclosures*”. The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category in certain circumstances. The amendment to IFRS 7 introduces additional disclosure requirements when a business entity reclassifies financial assets in compliance with IAS 39. The amendments are effective retrospectively from 1 July 2008. Pursuant to these amendments, the Group reclassified certain financial assets from fair value through profit or loss category into available-for-sale category in 2009. The effect of this reclassification is shown in Note 17.

In 2011, irrespective of the above amendments, the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments.

With the merger of Helios Vienna Insurance Group d.d the Group acquired financial investments that were previously reclassified in 2011 and 2012 from available-for-sale category to held-to-maturity category for which the Group has intent and ability to hold to maturity.

On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is disposed of or impaired. The impact of the above reclassifications is shown in Note 17.

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

Financial assets and financial liabilities at fair value through profit or loss are financial assets which are classified as held for trading or on initial recognition designated by the Group as at fair value through profit or loss. The Group 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 are those assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

The Group designates financial assets and financial 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; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

The Group does not have financial liabilities designated at fair value through profit or loss except those related to the unit-linked and index-linked products described in accounting policy 3(z). Payables arising from insurance contracts are accounted for under IFRS 4 *Insurance contracts*.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the management upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables arise when the Group provides money to a debtor with no intention of trading with the receivable and include deposits with banks, mortgage loans and advances to policyholders from the life assurance provision. Receivables arising from insurance contracts are accounted for under IFRS 4 *Insurance Contracts*.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than those that meet definition of loans and receivables that the Group has the positive intention and ability to hold to maturity. Any sale or reclassification 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 Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments include government and municipal debt securities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are 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 investments in debt securities, equity securities and investment funds.

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables".

Recognition and derecognition

Purchases and sales of financial assets available for sale, financial assets at fair value through profit or loss and held-to-maturity investments are recognised on the trade date which is the date that the Group becomes a party to the contractual provisions of the investment. Loans and receivables and other financial liabilities carried at amortised cost are recognised when advanced to borrowers or received from lenders.

The Group derecognises financial assets (in full or part) when the contractual rights to receive cash flows from the financial assets have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Group transfers substantially all the risks and rewards of ownership to another business entity and loses control over these assets or when the rights are realised, surrendered or have expired.

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Initial and subsequent measurement

Financial assets and liabilities are recognised initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Group measures financial assets at fair value through profit or loss and available for sale at their fair value, without any deduction for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reasons, the fair value cannot be reliably measured by market price, the Group 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, and discounted cash flow analysis.

Loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. Other financial liabilities 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 at fair value through profit or loss are recognised in the profit or loss.

Gains or losses arising from a change in the fair value of available-for-sale are recognised directly in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. For non-monetary financial assets available for sale all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of available-for-sale financial assets, any cumulative gains or losses on the instrument are transferred from other comprehensive income to profit or loss.

Interest income on monetary assets at fair value through profit and loss is recognised as interest income at the coupon interest rate.

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

Apart from gains and losses arising from the change in fair value of available-for-sale financial assets which are recognised in other comprehensive income, as described above, all other gains and losses and interest are recognised in profit or loss under line items "Financial income" and "Financial expense".

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

In accordance with HANFA valuation rules the following prices are used: average weighted mid prices for domestic debt and equity securities, closing bid prices for securities of foreign issuers and prices quoted per unit by investment management companies for units in investment funds.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Fair value measurement principles (continued)

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 applicable at the reporting date for a financial instrument with similar terms and conditions.

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group 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 rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. 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 for a financial asset carried at amortised cost to decrease, the impairment loss is reversed through profit or loss.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its original cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale equity 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 removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity securities are not subsequently reversed through profit or loss, but all value increases until the final sale are recognised in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

Specific instruments

Embedded derivatives within insurance and investment contracts

Sometimes, a derivative may be a component of a hybrid (combined) financial instrument or insurance contract that includes both the derivative and host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Such derivatives are sometimes known as „embedded derivatives“.

Embedded derivatives are separated from their host contract, measured at fair value and changes in their fair value included in profit or loss if they meet the following conditions:

- the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and,
- the hybrid instrument is not measured at fair value and changes in its fair value are not recognised in profit or loss.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments (continued)

Embedded derivatives within insurance and investment contracts (continued)

Embedded derivatives which satisfy the definition of an insurance contract do not need to be separated from their host contract. In addition, the Group took advantage of the following exemptions available within IFRS 4:

- not to separate and measure at fair value a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) even if the exercise price differs from the carrying amount of the host insurance liability;
- not to separate and measure at fair value a policyholder's option to surrender contracts with discretionary participation features.

Sale and repurchase agreements

The Group enters into purchases and sales of securities under agreements to resell or repurchase substantially identical securities at a certain date in the future at a fixed price. Investments purchased, subject to such commitments to resell them at future dates, are not recognised. The amounts paid are recognised in loans and receivables.

The receivables are collateralised by the underlying security. Securities sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for the relevant financial asset at amortised cost or at fair value as appropriate. The proceeds from the sale of the securities are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognised on an accrual basis over the period of the transaction and is included in interest income or expense.

Debt securities

Debt securities are classified as financial assets at fair value through profit or loss, held to maturity or available-for-sale financial assets, depending on the purpose for which the debt security was acquired.

Deposits with banks

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

Loans to customers

Loans to customers are classified as loans and receivables and presented 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 available-for-sale financial assets and 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 investment funds

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

Investments held on account and at risk of life assurance policyholders

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments (continued)

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. Trade and other receivables are classified as loans and receivables.

Investment in subsidiary

Investment in subsidiary is accounted at cost less impairment in the separate financial statements of the Company.

Loans, borrowings and subordinated debt

Interest-bearing loans, borrowings and subordinated debt are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between proceeds (less attributable transaction costs) and redemption value being recognised in profit or loss over the term of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are initially recognised at fair value and then subsequently at amortised cost. Trade and other payables are classified as other liabilities.

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, including gains and losses arising from a group of similar transactions.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The Group does not have such leases at the reporting date.

Other leases are operating leases where leased assets are not recognised on the Group's statement of financial position. The accounting policy for recognising leasing costs is described in accounting policy 3 (p), under *Operating lease payments*.

(h) Cash and cash equivalents

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents comprise cash and demand deposits with banks.

(i) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

3 Significant accounting policies (continued)

(i) Employee benefits (continued)

Jubilee awards and termination benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as the net present value of the liability for defined benefits at the reporting date. The projected credit unit method is used for the calculation of the present value of the liability. The market yield on government bonds on the reported date is used as the discount rate.

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 at 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 utilised. 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 realised.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or non-current liabilities.

(k) Provisions for liabilities and charges

A provision is recognised if, as a result of a past event, the Group 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.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Accounting policy for onerous insurance contracts is disclosed under 3 (t) *Unexpired risk provision*.

3 Significant accounting policies (continued)

(l) Share capital

Ordinary share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in HRK. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Capital reserves

Capital reserves consist of share premium reserve and other payments of shareholders into capital reserves. The share premium reserve represents the accumulated positive difference between the par value of shares issued and the amount received upon issue of share capital.

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 share capital are recognised as a liability in the period in which they are declared.

Legal reserve

As required by Company Act, the Company is required to appropriate 5% of its annual net profit into legal reserves until they, together with capital reserves, reach 5% of issued share capital. Legal and capital reserves formed under the Companies Act can be used for covering prior period losses up to 5% of issued capital, if they are not covered by profit in the current period or if other reserves are not available.

Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company's General Assembly.

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 related deferred tax.

Retained earnings

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

(m) Impairment

The carrying amounts of the Group's assets, other than deferred acquisition costs (see accounting policy 3 (c)), financial assets (see accounting policy 3 (f)) and deferred tax assets (see accounting policy 3 (j)), are tested for impairment at each reporting date. If any indication of impairment 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 reporting date.

3 Significant accounting policies (continued)

(m) Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset or group of assets that generates cash flows that are largely independent from the Group's other assets and liabilities. 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 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 recognised.

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments, which include life assurance segment, non-life insurance segment and investment property segment.

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

Investment income, realised and unrealised gains and losses, expenses and charges representing non-life business funds and shareholders' funds are attributed to the non-life business segment.

Investment income, realised and unrealised gains and losses, expenses and charges arising on life assurance business and shareholders' funds are included in the life assurance business segment.

During the year, direct administration costs, marketing and other acquisition costs are directly charged to the non-life and life segments. Allocation is performed automatically based on cost allocation keys. The principal categories used in the calculation of allocation keys for life and non-life segments are: gross written premium (at the Company level), technical reserves, number of claims paid and financial investments.

Commissions and part of personnel expenses are recorded directly to the life and non-life insurance segments.

Allocation of equity and assets

Property and equipment, intangible assets and investment property (of the Company) are allocated to the non-life and life segments. Financial investments are allocated according to source of funds. Financial investments from equity are allocated to both non-life and life segments. Equity is allocated according to minimal regulatory capital requirements and share issued by the shareholders. Other receivables and payables are allocated based on those segments from which they originate.

Investment property segment

Investment property segment includes assets, liabilities, income and expenses of Wiener nekretnine d.o.o., the Company's subsidiary.

3 Significant accounting policies (continued)

(o) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in Note 3 (r).

Financial income

Interest income is recognised in profit or loss as it accrues for all interest bearing financial assets measured at amortised cost using the effective interest rate method, i.e. the interest rate that discounts expected future cash flows to net present value during the period of the contract or at the currently effective variable interest rate. Interest income from monetary assets at fair value through profit or loss, is recognised as interest income at the coupon interest rate.

Financial income also includes net positive foreign exchange differences resulting from translation of monetary assets and liabilities using the exchange rate applicable at the reporting date, dividends, net gains on the change in the fair value of financial assets at fair value through profit or loss and realised net gains from derecognition of financial assets available for sale. Dividend income is recognised in profit or loss on the date that the dividend is declared.

The accounting policy in relation to financial income recognition is disclosed in Note 3 (f) under “*Gains and losses*”.

Income from investment property comprises realised gains upon derecognition, rental income and other income related to investment property. Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of each lease.

Fees and commission income

Commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies. Fees and commission income includes reinsurance commission income.

(p) Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, 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 3 (r)).

The Group's accounting policy for deferred acquisition costs is disclosed in accounting policy 3 (c).

Administration costs

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

Operating lease payments

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

Financial expenses

Financing expenses include interest expenses recognised using the effective interest rate method and net negative foreign exchange differences resulting from translation of monetary assets and liabilities using the exchange rate at the reporting date.

3 Significant accounting policies (continued)

(p) Expenses (continued)

Financial expenses (continued)

Financial expenses also include net losses from changes in the fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale. The accounting policy in relation to financial expense recognition is disclosed in Note 3 (f) under “*Gains and losses*”.

(q) Classification of contracts

Contracts under which the Group 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, security price, commodity price, foreign exchange rate, index of prices or rates, a 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 Group from the policyholder is not significant are classified as investment contracts. At the reporting date the Group 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.

Discretionary profit participation provision

Policyholders or beneficiaries of endowment, pure endowment, endowment with fixed age at maturity (whole life), term-fix and annuity assurance policies are entitled to a share in the profits of the Group realised through the management of life assurance funds. The entitlement is calculated following the expiry of the first, second or third year of insurance, depending on the tariff and type of premium payment. The level of the profit entitlement is determined by management. The discretionary element of those contracts is accounted for as a liability in the discretionary profit participation provision.

(r) 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 to premiums written in prior accounting periods.

Premiums written include adjustments to reflect write-offs of amounts due from policyholders and the 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 afforded by IFRS 4, and in line with the prevailing market practice, premiums in respect of life assurance business continue to be accounted for on a cash receipts basis.

3 Significant accounting policies (continued)

(s) Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following financial years, computed using the “pro rata temporis” or 365 method, 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 assurance is included within the life assurance provision.

Unearned premium provision for individual insurance contracts is formed in the amount of the part of written premium which relates to insurance coverage for the insurance period after the accounting period for which the provision is calculated. For the calculation of gross unearned premium for non-life insurance with equal risk dispersion, the “pro-rata temporis” method is used.

The reinsurance share in unearned premium provision is calculated according to reinsurance contracts.

(t) Unexpired risk provision

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition 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 date of financial position exceeds the provision for unearned premiums related to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately using the liability adequacy test by reference to classes of business which are managed together, without taking into account expected investment returns. Liability adequacy testing for both life and non-life and related assets is disclosed in more detail in accounting policy 3 (y) and in Note 7.

(u) Claims provisions

The provisions represent the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date and includes provisions for reported claims and provisions for incurred but not reported claims.

(v) Life assurance provisions

The life assurance provision has been computed by the Group’s actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by HANFA. The prospective net premium valuation method has been adopted with the exception of unit-linked and index-linked products where the provision is based on the fair value of the underlying assets.

The life assurance 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.

The Group uses the full Zillmer rate of 3.5% in the year of policy inception. The applied Zillmer rate is within the limits prescribed by HANFA.

The provision is initially measured using the assumptions defined HANFA. At each subsequent reporting date, the reserve is calculated on the same principles. A liability adequacy test (“LAT”) is performed at each reporting date by the Group’s actuaries using current estimates of future cash flows under its insurance contracts (refer to Liability adequacy test). 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 or loss with a corresponding increase to the life assurance provision.

The amount of bonus allocated to policyholders has been determined at the reporting date and is presented within the discretionary profit participation provision. The Group does not have a policy to decrease the discretionary profit participation provision, in favour of the Group, once provision has been formed.

3 Significant accounting policies (continued)

(w) Claims

Claims arising from non-life business

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

Claims settled are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims settled are increased by claims-handling costs. Collected claims recoverable from third parties are deducted from claims settled.

Claims outstanding based on case estimates and statistical methods comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the reporting date, whether reported or not, together with the related internal and external claims-handling expenses and an appropriate margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both 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 are disclosed separately as assets. Reinsurance is determined according to contracts valid at the time in which claims occurred.

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 and may result in significant adjustments to the amounts provided. 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 significant. The methods used, and the estimates made, are reviewed regularly, which is further discussed in Note 6.

Claims arising from life assurance business

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

(x) Reinsurance

The Group cedes premium to 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 Group from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in profit or loss on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date applying the same methodology as applied for loans and receivables as described in Note 3 f). The Group records an allowance for estimated irrecoverable reinsurance assets, if any. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

3 Significant accounting policies (continued)

(x) Reinsurance (continued)

Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are based on earned premium.

(y) Liabilities and related assets under liability adequacy test

IFRS 4 requires a test for the adequacy of liabilities arising from insurance contracts. The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under all of its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (increased by related deferred acquisition costs) are inadequate in the light of the estimated future cash flows, the entire deficiency is charged to profit or loss. The estimates of future cash flows are based on realistic actuarial assumptions taking into consideration claim occurrence experience, most recent demographic tables, aspects of mortality, morbidity, investment return, expenses and inflation.

(z) Liability measurement of unit-linked and index-linked contracts

Liabilities in relation to unit-linked and index-linked insurance contracts are classified at fair value through profit or loss. The financial liability is measured based on the carrying value of the assets that are held to back the contract.

(aa) Insurance receivables and payables

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

(bb) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the 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 the 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 denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for equity securities classified as available for sale when are recognised in other comprehensive income.

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 profit or loss. Other changes in the carrying amount are recognised in other comprehensive income.

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

The most significant foreign currency in which the Group holds assets and liabilities is Euro. The exchange rate used for translation at 31 December 2014 was EUR 1 = HRK 7.661 (2013: EUR 1 = HRK 7.638).

4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 43) and insurance risk management (Note 5).

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgements relating to technical provisions represent the major source of uncertainty of judgements. 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.

4.1. Key sources of estimation uncertainty

Estimation uncertainty in relation to technical provisions

The most significant estimates in relation to the Group's financial statements relate to technical provisions. The Group takes a reasonably prudent approach to reserving and applies HANFA regulations. The Group 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 insurance contracts concluded before that date are expected to exceed the unearned premiums and premiums available under those contracts.

Major assumptions in calculating the life assurance provision are set out in Note 6, whilst insurance contract provisions are analysed in Note 25.

Impairment losses of loans and receivables

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3 (f) "Impairment of financial assets".

The need for impairment is assessed individually for each exposure based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral.

Determining fair values

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (f). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Estimation uncertainty in relation to court cases

A significant source of estimation uncertainty stems from court cases. At 31 December 2014, the Group was involved in 965 (2013: 1,065) court cases for which HRK 77,229 thousand (2013: HRK 89,704 thousand) was provided as part of the claims reserve for reported but not yet settled claims. At 31 December 2014, the Group was involved in 54 (2013: 67) non-insurance court cases for which HRK 10,017 thousand (2013: HRK 8,312 thousand) was provided as provision for non-insurance related legal claims (Note 29). The management believes that the related provisions are sufficient.

Tax

The Group provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of taxpayers' records.

4 Accounting estimates and judgements (continued)

4.1. Key sources of estimation uncertainty (continued)

Regulatory requirements

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

Joint liability

The Group has a liability towards the Croatian Insurance Bureau in respect of the Group's share in motor third party liability ("MTPL") claims arising from unknown or uninsured vehicles. Additionally, the Group, as well as other participants in MTPL business on the Croatian market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Act.

4.2. Critical accounting judgements in applying the Group's accounting policies

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

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets as "trading", the Group has determined that it meets the definition of trading assets set out in accounting policy 3 (f) "*Financial assets at fair value through profit or loss*". In designating financial assets 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 3 (f). Reclassification of financial assets and financial liabilities at fair value through profit or loss is allowed in certain rare circumstances. Held-to-maturity investments can be classified as such only if the Group has the positive intention and the ability to hold these investments to maturity.

In October 2011, November 2011 and March 2012 the Group reclassified available-for-sale financial assets as held-to-maturity investments. The Group has intent and ability to hold the reclassified assets to maturity.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3 (f). The Group measures fair values using the fair value hierarchy as discussed in Note 43 on financial risk management.

Classification of products

The Group's accounting policy on classification of contracts as insurance or investment contracts is disclosed in accounting policy 3 (q). At the reporting date, the Group had no insurance products which would be classified as investment contracts.

Classification of property between investment property and owner-used property

The Group classifies as investment properties all properties that are not used in the performance of its own activities but are held to earn rental income or for capital appreciation. The estimated fair value of investment property held by the Group amounts to HRK 83,508 thousand and held by the Company amounts to HRK 64,692 thousand as of 31 December 2014. Fair value is determined by an independent appraiser having an appropriate professional qualification. Fair values were determined having regard to recent market transactions for similar properties, which would in hierarchy of fair value be classified as Level 3.

4 Accounting estimates and judgements (continued)

4.2. Critical accounting judgements in applying the Group's accounting policies (continued)

Allocation of indirect expenses between life and non-life

The allocation of expenses between life and non-life insurance segments is described in accounting policy 3 (n).

Useful economic life of equipment and intangible assets

The Group continues to use certain equipment and intangible assets which have been fully depreciated. Amortisation/depreciation rates were initially determined in accordance with the best estimate of the useful life of this equipment and intangible assets.

Impairment allowance for insurance receivables

Insurance receivables are evaluated for impairment at each reporting date in order to identify potential impairment allowance, on the basis of best estimate of the recoverability of these assets. Each receivable is assessed on its merits based on the expected amount and date of collection and possible collaterals. The management believes that insurance receivables are recoverable.

Goodwill

In accordance with IFRS 3 "Business Combinations" the Group discontinued to amortise goodwill from 1 January 2005. At the beginning of 2005 the Group eliminated the carrying amount of the related accumulated amortisation against the gross value of goodwill. Goodwill is tested for impairment in accordance with IAS 36 "Impairment of Assets".

The Group has performed impairment test of goodwill for the year ended 31 December 2014, which indicated that the carrying amount of goodwill is recoverable.

The recoverable amount of goodwill has been determined based on value-in-use calculations for cash generating units. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The key assumptions used for value-in-use calculations in 2014 are as follows:

Long term growth rate	1%
Discount rate (pre-tax)	12%

Management determined compound annual volume growth rate for cash generating unit to be a key assumption. The volume of non-life gross written premium in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development.

The sensitivity analysis of key assumptions used in the impairment testing showed that a discount rate increase by 100 basis points would result on average in a 9.1% decrease of the recoverable amount of goodwill. Despite the decrease, the net recoverable amount of goodwill would still exceed its carrying value.

Deferred acquisition costs

Deferred acquisition costs are assessed at each reporting date for recoverability. The calculation is based on the Group's assumptions for allocation of acquisition costs over the duration of the related insurance contract. Management believes that deferred acquisition costs are recoverable during the remaining duration of insurance contracts active at the reporting date.

4 Accounting estimates and judgements (continued)

4.2. Critical accounting judgements in applying the Group's accounting policies (continued)

Impairment allowance of investment in subsidiary and associate

Recognition of impairment allowance against investment in subsidiary and associate is based on the management's best estimate of their recoverable amounts.

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. The impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In 2014, as a result of impairment test, the Group recognised impairment loss in the amount of HRK 656 thousand (2013: HRK 1,033 thousand).

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: whole life, traditional life products, annuity products, unit-linked products, index-linked products and all lines of non-life products (property, accident, travel 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 premium risk and 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 stems from irregular events that are not sufficiently covered by premium and reserve risk. Underwriting risk components of the life business include biometric risk (comprising mortality, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rates of policy lapses, terminations, changes to pay up status (cessation of premium payment) and surrenders.

Risk management

The Group 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 Group 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 most of the 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.

For the non-life business, the Group buys non-proportional reinsurance treaty to reduce the net exposure for an individual risk to amount of EUR 75 thousand for casco, a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk to amount of EUR 250 thousand (effectively EUR 125 thousand) for motor third party liability, EUR 150 thousand for property and EUR 100 thousand (effectively EUR 50 thousand) for personal accident. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe agreement provides cover for the first EUR 849.85 million (2013: EUR 849.85 million) of losses exceeding the first EUR 150 thousand.

For life business the Group has more than one proportional treaty for savings products and more than one non-proportional treaty for the policies which include death risk and permanent disability risk. The combination of both treaties reduces net exposure to EUR 30 thousand sum at risk.

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

The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), 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 life business. For a detailed description of the liability adequacy test, refer to accounting policy 3 (y) and Note 7.

5 Insurance risk management (continued)

Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could significantly impact the Group'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 Group 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 Group are primarily located in the Republic of Croatia.

Non-life insurance

Within non-life insurance, the management believes that the Group 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 Group arises from catastrophe events, such as earthquake, flood or storm damage. The techniques and assumptions that the Group uses to calculate these risks are as follows:

- measurement of geographical accumulations;
- assessment of probable maximum losses;
- excess of loss reinsurance.

Life assurance

The management believes that for life assurance contracts covering the risk of death there is no significant geographic concentration of risk, although the concentration of the value at risk can affect the ratio of insurance payments on the portfolio level. Values at risk for life assurance are as follows:

Line of insurance	Value at risk			
	2014		2013	
	HRK'000	%	HRK'000	%
Life assurance – traditional products	5,065,600	62.2%	5,785,208	61.6%
Unit-linked and index-linked products	89,558	1.1%	118,013	1.3%
Supplementary risks to life assurance	2,990,298	36.7%	3,484,759	37.1%
As at 31 December	8,145,456	100.0%	9,387,980	100.0%

5 Insurance risk management (continued)

Concentration of insurance risk (continued)

Life assurance (continued)

Table for long-term insurance stated below shows risk concentration through three insurance classes grouped by sum insured per policy.

Sum insured per policy at 31 December 2014

In HRK	Total sum insured			
	Before reinsurance		After reinsurance	
	HRK'000	%	HRK'000	%
< 100,000	1,817,922	26.93%	1,397,503	27.68%
100,000 – 250,000	3,505,069	51.92%	2,600,094	51.51%
>250,000	1,427,601	21.15%	1,050,640	20.81%
As at 31 December 2014	6,750,592	100.00%	5,048,237	100.00%

Sum insured per policy at 31 December 2013

In HRK	Total sum insured			
	Before reinsurance		After reinsurance	
	HRK'000	%	HRK'000	%
< 100,000	2,221,656	28.42%	1,664,916	28.33%
100,000 – 250,000	4,258,708	54.47%	2,964,376	50.44%
>250,000	1,337,339	17.11%	1,247,592	21.23%
As at 31 December 2013	7,817,703	100.00%	5,876,884	100.00%

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

Non-life insurance

Provision is made at the reporting 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 but not settled claims (RBNS) is assessed on a separate case-by-case basis with due regard to the 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.

Reinsurers' share is determined through individual calculation based on the reinsurance contract valid at the moment when the claim occurred.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are assessed by the Group's actuaries using statistical techniques.

The key methods, which remain unchanged from prior years, are:

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- expected loss ratio methods, which use the Group's expectation of the loss ratio for a class of business.

The actual method or blend of methods used varies by accident year being considered, the class of business and observed historical claims development.

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, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in the mix of insurance contracts incepted;
- random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated in the gross amount 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 the greatest influence on the level of provisions.

Tail factors

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

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

Non-life insurance (continued)

Discounting

Non-life claims provisions are not discounted.

In 2014 there have been no major changes in assumptions used to measure non-life insurance assets and liabilities.

Life assurance

The life assurance provision is calculated by a prospective net premium method using the same statistical data and interest rates used to calculate premium rates. The Group calculates life assurance provision in accordance with HANFA regulations. Assumptions used are specified at the beginning of the policy and they remain in force until the expiration of policy, except in the case of liability inadequacy or if HANFA do not specify otherwise.

The Group elects to use following mortality tables for the calculation of mathematical reserve:

MT RH 1980-82, MT RH 1989-91, MT RH 2000-02, JUG 1970, Wiener unisex 1, Wiener unisex 2 as well as GC. In accordance with regulation of Republic Croatia which from 1 July 2013 requires that insurer provides equal treatment for both sexes, the Group introduced new, unisex mortality tables. The use of the 1980-82, 1989-91 and JUG 1970 mortality tables results in a higher life assurance provision than if it would be calculated with 2000-02 mortality tables, therefor in some products the Group uses these mortality tables for calculation of mathematical provision. For critical illness the Group uses original morbidity and mortality tables and for additional surgery and child birth rider the Group uses original biometric tables.

According to the guidelines and the rules issued by HANFA, the maximum interest rate used for discounting when calculating life assurance provision is 3.3% for the polices concluded before year 2010, 3% for the polices concluded during 2010, and 2.75% for the polices concluded after 2010. The tariffs that have technical interest rate used for premium determination which is lower than those percentage amounts, the lower interest rate is used for life provision calculation.

The principal assumptions underlying the calculation of the significant components of the life assurance provision are stated in the following table.

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

Life assurance (continued)

Principal assumptions for life assurance business

Description	Product	TIR for calculating reserve	Mortality tables for calculating reserve
	H11, H11J, H21, H31, H31J, L11, L11J	3.30%	MT HR 2000
	L21, L31, L31J, W11, W11J, W21, W21J, C31	3.30%	MT HR 2000
	A11, A12, AUR20, AUR21, AURDC	3.30%	MT HR 2000
	L41, L41J, H51	2.50%	MT HR 2000
	B11, A2011, DJ11, CE-N11, C11, CE11	2.50%	MT HR 2000
	C, CE, CE-N	3.00%	MT HR 2000
	AWS	3.00%	MT HR 1980-82
	B, A08, DJ	3.00%	MT HR 1989-91
	C03	3.00%	MT HR 1980-82
Endowment	A13, B13, C13, CS13, CS-N13, CS-N14	2.50%	Wiener unisex tables 1
	G11, G12, G13, G14, G16, G17, G18, G32, G33, G35, G36	3.30%	MT HR 2000
Endowment - group	BR	3.00%	MT HR 1980-82
	D11, D11J	3.30%	MT HR 2000
Pure endowment	BR11, D41, D41J	2.50%	MT HR 2000
	IK, IKD,	3.00%	MT HR 1989-91
	IKE, IKE-B06, IK-F	3.00%	MT HR 2000
	SSA	2.50%	MT HR 2000
	IK13	2.50%	Wiener unisex tables 2
	IKS13, IKD13, IKD13B	2.50%	Wiener unisex tables 1
	POS	3.30%	MT HR 2000
	T11, T11J	3.30%	MT JUG 1970
Term	T41, T41J, IK-F11, IK11, IKD11, IKE11, IKD12	2.50%	MT HR 2000
	E, VF1	3.00%	MT HR 2000
Term fix	E11, VF11	2.50%	MT HR 2000
Join life	AUR02	3.30%	MT HR 1980-82
Permanent working disability	PWD, PWDU1	2.50%	GC
Critical Illness	KB1	3.30%	GC
Pension annuity	Z11, Z12, Z12J, Z22J	3.30%	MT HR 2000
Scholarships annuity	Z13F, Z13S, Z13JF, Z13JS, Z14F, Z14S, Z14JF, Z23JF	3.30%	MT HR 2000
Whole Life annuity	WLR	2.50%	MT HR 2000
Whole Life	WLGW	3.30%	MT HR 2000
Whole Life	L-100	3.30%	MT HR 2000
Whole Life	WLU1	2.50%	MT HR 2000
Whole Life	WLP	3.30%	MT HR 2000
Whole Life	WLGW-25	2.50%	MT HR 2000
	EB, EG, EIL-2009	2.50%	MT HR 2000
	EURO-IL, WLBT	3.30%	MT HR 2000
Index-linked	IL	3.00%	MT HR 1989-91
	IL-CRO18	2.50%	Wiener unisex tables 1
	UL, ULS, FI, UL-07	-	MT HR 1980-82
Unit-linked	UL13, ULS13, UL13-O, FI13	-	Wiener unisex tables 1

7 Liability adequacy test

Life assurance

The life assurance 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 Group uses the Liability adequacy test (LAT). No additional liabilities are established as a result of the liability adequacy test.

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 Group's own internal models and publicly available resources (e.g. demographic information published by the Croatian Statistical Bureau).

Due to levels of uncertainty in the future development of insurance markets and the Group's portfolio, the Group uses margins for risk and uncertainty within the liability adequacy test.

Input assumptions are revised and updated annually based on recent experience.

The methodology of testing considers current estimates of all future contractual cash flows. This methodology enables quantification of the correlation between all risks factors.

The principal assumptions used are:

Segmentation

The Group segments the products into several homogenous groups according to the characteristics of individual products. Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining the additional liability to be established.

The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities for each product group separately. 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

Mortality and morbidity are usually based on data supplied by the Croatian Statistical Bureau and amended by the Group based on a statistical investigation of the Group's mortality experience.

Persistency

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Group's past experience with insurance policies (split by type and policy durations). The Group 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 Group's current experience.

7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

Future investment returns are calculated using the risk free curve derived from Bloomberg data for Croatian Government bonds denominated in HRK. The data was then interpolated and extrapolated to the ultimate forward rate of 4.2% using the Solvency II methodology that is applied in the long term guarantee assessment (Smith-Wilson method).

Profit sharing

Whilst, for majority of life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of the liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the estimated investment return over the guaranteed technical interest rate on individual policies. The percentage applied is consistent with the Group's current business practice for bonus allocation.

Non-life insurance

Insurance liabilities in respect of non-life insurance are calculated by using current (not 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 reporting date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs. 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 which comprise insurance contracts with a similar risk profile.

A provision of HRK 2,816 thousand has been established as of 31 December 2014 (2013: HRK 2,600 thousand) as a result of the liability adequacy test and is disclosed under the unexpired risk provision.

8 The sensitivity of Liability adequacy test's future cash flows to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate, discount rates, and investment return rates which are estimated for calculating the adequate value of insurance liabilities during the liability adequacy test.

The Group has estimated the impact of changes in key variables that may have a material effect on the LAT - modelled future cash flows at the end of the year.

Life assurance

	LAT future cash flow -modelled HRK'000
Base run	1,390,180
Interest rates (discounting and investment return) –100bp	1,465,615
Mortality +15%	1,399,199
Policy maintenance expenses +10%	1,417,160

The portfolio modelled represents 97.05% of in force life assurance provision (HRK 1,613,364 thousand life assurance provision together with profit participation reserve modelled). The rest of the portfolio was not modelled since it is similar to the modelled part.

Base run represents future cash flows calculated using the assumptions described under Note 7 during liability adequacy testing.

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

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.

The sensitivity was calculated for an unfavourable direction of movement, therefore the sensitivity to changes in mortality was calculated by estimating the effect on LAT future cash flows of an increase of mortality for life insurance products by 15%. The sensitivity to changes in expense rate was calculated by estimating the effect on LAT future cash flows of a 10% increase in policy maintenance expenses. The sensitivity to changes in interest rates was calculated by estimating the effect on LAT future cash flows of a 100bp decrease in the interest rates.

The profit or loss and insurance liabilities (as evidenced by LAT cash flow above) are mostly influenced by a decrease in the interest rates and increase in policy maintenance expenses.

Non-life insurance

In non-life insurance, the insurance variables which would have the greatest impact on insurance liabilities relate to MTPL court claims. Court claims related liabilities 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.

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 Group offers many types of non-life insurance, mainly motor, property, liability, marine, transport, travel health and accident insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 3 months' notice. The Group is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder 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. This feature is particularly significant in case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

The characteristics of particular insurance types, if they are significantly different from the above mentioned features, are described below.

Motor insurance

The Group motor insurance portfolio comprises both motor third party liability insurance (MTPL) and motor (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by motorists insured under the Green Card system.

Material 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 influence court practice.

MTPL is regulated by the Law on Obligatory Traffic Insurance. Minimum sums insured are regulated by legislation. Policyholders are entitled to a no-claims bonus on renewal of their policy where the conditions are fulfilled.

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, the Group 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.

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

Non-life insurance contracts (continued)

Liability insurance

This covers all types of liability and includes commercial liability, product liability and professional indemnity as well as personal liability. All liability covers are written on a "loss occurrence basis".

Accident insurance

Accident insurance is traditionally sold as an add-on to life products or to MTPL products offered by the Group, but is also sold as a stand alone product.

Life assurance contracts

Bonuses

Almost all of the Group's traditional life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Management Board in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed.

Premiums

Premiums may be payable in regular instalments or as a single premium at inception of the policy. Some endowment-type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums are not increased by inflation.

Term life insurance products

Traditional term life insurance products comprise risks of death. The premium is paid regularly or as a single premium. Policies offer a fixed sum insured for death or sum insured which is decreasing over time. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment products

These are traditional life assurance products providing long term financial protection. Capital life insurance products for regular or single premium offer cover for risks of death and endowment. Accident can be added as a rider to the main endowment coverage. Insurance benefits are usually paid in a lump-sum.

Pure endowments

These are also traditional life insurance products providing life-long financial protection at expiry. The premium under this product is paid annually or in instalments and it covers the risk of endowment and accident rider, if included.

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

Life assurance contracts (continued)

Endowment at the fixed age at maturity (Whole Life assurance)

Whole Life insurance products comprise risk of death during the entire lifetime (until the age of 100 when policy matures). Premium is paid annually, semi-annually, quarterly or monthly. Surrender values are guaranteed in a fixed amount and specified at the contract start. Insurance benefits are paid in a lump-sum. The Group has five generations of Whole Life and only the fifth generation, Whole Life Unisex, is still active. Four additional riders can be added to the main coverage:

- Terminal Illness Rider (TI) allows payment of 50% sum insured in case of terminal illness;
- Accidental Death Benefits Rider (ADB) guarantees payment of additional 100% sum insured in case of accidental death;
- surgery – additional payment in case of surgery;
- childbirth – additional payment in case of child birth.

Unit-linked life assurance

Unit-linked life assurance combines traditional term life assurance with the risk of death and the possibility to invest regular premium or an extra single premium into certain investment funds. The policyholder chooses the investment portfolio (predefined combination of funds) where payments are to be invested and can change the portfolio during the contract. Policyholders can pay an additional single premium or withdraw a part of the fund value.

Index-linked life assurance

Index-linked life assurance is a single premium product that combines insurance for death risk and savings with a guaranteed maturity value. The savings part is invested into a structured note with a guaranteed maturity value (guaranteed by the note issuer). Policyholders have therefore guaranteed value at policy maturity, however the amount of surrender value is not guaranteed.

10 Segment reporting

Statement of financial position by business segment as at 31 December 2014

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Assets					
Property and equipment	50,439	4,486	46,776	-	101,701
Investment property	25,058	19,731	14,697	-	59,486
Intangible assets					
Deferred acquisition costs	15,251	263	-	-	15,514
Other intangible assets	7,259	1,237	-	-	8,496
Investments in subsidiary and associate	1,550	50	6	(1,600)	6
Held-to-maturity investments	61,663	892,997	-	-	954,660
Available-for-sale financial assets	299,579	744,818	-	-	1,044,397
Financial assets at fair value through profit or loss	52,289	281,717	-	-	334,006
Loans and receivables	42,669	129,757	-	(6,000)	166,426
Reinsurers' share of technical provisions	223,887	282,987	-	-	506,874
Deferred tax asset	1,629	726	-	-	2,355
Inventories	350	-	-	-	350
Insurance and other receivables	156,615	93,405	480	(1,082)	249,418
Current income tax prepayment	-	-	132	-	132
Assets held for sale	-	9,204	-	-	9,204
Cash and cash equivalents	4,745	1,854	216	-	6,815
Total assets	942,983	2,463,232	62,307	(8,682)	3,459,840
Shareholders' equity					
Share capital	101,491	134,304	1,600	(1,600)	235,795
Capital reserves	43,700	6,753	-	-	50,453
Legal and statutory reserve	561	3,627	-	-	4,188
Other reserves	33,937	88,901	-	-	122,838
Fair value reserve	15,118	47,893	-	-	63,011
Retained earnings	23,756	52,116	3,732	-	79,604
Total equity	218,563	333,594	5,332	(1,600)	555,889
Liabilities					
Technical provisions	463,979	1,729,245	-	-	2,193,224
Discretionary profit participation provision	-	49,649	-	-	49,649
Subordinated loan	15,323	-	-	-	15,323
Borrowings	-	-	55,383	(6,000)	49,383
Provisions for liabilities and charges	10,387	-	187	-	10,574
Deferred tax liability	3,780	11,973	-	-	15,753
Current income tax liability	556	175	-	-	731
Insurance and other payables	230,395	338,596	1,405	(1,082)	569,314
Total liabilities	724,420	2,129,638	56,975	(7,082)	2,903,951
Total liabilities and equity	942,983	2,463,232	62,307	(8,682)	3,459,840

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2013

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Assets					
Property and equipment	51,407	4,571	56,660	-	112,638
Investment property	24,740	19,942	6,112	-	50,794
Intangible assets					
Deferred acquisition costs	16,368	281	-	-	16,649
Other intangible assets	8,275	1,317	-	-	9,592
Investments in subsidiary and associate	1,550	50	6	(1,600)	6
Held-to-maturity investments	75,995	818,887	-	-	894,882
Available-for-sale financial assets	293,587	706,402	-	-	999,989
Financial assets at fair value through profit or loss	36,623	267,082	-	-	303,705
Loans and receivables	47,910	95,013	-	(6,000)	136,923
Reinsurers' share of technical provisions	208,717	274,409	-	-	483,126
Deferred tax asset	4,024	4,059	-	-	8,083
Inventories	604	-	-	-	604
Insurance and other receivables	157,748	105,009	430	(1,168)	262,019
Current income tax prepayment	-	-	195	-	195
Assets held for sale	-	13,239	-	-	13,239
Cash and cash equivalents	3,886	7,024	153	-	11,063
Total assets	931,434	2,317,285	63,556	(8,768)	3,303,507
Shareholders' equity					
Share capital	101,491	134,304	-	-	235,795
Capital reserves	43,700	6,753	-	-	50,453
Legal and statutory reserve	561	3,627	-	-	4,188
Other reserves	33,937	88,901	-	-	122,838
Fair value reserve	6,900	18,851	-	-	25,751
Retained earnings	33,714	38,389	4,700	(1,600)	75,203
Total equity	220,303	290,825	4,700	(1,600)	514,228
Liabilities					
Technical provisions	455,708	1,634,674	-	-	2,090,382
Discretionary profit participation provision	-	53,682	-	-	53,682
Subordinated loan	15,275	-	-	-	15,275
Borrowings	-	-	57,254	(6,000)	51,254
Provisions for liabilities and charges	9,413	-	45	-	9,458
Deferred tax liability	1,725	4,713	-	-	6,438
Insurance and other payables	229,010	333,391	1,557	(1,168)	562,790
Total liabilities	711,131	2,026,460	58,856	(7,168)	2,789,279
Total liabilities and equity	931,434	2,317,285	63,556	(8,768)	3,303,507

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2014

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	50,439	4,486	54,925
Investment property	25,058	19,731	44,789
Intangible assets			
Deferred acquisition costs	15,251	263	15,514
Other intangible assets	7,259	1,237	8,496
Investment in subsidiary	1,550	50	1,600
Held-to-maturity investments	61,663	892,997	954,660
Available-for-sale financial assets	299,579	744,818	1,044,397
Financial assets at fair value through profit or loss	52,289	281,717	334,006
Loans and receivables	42,669	129,757	172,426
Reinsurers' share of technical provisions	223,887	282,987	506,874
Deffered tax asset	1,629	726	2,355
Inventories	350	-	350
Insurance and other receivables	156,615	93,405	250,020
Assets held for sale	-	9,204	9,204
Cash and cash equivalents	4,745	1,854	6,599
Total assets	942,983	2,463,232	3,406,215
Shareholders' equity			
Share capital	101,491	134,304	235,795
Capital reserves	43,700	6,753	50,453
Legal and statutory reserve	561	3,627	4,188
Other reserves	33,937	88,901	122,838
Fair value reserve	15,118	47,893	63,011
Retained earnings	23,756	52,116	75,872
Total equity	218,563	333,594	552,157
Liabilities			
Technical provisions	463,979	1,729,245	2,193,224
Discretionary profit participation provision	-	49,649	49,649
Subordinated loan	15,323	-	15,323
Provisions for liabilities and charges	10,387	-	10,387
Deferred tax liability	3,780	11,973	15,753
Current income tax liability	556	175	731
Insurance and other payables	230,395	338,596	568,991
Total liabilities	724,420	2,129,638	2,854,058
Total liabilities and equity	942,983	2,463,232	3,406,215

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2013

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	51,407	4,571	55,978
Investment property	24,740	19,942	44,682
Intangible assets			
Deferred acquisition costs	16,368	281	16,649
Other intangible assets	8,275	1,317	9,592
Investment in subsidiary	1,550	50	1,600
Held-to-maturity investments	75,995	818,887	894,882
Available-for-sale financial assets	293,587	706,402	999,989
Financial assets at fair value through profit or loss	36,623	267,082	303,705
Loans and receivables	47,910	95,013	142,923
Reinsurers' share of technical provisions	208,717	274,409	483,126
Deffered tax asset	4,024	4,059	8,083
Inventories	604	-	604
Insurance and other receivables	157,748	105,009	262,757
Assets held for sale	-	13,239	13,239
Cash and cash equivalents	3,886	7,024	10,910
Total assets	931,434	2,317,285	3,248,719
Shareholders' equity			
Share capital	101,491	134,304	235,795
Capital reserves	43,700	6,753	50,453
Legal and statutory reserve	561	3,627	4,188
Other reserves	33,937	88,901	122,838
Fair value reserve	6,900	18,851	25,751
Retained earnings	33,714	38,389	72,103
Total equity	220,303	290,825	511,128
Liabilities			
Technical provisions	455,708	1,634,674	2,090,382
Discretionary profit participation provision	-	53,682	53,682
Subordinated loan	15,275	-	15,275
Provisions for liabilities and charges	9,413	-	9,413
Deferred tax liability	1,725	4,713	6,438
Insurance and other payables	229,010	333,391	562,401
Total liabilities	711,131	2,026,460	2,737,591
Total liabilities and equity	931,434	2,317,285	3,248,719

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2014

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	276,816	280,834	-	(73)	557,577
Written premiums ceded to reinsurers	(131,830)	(46,194)	-	-	(178,024)
Net premiums written	144,986	234,640	-	(73)	379,553
Change in the gross provision for unearned	(1,226)	261	-	-	(965)
Reinsurers' share of change in the provision for unearned premiums	(616)	(66)	-	-	(682)
Net earned premiums	143,144	234,835	-	(73)	377,906
Fees and commission income	46,106	8,347	-	-	54,453
Financial income	22,465	126,370	8,951	(7,980)	149,806
Other operating income	8,343	559	6	(6)	8,902
Operating income	220,058	370,111	8,957	(8,059)	591,067
Claims and benefits incurred	(158,940)	(262,406)	-	6	(421,340)
Reinsurers' share of claims and benefits incurred	77,659	42,096	-	-	119,755
Net policyholder claims and benefits incurred	(81,281)	(220,310)	-	6	(301,585)
Acquisition costs	(35,904)	(16,390)	-	-	(52,294)
Administrative expenses	(69,660)	(99,208)	(5,020)	7,693	(166,195)
Other operating expenses	(16,805)	(1,465)	(1)	-	(18,271)
Financial expenses	(7,174)	(10,859)	(3,146)	360	(20,819)
Profit before income tax	9,234	21,879	790	-	31,903
Income tax expense	(2,997)	(3,525)	(158)	-	(6,680)
Profit for the year	6,237	18,354	632	-	25,223
Other comprehensive income for the year, net of					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	8,218	29,042	-	-	37,260
Total comprehensive income for the year	14,455	47,396	632	-	62,483

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2013

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	250,189	223,602	-	(70)	473,721
Written premiums ceded to reinsurers	(119,919)	(49,326)	-	-	(169,245)
Net premiums written	130,270	174,276	-	(70)	304,476
Change in the gross provision for unearned premiums	17,711	722	-	-	18,433
Reinsurers' share of change in the provision for unearned premiums	(10,118)	(255)	-	-	(10,373)
Net earned premiums	137,863	174,743	-	(70)	312,536
Fees and commission income	47,875	9,394	-	-	57,269
Financial income	26,647	95,211	6,427	(5,962)	122,323
Other operating income	7,570	922	3,869	(2,179)	10,182
Operating income	219,955	280,270	10,296	(8,211)	502,310
Claims and benefits incurred	(121,677)	(199,551)	-	35	(321,193)
Reinsurers' share of claims and benefits incurred	57,496	46,727	-	-	104,223
Net policyholder claims and benefits incurred	(64,181)	(152,824)	-	35	(216,970)
Acquisition costs	(25,603)	(21,191)	-	-	(46,794)
Administrative expenses	(84,912)	(77,393)	(5,205)	7,816	(159,694)
Other operating expenses	(19,382)	(2,571)	-	-	(21,953)
Financial expenses	(10,847)	(24,907)	(3,127)	360	(38,521)
Profit before income tax	15,030	1,384	1,964	-	18,378
Income tax benefit/(expense)	4,024	4,059	(144)	-	7,939
Profit for the year	19,054	5,443	1,820	-	26,317
Other comprehensive income for the year, net of income tax					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(5,520)	(20,196)	-	-	(25,716)
Total comprehensive income for the year	13,534	(14,753)	1,820	-	601

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2014

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	276,816	280,834	557,650
Written premiums ceded to reinsurers	(131,830)	(46,194)	(178,024)
Net premiums written	144,986	234,640	379,626
Change in the gross provision for unearned premiums	(1,226)	261	(965)
Reinsurers' share of change in the provision for unearned premiums	(616)	(66)	(682)
Net earned premiums	143,144	234,835	377,979
Fees and commission income	46,106	8,347	54,453
Financial income	22,465	126,370	148,835
Other operating income	8,343	559	8,902
Operating income	220,058	370,111	590,169
Claims and benefits incurred	(158,940)	(262,406)	(421,346)
Reinsurers' share of claims and benefits incurred	77,659	42,096	119,755
Net policyholder claims and benefits incurred	(81,281)	(220,310)	(301,591)
Acquisition costs	(35,904)	(16,390)	(52,294)
Administrative expenses	(69,660)	(99,208)	(168,868)
Other operating expenses	(16,805)	(1,465)	(18,270)
Financial expenses	(7,174)	(10,859)	(18,033)
Profit before income tax	9,234	21,879	31,113
Income tax expense	(2,997)	(3,525)	(6,522)
Profit for the year	6,237	18,354	24,591
Other comprehensive income for the year, net of income tax			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	8,218	29,042	37,260
Total comprehensive income for the year	14,455	47,396	61,851

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2013

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	250,189	223,602	473,791
Written premiums ceded to reinsurers	(119,919)	(49,326)	(169,245)
Net premiums written	130,270	174,276	304,546
Change in the gross provision for unearned premiums	17,711	722	18,433
Reinsurers' share of change in the provision for unearned premiums	(10,118)	(255)	(10,373)
Net earned premiums	137,863	174,743	312,606
Fees and commission income	47,875	9,394	57,269
Financial income	26,647	95,211	121,858
Other operating income	7,570	922	8,492
Operating income	219,955	280,270	500,225
Claims and benefits incurred	(121,677)	(199,551)	(321,228)
Reinsurers' share of claims and benefits incurred	57,496	46,727	104,223
Net policyholder claims and benefits incurred	(64,181)	(152,824)	(217,005)
Acquisition costs	(25,603)	(21,191)	(46,794)
Administrative expenses	(84,912)	(77,393)	(162,305)
Other operating expenses	(19,382)	(2,571)	(21,953)
Financial expenses	(10,847)	(24,907)	(35,754)
Profit before income tax	15,030	1,384	16,414
Income tax benefit	4,024	4,059	8,083
Profit for the year	19,054	5,443	24,497
Other comprehensive income for the year, net of income tax			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(5,520)	(20,196)	(25,716)
Total comprehensive income for the year	13,534	(14,753)	(1,219)

10 Segment reporting (continued)

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 Group are Non-life insurance, Life assurance and Investment property. Note 9 of these financial statements provides further information about the 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.

The main products and services offered by the reported business segments include:

Non-life:

- Property and liability
- Motor third party liability
- Motor casco
- Accident and travel health
- Marine and transport

Life:

- Endowment
- Endowment with fixed age at maturity (Whole Life)
- Term insurance
- Pure endowment
- Unit-linked
- Index-linked

Investment property:

- Rent of business premises

Geographical segment

The Group operates mostly in the Republic of Croatia. Almost the entire income from insurance contracts is generated from clients in the Republic of Croatia, therefore no geographical segment information is presented.

11 Merger with Helios Vienna Insurance Group d.d.

As of 31 May 2013 the Company legally merged with Helios Vienna Insurance Group d.d., whereby Helios VIG ceased to exist as a separate legal and operational entity. The assets and liabilities acquired by the Company as a result of merger are recognised at the carrying amounts immediately prior to the merger in the financial statements of Helios VIG. The components of equity of Helios VIG are added to the same components within the Company's equity of except that issued capital in the amount of HRK 52,505 thousand is recognised as part of other reserves, which thereby amounted to HRK 122,838 as stated below.

Effect of legal merger

The legal merger of Helios Vienna Insurance Group d.d. as at 31 May 2013 had the following effect on the Company's assets and liabilities in 2013:

	Acquired on merger
	HRK'000
Assets and liabilities assumed	
Property and equipment	42,463
Investment property	20,389
Intangible assets	
Deferred acquisition costs	2,116
Other intangible assets	117
Held-to-maturity investments	358,693
Available-for-sale financial assets	368,483
Financial assets at fair value through profit or loss	77,788
Loans and receivables	90,969
Reinsurers'share of insurance contracts provisions	55,343
Inventories	658
Insurance and other receivables	71,987
Cash and cash equivalents	6,490
Technical provisions	
Provision for unearned premiums	(33,834)
Reported but not settled claims reserve	(66,015)
Incurred but not reported claims reserve	(27,361)
Life assurance provision	(646,519)
Provision for index-linked	(51,254)
Other technical provisions	(413)
Deferred tax liability	(5,536)
Provisions for liabilities and charges	(5,949)
Insurance and other payables	(64,576)
	<hr/>
Net identifiable assets and liabilities	194,039
	<hr/> <hr/>
Recognised as part of equity as follows:	
Legal reserve	2,725
Fair value reserve	22,145
Other reserves	122,838
Retained earnings	46,331
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Total	194,039
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12 Property and equipment

Group

	Land and buildings HRK'000	Land and buildings not brought into use HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost						
Balance at 1 January 2013	57,288	1,695	6,167	31,510	6,743	103,403
Acquired on merger of Helios VIG	48,589	-	2,842	9,649	205	61,285
Additions	32	-	538	834	289	1,693
Disposals	-	-	(888)	-	-	(888)
Write offs	-	-	-	(172)	-	(172)
Reclassification from investment property (Note 13)	20,584	-	-	-	-	20,584
Reclassification to investment property (Note 13)	(1,956)	(1,695)	-	-	-	(3,651)
Balance at 31 December 2013	124,537	-	8,659	41,821	7,237	182,254
Balance at 1 January 2014	124,537	-	8,659	41,821	7,237	182,254
Additions	731	-	42	1,741	545	3,059
Disposals	-	-	(1,227)	(37)	-	(1,264)
Write offs	-	-	-	(209)	(99)	(308)
Reclassification to investment property (Note 13)	(10,864)	-	-	-	-	(10,864)
Reclassification from other intangible assets (Note 15)	-	-	-	321	-	321
Balance at 31 December 2014	114,404	-	7,474	43,637	7,683	173,198
Depreciation and impairment losses						
Balance at 1 January 2013	8,820	-	3,742	27,603	4,159	44,324
Acquired on merger of Helios VIG	8,575	-	1,929	8,113	205	18,822
Depreciation charge for the year (Note 37)	1,735	-	1,180	1,625	527	5,067
Disposals	-	-	(701)	-	-	(701)
Write offs	-	-	-	(170)	-	(170)
Impairment of assets (Note 38)	177	-	-	-	-	177
Reclassification from investment property (Note 13)	3,113	-	-	-	-	3,113
Reclassification to investment property (Note 13)	(1,016)	-	-	-	-	(1,016)
Balance at 31 December 2013	21,404	-	6,150	37,171	4,891	69,616
Balance at 1 January 2014	21,404	-	6,150	37,171	4,891	69,616
Depreciation charge for the year (Note 37)	1,962	-	997	1,795	542	5,296
Disposals	-	-	(1,009)	(37)	-	(1,046)
Write offs	-	-	-	(204)	(99)	(303)
Reclassification to investment property (Note 13)	(2,066)	-	-	-	-	(2,066)
Balance at 31 December 2014	21,300	-	6,138	38,725	5,334	71,497
Carrying amounts						
At 1 January 2013	48,468	1,695	2,425	3,907	2,584	59,079
At 31 December 2013	103,133	-	2,509	4,650	2,346	112,638
At 1 January 2014	103,133	-	2,509	4,650	2,346	112,638
At 31 December 2014	93,104	-	1,336	4,912	2,349	101,701

Included within land and buildings is non-depreciable land with a carrying amount of HRK 20,787 thousand (2013: HRK 21,204 thousand). Land and buildings with a carrying amount of HRK 42,609 thousand (2013: HRK 55,411 thousand) are pledged as collateral for borrowings of the Group (Note 28).

In 2014, the Group changed the use of business premises with carrying amount of HRK 8,798 thousand (2013: HRK 2,635 thousand) from owner-occupied to investment property and reclassified these premises as such. In 2013, the Group changed the use of business premises with carrying amount of HRK 17,471 thousand from investment property to owner-occupied and reclassified these premises as such.

12 Property and equipment (continued)

Company

	Land and buildings HRK'000	Land and buildings not brought into use HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost						
Balance at 1 January 2013	10,038	1,695	6,167	26,747	6,315	50,962
Acquired on merger of Helios VIG	48,589	-	2,842	9,649	205	61,285
Additions	32	-	538	834	289	1,693
Disposals	-	-	(888)	-	-	(888)
Write offs	-	-	-	(172)	-	(172)
Reclassification to investment property (Note 13)	(1,956)	(1,695)	-	-	-	(3,651)
Balance at 31 December 2013	56,703	-	8,659	37,058	6,809	109,229
Balance at 1 January 2014	56,703	-	8,659	37,058	6,809	109,229
Additions	721	-	42	1,741	545	3,049
Disposals	-	-	(1,227)	(37)	-	(1,264)
Write offs	-	-	-	(209)	-	(209)
Reclassification from other intangible assets (Note 15)	-	-	-	321	-	321
Balance at 31 December 2014	57,424	-	7,474	38,874	7,354	111,126
Depreciation and impairment losses						
Balance at 1 January 2013	1,772	-	3,742	22,908	3,847	32,269
Acquired on merger of Helios VIG	8,575	-	1,929	8,113	205	18,822
Depreciation charge for the year (Note 37)	593	-	1,180	1,625	472	3,870
Disposals	-	-	(701)	-	-	(701)
Write offs	-	-	-	(170)	-	(170)
Impairment of assets (Note 38)	177	-	-	-	-	177
Reclassification to investment property (Note 13)	(1,016)	-	-	-	-	(1,016)
Balance at 31 December 2013	10,101	-	6,150	32,476	4,524	53,251
Balance at 1 January 2014	10,101	-	6,150	32,476	4,524	53,251
Depreciation charge for the year (Note 37)	917	-	997	1,767	519	4,200
Disposals	-	-	(1,009)	(37)	-	(1,046)
Write offs	-	-	-	(204)	-	(204)
Balance at 31 December 2014	11,018	-	6,138	34,002	5,043	56,201
Carrying amounts						
At 1 January 2013	8,266	1,695	2,425	3,839	2,468	18,693
At 31 December 2013	46,602	-	2,509	4,582	2,285	55,978
At 1 January 2014	46,602	-	2,509	4,582	2,285	55,978
At 31 December 2014	46,406	-	1,336	4,872	2,311	54,925

Included within land and buildings is non-depreciable land with a carrying amount of HRK 11,234 thousand (2013: HRK 10,983 thousand). In 2013, the Company changed the use of business premises with carrying amount of HRK 2,635 thousand from owner-occupied to investment property and reclassified these premises as such.

13 Investment property

	Group HRK'000	Company HRK'000
Cost		
Balance at 1 January 2013	32,440	4,514
Acquired on merger of Helios VIG	24,158	24,158
Acquired in lieu of uncollected loans	17,532	17,532
Reclassifications from property and equipment (Note 12)	3,651	3,651
Reclassifications to property and equipment (Note 12)	(20,584)	-
Balance at 31 December 2013	57,197	49,855
Balance at 1 January 2014	57,197	49,855
Acquired in lieu of uncollected loans	72	72
Additions	3,058	3,054
Reclassifications from property and equipment (Note 12)	10,864	-
Balance at 31 December 2014	71,191	52,981
Depreciation and impairment losses		
Balance at 1 January 2013	4,376	152
Acquired on merger of Helios VIG	3,769	3,769
Depreciation charge for the year (Note 39)	355	236
Reclassifications from property and equipment (Note 12)	1,016	1,016
Reclassifications to property and equipment (Note 12)	(3,113)	-
Balance at 31 December 2013	6,403	5,173
Balance at 1 January 2014	6,403	5,173
Depreciation charge for the year (Note 39)	767	550
Impairment (Note 39)	2,469	2,469
Reclassifications from property and equipment (Note 12)	2,066	-
Balance at 31 December 2014	11,705	8,192
Carrying amounts		
At 1 January 2013	28,064	4,362
At 31 December 2013	50,794	44,682
At 1 January 2014	50,794	44,682
At 31 December 2014	59,486	44,789

Investment property of the Group with a carrying amount of HRK 14,697 thousand (2013: HRK 6,112 thousand) is pledged as collateral for borrowings of the Group (Note 28).

The rental income arising during the year amounted to HRK 2,363 thousand for the Group (2013: HRK 2,021 thousand) and HRK 887 thousand for the Company (2013: HRK 630 thousand) and is recognised in profit or loss within "Financial income" (Note 33). The depreciation charge is recognised in profit or loss under "Financial expenses" (Note 39). Direct operating expenses (including repairs and maintenance) arising from investment property during the year amounted to HRK 866 thousand (2013: HRK 760 thousand) are recognised in profit or loss within "Administrative expenses" (Note 37).

In 2014, the Group changed the use of business premises with carrying amount of HRK 8,798 thousand (2013: HRK 2,635 thousand) from owner-occupied to investment property and reclassified these premises as such.

14 Deferred acquisition costs

As part of the Group's and the Company's insurance business, certain acquisition costs are deferred. For the life assurance business, acquisition costs are taken into account in calculating the life assurance provisions by means of Zillmerisation as a result of which a separate deferred acquisition cost asset for the life assurance business is not recognised at the reporting date.

An analysis of deferred costs is shown below:

Group and Company

	Non-life		Life rider		Total	
	2014	2013	2014	2013	2014	2013
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January	16,368	15,991	281	374	16,649	16,365
Acquired on merger of Helios VIG	-	2,116	-	-	-	2,116
Net change (Note 36)	(1,117)	(1,739)	(18)	(93)	(1,135)	(1,832)
Balance at 31 December	15,251	16,368	263	281	15,514	16,649

For segment reporting purposes, life rider business is classified as life assurance business.

15 Other intangible assets

Group

	Goodwill HRK'000	Acquired value of in- force business HRK'000	Computer software HRK'000	Computer software not brought into use HRK'000	Other HRK'000	Total HRK'000
Cost						
Balance at 1 January 2013	3,552	3,450	30,340	4,209	62	41,613
Acquired on merger of Helios VIG	-	-	10,201	-	-	10,201
Additions	-	-	809	465	-	1,274
Transfer into use	-	-	107	(107)	-	-
Write offs (Note 38)	-	-	-	(1,461)	-	(1,461)
Balance at 31 December 2013	3,552	3,450	41,457	3,106	62	51,627
Balance at 1 January 2014	3,552	3,450	41,457	3,106	62	51,627
Additions	-	-	1,204	419	-	1,623
Transfer into use	-	-	1,043	(1,043)	-	-
Reclassifications to property and equipment (Note 12)	-	-	(321)	-	-	(321)
Balance at 31 December 2014	3,552	3,450	43,383	2,482	62	52,929
Amortisation and impairment losses						
Balance at 1 January 2013	-	2,415	26,404	-	31	28,850
Acquired on merger of Helios VIG	-	-	10,084	-	-	10,084
Amortisation for the year (Note 37)	-	345	2,725	-	31	3,101
Balance at 31 December 2013	-	2,760	39,213	-	62	42,035
Balance at 1 January 2014	-	2,760	39,213	-	62	42,035
Amortisation for the year (Note 37)	-	345	2,053	-	-	2,398
Balance at 31 December 2014	-	3,105	41,266	-	62	44,433
Carrying amounts						
At 1 January 2013	3,552	1,035	3,936	4,209	31	12,763
At 31 December 2013	3,552	690	2,244	3,106	-	9,592
At 1 January 2014	3,552	690	2,244	3,106	-	9,592
At 31 December 2014	3,552	345	2,117	2,482	-	8,496

15 Other intangible assets (continued)

Company

	Goodwill HRK'000	Acquired value of in- force business HRK'000	Computer software HRK'000	Computer software not brought into use HRK'000	Other HRK'000	Total HRK'000
Cost						
Balance at 1 January 2013	3,552	3,450	30,290	4,209	62	41,563
Acquired on merger of Helios VIG	-	-	10,201	-	-	10,201
Additions	-	-	809	465	-	1,274
Transfer into use	-	-	107	(107)	-	-
Write offs (Note 38)	-	-	-	(1,461)	-	(1,461)
Balance at 31 December 2013	3,552	3,450	41,407	3,106	62	51,577
Balance at 1 January 2014	3,552	3,450	41,407	3,106	62	51,577
Additions	-	-	1,204	419	-	1,623
Transfer into use	-	-	1,043	(1,043)	-	-
Reclassifications to property and equipment (Note 12)	-	-	(321)	-	-	(321)
Balance at 31 December 2014	3,552	3,450	43,333	2,482	62	52,879
Amortisation and impairment losses						
Balance at 1 January 2013	-	2,415	26,354	-	31	28,800
Acquired on merger of Helios VIG	-	-	10,084	-	-	10,084
Amortisation for the year (Note 37)	-	345	2,725	-	31	3,101
Balance at 31 December 2013	-	2,760	39,163	-	62	41,985
Balance at 1 January 2014	-	2,760	39,163	-	62	41,985
Amortisation for the year (Note 37)	-	345	2,053	-	-	2,398
Balance at 31 December 2014	-	3,105	41,216	-	62	44,383
Carrying amounts						
At 1 January 2013	3,552	1,035	3,936	4,209	31	12,763
At 31 December 2013	3,552	690	2,244	3,106	-	9,592
At 1 January 2014	3,552	690	2,244	3,106	-	9,592
At 31 December 2014	3,552	345	2,117	2,482	-	8,496

16 Investments in subsidiary and associate

a) **Subsidiary and associate are as follows:**

	Industry	Domicile	Group ownership at 31 December 2014	Group ownership at 31 December 2013
Wiener nekretnine d.o.o.	Property management	Croatia	100%	100%
Vile Baredine d.o.o.	Construction and services	Croatia	30%	30%

b) **Investments in subsidiary and associate are as follows:**

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Wiener nekretnine d.o.o.	-	-	1,600	1,600
Vile Baredine (30%)	6	6	-	-
	<u>6</u>	<u>6</u>	<u>1,600</u>	<u>1,600</u>

Wiener nekretnine d.o.o. are fully consolidated in the Group financial statements.

c) **The Group's share in associate, Vile Baredine d.o.o. is as follows:**

	2014 HRK'000	2013 HRK'000
Current assets	29	25
Non-current assets	1,870	1,870
Current liabilities	(2,102)	(2,075)
Net assets	<u>(203)</u>	<u>(180)</u>
Share of associates' profit	<u>(7)</u>	<u>(8)</u>

17 Financial investments

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Held-to-maturity investments	954,660	894,882	954,660	894,882
Available-for-sale financial assets	1,044,397	999,989	1,044,397	999,989
Financial assets at fair value through profit or loss	334,006	303,705	334,006	303,705
Loans and receivables	166,426	136,923	172,426	142,923
	<u>2,499,489</u>	<u>2,335,499</u>	<u>2,505,489</u>	<u>2,341,499</u>

Financial assets at fair value through profit or loss

As at 31 December 2014 there were no past due financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include investments backing index-linked and unit-linked products in the amount of HRK 148,631 thousand (2013: HRK 120,959 thousand), measured at fair value through profit or loss, and as such represent financial assets designated as at fair value through profit or loss.

Available-for-sale financial assets

In 2014, the Group recognised an impairment loss on equity and debt securities available for sale through profit or loss, which decreased profit before tax by HRK 656 thousand (2013: decreased profit before tax by HRK 1,033 thousand), of which HRK 527 thousand related to financial assets which became impaired in 2014 and the remaining amount of impairment loss related to financial assets which were already impaired in prior years.

Held-to-maturity investments

As at 31 December 2014 there were no past due held-to-maturity investments.

Loans and receivables

Loans and receivables consist of deposits with banks and loans to customers. Loans to customers and deposits with banks are stated net of impairment allowance as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Loans to customers	103,542	114,353	109,542	120,353
Deposits with banks	104,921	66,184	104,921	66,184
Impairment allowance on loans to customers	(32,583)	(34,160)	(32,583)	(34,160)
Impairment allowance on deposits with banks	(9,454)	(9,454)	(9,454)	(9,454)
	<u>70,959</u>	<u>80,193</u>	<u>76,959</u>	<u>86,193</u>
Loans to customers, net of impairment allowance	70,959	80,193	76,959	86,193
Deposits with banks, net of impairment allowance	95,467	56,730	95,467	56,730
	<u>166,426</u>	<u>136,923</u>	<u>172,426</u>	<u>142,923</u>

17 Financial investments (continued)

Loans and receivables (continued)

Loans and receivables are analysed as shown below:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Not due and not impaired	152,931	119,618	158,931	125,618
Due but not impaired	1,554	2,964	1,554	2,964
Due and impaired	53,978	57,955	53,978	57,955
Impairment	(42,037)	(43,614)	(42,037)	(43,614)
	<u>166,426</u>	<u>136,923</u>	<u>172,426</u>	<u>142,923</u>

Out of the Group's past due but not impaired loans and receivables in the amount of HRK 1,554 thousand (2013: HRK 2,964 thousand), HRK 735 thousand (2013: HRK 1,132 thousand) is secured by mortgages on real estate, HRK 760 thousand (2013: HRK 891 thousand) is secured by the redemption value of life assurance policies while, HRK 59 thousand is not secured (2013: HRK 191 thousand). In 2014 there were no past due but not impaired loans secured by bank guarantee (2013: HRK 750 thousand).

Out of past due and impaired loans and receivables in the amount of HRK 53,978 thousand (2013: HRK 57,955 thousand), HRK 44,524 thousand (2013: 48,501 thousand) relate to past due and impaired loans and HRK 9,454 thousand (2013: HRK 9,454 thousand) relate to past due and fully impaired deposits with banks. Out of past due and impaired loans in the amount of HRK 44,524 thousand (2013: 48,501 thousand), HRK 32,002 thousand (2013: HRK 32,417 thousand) is secured by mortgages on real estate, while HRK 12,522 thousand (2013: 13,813 thousand) is not secured. In 2014 there were no past due but not impaired loans secured by bank guarantee (2013: HRK 2,271 thousand).

In 2014 and 2013 there was no interest income recognised on impaired loans.

The movement in impairment allowance for loans to customers during the year was as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Balance at 1 January	<u>34,160</u>	<u>30,272</u>	<u>34,160</u>	<u>30,272</u>
Acquired on merger of Helios VIG	-	11,139	-	11,139
Impairment losses	2,213	8,829	2,213	8,829
Collection of amounts previously provided for	(14)	(160)	(14)	(160)
Reversal of impairment	(138)	(1,669)	(138)	(1,669)
Impairment losses on loans to customers, net (Note 39)	<u>2,061</u>	<u>7,000</u>	<u>2,061</u>	<u>7,000</u>
Write offs	(3,638)	(14,251)	(3,638)	(14,251)
Balance at 31 December	<u>32,583</u>	<u>34,160</u>	<u>32,583</u>	<u>34,160</u>

In September 2013, Centar banka d.d. went into receivership and the Group's deposit in amount of HRK 9,454 thousand was fully impaired and provided for.

In 2014 the Group and Company foreclosed properties in exchange of uncollected loans and interest receivables due to which amounts charged to the loan principal impairment allowance have been written of in amount HRK 91 thousand (2013: HRK 13,836 thousand).

Net impairment losses are recognised under "Financial expenses" in profit or loss (Note 39).

17 Financial investments (continued)

Group	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
2014					
Listed	-	753	753	-	1,506
Unlisted	-	24,296	-	-	24,296
Equity securities	-	25,049	753	-	25,802
Bonds - Government of Republic of Croatia	953,447	897,625	-	-	1,851,072
Bonds - Government of Republic of Poland	-	20,730	-	-	20,730
Municipal bonds – domestic	1,213	609	-	-	1,822
Corporate bonds – domestic	-	57,853	-	-	57,853
Corporate bonds – foreign	-	-	25,247	-	25,247
Corporate bonds – assets backing index-linked products, foreign	-	-	114,760	-	114,760
Debt securities – fixed rate, listed	954,660	976,817	140,007	-	2,071,484
Investment funds – open ended, quoted	-	42,531	159,375	-	201,906
Investment funds – assets backing unit-linked products, domestic	-	-	33,871	-	33,871
Investment funds	-	42,531	193,246	-	235,777
Deposits with banks	-	-	-	95,467	95,467
Loans to customers – secured by the redemption value of life assurance	-	-	-	50,067	50,067
Loans to customers - secured by mortgages on real estate	-	-	-	18,372	18,372
Loans to customers - others	-	-	-	2,520	2,520
Loans and receivables	-	-	-	166,426	166,426
	954,660	1,044,397	334,006	166,426	2,499,489
2013					
Listed	-	2,100	885	-	2,985
Unlisted	-	18,583	-	-	18,583
Equity securities	-	20,683	885	-	21,568
Bonds - Government of Republic of Croatia	892,494	856,731	-	-	1,749,225
Bonds - Government of Republic of Poland	-	18,457	-	-	18,457
Municipal bonds – domestic	1,788	907	-	-	2,695
Corporate bonds – domestic	-	62,758	-	-	62,758
Corporate bonds – foreign	-	-	19,955	-	19,955
Corporate bonds – assets backing index-linked products, foreign	-	-	90,066	-	90,066
Bills of exchange	600	-	-	-	600
Debt securities – fixed rate, listed	894,882	938,853	110,021	-	1,943,756
Investment funds – open ended, quoted	-	40,453	161,906	-	202,359
Investment funds – assets backing unit-linked products, domestic	-	-	30,893	-	30,893
Investment funds	-	40,453	192,799	-	233,252
Deposits with banks	-	-	-	56,730	56,730
Loans to customers – secured by the redemption value of life assurance	-	-	-	53,807	53,807
Loans to customers - secured by mortgages on real estate	-	-	-	22,239	22,239
Loans to customers - others	-	-	-	4,147	4,147
Loans and receivables	-	-	-	136,923	136,923
	894,882	999,989	303,705	136,923	2,335,499

17 Financial investments (continued)

Company	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
2014					
Listed	-	753	753	-	1,506
Unlisted	-	24,296	-	-	24,296
Equity securities	-	25,049	753	-	25,802
Bonds - Government of Republic of Croatia	953,447	897,625	-	-	1,851,072
Bonds - Government of Republic of Poland	-	20,730	-	-	20,730
Municipal bonds – domestic	1,213	609	-	-	1,822
Corporate bonds – domestic	-	57,853	-	-	57,853
Corporate bonds – foreign	-	-	25,247	-	25,247
Corporate bonds – assets backing index-linked products, foreign	-	-	114,760	-	114,760
Debt securities – fixed rate, listed	954,660	976,817	140,007	-	2,071,484
Investment funds – open ended, quoted	-	42,531	159,375	-	201,906
Investment funds – assets backing unit-linked products, domestic	-	-	33,871	-	33,871
Investment funds	-	42,531	193,246	-	235,777
Deposits with banks	-	-	-	95,467	95,467
Loans to customers – secured by the redemption value of life assurance	-	-	-	50,067	50,067
Loans to customers - secured by mortgages on real estate	-	-	-	24,372	24,372
Loans to customers - others	-	-	-	2,520	2,520
Loans and receivables	-	-	-	172,426	172,426
	954,660	1,044,397	334,006	172,426	2,505,489
2013					
Listed	-	2,100	885	-	2,985
Unlisted	-	18,583	-	-	18,583
Equity securities	-	20,683	885	-	21,568
Bonds - Government of Republic of Croatia	892,494	856,731	-	-	1,749,225
Bonds - Government of Republic of Poland	-	18,457	-	-	18,457
Municipal bonds – domestic	1,788	907	-	-	2,695
Corporate bonds – domestic	-	62,758	-	-	62,758
Corporate bonds – foreign	-	-	19,955	-	19,955
Corporate bonds – assets backing index-linked products, foreign	-	-	90,066	-	90,066
Bills of exchange	600	-	-	-	600
Debt securities – fixed rate, listed	894,882	938,853	110,021	-	1,943,756
Investment funds – open ended, quoted	-	40,453	161,906	-	202,359
Investment funds – assets backing unit-linked products, domestic	-	-	30,893	-	30,893
Investment funds	-	40,453	192,799	-	233,252
Deposits with banks	-	-	-	56,730	56,730
Loans to customers – secured by the redemption value of life assurance	-	-	-	53,807	53,807
Loans to customers - secured by mortgages on real estate	-	-	-	28,239	28,239
Loans to customers - others	-	-	-	4,147	4,147
Loans and receivables	-	-	-	142,923	142,923
	894,882	999,989	303,705	142,923	2,341,499

17 Financial investments (continued)

Reclassification of financial assets

Based on the Management Board's decision, and pursuant to International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, paragraph 50, effective from 1 July 2008, the Group reclassified financial assets from a category at fair value through profit or loss into financial assets available for sale, in an amount of HRK 8,337 thousand, representing their fair value on 24 February 2009. Following this reclassification, any further gains and losses which would previously have been recognised in income are recognised in other comprehensive income (prior to any impairment effects). Had the assets not been reclassified, the Group's and the Company's loss before tax for 2009 would have been higher by HRK 91 thousand (before impairment effects). There was no effect on equity.

In addition, in November 2011 upon decision of the Management Board, based on paragraph 54 of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, the Group reclassified available-for-sale financial assets with a carrying value of HRK 296,041 thousand as held-to-maturity investments. After reclassification the assets are measured at amortised cost and no further gains and losses from changes in fair value are recognised. The average effective interest rate on reclassified investments on the date of reclassification was 6.80%. Up to the date of reclassification the Group recognised a loss on changes in fair value net of income tax of HRK 8,764 thousand in other comprehensive income in respect of reclassified financial assets. Had there not been any asset reclassification, the Group and the Company would have recognised HRK 13,242 thousand loss net of income tax on the change in fair value of the underlying assets in other comprehensive income in 2011. The Group has intent and ability to hold the reclassified assets to maturity.

Net book values of reclassified assets at the reclassification date and their fair values at 31 December 2014 were as follows:

Group and Company	At the reclassification date		31 December 2014	
	Book value HRK '000	Fair value HRK '000	Book value HRK '000	Fair value HRK '000
<i>Financial assets at fair value through profit or loss reclassified to financial assets available for sale on 24 February 2009</i>				
Debt securities	8,337	8,337	-	-
<i>Financial assets available for sale reclassified to financial assets held to maturity on 2 November 2011</i>				
Debt securities	296,041	296,041	303,801	352,509

17 Financial investments (continued)

Reclassification of financial assets (continued)

Following table presents amounts recognised in profit or loss and other comprehensive income during 2014 and 2013 from reclassified financial assets:

Group and Company	2014		2013	
	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 financial assets available for sale on 24 February 2009</i>				
Interest income	-	-	182	-
Premium discount	-	-	189	-
Impairment loss	-	-	(589)	-
Change in fair value reserve, net of income tax	-	-	-	-
<i>Financial assets available for sale reclassified to held to maturity investments on 2 November 2011</i>				
Exchange rate differences	846	-	3,262	-
Interest income	20,006	-	19,934	-
Premium discount	537	-	496	-
Amortisation of fair value reserve to profit or loss	(1,435)	1,148	(1,535)	1,228
	<u>19,954</u>	<u>1,148</u>	<u>21,939</u>	<u>1,228</u>

Following table shows amounts which would have been recognised in the profit or loss and other comprehensive income during 2014 and 2013 from reclassified financial assets if reclassification was not performed:

Group and Company	2014		2013	
	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 and loss reclassified to financial assets available for sale on 24 February 2009</i>				
Interest income	-	-	182	-
Unrealised losses	-	-	(400)	-
<i>Financial assets available-for-sale reclassified to held-to-maturity investments on 2 November 2011</i>				
Exchange rate differences	981	-	3,544	-
Interest income	20,006	-	19,934	-
Premium discount	(679)	-	(632)	-
Change in fair value reserve, net of income tax	-	18,868	-	(15,069)
	<u>20,308</u>	<u>18,868</u>	<u>22,628</u>	<u>(15,069)</u>

17 Financial investments (continued)

Reclassification of financial assets (continued)

With the merger of Helios Vienna Insurance Group d.d., the Group acquired financial assets which were previously reclassified pursuant to paragraph 54 of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*. Helios VIG reclassified available-for-sale financial assets with a carrying value of HRK 219,132 thousand as held-to-maturity investments in October 2011 and available-for-sale financial assets with a carrying value of HRK 139,508 thousand as held-to maturity investments in March 2012. After reclassification the assets are measured at amortised cost and no further gains and losses from changes in fair value are recognised. The average effective interest rate on reclassified investments on the date of reclassification was 6.38% in 2011 and 6.57% in 2012. Up to the date of reclassification Helios VIG recognised in 2012 a gain on changes in fair value net of income tax of HRK 3,543 thousand and in 2011 loss on changes in fair value net of income tax of HRK 1,759 thousand in other comprehensive income in respect of reclassified financial assets. Had there not been any asset reclassification, Helios VIG would have recognised HRK 52,923 thousand gain net of income tax on the change in fair value of the underlying assets in other comprehensive income in 2012 and loss net of income tax on the change in fair value of the underlying assets in other comprehensive income of HRK 10,291 thousand in 2011. The Group has intent and ability to hold the reclassified assets to maturity.

Net book values of reclassified assets at the reclassification date and their fair values at 31 December 2014 were as follows:

	At the reclassification date		31 December 2014	
	Book value HRK '000	Fair value HRK '000	Book value HRK '000	Fair value HRK '000
<i>Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011</i>				
Debt securities	<u>219,132</u>	<u>219,132</u>	<u>218,223</u>	<u>251,105</u>
<i>Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012</i>				
Debt securities	<u>139,508</u>	<u>139,508</u>	<u>141,735</u>	<u>165,084</u>

17 Financial investments (continued)

Reclassification of financial assets (continued)

Following table presents amounts recognised in profit or loss and other comprehensive income after the merger date from reclassified financial assets of Helios VIG:

Group and Company	2014		2013	
	Profit or loss HRK '000	Other comprehensive income HRK '000	Profit or loss HRK '000	Other comprehensive income HRK '000
<i>Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011</i>				
Interest income	14,162	-	8,614	-
Premium discount	(299)	-	(171)	-
Amortisation of fair value reserve to profit or loss	(284)	-	(175)	-
Change in fair value reserve, net of income tax	-	227	-	140
<i>Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012</i>				
Exchange rate differences	420	-	5,301	-
Interest income	9,101	-	1,436	-
Premium discount	(96)	-	(24)	-
Amortisation of fair value reserve to profit or loss	393	-	242	-
Change in fair value reserve, net of income tax	-	(314)	-	(194)
	<u>23,397</u>	<u>(87)</u>	<u>15,223</u>	<u>(54)</u>

Following table shows amounts which would have been recognised in the profit or loss and other comprehensive income after the merger date from reclassified financial assets if reclassification was not performed in Helios VIG:

Group and Company	2014		2013	
	Profit or loss HRK '000	Other comprehensive income HRK '000	Profit or loss HRK '000	Other comprehensive income HRK '000
<i>Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011</i>				
Interest income	14,162	-	8,614	-
Premium discount	(620)	-	(348)	-
Change in fair value reserve, net of income tax	-	5,796	-	(10,970)
<i>Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012</i>				
Exchange rate differences	491	-	1,536	-
Interest income	9,101	-	5,301	-
Premium discount	209	-	115	-
Change in fair value reserve, net of income tax	-	4,162	-	(6,161)
	<u>23,343</u>	<u>9,958</u>	<u>15,218</u>	<u>(17,131)</u>

18 Reinsurers' share of technical provisions

Group and Company

	<i>Note</i>	2014 HRK'000	2013 HRK'000
Non-life			
Reinsurance share in provision for unearned premiums	25 a)	59,617	60,233
Reinsurance share in reported but not settled claims reserve	25 b)	111,954	102,704
Reinsurance share in incurred but not reported claims reserve	25 c)	52,316	45,780
Total Non-life		223,887	208,717
Life			
Reinsurance share in provision for unearned premiums	25 a)	807	873
Reinsurance share in reported but not settled claims reserve	25 b)	2,190	1,976
Reinsurance share in incurred but not reported claims reserve	25 c)	1,161	1,232
Reinsurance share in life assurance provision	25 f)	278,829	270,328
Total Life		282,987	274,409
Total reinsurers' share of technical provisions		506,874	483,126

Reinsurers' share in technical provisions represents expected future claims that will be charged to reinsurers, and reinsurers' share in unearned premium. Premiums ceded to reinsurance do not relieve the Group from its direct obligations towards policyholders. Accordingly, the Group incurs a credit risk up to the extent that the reinsurer would not be able to settle its liability under the reinsurance agreement.

19 Deferred tax asset/liability

Group and Company

	Deferred tax asset			Deferred tax liability		
	Tax losses carried forward HRK'000	Impairment losses HRK'000	Provisions for liabilities and charges HRK'000	Total deferred tax asset HRK'000	Fair value reserve HRK'000	Total deferred tax liability HRK'000
Balance at 1 January 2013	-	-	-	-	(7,331)	(7,331)
Acquired on merger of Helios VIG	-	-	-	-	(5,536)	(5,536)
Credited to the income statement (Note 40)	5,829	2,016	238	8,083	-	-
Credited to other comprehensive income	-	-	-	-	6,429	6,429
Balance at 31 December 2013	5,829	2,016	238	8,083	(6,438)	(6,438)
Balance at 1 January 2014	5,829	2,016	238	8,083	(6,438)	(6,438)
Charged to the income statement (Note 40)	(5,829)	113	(12)	(5,728)	-	-
Charged to other comprehensive income	-	-	-	-	(9,315)	(9,315)
Balance at 31 December 2014	-	2,129	226	2,355	(15,753)	(15,753)

20 Insurance and other receivables

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Insurance receivables				
- from policyholders	112,897	118,898	112,897	118,898
- from recourses	30,659	31,638	30,659	31,638
- from other	17,906	19,474	17,906	19,474
Receivables from reinsurance				
- for claims recoveries	48,221	50,011	48,221	50,011
- for reinsurance commission	26,378	27,128	26,378	27,128
- for reinsurance deposits	16,751	15,628	16,751	15,628
Other receivables				
- accrued interest	71,284	75,847	71,314	75,847
- other	28,285	27,579	28,726	28,183
Prepaid expenses	1,281	1,326	1,281	1,326
Impairment allowance				
- for receivables from policyholders	(55,810)	(55,694)	(55,810)	(55,694)
- for recourse receivables	(4,996)	(5,071)	(4,996)	(5,071)
- for accrued interest	(20,282)	(21,104)	(20,282)	(21,104)
- for other receivables	(23,156)	(23,641)	(23,025)	(23,507)
Total insurance and other receivables	249,418	262,019	250,020	262,757

Impairment losses related to insurance receivables are recognised based on internal analysis of uncollected premiums.

Other receivables include claims on deposit at Credo banka d.d. in a receivership in the amount of HRK 22,474 thousand. As of 31 December 2011 the Group recognised impairment allowance on the deposit in the amount of HRK 19,103 thousand within financial expenses resulting with the carrying amount of HRK 3,371 thousand. In addition, the Group has written off interest receivables on deposit in the amount of HRK 759 thousand within financial expenses. In 2014 and 2013 no interest income from this deposit was recognised.

The analysis of insurance receivables and other receivables is given below:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Not due and not impaired	191,017	203,529	191,619	204,267
Due but not impaired	58,401	58,490	58,401	58,490
Due and impaired	104,244	105,510	104,113	105,376
Impairment allowance	(104,244)	(105,510)	(104,113)	(105,376)
	249,418	262,019	250,020	262,757

20 Insurance and other receivables (continued)

The movement in impairment allowance for receivables from policyholders during the year was as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Balance at 1 January	55,694	46,832	55,694	46,832
Acquired on merger of Helios VIG	-	6,995	-	6,995
Increase in provisions	16,467	23,618	16,467	23,618
Decrease in provisions due to collection	(10,583)	(19,618)	(10,583)	(19,618)
Impairment losses	5,884	4,000	5,884	4,000
Write off of provision	(5,768)	(2,133)	(5,768)	(2,133)
Balance at 31 December	55,810	55,694	55,810	55,694

Impairment losses for insurance receivables are offset against gross premiums written.

The movement in impairment allowance for recourse receivables during the year was as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Balance at 1 January	5,071	850	5,071	850
Acquired on merger of Helios VIG	-	4,287	-	4,287
Decrease in provisions due to collection (Note 34)	(75)	(66)	(75)	(66)
Balance at 31 December	4,996	5,071	4,996	5,071

The movement in impairment allowance for accrued interest during the year was as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Balance at 1 January	21,104	25,482	21,104	25,482
Acquired on merger of Helios VIG	-	296	-	296
Increase in provisions	153	6,853	153	6,853
Decrease in provisions due to collections	(53)	(430)	(53)	(430)
Net impairment losses (Note 39)	100	6,423	100	6,423
Write off of provisions	(922)	(11,097)	(922)	(11,097)
Balance at 31 December	20,282	21,104	20,282	21,104

20 Insurance and other receivables (continued)

The movement in impairment allowance for other receivables during the year was as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Balance at 1 January	23,641	20,023	23,507	19,889
Acquired on merger of Helios VIG	-	3,241	-	3,241
Increase in provisions (Note 38)	75	452	75	452
Unused amounts reversed (Note 34)	-	(75)	-	(75)
Impairment losses	75	377	75	377
Write off of provisions	(560)	-	(557)	-
Balance at 31 December	23,156	23,641	23,025	23,507

21 Assets held for sale

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Property	9,204	13,239	9,204	13,239

Assets held for sale comprise residential flats in city of Pula. The Group is actively selling these properties.

22 Cash and cash equivalents

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Cash at bank	6,815	11,063	6,599	10,910

23 Equity

a) Share capital

	31 December 2014 HRK'000	31 December 2013 HRK'000
<i>Authorised, issued and fully paid</i>		
374,278 (2013:374,278) ordinary shares of HRK 630	<u>235,795</u>	<u>235,795</u>

The share capital of the Company is denominated in Croatian kuna. The nominal value of each share issued is HRK 630.

The shareholders of the Company at the year end are as follows:

	2014 % ownership	2013 % ownership
Vienna Insurance Group AG Wiener Versicherung Gruppe	99.47	99.47
Minority shareholders	<u>0.53</u>	<u>0.53</u>
	<u>100.00</u>	<u>100.00</u>

The parent company and the ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe.

b) Capital reserves

Capital reserves consist of share premium reserve and other payments of shareholders into capital reserves. The share premium reserve represents the accumulated positive difference between the par value of shares issued and the amount received upon issue of share capital.

c) Legal reserve

The legal reserve represents accumulated appropriations from retained earnings in accordance with the previous Insurance Act, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable legal reserve. The legal 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.

d) Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company's General Assembly.

e) Dividend payment

In 2014, the Company paid dividends for 2013 in the amount of HRK 20,822 thousand (in 2013 for 2012: HRK 988 thousands) or HRK 55.63 per share (in 2013 for 2012: HRK 2.64 per share), following their declaration by shareholders in General Assembly.

23 Equity (continued)

f) Fair value reserve

Fair value reserve contains unrealised gains and losses from change in fair value of financial assets available-for-sale, net of deferred tax. All movements are presented in other comprehensive income in the Statement of comprehensive income, net of tax. Movements in the fair value reserve were as follows:

Group and Company	<i>Note</i>	2014 HRK'000	2013 HRK'000
Gross fair value reserve at 1 January		32,189	36,653
Deferred tax at 1 January		(6,438)	(7,331)
Balance at 1 January		<u>25,751</u>	<u>29,322</u>
Acquired on merger of Helios VIG			
Fair value reserve		-	27,681
Deferred tax on fair value reserve		-	(5,536)
Net gains/(losses) from change in fair value of available-for-sale financial assets		56,177	(28,516)
Deferred tax on net gains/(losses) from change in fair value of available-for-sale financial assets		(11,236)	5,704
Impairment losses on available-for-sale financial assets – transfer to profit or loss	39	656	1,033
Deferred tax on impairment losses on available-for-sale financial assets – transfer to profit or loss		(131)	(207)
Net gains on disposal of available-for-sale financial assets – transfer to profit or loss	33	(10,258)	(4,662)
Deferred tax on net gains on disposal of available-for-sale financial assets – transfer to profit or loss		2,052	932
		<u> </u>	<u> </u>
Gross fair value reserve at 31 December		78,764	32,189
Deferred tax at 31 December		(15,753)	(6,438)
Balance at 31 December		<u><u>63,011</u></u>	<u><u>25,751</u></u>

23 Equity (continued)

g) Capital management

Externally imposed capital requirements are set and regulated by HANFA and EU directives. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain satisfactory capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

	2014	2014	2014	2013	2013	2013
	Non-life	Life	Total	Non-life	Life	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Solvency margin	34,704	69,624	104,328	36,586	69,269	105,855
Min. Founding capital (FC)	28,860	28,860	57,720	27,750	27,750	55,500
Guarantee capital (GC)	205,272	266,110	471,382	201,349	265,214	466,563
Capital	203,722	241,764	445,486	199,799	246,582	446,381
GC >= min FC	YES	YES	YES	YES	YES	YES
Capital >= Solvency margin	YES	YES	YES	YES	YES	YES

As shown in the table above, as at 31 December 2014 regulatory requirements for non-life business and life assurance business were fulfilled. The capital of both non-life insurance and life assurance business were higher than the required solvency margin by HRK 169.0 million and HRK 172.1 million respectively (2013: HRK 163.2 million and HRK 177.3 million).

An analysis of capital is given below

	2014	2014	2014	2013	2013	2013
	Non-life	Life	Total	Non-life	Life	Total
	HRK '000	HRK '000	HRK'000	HRK '000	HRK '000	HRK'000
Tier 1 capital						
Share capital, paid in	101,491	134,304	235,795	101,491	134,304	235,795
Reserves not related to liabilities from insurance	78,198	99,281	177,479	78,198	99,281	177,479
Retained earnings after paid dividends	17,519	33,762	51,281	14,660	32,946	47,606
Intangible assets	(7,259)	(1,237)	(8,496)	(8,275)	(1,317)	(9,592)
Basic capital	189,949	266,110	456,059	186,074	265,214	451,288
Tier 2 capital						
Subordinated loan	15,323	-	15,323	15,275	-	15,275
Supplementary capital	15,323	-	15,323	15,275	-	15,275
Guarantee capital	205,272	266,110	471,382	201,349	265,214	466,563
Deductions	(1,550)	(24,346)	(25,896)	(1,550)	(18,632)	(20,182)
Capital	203,722	241,764	445,486	199,799	246,582	446,381

24 Basic and diluted earnings per share

For the purposes of calculating earnings per share, earnings is calculated as the profit for the year attributable to equity holders of the Company. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. The weighted average number of ordinary shares used for basic and diluted earnings per share was 374,278 (2013: 374,278). Given that there are no options, convertible bonds or similar instruments, the diluted earnings per share is the same as the basic earnings per share.

Group	2014 HRK'000	2013 HRK'000
Profit attributable to ordinary shareholders for earnings per share	<u>25,223</u>	<u>26,317</u>
Group	2014 HRK	2013 HRK
Basic and diluted earnings per share	<u>67</u>	<u>70</u>

25 Technical provisions

Group and Company

	Note	2014 HRK'000	2013 HRK'000
Non-life insurance business			
Provision for unearned premiums	25 a)	133,235	132,009
Reported but not settled claims reserve	25 b)	207,747	204,997
Incurred but not reported claims reserve	25 c)	119,883	115,704
Unexpired risk provision	25 d)	2,816	2,600
Other technical provision	25 e)	298	398
Total Non-life insurance business		<u>463,979</u>	<u>455,708</u>
Life assurance business			
Provision for unearned premiums	25 a)	2,469	2,730
Reported but not settled claims reserve	25 b)	11,680	11,511
Incurred but not reported claims reserve	25 c)	2,750	3,061
Life assurance provision for traditional products	25 f)	1,563,715	1,496,413
Provision for unit-linked and index-linked	25 g)	148,631	120,959
Total Life assurance business		<u>1,729,245</u>	<u>1,634,674</u>
Total technical provisions		<u>2,193,224</u>	<u>2,090,382</u>

25 Technical provisions (continued)

a) Analysis of movement in provision for unearned premium

Group

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
<i>Non-life insurance business</i>						
Balance at 1 January	132,009	60,233	71,776	116,731	54,252	62,479
Acquired on merger of Helios VIG	-	-	-	32,991	16,099	16,892
Premiums written during the year	276,743	131,830	144,913	250,118	119,919	130,199
Less: premiums earned during the year	(275,517)	(132,446)	(143,071)	(267,831)	(130,037)	(137,794)
Balance at 31 December	133,235	59,617	73,618	132,009	60,233	71,776
<i>Life assurance business</i>						
Balance at 1 January	2,730	873	1,857	2,609	936	1,673
Acquired on merger of Helios VIG	-	-	-	843	192	651
Premiums written during the year	11,039	5,142	5,897	10,807	4,823	5,984
Less: premiums earned during the year	(11,300)	(5,208)	(6,092)	(11,529)	(5,078)	(6,451)
Balance at 31 December	2,469	807	1,662	2,730	873	1,857

Company

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
<i>Non-life insurance business</i>						
Balance at 1 January	132,009	60,233	71,776	116,731	54,252	62,479
Acquired on merger of Helios VIG	-	-	-	32,991	16,099	16,892
Premiums written during the year	276,816	131,830	144,986	250,188	119,919	130,269
Less: premiums earned during the year	(275,590)	(132,446)	(143,144)	(267,901)	(130,037)	(137,864)
Balance at 31 December	133,235	59,617	73,618	132,009	60,233	71,776
<i>Life assurance business</i>						
Balance at 1 January	2,730	873	1,857	2,609	936	1,673
Acquired on merger of Helios VIG	-	-	-	843	192	651
Premiums written during the year	11,039	5,142	5,897	10,807	4,823	5,984
Less: premiums earned during the year	(11,300)	(5,208)	(6,092)	(11,529)	(5,078)	(6,451)
Balance at 31 December	2,469	807	1,662	2,730	873	1,857

25 Technical provisions (continued)

b) Analysis of movements in reported but not settled claims reserve

Group

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
<i>Non-life insurance business</i>						
Balance at 1 January	204,997	102,704	102,293	146,604	71,550	75,054
Acquired on merger of Helios VIG	-	-	-	62,070	26,295	35,775
Current year claims	153,531	66,620	86,911	126,026	49,460	76,566
Change in previous year claims	1,108	4,503	(3,395)	(2,046)	485	(2,531)
Claims paid	(151,889)	(61,873)	(90,016)	(127,657)	(45,086)	(82,571)
Balance at 31 December	<u>207,747</u>	<u>111,954</u>	<u>95,793</u>	<u>204,997</u>	<u>102,704</u>	<u>102,293</u>
<i>Life assurance business</i>						
Balance at 1 January	11,511	1,976	9,535	6,545	1,161	5,384
Acquired on merger of Helios VIG	-	-	-	3,945	546	3,399
Current year claims	129,691	33,012	96,679	149,319	37,135	112,184
Change in previous year claims	42,085	654	41,431	(333)	(135)	(198)
Claims paid	(171,607)	(33,452)	(138,155)	(147,965)	(36,731)	(111,234)
Balance at 31 December	<u>11,680</u>	<u>2,190</u>	<u>9,490</u>	<u>11,511</u>	<u>1,976</u>	<u>9,535</u>

Company

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
<i>Non-life insurance business</i>						
Balance at 1 January	204,997	102,704	102,293	146,604	71,550	75,054
Acquired on merger of Helios VIG	-	-	-	62,070	26,295	35,775
Current year claims	153,537	66,620	86,917	126,061	49,460	76,601
Change in previous year claims	1,108	4,503	(3,395)	(2,046)	485	(2,531)
Claims paid	(151,895)	(61,873)	(90,022)	(127,692)	(45,086)	(82,606)
Balance at 31 December	<u>207,747</u>	<u>111,954</u>	<u>95,793</u>	<u>204,997</u>	<u>102,704</u>	<u>102,293</u>
<i>Life assurance business</i>						
Balance at 1 January	11,511	1,976	9,535	6,545	1,161	5,384
Acquired on merger of Helios VIG	-	-	-	3,945	546	3,399
Current year claims	129,691	33,012	96,679	149,319	37,135	112,184
Change in previous year claims	42,085	654	41,431	(333)	(135)	(198)
Claims paid	(171,607)	(33,452)	(138,155)	(147,965)	(36,731)	(111,234)
Balance at 31 December	<u>11,680</u>	<u>2,190</u>	<u>9,490</u>	<u>11,511</u>	<u>1,976</u>	<u>9,535</u>

25 Technical provisions (continued)

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

Group and Company

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
<i>Non-life insurance business</i>						
Balance at 1 January	115,704	45,780	69,924	92,227	26,315	65,912
Acquired on merger of Helios VIG	-	-	-	25,700	11,914	13,786
Additions recognised during the year	37,061	25,040	12,021	24,574	20,724	3,850
Transfer to claims reported provision	(32,882)	(18,504)	(14,378)	(26,797)	(13,173)	(13,624)
Balance at 31 December	<u>119,883</u>	<u>52,316</u>	<u>67,567</u>	<u>115,704</u>	<u>45,780</u>	<u>69,924</u>
<i>Life assurance business</i>						
Balance at 1 January	3,061	1,232	1,829	2,166	945	1,221
Acquired on merger of Helios VIG	-	-	-	1,661	298	1,363
Additions recognised during the year	4,509	732	3,777	2,223	746	1,477
Transfer to claims reported provision	(4,820)	(803)	(4,017)	(2,989)	(757)	(2,232)
Balance at 31 December	<u>2,750</u>	<u>1,161</u>	<u>1,589</u>	<u>3,061</u>	<u>1,232</u>	<u>1,829</u>

d) Analysis of movements in unexpired risk provision

Group and Company

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
Balance as at 1 January	2,600	-	2,600	2,700	-	2,700
Release in profit or loss	(2,600)	-	(2,600)	(2,700)	-	(2,700)
Increase in profit or loss	2,816	-	2,816	2,600	-	2,600
Balance at 31 December	<u>2,816</u>	<u>-</u>	<u>2,816</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>

e) Analysis of movements in other technical provision

Group and Company

	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000	2013 Gross HRK'000	2013 Reinsurance HRK'000	2013 Net HRK'000
Balance as at 1 January	398	-	398	-	-	-
Acquired on merger of Helios VIG	-	-	-	413	-	413
Release in profit or loss	(398)	-	(398)	(413)	-	(413)
Increase in profit or loss	298	-	298	398	-	398
Balance at 31 December	<u>298</u>	<u>-</u>	<u>298</u>	<u>398</u>	<u>-</u>	<u>398</u>

25 Technical provisions (continued)

f) Life assurance provisions

Group and Company

	2014	2014	2014	2013	2013	2013
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January	1,496,413	270,328	1,226,085	854,149	260,591	593,558
Acquired on merger of Helios VIG	-	-	-	599,443	-	599,443
Premium allocation	176,207	35,228	140,979	138,249	36,245	102,004
Release of liabilities due to benefits paid, surrenders and other terminations	(173,191)	(38,099)	(135,092)	(151,604)	(40,429)	(111,175)
Unwinding of discount/accretion of interest	46,203	8,202	38,001	38,189	7,964	30,225
Change in Zillmer adjustment	15,532	2,799	12,733	6,557	3,179	3,378
Change in provision for unearned premium	(2,354)	(496)	(1,858)	(2,231)	(524)	(1,707)
Foreign currency translations	4,905	867	4,038	13,661	3,302	10,359
Balance at 31 December	1,563,715	278,829	1,284,886	1,496,413	270,328	1,226,085

g) Provision for unit-linked and index-linked

Group and Company

	2014	2014	2014	2013	2013	2013
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January	120,959	-	120,959	60,557	-	60,557
Acquired on merger of Helios VIG	-	-	-	51,254	-	51,254
Premium allocation	16,117	-	16,117	4,055	-	4,055
Unrealised gains on funds where policyholder investments were allocated	11,156	-	11,156	3,635	-	3,635
Foreign currency translations	399	-	399	1,458	-	1,458
Balance at 31 December	148,631	-	148,631	120,959	-	120,959

25 Technical provisions (continued)

h) Development of claims reported by policyholders at 31 December 2014

Group and Company

	Prior to 2008	2008	2009	2010	2011	2012	2013	2014	Total
	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 underwriting year	1,146,573	293,445	275,601	282,137	250,600	287,218	238,094	251,088	-
One year later	1,128,563	287,601	261,529	262,640	243,080	264,621	239,746	-	-
Two years later	1,109,054	265,559	251,726	248,164	236,125	237,077	-	-	-
Three years later	1,108,482	268,551	244,873	239,955	232,357	-	-	-	-
Four years later	1,132,032	268,214	248,824	237,592	-	-	-	-	-
Five years later	1,137,700	267,957	247,479	-	-	-	-	-	-
Six years later	1,143,431	268,150	-	-	-	-	-	-	-
Seven years later	1,133,688	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	1,133,688	268,150	247,479	237,592	232,357	237,077	239,746	251,088	2,847,177
Cumulative payments	1,061,978	254,170	228,045	221,909	198,645	206,144	194,696	162,012	2,527,599
Amount recognised in the current year statement of financial position	71,710	13,980	19,434	15,683	33,712	30,933	45,050	89,076	319,578
Claims handling costs and recourses	7,599	-	-	-	-	-	-	-	7,599
Unsettled claims at 31 December 2014 on policies transferred in at 30 December 2005 on merger with Aurum	4,694	1,070	1,174	974	1,423	1,255	1,515	2,778	14,883
Total value recognised in the current year statement of financial position	84,003	15,050	20,608	16,657	35,135	32,188	46,565	91,854	342,060

The historical data in respect of unsettled claims transferred in upon merger with Aurum is insufficient to enable the presentation of their development over an eight year period in the form as set above.

25 Technical provisions (continued)

i) Remaining maturities of technical provisions

Group and Company

2014

	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
Provision for unearned premiums	135,704	-	-	-	-	-	135,704
Reported but not settled claims reserve and incurred but not reported claims reserve	73,485	268,575	-	-	-	-	342,060
Unexpired risk provision	2,816	-	-	-	-	-	2,816
Other technical provision	298	-	-	-	-	-	298
Life assurance provision and provision for unit-linked and index-linked	138,702	534,955	308,158	217,787	71,885	440,859	1,712,346
Technical provisions	351,005	803,530	308,158	217,787	71,885	440,859	2,193,224

2013

	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
Provision for unearned premiums	134,739	-	-	-	-	-	134,739
Reported but not settled claims reserve and incurred but not reported claims reserve	68,306	266,967	-	-	-	-	335,273
Unexpired risk provision	2,600	-	-	-	-	-	2,600
Other technical provision	398	-	-	-	-	-	398
Life assurance provision and provision for unit-linked and index-linked	119,987	455,410	327,264	199,877	74,198	440,636	1,617,372
Technical provisions	326,030	722,377	327,264	199,877	74,198	440,636	2,090,382

25 Technical provisions (continued)

j) Structure of assets used for backing life assurance provision

Group and Company

	31 December 2014 HRK '000	31 December 2013 HRK '000
Assets used for backing life assurance provision		
Debt securities issued by Republic of Croatia	1,318,010	1,214,134
Municipal bonds	1,822	2,695
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	32,058	31,809
Equities traded on regulated stock exchange in Republic of Croatia	-	664
Shares and equities of investment funds registered in Republic of Croatia	46,021	57,659
Advances and loans in the amount of insurance redemption value based on life insurance contract	43,551	53,807
Deposits with banks domiciled in Republic of Croatia	47,600	32,076
Balances on giro account of the Company	637	1,047
Total assets used for backing life assurance provision	1,489,699	1,393,891

	31 December 2014 HRK '000	31 December 2013 HRK '000
Life assurance provision, net of reinsurance and discretionary profit participation provision	1,334,535	1,279,767
Claims provision for risks for which it is necessary to create life assurance provision, net of reinsurance	7,992	7,719
Requested coverage of life assurance provision	1,342,527	1,287,486
Assets used for backing life assurance provision	1,489,699	1,393,891
Requested coverage of life assurance provision	1,342,527	1,287,486
Excess of coverage	147,172	106,405

25 Technical provisions (continued)

j) Structure of assets used for backing life assurance provision (continued)

The following table analyses the financial assets used for backing life assurance provision into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities of life assurance provision and claims provision for which coverage is requested.

	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	More than 10 years HRK'000	Total HRK'000
2014					
Asset backing life assurance provision	73,842	450,600	942,588	22,669	1,489,699
Life assurance provision, net of reinsurance	(108,830)	(342,305)	(221,915)	(661,485)	(1,334,535)
Claims provision, net of reinsurance	(3,197)	(4,795)	-	-	(7,992)
Maturity gap	(38,185)	103,500	720,673	(638,816)	147,172
2013					
Asset backing life assurance provision	186,740	325,907	828,156	53,088	1,393,891
Life assurance provision, net of reinsurance	(95,047)	(310,310)	(230,862)	(643,548)	(1,279,767)
Claims provision, net of reinsurance	(3,088)	(4,631)	-	-	(7,719)
Maturity gap	88,605	10,966	597,294	(590,460)	106,405

As of 31 December 2014, 43% of total assets used for backing life assurance provision were classified as financial assets available for sale, which enables the Group to dispose of these assets easily to meet insurance contracts liabilities when needed. 49.6% of assets used for backing life assurance provision are classified as held-to-maturity investments, 1.2% of assets used for backing life assurance provision are classified as financial assets at fair value through profit and loss and 6.2% as loans and receivables.

The following table analyses the life assurance provision and financial asset used for backing life assurance provision into relevant categories based on the currency in which is denominated.

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	HRK HRK'000	USD HRK'000	Total HRK'000
2014						
Asset backing life assurance provision	52,389	906,706	959,095	522,317	8,287	1,489,699
Life assurance provision, net of reinsurance	-	(955,513)	(955,513)	(370,096)	(8,926)	(1,334,535)
Claims provision, net of reinsurance	-	(7,628)	(7,628)	(364)	-	(7,992)
	52,389	(56,435)	(4,046)	151,857	(639)	147,172
2013						
Asset backing life assurance provision	74,610	818,799	893,409	492,937	7,545	1,393,891
Life assurance provision, net of reinsurance	-	(917,859)	(917,859)	(354,495)	(7,413)	(1,279,767)
Claims provision, net of reinsurance	-	(6,381)	(6,381)	(1,222)	(116)	(7,719)
	74,610	(105,441)	(30,831)	137,220	16	106,405

In 2014, the Company achieved an annual return on investments from life assurance provision in amount of 6.55% (2013: 6.59%). Weighted average yield for the three-year period from 2012 to 2014 was 6.39% (2013: three year period from 2011 to 2013: 6.51%).

Valuation of financial assets is described in accounting policy Note 3 (f).

25 Technical provisions (continued)

k) Structure of assets used for backing technical provisions (other than life assurance provision)

Group and Company

	31 December 2014 HRK '000	31 December 2013 HRK '000
Assets used for backing technical provisions		
Securities issued by Republic of Croatia	317,634	321,581
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	25,504	30,550
Equities traded on regulated stock exchange in Republic of Croatia	753	885
Shares and equities of investment funds registered in Republic of Croatia	33,271	33,398
Loans and deposits to banks domiciled in Republic of Croatia (same bank or group of related banks at max. 5%)	20,069	19,654
Balances on giro account of the Company	4,745	3,885
	<hr/>	<hr/>
Total assets used for backing technical provisions (other than life assurance provision)	401,976	409,953
	<hr/> <hr/>	<hr/> <hr/>
	31 December 2014 HRK '000	31 December 2013 HRK '000
Provision for unearned premiums, net of reinsurance	75,280	73,633
Claims provision, net of reinsurance	166,447	175,865
Other provisions	3,114	2,998
	<hr/>	<hr/>
Requested coverage of technical provisions (other than life assurance provision)	244,841	252,496
	<hr/> <hr/>	<hr/> <hr/>
Assets used for backing technical provisions (other than life assurance provision)	401,976	409,953
Coverage of technical provisions (other than life assurance provision)	244,841	252,496
	<hr/>	<hr/>
Excess of coverage	157,135	157,457
	<hr/> <hr/>	<hr/> <hr/>

25 Technical provisions (continued)

k) Structure of assets used for backing technical provisions (other than life assurance provision) (continued)

The following table analyses the financial assets used for backing technical provisions into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities of technical provisions for which coverage is requested:

	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	More than 10 years HRK'000	Total HRK'000
2014					
Asset backing technical provisions	58,838	210,024	133,114	-	401,976
Provision for unearned premium, net of reinsurance	(75,280)	-	-	-	(75,280)
Claims provision, net of reinsurance	(37,952)	(128,495)	-	-	(166,447)
Other provisions	(3,114)	-	-	-	(3,114)
Maturity gap	(57,508)	81,529	133,114	-	157,135
2013					
Asset backing technical provisions	81,501	200,784	127,668	-	409,953
Provision for unearned premium, net of reinsurance	(73,633)	-	-	-	(73,633)
Claims provision, net of reinsurance	(37,431)	(138,434)	-	-	(175,865)
Other provisions	(2,998)	-	-	-	(2,998)
Maturity gap	(32,561)	62,350	127,668	-	157,457

As of 31 December 2014, 71.7% of total assets used for backing technical provisions are classified as financial assets available for sale and 6.8% as financial assets at fair value through profit or loss, which enables the Group to dispose of those assets easily to meet insurance contracts liabilities when needed. 15.3% of assets used for backing technical provision are classified as held-to-maturity investments and 6.2% as loans and receivables.

The following table analyses the financial assets used for backing technical provisions and technical provisions into relevant categories based on the currency in which are denominated.

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	HRK HRK'000	USD HRK'000	Total HRK'000
2014						
Asset backing technical provision	230	27,305	27,535	374,408	33	401,976
Provision for unearned premium, net of reinsurance	-	(1,812)	(1,812)	(73,467)	(1)	(75,280)
Claims provision, net of reinsurance	-	(9,366)	(9,366)	(157,080)	(1)	(166,447)
Other provisions	-	-	-	(3,114)	-	(3,114)
	230	16,127	16,357	140,747	31	157,135
2013						
Asset backing technical provision	9,971	29,334	39,305	370,647	1	409,953
Provision for unearned premium, net of reinsurance	-	(3,035)	(3,035)	(70,598)	(1)	(73,634)
Claims provision, net of reinsurance	-	(12,778)	(12,778)	(162,451)	(635)	(175,864)
Other provisions	-	-	-	(2,998)	-	(2,998)
	9,971	13,521	23,492	134,600	(635)	157,457

26 Discretionary profit participation provision

Group and Company

	2014 HRK'000	2013 HRK'000
Balance at 1 January	53,682	7,244
Acquired on merger of Helios VIG	-	47,076
Funds released during the year due to surrenders and benefits	(4,033)	(638)
Balance at 31 December	49,649	53,682

27 Subordinated loan

Group and Company

	2014 HRK'000	2013 HRK'000
Subordinated loan	15,323	15,275

Subordinated loan is obtained from LVP Holding GmbH. Subordinated loan bears a fixed interest rate of 8% per annum (2013: 8% p.a.) and has unlimited maturity. Payment of this loan is subordinated to all other liabilities of the Group.

28 Borrowings

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Borrowings	49,383	51,254	-	-

Borrower	Currency	Contracted principal in currency	Interest rate	Maturity	Outstanding amount Group 2014 HRK'000	Outstanding amount Group 2013 HRK'000
LVP Holding GmbH	EUR	5,756,129	5%, fixed	31 December 2015	44,101	43,963
OTP banka d.d.	EUR	1,000,000	3 month EURIBOR + 1.8%	31 December 2016	1,532	2,291
OTP banka d.d.	HRK	12,500,000	6.5%, fixed	21 December 2017	3,750	5,000
					49,383	51,254

Loans granted by LVP Holding GmbH and OTP banka d.d. are secured with the property of the Group as disclosed in Notes 12 and 13. In addition, loan granted by OTP banka d.d. is secured with deposit of the Group in the amount of HRK 3,750 thousand.

29 Provisions for liabilities and charges

Group

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Restructuring provision HRK'000	Total HRK'000
Balance at 1 January 2013	3,045	511	5,701	9,257
Acquired on merger of Helios VIG	5,559	390	-	5,949
Used during the year	(301)	(462)	(5,306)	(6,069)
Unused amounts reversed (Note 34)	(1,231)	-	-	(1,231)
Increase of provision (Note 38)	1,240	312	-	1,552
Balance at 31 December 2013	8,312	751	395	9,458
Balance at 1 January 2014	8,312	751	395	9,458
Used during the year	(562)	(207)	(395)	(1,164)
Unused amounts reversed	(379)	(125)	-	(504)
Increase of provision	2,646	138	-	2,784
Balance at 31 December 2014	10,017	557	-	10,574

Company

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Restructuring provision HRK'000	Total HRK'000
Balance at 1 January 2013	2,995	511	5,701	9,207
Acquired on merger of Helios VIG	5,559	390	-	5,949
Used during the year	(296)	(462)	(5,306)	(6,064)
Unused amounts reversed (Note 34)	(1,231)	-	-	(1,231)
Increase of provision (Note 38)	1,240	312	-	1,552
Balance at 31 December 2013	8,267	751	395	9,413
Balance at 1 January 2014	8,267	751	395	9,413
Used during the year	(546)	(207)	(395)	(1,148)
Unused amounts reversed	(379)	(125)	-	(504)
Increase of provision	2,488	138	-	2,626
Balance at 31 December 2014	9,830	557	-	10,387

In 2014 net increase of provision for court cases is recognised in „Other operating expenses“ (Note 38). Net increase of obligatory severance payments and jubilee awards provision and increase of restructuring provision are recognised in „Administrative expenses“ (Note 37).

30 Insurance and other payables

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Direct insurance contract payables				
- to policyholders	7,870	11,445	7,870	11,445
- to agents, brokers and intermediaries	2,474	1,529	2,474	1,529
Reinsurance contract payables	126,292	126,620	126,292	126,620
Deposits retained from reinsurance business	363,271	344,247	363,271	344,247
Trade payables	10,687	16,219	10,389	15,922
Liabilities for salaries	8,897	9,043	8,851	9,006
Commission expense accrual	2,132	1,240	2,132	1,240
Other payables	3,838	5,330	3,885	5,491
Deferred income from recourses	25,663	26,574	25,663	26,574
Accrued expenses	18,190	20,543	18,164	20,327
Total insurance and other payables	569,314	562,790	568,991	562,401

The Group retains deposits from reinsurance business arising from the Quota Share reinsurance treaties for life assurance with the related company and Motor Third Party Liability and Personal Accident insurance with a parent company. In accordance with the reinsurance treaties, applicable from 1 January 2002 for life assurance, from 1 January 2010 for Motor Third Party Liability insurance and from 1 January 2011 for Personal Accident insurance, the reinsurance deposit is retained and the Group invests the funds. Deposit retained from reinsurance business of life assurance bears a 3% fixed interest rate per annum (or 2.5% on policies with guaranteed interest rate), while for Motor Third Party Liability and Personal Accident insurance for 2010 interest rate is fixed at 1.5% and from 1 January 2011 interest rate is determined quarterly as the average of BID and ASK prices of 3 month ZIBOR at beginning of the accounting period increased by + 0.5 pp.

31 Premiums

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
<i>Non-life insurance</i>				
Gross premium written	276,743	250,119	276,816	250,189
Written premiums ceded to reinsurers	(131,830)	(119,919)	(131,830)	(119,919)
Change in unearned premiums, gross	(1,226)	17,711	(1,226)	17,711
Change in unearned premiums, reinsurance share	(616)	(10,118)	(616)	(10,118)
Total premium income net, (earned) from non-life insurance	143,071	137,793	143,144	137,863
<i>Life assurance</i>				
Gross premium written	280,834	223,602	280,834	223,602
Written premiums ceded to reinsurers	(46,194)	(49,326)	(46,194)	(49,326)
Change in unearned premiums, gross	261	722	261	722
Change in unearned premiums, reinsurance share	(66)	(255)	(66)	(255)
Total premium income net, (earned) from life assurance	234,835	174,743	234,835	174,743
Total				
Gross premium written	557,577	473,721	557,650	473,791
Written premiums ceded to reinsurers	(178,024)	(169,245)	(178,024)	(169,245)
Change in unearned premiums, gross	(965)	18,433	(965)	18,433
Change in unearned premiums, reinsurance share	(682)	(10,373)	(682)	(10,373)
Total premiums	377,906	312,536	377,979	312,606

Gross premiums written for the Group and the Company for life assurance business include premiums of HRK 7.7 million (2013: HRK 8.9 million) in respect of unit-linked products and premiums of HRK 21.6 million in respect of index-linked products (2013: HRK 14.3 million).

31 Premiums (continued)

Analysis by class of business

An analysis of written premiums and claims incurred by class of business is set out below. Gross premiums written are stated after adjusting for the net increase in provisions for premium debtors and related write-offs of HRK 5.9 million (2013: HRK 4 million) for the Group and Company:

Group

	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition and administrative expenses HRK'000	Reinsurance balance* HRK'000
2014					
<i>Non-life insurance business</i>					
Motor (third party)	126,838	130,332	(62,934)	(62,223)	(5,802)
Motor (other classes)	24,901	24,257	(24,377)	(6,443)	(316)
Property	67,657	66,165	(46,386)	(15,221)	4,977
Personal lines	13,872	13,746	(6,447)	(4,960)	(75)
Other	43,475	41,017	(18,790)	(14,044)	(7,465)
Total non-life	276,743	275,517	(158,934)	(102,891)	(8,681)
<i>Life assurance business</i>					
Life assurance	234,704	234,762	(218,236)	(98,004)	4,617
Annuity assurance	825	825	(174)	(311)	-
Additional riders	16,447	16,650	(4,676)	(9,630)	(434)
Index/Unit Linked	28,858	28,858	(39,320)	(7,653)	-
Total life	280,834	281,095	(262,406)	(115,598)	4,183
Grand total	557,577	556,612	(421,340)	(218,489)	(4,498)
2013					
<i>Non-life insurance business</i>					
Motor (third party)	119,496	123,407	(38,000)	(36,847)	(5,363)
Motor (other classes)	20,888	24,345	(25,543)	(6,862)	(633)
Property	59,282	68,768	(30,645)	(38,526)	(14,610)
Personal lines	11,779	13,249	(6,228)	(6,707)	(237)
Other	38,674	38,061	(21,226)	(18,962)	(3,823)
Total non-life	250,119	267,830	(121,642)	(107,904)	(24,666)
<i>Life assurance business</i>					
Life assurance	192,944	193,126	(178,247)	(86,229)	7,114
Annuity assurance	578	578	(519)	(15)	(255)
Additional riders	14,200	14,740	(3,305)	(6,379)	(308)
Index/Unit Linked	15,880	15,880	(17,480)	(5,961)	(11)
Total life	223,602	224,324	(199,551)	(98,584)	6,540
Grand total	473,721	492,154	(321,193)	(206,488)	(18,126)

* Reinsurance balance does not include technical interest rate on reinsurance deposit in the amount of HRK 861 thousand for non-life and HRK 8,124 thousand for life business (2013: HRK 1,012 thousand for non-life and HRK 7,924 thousand for life business)

31 Premiums (continued)

Analysis by class of business (continued)

Company

	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition and administrative expenses HRK'000	Reinsurance balance* HRK'000
2014					
<i>Non-life insurance business</i>					
Motor (third party)	126,838	130,332	(62,934)	(63,649)	(5,802)
Motor (other classes)	24,901	24,257	(24,377)	(6,715)	(316)
Property	67,726	66,235	(46,392)	(15,531)	4,977
Personal lines	13,872	13,746	(6,447)	(5,125)	(75)
Other	43,479	41,020	(18,790)	(14,544)	(7,465)
Total non-life	276,816	275,590	(158,940)	(105,564)	(8,681)
<i>Life assurance business</i>					
Life assurance	234,704	234,762	(218,236)	(98,004)	4,617
Annuity assurance	825	825	(174)	(311)	-
Additional riders	16,447	16,650	(4,676)	(9,630)	(434)
Index/Unit Linked	28,858	28,858	(39,320)	(7,653)	-
Total life	280,834	281,095	(262,406)	(115,598)	4,183
Grand total	557,650	556,685	(421,346)	(221,162)	(4,498)
2013					
<i>Non-life insurance business</i>					
Motor (third party)	119,496	123,407	(38,000)	(38,176)	(5,363)
Motor (other classes)	20,888	24,345	(25,543)	(7,106)	(633)
Property	59,352	68,838	(30,680)	(39,828)	(14,610)
Personal lines	11,779	13,249	(6,228)	(6,938)	(237)
Other	38,674	38,061	(21,226)	(18,467)	(3,823)
Total non-life	250,189	267,900	(121,677)	(110,515)	(24,666)
<i>Life assurance business</i>					
Life assurance	192,944	193,126	(178,247)	(86,229)	7,114
Annuity assurance	578	578	(519)	(15)	(255)
Additional riders	14,200	14,740	(3,305)	(6,379)	(308)
Index/Unit Linked	15,880	15,880	(17,480)	(5,961)	(11)
Total life	223,602	224,324	(199,551)	(98,584)	6,540
Grand total	473,791	492,224	(321,228)	(209,099)	(18,126)

* Reinsurance balance does not include technical interest rate on reinsurance deposit in the amount of HRK 861 thousand for non-life and HRK 8,124 thousand for life business (2013: HRK 1,012 thousand for non-life and HRK 7,924 thousand for life business)

32 Fees and commission income

Group and Company

	2014 HRK'000	2013 HRK'000
Reinsurance commission	51,830	55,138
Profit reinsurance commission	2,623	2,131
	<u>54,453</u>	<u>57,269</u>

33 Financial income

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Interest income:				
- Available-for-sale financial assets	50,974	42,792	50,974	42,792
- Held-to-maturity investments	54,220	45,790	54,220	45,790
- Loans and receivables	10,033	12,919	10,393	13,279
Dividend income	1,016	338	1,016	338
Rental income from investment property (Note 13)	2,363	2,021	887	630
Unrealised gain on assets at fair value through profit or loss	13,915	4,219	13,915	4,219
Net realised gain on assets at fair value through profit or loss	1,760	550	1,760	550
Net realised gain on assets available for sale (Note 23f)	10,258	4,662	10,258	4,662
Foreign exchange translation gain				
- Financial assets at fair value through profit or loss	305	160	305	160
- Available-for-sale financial assets	2,145	4,949	2,145	4,949
- Held-to-maturity investments	2,323	7,492	2,323	7,492
- Loans and receivables	146	(106)	146	(106)
- Deposit retained from reinsurance business	(843)	(3,178)	(843)	(3,178)
- Other	(156)	(795)	(10)	(228)
Other financial income	1,347	510	1,346	509
	<u>149,806</u>	<u>122,323</u>	<u>148,835</u>	<u>121,858</u>

Group

	Non-life 2014 HRK'000	Life 2014 HRK'000	Investment property 2014 HRK'000	Total 2014 HRK'000	Non-life 2013 HRK'000	Life 2013 HRK'000	Investment property 2013 HRK'000	Total 2013 HRK'000
Financial income								
Income from assets backing equity	1,576	2,371	1,330	5,277	4,877	1,796	825	7,498
Income from assets backing life assurance provision	-	111,736	-	111,736	-	89,314	-	89,314
Income from assets backing other technical provisions	20,530	-	-	20,530	21,410	-	-	21,410
Income from assets backing index-linked and unit-linked products	-	12,263	-	12,263	-	4,101	-	4,101
	<u>22,106</u>	<u>126,370</u>	<u>1,330</u>	<u>149,806</u>	<u>26,287</u>	<u>95,211</u>	<u>825</u>	<u>122,323</u>

33 Financial income (continued)

Company

	Non-life 2014 HRK'000	Life 2014 HRK'000	Total 2014 HRK'000	Non-life 2013 HRK'000	Life 2013 HRK'000	Total 2013 HRK'000
Financial income						
Income from assets backing equity	1,935	2,371	4,306	5,237	1,796	7,033
Income from assets backing life assurance provision	-	111,736	111,736	-	89,314	89,314
Income from assets backing other technical provisions	20,530	-	20,530	21,410	-	21,410
Income from assets backing index-linked and unit-linked products	-	12,263	12,263	-	4,101	4,101
	<u>22,465</u>	<u>126,370</u>	<u>148,835</u>	<u>26,647</u>	<u>95,211</u>	<u>121,858</u>

34 Other operating income

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Refund of legal enforcement collection expense and penalty interest	2,544	1,933	2,544	1,933
Liabilities written off	947	-	947	-
Income from service claims	413	1,602	413	1,602
Unused amounts reversed previously provided for legal claims (Note 29)	-	1,231	-	1,231
Income from recharged utilities expenses	-	447	-	-
Decrease in provision for recourse receivables due to collection (Note 20)	75	66	75	66
Income from unused impairment allowance for other receivables	-	75	-	75
Other operating income	4,923	4,828	4,923	3,585
	<u>8,902</u>	<u>10,182</u>	<u>8,902</u>	<u>8,492</u>

35 Net policyholders claims and benefits accrued

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
<i>Non-life insurance</i>				
Claims paid				
Gross amount	(151,889)	(127,657)	(151,895)	(127,692)
Reinsurers' share	61,873	45,086	61,873	45,086
Change in reported but not settled claims reserve				
Gross amount	(2,750)	3,677	(2,750)	3,677
Reinsurers' share	9,250	4,859	9,250	4,859
Change in incurred but not reported claims reserve				
Gross amount	(4,179)	2,223	(4,179)	2,223
Reinsurers' share	6,536	7,551	6,536	7,551
Change in unexpired risk provision, gross and net	(216)	100	(216)	100
Change in other technical provision, gross and net	100	15	100	15
	<u>(158,934)</u>	<u>(121,642)</u>	<u>(158,940)</u>	<u>(121,677)</u>
Total gross claims incurred from non-life insurance	(158,934)	(121,642)	(158,940)	(121,677)
Total reinsurance share in claims incurred from non-life insurance	77,659	57,496	77,659	57,496
Total net claims incurred from non-life insurance	(81,275)	(64,146)	(81,281)	(64,181)
<i>Life assurance</i>				
Claims paid (benefits and surrenders)				
Gross amount	(171,607)	(147,965)	(171,607)	(147,965)
Reinsurers' share	33,452	36,731	33,452	36,731
Change in life assurance provision				
Gross amount	(67,302)	(42,821)	(67,302)	(42,821)
Reinsurers' share	8,501	9,738	8,501	9,738
Change in life assurance provision for unit and index-linked products, gross and net	(27,672)	(9,148)	(27,672)	(9,148)
Change in reported but not settled claims reserve				
Gross amount	(169)	(1,021)	(169)	(1,021)
Reinsurers' share	214	269	214	269
Change in incurred but not reported claims reserve				
Gross amount	311	766	311	766
Reinsurers' share	(71)	(11)	(71)	(11)
Change in discretionary profit participation provision, gross and net	4,033	638	4,033	638
	<u>(262,406)</u>	<u>(199,551)</u>	<u>(262,406)</u>	<u>(199,551)</u>
Total gross claims incurred from life assurance	(262,406)	(199,551)	(262,406)	(199,551)
Total reinsurance share in claims incurred from life assurance	42,096	46,727	42,096	46,727
Total net claims incurred from life assurance	(220,310)	(152,824)	(220,310)	(152,824)
Total gross claims incurred	(421,340)	(321,193)	(421,346)	(321,228)
Total reinsurance share in claims incurred	119,755	104,223	119,755	104,223
Total	(301,585)	(216,970)	(301,591)	(217,005)

35 Net policyholders claims and benefits accrued (continued)

The table below presents claims ratio, costs ratio and combined ratio by line of business calculated in accordance with HANFA's Regulation on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance Companies.

Analysis of claims ratio, costs ratio and combined ratio

	Claims ratio	Costs ratio	Combined ratio
2014			
Personal accident insurance	47.42%	8.99%	56.41%
Health insurance	28.75%	38.94%	67.69%
Insurance of motor vehicles	102.42%	27.66%	130.08%
Insurance of aircrafts	618.58%	12.81%	631.99%
Insurance of vessels	82.90%	35.20%	118.10%
Insurance of goods in transit	5.19%	39.10%	44.29%
Insurance against fire and natural disasters	28.85%	7.53%	36.38%
Other property insurance lines	119.36%	5.86%	125.22%
Motor third party liability insurance	46.37%	26.57%	72.94%
Aircraft liability insurance	74.62%	41.82%	116.44%
Vessel liability insurance	7.90%	20.92%	28.82%
Other third liability insurance lines	33.11%	2.13%	35.24%
Credit insurance	(484.51%)	45.06%	(439.45%)
Suretyship insurance	204.64%	27.42%	232.06%
Insurance of miscellaneous financial losses	22.64%	26.22%	48.86%
Insurance of legal protection	-	53.04%	53.04%
Travel insurance	91.91%	59.65%	151.56%
Total non-life	56.43%	20.63%	77.06%
2013			
Personal accident insurance	46.18%	30.95%	77.12%
Health insurance	438.69%	92.48%	531.17%
Insurance of motor vehicles	98.77%	29.07%	127.85%
Insurance of aircrafts	1368.99%	16.69%	1385.68%
Insurance of vessels	85.20%	81.94%	167.14%
Insurance of goods in transit	10.25%	18.30%	28.55%
Insurance against fire and natural disasters	32.93%	36.82%	69.75%
Other property insurance lines	53.79%	58.17%	111.96%
Motor third party liability insurance	30.15%	5.96%	36.11%
Aircraft liability insurance	-	19.61%	19.61%
Vessel liability insurance	36.13%	51.12%	87.26%
Other third liability insurance lines	64.23%	15.04%	79.27%
Credit insurance	(53.54%)	16.69%	(36.85%)
Suretyship insurance	118.10%	17.72%	135.81%
Insurance of miscellaneous financial losses	23.54%	14.15%	37.69%
Insurance of legal protection	84.26%	25.44%	109.69%
Travel insurance	87.29%	59.87%	147.17%
Total non-life	44.79%	23.96%	68.75%

The above ratios are calculated using the formulas prescribed by the Instruction of the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 132/10, 32/12) as follows:

Claims ratio = (claims paid + change in claims reserves) / (gross written premiums + change in gross unearned premium)

Costs ratio = (administration costs – reinsurance commission and profit participation + acquisition costs – change in deferred acquisition costs) / (gross written premium)

Combined ratio = claims ratio + costs ratio

36 Acquisition costs

Group and Company

	2014 HRK'000	2013 HRK'000
<i>Non-life insurance business</i>		
Commission expenses	29,290	17,847
Other acquisition costs	5,497	6,016
Changes in deferred acquisition costs (Note 14)	1,117	1,739
Total acquisition costs, non-life	35,904	25,602
<i>Life assurance business</i>		
Commission expenses	13,606	16,620
Other acquisition costs	2,766	4,479
Changes in deferred acquisition costs (Note 14)	18	93
Total acquisition costs, life	16,390	21,192
	52,294	46,794

Included within acquisition costs are internal sales staff costs amounting to HRK 16.3 million (2013: HRK 11.6 million).

Analysis by class of business

Group and Company	2014 HRK'000	2013 HRK'000
<i>Non-life insurance business</i>		
Personal accident insurance	2,043	1,712
Health insurance	13	9
Insurance of motor vehicles	1,607	1,585
Insurance of aircrafts	-	-
Insurance of vessels	2,416	2,140
Insurance of goods in transit	432	103
Insurance against fire and natural disasters	5,045	4,441
Other property insurance lines	4,676	5,910
Motor third party liability insurance	17,360	8,071
Aircraft liability insurance	17	(1)
Vessel liability insurance	402	375
Other third party liability insurance lines	1,232	734
Credit insurance	14	(13)
Suretyship insurance	-	2
Insurance of miscellaneous financial losses	126	72
Insurance of legal protection	25	-
Travel insurance	496	462
Total non-life	35,904	25,602
<i>Life assurance business</i>		
Life products	14,857	19,485
Annuity insurance	7	15
Life rider products	738	678
Index-linked and unit-linked	788	1,014
Total life	16,390	21,192
Total non-life and life	52,294	46,794

37 Administrative expenses

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Depreciation of property and equipment (Note 12)	5,296	5,067	4,200	3,870
Amortisation of other intangible assets (Note 15)	2,398	3,101	2,398	3,101
Travel expenses and daily allowances	1,345	7,929	1,345	7,929
Maintenance	5,722	3,704	4,217	3,624
Software	28,463	21,533	28,463	21,533
Telecommunication and post services	6,395	6,114	6,392	6,114
Personnel expenses	88,578	81,427	87,892	80,734
Energy and utilities	5,435	6,458	6,326	5,707
Rentals (Note 41)	11,273	11,000	16,540	16,507
Lawyers fees	1,818	1,897	1,753	1,897
Audit fees	545	697	518	670
Provision for termination benefits and jubilee awards (Note 29)	13	312	13	312
Management fees – related parties (Note 42)	1,030	912	1,030	912
Other expenses	7,884	9,543	7,781	9,395
	166,195	159,694	168,868	162,305

In 2014, the average number of employees of the Group was 782 (2013: 819) and of the Company was 780 (2013: 816). In 2014, the Group paid pension contributions of HRK 18.0 million (2013: HRK 15.4 million) into obligatory pension funds.

Analysis by class of business

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Non-life insurance business				
Personal accident insurance	2,964	4,996	3,082	5,226
Health insurance	24	4	25	4
Insurance of motor vehicles	4,912	5,277	5,108	5,521
Insurance of aircrafts	11	6	11	6
Insurance of vessels	1,903	6,305	1,979	6,596
Insurance of goods in transit	1,427	688	1,484	719
Insurance against fire and natural disasters	4,841	13,091	5,034	13,696
Other property insurance lines	747	15,084	777	15,781
Motor third party liability insurance	44,511	29,914	46,288	30,105
Aircraft liability insurance	35	16	36	17
Vessel liability insurance	388	1,207	403	1,263
Other third party liability insurance lines	2,180	3,543	2,267	3,707
Credit insurance	7	6	7	6
Suretyship insurance	24	8	25	9
Insurance of miscellaneous financial losses	1,593	821	1,657	859
Insurance of legal protection	102	1	106	1
Travel insurance	1,318	1,334	1,371	1,396
Total non-life	66,987	82,301	69,660	84,912
Life assurance business				
Life products	83,143	66,935	83,143	66,935
Annuity insurance	304	-	304	-
Life rider products	8,893	5,701	8,893	5,701
Index linked and unit linked	6,868	4,757	6,868	4,757
Total life	99,208	77,393	99,208	77,393
Total non-life and life	166,195	159,694	168,868	162,305

38 Other operating expenses

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Compulsory motor third party liability insurance contribution to the Croatian health fund	3,355	4,328	3,355	4,328
Fire brigade contributions	1,454	1,264	1,454	1,264
Credit cards payment fee	3,268	2,952	3,268	2,952
Guarantee – fund levies	2,180	3,743	2,180	3,743
Prevention costs	858	945	858	945
Provision for impairment of land and buildings (Note 12)	-	177	-	177
Intangible assets write off (Note 15)	-	1,461	-	1,461
Provision for other receivables impairment (Note 20)	75	452	75	452
Other receivables written off during the year as uncollectible	343	696	343	696
Provision for legal claims (Note 29)	2,267	1,240	2,109	1,240
Legal enforcement collection of receivables from contract holders	2,651	2,443	2,651	2,443
Other expenses	1,820	2,252	1,977	2,252
	18,271	21,953	18,270	21,953

39 Financial expenses

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Interest expense	3,773	3,842	1,204	1,195
Interest expense on reinsurance deposit	8,985	8,936	8,985	8,936
Depreciation of investment property (Note 13)	767	355	550	236
Impairment of investment property (Note 13)	2,469	-	2,469	-
Impairment of available-for-sale financial assets (Note 23f)	656	1,033	656	1,033
Impairment of loans to customers (Note 17), net	2,061	7,000	2,061	7,000
Impairment of deposits with banks (Note 17)	-	9,454	-	9,454
Impairment of interest receivables (Note 20), net	100	6,423	100	6,423
Interest receivables write off	-	244	-	244
Other expenses	2,008	1,234	2,008	1,233
	20,819	38,521	18,033	35,754

Group

	Non-life 2014 HRK'000	Life 2014 HRK'000	Investment property 2014 HRK'000	Total 2014 HRK'000	Non-life 2013 HRK'000	Life 2013 HRK'000	Investment property 2013 HRK'000	Total 2013 HRK'000
Expenses from assets backing share capital	4,906	1,545	2,786	9,237	8,459	2,390	2,767	13,616
Expenses from assets backing life assurance provision	-	9,314	-	9,314	-	22,517	-	22,517
Expenses from assets backing other technical provisions	2,268	-	-	2,268	2,388	-	-	2,388
	7,174	10,859	2,786	20,819	10,847	24,907	2,767	38,521

39 Financial expenses (continued)

Company

	Non-life 2014 HRK'000	Life 2014 HRK'000	Total 2014 HRK'000	Non-life 2013 HRK'000	Life 2013 HRK'000	Total 2013 HRK'000
Expenses from assets backing share capital	4,906	1,545	6,451	8,459	2,390	10,849
Expenses from assets backing life assurance provision	-	9,314	9,314	-	22,517	22,517
Expenses from assets backing other technical provisions	2,268	-	2,268	2,388	-	2,388
	<u>7,174</u>	<u>10,859</u>	<u>18,033</u>	<u>10,847</u>	<u>24,907</u>	<u>35,754</u>

40 Income taxes

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Current income tax	(952)	(144)	(794)	-
Deferred income tax	(5,728)	8,083	(5,728)	8,083
Total income tax (expense)/benefit	<u>(6,680)</u>	<u>7,939</u>	<u>(6,522)</u>	<u>8,083</u>

a. Reconciliation of accounting profit for the period and income tax expense

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Profit before tax	<u>31,903</u>	<u>18,378</u>	<u>31,113</u>	<u>16,414</u>
Income tax at 20% (2013: 20%)	(6,381)	(3,676)	(6,223)	(3,283)
Tax effects of:				
Non-deductible expenses	(2,876)	(5,173)	(2,876)	(5,173)
Income not subject to tax	2,476	3,003	2,476	2,754
Utilisation of previously unrecognised tax losses	-	5,702	-	5,702
Effect of recognized tax losses	-	5,829	-	5,829
Origination and reversal of temporary differences	101	2,254	101	2,254
Total income tax expense/(benefit)	<u>(6,680)</u>	<u>7,939</u>	<u>(6,522)</u>	<u>8,083</u>
Effective tax rate	<u>20.9%</u>	<u>(43.2%)</u>	<u>21.0%</u>	<u>(49.2%)</u>

40 Income taxes (continued)

b. The movement in unused tax losses is as follows:

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
<i>At income tax rate of 20%</i>				
Unused tax losses brought forward	5,829	8,741	5,829	8,741
Acquired on merger with Helios VIG	-	2,790	-	2,790
Use of tax losses brought forward	(5,829)	(5,702)	(5,829)	(5,702)
Unused tax losses carried forward	-	5,829	-	5,829

c. Tax losses brought forward

A tax loss may be carried forward for five years subsequent to the year in which it was incurred. The availability of tax losses against future periods, subject to review by the Ministry of Finance, is presented below.

Deferred income tax asset recognised in 2013 in amount of HRK 5.8 million for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable was fully utilised in 2014.

	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
<i>At income tax rate of 20%</i>				
No more than 1 year	-	-	-	-
No more than 2 years	-	-	-	-
No more than 3 years	-	5,829	-	5,829
No more than 4 years	-	-	-	-
No more than 5 years	-	-	-	-
Total potential benefit of tax losses carried forward	-	5,829	-	5,829
Unrecognised benefit of tax loss carried forward	-	-	-	-
Deferred tax asset recognized in the statement of financial position	-	5,829	-	5,829

41 Operating leases

The Group and the Company lease office space and motor vehicles under operating leases. All leases are cancellable and typically run for an initial period of one to ten years. None of the leases include contingent rentals.

During the year ended 31 December 2014, HRK 11.3 million was recognised as an expense in the Group's profit or loss (2013: HRK 11.0 million) and HRK 16.5 million was recognised in the Company's profit or loss (2013: HRK 16.5 million) in respect of operating leases.

42 Related parties

The Company is the parent of the Wiener osiguranje Vienna Insurance Group. The key shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe with a holding of 99.47% (2013: 99.47%) of the Company's shares at year end. The remaining 0.53% (2013: 0.53%) of the shares are held by minority shareholders.

Parent company and other related companies within VIG Group

The Group cedes reinsurance to the ultimate parent company and other related companies, VIG Re, DONAU and Wiener Städtische Versicherung AG. The results of transactions with ultimate parent company and related companies are reinsurance premiums and recoveries during the year as well as receivable and payable balances at the end of the year, as follows:

Group and Company

	2014 HRK'000	2013 HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of the year	(120,624)	(121,351)
Acquired on merger of Helios VIG	-	(20,581)
Reinsurance premiums ceded during the year	(149,314)	(153,597)
Reinsurance premiums paid during the year	171,550	174,905
	<u>(98,388)</u>	<u>(120,624)</u>
Reinsurance recoveries:		
At the beginning of the year	43,371	40,858
Acquired on merger of Helios VIG	-	185
Invoiced during the year	76,369	70,706
Received during the year	(65,585)	(68,378)
	<u>54,155</u>	<u>43,371</u>
Reinsurance commission:		
At the beginning of the year	18,281	20,599
Acquired on merger of Helios VIG	-	8,965
Invoiced during the year	52,464	48,821
Received during the year	(46,227)	(60,104)
	<u>24,518</u>	<u>18,281</u>
Receivables from deposit retained from reinsurance business	<u>16,751</u>	<u>15,628</u>
Deposit retained from reinsurance business	<u>(363,271)</u>	<u>(344,247)</u>
Accrued interest on deposit retained from reinsurance business	<u>8,985</u>	<u>8,936</u>

42 Related parties (continued)

Parent company and other related companies within VIG Group (continued)

The Group has subordinated loan obtained from the related company, LVP Holding GmbH Austria in the amount of HRK 15.3 million. Subordinated loan bears 8% interest per annum and has indefinite maturity.

The Group also has borrowing from related company, LVP Holding GmbH, in the amount of HRK 44.1 million (2013: HRK 44.0 million). Borrowing has bullet repayment as of 31 December 2015 and bears fixed interest of 5% per annum. As a result, the Group recorded HRK 3.4 million (2013: HRK 3.4 million) of interest expense on borrowings and subordinated loan.

In 2014 management fee charged to the Group amounted to HRK 1.0 million (2013: 0.9 million) and software maintenance services amounted to HRK 25.3 million (2013: HRK 18.6 million).

Through the merger of Helios VIG the Group acquired HRK 10,106 thousand of shares of Erste osiguranje Vienna Insurance Group d.d., related company, representing 5% of shareholding in Erste osiguranje Vienna Insurance Group d.d. In 2014 Erste osiguranje Vienna Insurance Group d.d. paid dividend in amount of HRK 393 thousand to the Company.

Since July 2014, the Group rents office premises to Erste osiguranje Vienna Insurance Group d.d. whereby rental income was recognised in amount of HRK 749 thousand.

Subsidiaries

During 2014 the Company charged to Wiener nekretnine d.o.o. gross written premium of HRK 73 thousand (2013: HRK 70 thousand) on property insurance policy and paid incurred claims in amount of HRK 6 thousand. In the same period the Company incurred HRK 7.6 million (2013: HRK 7.8 million) of rent expense from Wiener nekretnine d.o.o.

The Company grants short term loans to Wiener nekretnine d.o.o. at interest rate of 6% which at 31 December 2014 amounted to HRK 6,000 thousand (2013: HRK 6,000 thousand).

In 2014 there was no dividend paid by Wiener nekretnine d.o.o. to the Company (2013: nil).

Associate

Vile Baredina is associate company of Wiener nekretnine d.o.o.. The Company granted loan to Vile Baredina which became due on 31 December 2010. Loan receivable is sued and is subject to penalty interest of 15%. Wiener nekretnine d.o.o. rents office premises to Vile Baredina. Total impairment loss recognised by the Group in respect of loan in 2014 amounted to HRK 22 thousand (2013: HRK 360 thousand).

Key management personnel

Included in key management personnel are Management and Supervisory Board members. The remuneration of the key management personnel amounted to HRK 6.3 million (2013: HRK 6.3 million), and comprises the total gross amount of their compensation including short-term and long-term benefits, such as basic salary, bonuses and benefits in kind.

42 Related parties (continued)

Group 2014	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	1,197	-	6,279
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	16,070	107,921	62,651	97,628
<i>Associate</i>				
Vile Baredine	615	-	15	-
<i>Related companies</i>				
LVP Holding GmbH	-	59,424	-	3,399
Wiener Staetische Versicherung AG	170	2,651	960	17
VIG Re	60,706	357,086	64,990	81,681
DONAU	32	508	232	1,190
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	4	26	-	-
Erste Osiguranje Vienna Insurance Group d.d.	57	-	1,224	1,377
	77,654	528,813	130,072	191,571
Company 2014	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	1,157	-	5,770
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	16,070	107,921	62,651	97,628
<i>Associate</i>				
Vile Baredine	615	-	-	-
<i>Subsidiary</i>				
Wiener nekretnine d.o.o.	6,861	222	433	7,626
<i>Related companies</i>				
LVP Holding GmbH	-	15,323	-	1,204
Wiener Staetische Versicherung AG	170	2,651	960	17
VIG Re	60,706	357,086	64,990	81,681
DONAU	32	508	232	1,190
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	4	26	-	-
Erste Osiguranje Vienna Insurance Group d.d.	-	-	475	1,377
	84,458	484,894	129,741	196,493

42 Related parties (continued)

Group 2013	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	780	-	6,332
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	8,888	59,221	59,981	85,259
<i>Associate</i>				
Vile Baredine	524	-	-	165
<i>Related companies</i>				
LVP Holding GmbH	-	59,238	-	3,369
Wiener Staetische Versicherung AG	789	2,135	-	238
VIG Re	52,890	418,866	64,888	80,661
DONAU	20	323	474	990
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	1	1	-	5
Erste Osiguranje Vienna Insurance Group d.d.	60	-	104	1,366
	63,172	540,564	125,447	178,385
Company 2013	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	741	-	5,815
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	8,888	59,221	59,981	85,259
<i>Associate</i>				
Vile Baredine	524	-	-	165
<i>Subsidiary</i>				
Wiener nekretnine d.o.o.	6,861	305	430	9,717
<i>Related companies</i>				
LVP Holding GmbH	-	15,275	-	1,195
Wiener Staetische Versicherung AG	789	2,135	-	238
VIG Re	52,890	418,866	64,888	80,661
DONAU	20	323	474	990
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	1	1	-	5
Erste Osiguranje Vienna Insurance Group d.d.	60	-	104	1,366
	70,033	496,867	125,877	185,411

43 Financial Risk Management

The primary objective of the Group's risk and financial management framework is to protect the Group's policyholders and shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Transactions with financial instruments result in the Group assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, including a summary of Group's risk management.

Market risk

Market risk includes three types of risk:

- interest rate risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- price risk – the risk that the fair value or future cash flows 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.
- currency risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Market risk embodies the potential loss as well as the potential gain.

Asset and liability matching

The Group manages its assets using an approach which 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 and duration 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 Act.

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

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates is concentrated in its investment portfolio and debt obligations. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in different amounts.

The Group 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 majority of the Group's interest earning investments and majority of interest bearing liabilities bear fixed interest rates at the reporting date.

43 Financial risk management (continued)

Interest rate risk (continued)

Deposits retained from reinsurance bear both variable and fixed interest rates.

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 date of financial position. The life assurance provision is discounted using the lower of the technical interest rate or maximum rate prescribed by HANFA, which cannot be higher than the weighted average annual return for the last three years on assets backing life assurance provision.

The Group monitors this exposure through regular reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations on the investment portfolio and technical reserves, are regularly reviewed. 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 Group 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 assurance liabilities, and the inability of the Group to purchase interest rate swaps in Croatia, the Group is exposed to interest rate risk.

Note 45 discloses the effective interest rates and repricing analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within the scope of IAS 39 at 31 December 2014 and 31 December 2013.

Since the majority of interest earning assets and majority of interest bearing liabilities on those dates, had fixed interest rate, there would be no direct effect on the Group's profit or loss. Indirect effect would be reflected in the change of fair value of debt securities at fair value through profit or loss, therefore there are no disclosures on interest rate sensitivity analysis.

Price risk

The Group is exposed to price risk on its portfolio of marketable equity securities and investment funds carried in the statement of financial position at fair value. 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 on the market.

The Group's objective is to earn competitive returns by investing in a diverse portfolio of securities. Portfolio characteristics are analysed regularly. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

The analysis below is performed for reasonably possible movements in key variable with all other variables held constant, showing the impact on profit and other comprehensive income resulting from financial instruments.

Group and Company	Impact on	Impact on	Impact on profit	Impact on other
	profit or loss after tax 2014 HRK'000	comprehensive income after tax 2014 HRK'000	or loss after tax 2013 HRK'000	comprehensive income after tax 2013 HRK'000
Change in price by \pm 1%	1,552/(1,552)	460/(460)	1,549/(1,549)	408/(408)
Change in price by \pm 3%	4,656/(4,656)	1,379/(1,379)	4,648/(4,648)	1,225/(1,225)
Change in price by \pm 5%	7,760/(7,760)	2,299/(2,299)	7,747/(7,747)	2,041/(2,041)

43 Financial risk management (continued)

Foreign exchange risk

The Group 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 technical provisions and settlement of claims on insurance policies linked to foreign currency, borrowings and subordinated loan. The currency giving rise to this risk is Euro.

The Group manages foreign currency risk by trying to minimise the gap between assets and liabilities denominated in or linked to foreign currency.

Note 46 discloses the currency analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities as at 31 December 2014 and 31 December 2013.

The analysis below is performed for reasonably possible movements in key variable with all other variables held constant, showing the impact on profit or loss and other comprehensive income resulting from financial investments.

All the Group's assets and liabilities are denominated either in HRK, EUR or USD. The EUR/HRK rate is targeted in an interval of between 7.45 HRK for 1 EUR and 7.70 HRK for 1 EUR (2013: between 7.35 HRK for 1 EUR and 7.70 HRK for 1 EUR). The EUR/HRK rate was most of the time in the past within that range.

Group	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000	Impact on profit or loss after tax 2013 HRK'000	Impact on other comprehensive income after tax 2013 HRK'000
EUR / HRK rate				
Change in fx rate by \pm 1%	8,952/(8,952)	114/(114)	8,397/(8,397)	68/(68)
Change in fx rate by \pm 2%	17,903/(17,903)	227/(227)	16,795/(16,795)	136/(136)

Company	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000	Impact on profit or loss after tax 2013 HRK'000	Impact on other comprehensive income after tax 2013 HRK'000
EUR / HRK rate				
Change in fx rate by \pm 1%	9,335/(9,335)	114/(114)	8,803/(8,803)	68/(68)
Change in fx rate by \pm 2%	18,669/(18,669)	227/(227)	17,607/(17,607)	136/(136)

43 Financial risk management (continued)

Credit risk

In the course of its normal operations the Group is exposed to credit risk. Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. It usually results from the adverse changes in a borrower's ability to repay the debt. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

The Group's portfolios of fixed income securities, mortgage loans and to a lesser extent deposits with banks and other investments are subject to credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans.

Maximum exposure to credit risk at the reporting date is as follows:

	<i>Note</i>	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Cash and cash equivalents	22	6,815	11,063	6,599	10,910
Debt securities	17	2,071,484	1,943,756	2,071,484	1,943,756
Deposits with banks	17	95,467	56,730	95,467	56,730
Loans to customers	17	70,959	80,193	76,959	86,193
Current income tax prepayment		132	195	-	-
Insurance and other receivables		249,418	262,019	250,020	262,757
		<u>2,494,275</u>	<u>2,353,956</u>	<u>2,500,529</u>	<u>2,360,346</u>

Accordingly, at the reporting date, the Group and the Company had a significant concentration of amounts due from the Republic of Croatia as follows:

	<i>Note</i>	Group 2014 HRK'000	Group 2013 HRK'000	Company 2014 HRK'000	Company 2013 HRK'000
Government bonds	17	1,851,072	1,749,225	1,851,072	1,749,225
Accrued interest thereon		38,361	36,598	38,361	36,598
Current income tax prepayment		132	195	-	-
Current income tax liability		(731)	-	(731)	-
		<u>1,888,834</u>	<u>1,786,018</u>	<u>1,888,702</u>	<u>1,785,823</u>

The total exposure to Croatian state risk represents 55% of the total assets of the Group (2013: 54%) and 55% of the total assets of the Company (2013: 55%).

43 Financial risk management (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the credit ratings of counterparties.

Group 2014

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	24,752	495	-	25,247
Debt securities – assets backing index-linked products	47,235	67,525	-	114,760
<i>Available-for-sale financial assets</i>				
Debt securities	20,730	902,269	53,818	976,817
<i>Held-to-maturity investments</i>				
Debt securities	-	953,447	1,213	954,660
<i>Loans and receivables</i>				
Deposits with banks	-	-	95,467	95,467
Loans to customers	-	-	70,959	70,959
Insurance and other receivables	90,249	1,101	158,068	249,418
Current income tax prepayment	-	132	-	132
Cash and cash equivalents	-	-	6,815	6,815
Total exposure to credit risk	182,966	1,924,969	386,340	2,494,275

Group 2013

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	19,564	391	-	19,955
Debt securities – assets backing index-linked products	47,049	43,017	-	90,066
<i>Available-for-sale financial assets</i>				
Debt securities	18,457	887,280	33,116	938,853
<i>Held-to-maturity investments</i>				
Debt securities	-	892,494	1,788	894,282
Bills of exchange	-	-	600	600
<i>Loans and receivables</i>				
Deposits with banks	-	-	56,730	56,730
Loans to customers	-	-	80,193	80,193
Insurance and other receivables	92,240	522	169,257	262,019
Current income tax prepayment	-	195	-	195
Cash and cash equivalents	-	-	11,063	11,063
Total exposure to credit risk	177,310	1,823,899	352,747	2,353,956

43 Financial risk management (continued)

Credit risk (continued)

	AAA – A HRK'000	BBB – B HRK'000	Not rated HRK'000	Total HRK'000
Company 2014				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	24,752	495	-	25,247
Debt securities – assets backing index-linked products	47,235	67,525	-	114,760
<i>Available-for-sale financial assets</i>				
Debt securities	20,730	902,269	53,818	976,817
<i>Held-to-maturity investments</i>				
Debt securities	-	953,447	1,213	954,660
<i>Loans and receivables</i>				
Deposits with banks	-	-	95,467	95,467
Loans to customers	-	-	76,959	76,959
Insurance and other receivables	90,249	1,101	158,670	250,020
Cash and cash equivalents	-	-	6,599	6,599
Total exposure to credit risk	182,966	1,924,837	392,726	2,500,529
Company 2013				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	19,564	391	-	19,955
Debt securities – assets backing index-linked products	47,049	43,017	-	90,066
<i>Available-for-sale financial assets</i>				
Debt securities	18,457	887,280	33,116	938,853
<i>Held-to-maturity investments</i>				
Debt securities	-	892,494	1,788	894,282
Bills of exchange	-	-	600	600
<i>Loans and receivables</i>				
Deposits with banks	-	-	56,730	56,730
Loans to customers	-	-	86,193	86,193
Insurance and other receivables	92,240	522	169,995	262,757
Cash and cash equivalents	-	-	10,910	10,910
Total exposure to credit risk	177,310	1,823,704	359,332	2,360,346

43 Financial risk management (continued)

Credit risk (continued)

To mitigate the risk of reinsurance counterparties not paying amounts due, the Group established business and financial standards for reinsurers and broker approvals, incorporating ratings by major rating agencies and considering current market information (Standard&Poor's, A.M. Best).

Reinsurers as of 31 December 2014	Credit rating (Standard&Poor's)
American Agricultural Insurance Company	A-
ACE Tempest Re Europe	AA-
CCR / Caisse Centrale de Reassurance	AA+
Randall and Quilter Group Investment Holdings Ltd. (ex - Chevanstell Limited)	Not rated
SCOR Deutschland Rückversicherungs Aktiengesellschaft	A+
DONAU Allgemeine Versicherungs-Aktiengesellschaft (rating VIG group)	A+
Glacier Reinsurance AG	Not rated
Hannover Rückversicherungs-AG	AA-
Helvetia Schweizerische Versicherungsgesellschaft AG	A-
Korean Reinsurance Co.	A-
Liberty Mutual Insurance Europe Ltd.	A-
Mapfre Re, Compania de Reaseguros, S.A.	BBB+
Münchener Rückversicherungsgesellschaft	AA-
New Reinsurance Company	AA-
Odyssey America Reinsurance Corporation	A-
Partner Reinsurance Europe Ltd.	A+
Polish Re / Polskie Towarzystwo Reasekuracyjne S.A.	BBB+
R + V Versicherung AG	AA-
Sava / Pozavarovalnica Sava, d.d.	BBB+
SCOR Global P&C	A+
Sirius International Insurance Corporation	A-
Swiss Re Europe S.A.	AA-
Toa Reinsurance Company Limited	A+
Transatlantic Reinsurance Company Ltd.	A+
VIG Holding	A+
VIG Re zajistovna a.s.	A+
Wiener Städtische Versicherung AG Vienna Insurance Group (rating VIG group)	A+
XL Re Europe Limited	A
Compensa (rating VIG group)	A+
Zurich Re	AA-

43 Financial risk management (continued)

Liquidity risk

Liquidity risk arises in the general funding of the Group'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 Group holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and to meet legal requirements.

The Group's liquidity position is satisfactory and the Group met statutory requirements for claims settlement during the year.

Note 44 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities.

Note 25 discloses the maturity analysis of the Group's and the Company's technical provisions.

Fair values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price).

Group	2014		2013	
	Book value	Fair value	Book value	Fair value
	HRK'000	HRK'000	HRK'000	HRK'000
Held-to-maturity investments	954,660	1,076,181	894,882	947,679
Available-for-sale financial assets	1,044,397	1,044,397	999,989	999,989
Financial assets at fair value through profit or loss	334,006	334,006	303,705	303,705
Loans and receivables	166,426	166,426	136,923	136,923
Insurance and other receivables	249,418	249,418	262,019	262,019
Cash and cash equivalents	6,815	6,815	11,063	11,063
Total financial assets	2,755,722	2,877,243	2,608,581	2,661,378
Total financial liabilities	636,683	636,683	634,621	634,621
Company				
Held-to-maturity investments	954,660	1,076,181	894,882	947,679
Available-for-sale financial assets	1,044,397	1,044,397	999,989	999,989
Financial assets at fair value through profit or loss	334,006	334,006	303,705	303,705
Loans and receivables	172,426	172,426	142,923	142,923
Insurance and other receivables	250,020	250,020	262,757	262,757
Cash and cash equivalents	6,599	6,599	10,910	10,910
Total financial assets	2,762,108	2,883,629	2,615,166	2,667,963
Total financial liabilities	584,314	584,314	577,676	577,676

43 Financial risk management (continued)

Fair values (continued)

Some of the Group and Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2014	31 December 2013				
<i>Fair value through profit and loss</i>						
Debt securities	140,007	110,021	Level 2	Quoted market prices in active markets for underlying financial assets of index-linked debt securities or other valuation techniques as discounted cash flows in which all significant inputs are directly or indirectly observable from market data	Not applicable	Not applicable
Equity securities	753	885	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Open-end investment fund shares	193,246	192,799	Level 1	Quoted price issued by the fund	Not applicable	Not applicable
<i>Available for sale assets</i>						
Debt securities	976,526	938,853	Level 1	Price quoted on a stock exchange – average trade or bid price on the last day in the month	Not applicable	Not applicable
Debt securities	291	-	Level 3	Internal valuation model	Discounted cash flows with default scenarios	Not applicable
Equity securities	753	2,100	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Equity securities	24,296	18,583	Level 2	Measured at cost and price based on NAV of the real estate fund	Not applicable	Not applicable
Open-end investment fund shares	42,531	40,453	Level 1	Quoted price issued by the fund	Not applicable	Not applicable

43 Financial risk management (continued)

Hierarchy of fair values

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted price (unadjusted) in an active market;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial assets, either directly (for example prices) or indirectly (for example derived from prices);
- Level 3: inputs for assets are not based on observable market data (for example valuation techniques using significant unobservable inputs).

Group and Company

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
31 December 2014				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	-	25,247	-	25,247
Debt securities – assets backing index-linked products	-	114,760	-	114,760
Equity securities	753	-	-	753
Investment funds	159,375	-	-	159,375
Investment funds – assets backing unit-linked products	33,871	-	-	33,871
<i>Available-for-sale financial assets</i>				
Debt securities	976,526	-	291	976,817
Equity securities	753	24,296	-	25,049
Investment funds	42,531	-	-	42,531
Total financial assets	1,213,809	164,303	291	1,378,403
31 December 2013				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	-	19,955	-	19,955
Debt securities – assets backing index-linked products	-	90,066	-	90,066
Equity securities	885	-	-	885
Investment funds	161,906	-	-	161,906
Investment funds – assets backing unit-linked products	30,893	-	-	30,893
<i>Available-for-sale financial assets</i>				
Debt securities	938,853	-	-	938,853
Equity securities	2,100	18,583	-	20,683
Investment funds	40,453	-	-	40,453
Total financial assets	1,175,090	128,604	-	1,303,694

In both 2014 and 2013 there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy and there were no any transfers to or from Level 3.

Level 2 category includes instruments valued using: quoted market prices in active markets for underlying financial assets of index-linked debt securities or other valuation techniques as discounted cash flows in which all significant inputs are directly or indirectly observable from market data.

44 Maturity analysis

The tables below analyses the financial assets and liabilities within the scope of IAS 39 of the Group and the Company at 31 December 2014 and 31 December 2013 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date, except for non-monetary financial assets at fair value through profit or loss which are classified as short term and non-monetary financial assets available for sale carried at cost which are classified as long term. The estimated remaining contractual maturities of insurance provisions are analysed in Note 25 i).

Group - 2014

	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>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	16,396	8,851	25,247
Debt securities – assets backing index-linked products	-	-	-	62,829	51,931	114,760
Equity securities	753	-	-	-	-	753
Investment funds	159,375	-	-	-	-	159,375
Investment funds – assets backing unit-linked products	-	-	-	-	33,871	33,871
<i>Available-for-sale financial assets</i>						
Debt securities	-	-	75,833	427,303	473,681	976,817
Equity securities	753	-	-	-	24,296	25,049
Investment funds	42,531	-	-	-	-	42,531
<i>Held-to-maturity investments</i>						
Debt securities	-	20,260	1,213	146,374	786,813	954,660
<i>Loans and receivables</i>						
Deposits with banks	-	23,819	-	71,648	-	95,467
Loans to customers	20,619	3,034	4,945	10,935	31,426	70,959
Insurance and other receivables	238,137	2,012	-	-	9,269	249,418
Cash and cash equivalents	6,815	-	-	-	-	6,815
Total financial assets	468,983	49,125	81,991	735,485	1,420,138	2,755,722
Financial liabilities						
Subordinated loan*	-	-	-	-	15,323	15,323
Borrowings**	1,222	47,338	2,169	1,317	-	52,046
Insurance and other payables	123,618	140,298	38,005	118,321	149,072	569,314
Total financial liabilities	124,840	187,636	40,174	119,638	164,395	636,683

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousand in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

44 Maturity analysis (continued)

Group - 2013

	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>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	14,164	5,791	19,955
Debt securities – assets backing index-linked products	-	-	-	14,594	75,472	90,066
Equity securities	885	-	-	-	-	885
Investment funds	161,906	-	-	-	-	161,906
Investment funds – assets backing unit-linked products	-	-	-	-	30,893	30,893
<i>Available-for-sale financial assets</i>						
Debt securities	16,682	-	83,076	402,078	437,017	938,853
Equity securities	2,100	-	-	-	18,583	20,683
Investment funds	40,453	-	-	-	-	40,453
<i>Held-to-maturity investments</i>						
Debt securities	92,804	-	20,120	8,521	772,837	894,282
Bills of exchange	600	-	-	-	-	600
<i>Loans and receivables</i>						
Deposits with banks	32,076	24,654	-	-	-	56,730
Loans to customers	27,065	3,588	5,265	9,446	34,829	80,193
Insurance and other receivables	228,340	25,701	-	-	7,978	262,019
Cash and cash equivalents	11,063	-	-	-	-	11,063
Total financial assets	613,974	53,943	108,461	448,803	1,383,400	2,608,581
Financial liabilities						
Subordinated loan*	-	-	-	-	15,275	15,275
Borrowings**	1,285	3,300	48,451	3,520	-	56,556
Insurance and other payables	81,633	132,798	33,761	104,553	210,045	562,790
Total financial liabilities	82,918	136,098	82,212	108,073	225,320	634,621

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousand in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

44 Maturity analysis (continued)

Company – 2014

	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>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	16,396	8,851	25,247
Debt securities – assets backing index-linked products	-	-	-	62,829	51,931	114,760
Equity securities	753	-	-	-	-	753
Investment funds	159,375	-	-	-	-	159,375
Investment funds – assets backing unit-linked products	-	-	-	-	33,871	33,871
<i>Available-for-sale financial assets</i>						
Debt securities	-	-	75,833	427,303	473,681	976,817
Equity securities	753	-	-	-	24,296	25,049
Investment funds	42,531	-	-	-	-	42,531
<i>Held-to-maturity investments</i>						
Debt securities	-	20,260	1,213	146,374	786,813	954,660
<i>Loans and receivables</i>						
Deposits with banks	-	23,819	-	71,648	-	95,467
Loans to customers	21,619	8,034	4,945	10,935	31,426	76,959
Insurance and other receivables	238,739	2,012	-	-	9,269	250,020
Cash and cash equivalents	6,599	-	-	-	-	6,599
Total financial assets	470,369	54,125	81,991	735,485	1,420,138	2,762,108
Financial liabilities						
Subordinated loan*	-	-	-	-	15,323	15,323
Insurance and other payables	123,321	140,272	38,005	118,321	149,072	568,991
Total financial liabilities	123,321	140,272	38,005	118,321	164,395	584,314

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousands in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

44 Maturity analysis (continued)

Company – 2013

	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>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	14,164	5,791	19,955
Debt securities – assets backing index-linked products	-	-	-	14,594	75,472	90,066
Equity securities	885	-	-	-	-	885
Investment funds	161,906	-	-	-	-	161,906
Investment funds – assets backing unit-linked products	-	-	-	-	30,893	30,893
<i>Available-for-sale financial assets</i>						
Debt securities	16,682	-	83,076	402,078	437,017	938,853
Equity securities	2,100	-	-	-	18,583	20,683
Investment funds	40,453	-	-	-	-	40,453
<i>Held-to-maturity investments</i>						
Debt securities	92,804	-	20,120	8,521	772,837	894,282
Bills of exchange	600	-	-	-	-	600
<i>Loans and receivables</i>						
Deposits with banks	32,076	24,654	-	-	-	56,730
Loans to customers	28,065	8,588	5,265	9,446	34,829	86,193
Insurance and other receivables	229,078	25,701	-	-	7,978	262,757
Cash and cash equivalents	10,910	-	-	-	-	10,910
Total financial assets	615,559	58,943	108,461	448,803	1,383,400	2,615,166
Financial liabilities						
Subordinated loan*	-	-	-	-	15,275	15,275
Insurance and other payables	81,633	132,612	33,761	104,553	209,842	562,401
Total financial liabilities	81,633	132,612	33,761	104,553	225,117	577,676

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

45 Interest rate repricing analysis

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

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2014 and 31 December 2013 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of the mathematical reserve is based (Note 6), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

Group – 2014

	Effective interest rate %	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>Financial assets at fair value through profit or loss</i>									
Debt securities	n/a	-	-	-	-	-	25,247	25,247	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	114,760	114,760	-
Equity securities	n/a	-	-	-	-	-	753	753	-
Investment funds	n/a	-	-	-	-	-	159,375	159,375	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	33,871	33,871	-
<i>Available-for-sale financial assets</i>									
Debt securities	5.90	4,644	-	71,189	427,303	473,681	-	976,817	972,173
Equity securities	n/a	-	-	-	-	-	25,049	25,049	-
Investment funds	n/a	-	-	-	-	-	42,531	42,531	-
<i>Held-to-maturity investments</i>									
Debt securities	6.24	-	20,260	1,213	146,374	786,813	-	954,660	954,660
<i>Loans and receivables</i>									
Deposits with banks	3.50	-	23,819	-	71,648	-	-	95,467	95,467
Loans to customers	7.17	20,619	3,034	4,945	10,935	31,426	-	70,959	42,358
Insurance and other receivables		-	-	-	-	-	249,418	249,418	-
Cash and cash equivalents	0.37	6,815	-	-	-	-	-	6,815	-
Total financial assets		32,078	47,113	77,347	656,260	1,291,920	651,004	2,755,722	2,064,658
Financial liabilities									
Subordinated loan*	8.00	-	-	-	-	15,323	-	15,323	15,323
Borrowings**	5.03	2,788	46,555	1,386	1,317	-	-	52,046	50,462
Insurance and other payables	3.00	95,374	15,460	24,575	78,789	149,072	206,044	569,314	285,236
Total financial liabilities		98,162	62,015	25,961	80,106	164,395	206,044	636,683	351,021

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousands in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

45 Interest rate repricing analysis (continued)

Group – 2013

	Effective interest rate %	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>Financial assets at fair value through profit or loss</i>									
Debt securities	n/a	-	-	-	-	-	19,955	19,955	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	90,066	90,066	-
Equity securities	n/a	-	-	-	-	-	885	885	-
Investment funds	n/a	-	-	-	-	-	161,906	161,906	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	30,893	30,893	-
<i>Available-for-sale financial assets</i>									
Debt securities	5.81	26,532	-	83,076	392,228	437,017	-	938,853	929,003
Equity securities	n/a	-	-	-	-	-	20,683	20,683	-
Investment funds	n/a	-	-	-	-	-	40,453	40,453	-
<i>Held-to-maturity investments</i>									
Debt securities	6.25	92,804	-	20,120	8,521	772,837	-	894,282	894,282
Bills of exchange	n/a	-	-	-	-	-	600	600	-
<i>Loans and receivables</i>									
Deposits with banks	6.14	32,076	24,654	-	-	-	-	56,730	56,730
Loans to customers	7.34	27,065	3,588	5,265	9,446	34,829	-	80,193	36,486
Insurance and other receivables	n/a	-	-	-	-	-	262,019	262,019	-
Cash and cash equivalents	0.38	11,063	-	-	-	-	-	11,063	-
Total financial assets		189,540	28,242	108,461	410,195	1,244,683	627,460	2,608,581	1,916,501
Financial liabilities									
Subordinated loan*	8.00	-	-	-	-	15,275	-	15,275	15,275
Borrowings**	5.15	3,653	2,511	47,653	2,739	-	-	56,556	54,163
Insurance and other payables	3.00	81,633	94,964	33,761	104,553	84,896	162,983	562,790	278,234
Total financial liabilities		85,286	97,475	81,414	107,292	100,171	162,983	634,621	347,672

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

45 Interest rate repricing analysis (continued)

Company – 2014

	Effective interest rate %	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>Financial assets at fair value through profit or loss</i>									
Debt securities	n/a	-	-	-	-	-	25,247	25,247	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	114,760	114,760	-
Equity securities	n/a	-	-	-	-	-	753	753	-
Investment funds	n/a	-	-	-	-	-	159,375	159,375	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	33,871	33,871	-
<i>Available-for-sale financial assets</i>									
Debt securities	5.90	4,644	-	71,189	427,303	473,681	-	976,817	972,173
Equity securities	n/a	-	-	-	-	-	25,049	25,049	-
Investment funds	n/a	-	-	-	-	-	42,531	42,531	-
<i>Held-to-maturity investments</i>									
Debt securities	6.24	-	20,260	1,213	146,374	786,813	-	954,660	954,660
<i>Loans and receivables</i>									
Deposits with banks	3.50	-	23,819	-	71,648	-	-	95,467	95,467
Loans to customers	7.08	21,619	8,034	4,945	10,935	31,426	-	76,959	48,358
Insurance and other receivables		-	-	-	-	-	250,020	250,020	-
Cash and cash equivalents	0.36	6,599	-	-	-	-	-	6,599	-
Total financial assets		32,862	52,113	77,347	656,260	1,291,920	651,606	2,762,108	2,070,658
Financial liabilities									
Subordinated loan*	8.00	-	-	-	-	15,323	-	15,323	15,323
Insurance and other payables	3.00	95,374	15,460	24,575	78,789	149,072	205,721	568,991	285,236
Total financial liabilities		95,374	15,460	24,575	78,789	164,395	205,721	584,314	300,559

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousands in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

45 Interest rate repricing analysis (continued)

Company – 2013

	Effective interest rate %	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>Financial assets at fair value through profit or loss</i>									
Debt securities	n/a	-	-	-	-	-	19,955	19,955	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	90,066	90,066	-
Equity securities	n/a	-	-	-	-	-	885	885	-
Investment funds	n/a	-	-	-	-	-	161,906	161,906	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	30,893	30,893	-
<i>Available-for-sale financial assets</i>									
Debt securities	5.81	26,532	-	83,076	392,228	437,017	-	938,853	929,003
Equity securities	n/a	-	-	-	-	-	20,683	20,683	-
Investment funds	n/a	-	-	-	-	-	40,453	40,453	-
<i>Held-to-maturity investments</i>									
Debt securities	6.25	92,804	-	20,120	8,521	772,837	-	894,282	894,282
Bills of exchange	n/a	-	-	-	-	-	600	600	-
<i>Loans and receivables</i>									
Deposits with banks	6.14	32,076	24,654	-	-	-	-	56,730	56,730
Loans to customers	7.24	28,065	8,588	5,265	9,446	34,829	-	86,193	42,486
Insurance and other receivables	n/a	-	-	-	-	-	262,757	262,757	-
Cash and cash equivalents	0.38	10,910	-	-	-	-	-	10,910	-
Total financial assets		190,387	33,242	108,461	410,195	1,244,683	628,198	2,615,166	1,922,501
Financial liabilities									
Subordinated loan*	8.00	-	-	-	-	15,275	-	15,275	15,275
Insurance and other payables	3.00	81,633	94,964	33,761	104,553	84,896	162,594	562,401	278,234
Total financial liabilities		81,633	94,964	33,761	104,553	100,171	162,594	577,676	293,509

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

46 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within the scope of IAS 39 were denominated as follows as at 31 December 2014 and 31 December 2013.

Group - 2014

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	USD HRK'000	CZK HRK'000	HRK HRK'000	Total HRK'000
Financial assets							
<i>Financial assets at fair value through profit or loss</i>							
Debt securities	25,247	-	25,247	-	-	-	25,247
Debt securities – assets backing index-linked products	114,760	-	114,760	-	-	-	114,760
Equity securities	-	-	-	-	-	753	753
Investment funds	-	89,874	89,874	-	-	69,501	159,375
Investment funds – assets backing unit-linked products	-	33,871	33,871	-	-	-	33,871
<i>Available-for-sale financial assets</i>							
Debt securities	60,207	372,781	432,988	7,966	-	535,863	976,817
Equity securities	14,178	-	14,178	-	12	10,859	25,049
Investment funds	12,898	15,966	28,864	-	-	13,667	42,531
<i>Held-to-maturity investments</i>							
Debt securities	-	675,604	675,604	-	-	279,056	954,660
<i>Loans and receivables</i>							
Deposits with banks	-	-	-	-	-	95,467	95,467
Loans to customers	-	47,872	47,872	323	-	22,764	70,959
Insurance and other receivables	2,277	69,998	72,275	282	-	176,861	249,418
Cash and cash equivalents	675	-	675	54	-	6,086	6,815
Total financial assets	230,242	1,305,966	1,536,208	8,625	12	1,210,877	2,755,722
Financial liabilities							
Subordinated loan*	15,323	-	15,323	-	-	-	15,323
Borrowings**	47,889	-	47,889	-	-	4,157	52,046
Insurance and other payables	7,352	332,520	339,872	-	-	229,442	569,314
Total financial liabilities	70,564	332,520	403,084	-	-	233,599	636,683

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousands in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

46 Currency risk analysis (continued)

Group - 2013

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	USD HRK'000	CZK HRK'000	HRK HRK'000	Total HRK'000
Financial assets							
<i>Financial assets at fair value through profit or loss</i>							
Debt securities	19,955	-	19,955	-	-	-	19,955
Debt securities – assets backing index-linked products	90,066	-	90,066	-	-	-	90,066
Equity securities	-	-	-	-	-	885	885
Investment funds	-	38,402	38,402	-	-	123,504	161,906
Investment funds – assets backing unit-linked products	-	30,893	30,893	-	-	-	30,893
<i>Available-for-sale financial assets</i>							
Debt securities	78,716	376,642	455,358	7,091	-	476,404	938,853
Equity securities	8,470	-	8,470	-	7	12,206	20,683
Investment funds	12,030	15,671	27,701	-	-	12,752	40,453
<i>Held-to-maturity investments</i>							
Debt securities	12,212	625,111	637,323	-	-	256,959	894,282
Bills of exchange	-	-	-	-	-	600	600
<i>Loans and receivables</i>							
Deposits with banks	-	-	-	-	-	56,730	56,730
Loans to customers	-	56,579	56,579	267	-	23,347	80,193
Insurance and other receivables	-	63,976	63,976	-	-	198,043	262,019
Cash and cash equivalents	243	-	243	209	-	10,611	11,063
Total financial assets	221,692	1,207,274	1,428,966	7,567	7	1,172,041	2,608,581
Financial liabilities							
Subordinated loan*	15,275	-	15,275	-	-	-	15,275
Borrowings**	50,752	-	50,752	-	-	5,804	56,556
Insurance and other payables	-	328,647	328,647	-	-	234,143	562,790
Total financial liabilities	66,027	328,647	394,674	-	-	239,947	634,621

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

46 Currency risk analysis (continued)

Company – 2014

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	USD HRK'000	CZK HRK'000	HRK HRK'000	Total HRK'000
Financial assets							
<i>Financial assets at fair value through profit or loss</i>							
Debt securities	25,247	-	25,247	-	-	-	25,247
Debt securities – assets backing index-linked products	114,760	-	114,760	-	-	-	114,760
Equity securities	-	-	-	-	-	753	753
Investment funds	-	89,874	89,874	-	-	69,501	159,375
Investment funds – assets backing unit-linked products	-	33,871	33,871	-	-	-	33,871
<i>Available-for-sale financial assets</i>							
Debt securities	60,207	372,781	432,988	7,966	-	535,863	976,817
Equity securities	14,178	-	14,178	-	12	10,859	25,049
Investment funds	12,898	15,966	28,864	-	-	13,667	42,531
<i>Held-to-maturity investments</i>							
Debt securities	-	675,604	675,604	-	-	279,056	954,660
<i>Loans and receivables</i>							
Deposits with banks	-	-	-	-	-	95,467	95,467
Loans to customers	-	47,872	47,872	323	-	28,764	76,959
Insurance and other receivables	2,277	69,998	72,275	282	-	177,463	250,020
Cash and cash equivalents	673	-	673	54	-	5,872	6,599
Total financial assets	230,240	1,305,966	1,536,206	8,625	12	1,217,265	2,762,108
Financial liabilities							
Subordinated loan*	15,323	-	15,323	-	-	-	15,323
Insurance and other payables	7,352	332,520	339,872	-	-	229,119	568,991
Total financial liabilities	22,675	332,520	355,195	-	-	229,119	584,314

* Subordinated loan bears annual interest of 8%, or HRK 1,204 thousands in 2014. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

46 Currency risk analysis (continued)

Company – 2013

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	USD HRK'000	CZK HRK'000	HRK HRK'000	Total HRK'000
Financial assets							
<i>Financial assets at fair value through profit or loss</i>							
Debt securities	19,955	-	19,955	-	-	-	19,955
Debt securities – assets backing index-linked products	90,066	-	90,066	-	-	-	90,066
Equity securities	-	-	-	-	-	885	885
Investment funds	-	38,402	38,402	-	-	123,504	161,906
Investment funds – assets backing unit-linked products	-	30,893	30,893	-	-	-	30,893
<i>Available-for-sale financial assets</i>							
Debt securities	78,716	376,642	455,358	7,091	-	476,404	938,853
Equity securities	8,470	-	8,470	-	7	12,206	20,683
Investment funds	12,030	15,671	27,701	-	-	12,752	40,453
<i>Held-to-maturity investments</i>							
Debt securities	12,212	625,111	637,323	-	-	256,959	894,282
Bills of exchange	-	-	-	-	-	600	600
<i>Loans and receivables</i>							
Deposits with banks	-	-	-	-	-	56,730	56,730
Loans to customers	-	56,579	56,579	267	-	29,347	86,193
Insurance and other receivables	-	63,976	63,976	-	-	198,781	262,757
Cash and cash equivalents	224	-	224	209	-	10,477	10,910
Total financial assets	221,673	1,207,274	1,428,947	7,567	7	1,178,645	2,615,166
Financial liabilities							
Subordinated loan*	15,275	-	15,275	-	-	-	15,275
Insurance and other payables	-	328,647	328,647	-	-	233,754	562,401
Total financial liabilities	15,275	328,647	343,922	-	-	233,754	577,676

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

47 Contingent assets and liabilities

Off-balance sheet accounts

The Group had no off-balance sheet accounts as at 31 December 2014 (2013: -).

Capital liabilities

The Group had no capital liabilities as at 31 December 2014 (2013: -).

Litigations and claims

The Group is sued in several litigations (excluding court claims) for which provision was made in the financial statements when the Management believes that is probable that the Group will lose the court case.

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency**

Unconsolidated statement of financial position (balance sheet) 31 December 2014

ASSETS

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	A	RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID						
002		1	Called up capital						
003		2	Uncalled capital						
004	005+006	B	INTANGIBLE ASSETS	1,316,945	8,275,462	9,592,407	1,236,302	7,259,230	8,495,532
005		1	Goodwill		4,241,869	4,241,869		3,896,822	3,896,822
006		2	Other intangible assets	1,316,945	4,033,593	5,350,538	1,236,302	3,362,408	4,598,710
007	008+009+010	C	TANGIBLE ASSETS	4,571,186	52,010,565	56,581,750	4,485,704	50,791,041	55,276,745
008		1	Land and buildings intended for company business operations	4,494,053	42,107,028	46,601,081	4,432,916	41,972,910	46,405,826
009		2	Equipment	77,132	7,014,077	7,091,209	52,788	6,155,157	6,207,945
010		3	Other tangible assets and stock		2,889,460	2,889,460		2,662,974	2,662,974
011	012+013+017+036	D	INVESTMENTS	1,786,417,871	480,405,009	2,266,822,880	1,920,438,894	482,809,193	2,403,248,087
012		I	Investments in land and buildings not intended for company business operations	19,942,328	24,740,134	44,682,462	19,730,866,60	25,057,857,83	44,788,724
013	014+015+016	II	Investments in subsidiaries, associates and joint ventures	50,000	1,550,000	1,600,000	50,000	1,550,000	1,600,000
014		1	Shares and stakes in subsidiaries	50,000	1,550,000	1,600,000	50,000	1,550,000	1,600,000
015		2	Shares and stakes in associates						
016		3	Joint venture participation						
017	018+021+026+032	III	Other financial investments	1,766,425,543	454,114,875	2,220,540,418	1,900,658,028	456,201,335	2,356,859,363
018	019+020	1	Investments held-to-maturity	818,887,919	75,994,858	894,882,777	892,996,462	61,663,728	954,660,190
019		1.1	Debt securities and other securities with fixed revenue	818,887,919	75,994,858	894,882,777	892,996,462	61,663,728	954,660,190
020		1.2	Other investments held to maturity						
021	022+023+024+025	2	Investments available-for-sale	706,402,029	293,586,866	999,988,895	744,817,265	299,579,501	1,044,396,766
022		2.1	Shares, stakes and other securities with variable revenue	20,682,755		20,682,755	25,048,654		25,048,654
023		2.2	Debt securities and other securities with fixed revenue	651,552,154	287,300,788	938,852,942	683,974,505	292,842,619	976,817,124

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of financial position (balance sheet) 31 December 2014

ASSETS

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
024		2.3	Investment fund units	34,167,120	6,286,078	40,453,198	35,794,107	6,736,882	42,530,989
025		2.4	Other investments available for sale						
026	027+028 +029+03 0+031	3	Investments at fair value through profit and loss account	146,122,830	36,622,846	182,745,675	133,087,370	52,288,579	185,375,950
027		3.1	Shares, stakes and other securities with variable revenue		884,792	884,792		752,589	752,589
028		3.2	Debt securities and other securities with fixed revenue	19,955,323		19,955,323	25,248,567		25,248,567
029		3.3	Derivative financial instruments						
030		3.4	Investment fund units	126,167,506	35,738,054	161,905,560	107,838,803	51,535,991	159,374,794
031		3.5	Other investments						
032	033+034 +035	4	Deposits, loans and receivables	95,012,766	47,910,305	142,923,071	129,756,930	42,669,527	172,426,457
033		4.1	Deposits with credit institutions (banks)	32,076,086	24,653,735	56,729,821	71,648,042	23,819,250	95,467,292
034		4.2	Loans	53,457,816	23,256,570	76,714,386	51,592,171	18,850,277	70,442,448
035		4.3	Other loans and receivables	9,478,864		9,478,864	6,516,717		6,516,717
036		IV	Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)						
037		E	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	120,958,045		120,958,045	148,629,623		148,629,623
038	039+040 +041+04 2 +043+04 4+045	F	REINSURANCE SHARE IN TECHNICAL PROVISIONS	274,409,412	208,715,947	483,125,359	282,986,601	223,886,045	506,872,646
039		1	Unearned premiums, reinsurance share	872,817	60,232,713	61,105,530	806,680	59,616,765	60,423,445
040		2	Mathematical provision, reinsurance share	270,328,936		270,328,936	278,829,075		278,829,075
041		3	Provision for claims outstanding, reinsurance share	3,207,659	148,483,234	151,690,893	3,350,846	164,269,280	167,620,126
042		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
043		5	Equalisation provisions, reinsurance share						

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of financial position (balance sheet) 31 December 2014

ASSETS

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
044		6	Other insurance technical provisions, reinsurance share						
045		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
046	047+048	G	DEFERRED AND CURRENT TAX ASSET	4,058,582	4,024,058	8,082,639	725,678	1,628,980	2,354,658
047		1	Deferred tax asset	4,058,582	4,024,058	8,082,639	725,678	1,628,980	2,354,658
048		2	Current tax asset						
049	050+053+054	H	RECEIVABLES	57,064,419	149,951,906	207,016,325	50,126,157	148,422,571	198,548,728
050	051+052	1	Receivables from direct insurance business		63,203,747	63,203,747		57,086,711	57,086,711
051		1.1	From policyholders		63,203,747	63,203,747		57,086,711	57,086,711
052		1.2	From insurance agents, or insurance brokers						
053		2	Receivables from co-insurance and reinsurance business	49,200,302	43,565,977	92,766,278	46,301,100	45,049,101	91,350,201
054	055+056+057	3	Other receivables	7,864,117	43,182,183	51,046,300	3,825,057	46,286,759	50,111,816
055		3.1	Receivables from other insurance business		37,146,568	37,146,568		36,254,299	36,254,299
056		3.2	Receivables for return on investments	369,240	57,067	426,307	212,902	64,925	277,828
057		3.3	Other receivables	7,494,877	5,978,548	13,473,425	3,612,154	9,967,535	13,579,690
058	059+063+064	I	OTHER ASSETS	20,264,291	3,885,546	24,149,837	11,058,371	4,744,683	15,803,054
059	060+061+062	1	Cash at bank and in hand	7,025,155	3,885,546	10,910,701	1,854,190	4,744,683	6,598,872
060		1.1	Funds in the business account	5,978,030	3,885,546	9,863,577	1,217,165	4,744,683	5,961,848
061		1.2	Funds in the account of assets covering mathematical provision	1,047,125		1,047,125	637,025		637,025
062		1.3	Cash in hand						
063		2	Long-term assets intended for sale and business cessation	13,239,136		13,239,136	9,204,181		9,204,181
064		3	Other						
065	066+067+068	J	PREPAYMENTS AND ACCRUED INCOME	48,224,584	24,165,387	72,389,971	43,544,290	23,441,090	66,985,380
066		1	Deferred interest and rent	47,944,638	7,312,809	55,257,447	43,281,583	7,472,882	50,754,465
067		2	Deferred acquisition costs	279,946	16,369,176	16,649,123	262,707	15,251,401	15,514,108

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of financial position (balance sheet) 31 December 2014

ASSETS

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
068		3	Other prepayments and accrued income		483,401	483,401		716,807	716,807
069	001+004+ 007+011 +037+038 +046 +049+058 +065	K	TOTAL ASSETS (A+B+C+D+E+F+G+H+I+ J)	2,317,285,334	931,433,880	3,248,719,214	2,463,231,620	942,982,833	3,406,214,454
070		L	OFF BALANCE SHEET ITEMS						

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of financial position (balance sheet) 31 December 2014

EQUITY AND LIABILITIES

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
071	072+076+ 077+081+ 085+088	A	CAPITAL AND RESERVES	290,824,937	220,303,234	511,128,171	333,594,531	218,562,931	552,157,461
072	073+074+ 075	1	Subscribed capital	134,303,825	101,491,315	235,795,140	134,303,825	101,491,315	235,795,140
073		1,1	<i>Paid-up capital - ordinary shares</i>	134,303,825	101,491,315	235,795,140	134,303,825	101,491,315	235,795,140
074		1,2	<i>Paid-up capital - preference shares</i>						
075		1,3	<i>Called up capital</i>						
076		2	Issued shares premiums (capital reserves)	6,752,671	43,699,922	50,452,593	6,752,671	43,699,922	50,452,593
077	078+079+ 080	3	Revaluation reserve	18,851,195	6,899,840	25,751,035	47,892,999	15,118,092	63,011,091
078		3,1	<i>Land and buildings</i>						
079		3,2	<i>Financial investments</i>	18,851,195	6,899,840	25,751,035	47,892,999	15,118,092	63,011,091
080		3,3	<i>Other revaluation reserves</i>						
081	082+083+ 084	4	Reserves	92,528,105	34,497,964	127,026,069	92,528,105	34,497,964	127,026,069
082		4,1	<i>Legally stipulated reserves</i>	2,755,583	560,571	3,316,154	2,755,583	560,571	3,316,154
083		4,2	<i>Statutory reserve</i>	871,562		871,562	871,562		871,562
084		4,3	<i>Other reserve</i>	88,900,960	33,937,392	122,838,353	88,900,960	33,937,392	122,838,353
085	086+087	5	Transferred (retained) profit or loss	32,946,584	14,659,847	47,606,432	33,762,968	17,517,999	51,280,967
086		5,1	<i>Retained profit</i>	32,946,584	14,659,847	47,606,432	33,762,968	17,517,999	51,280,967
087		5,2	<i>Transferred loss (-)</i>						
088	089+090	6	Profit or loss of the current accounting period	5,442,556	19,054,347	24,496,903	18,353,963	6,237,639	24,591,602
089		6,1	<i>Profit of the current accounting period</i>	5,442,556	19,054,347	24,496,903	18,353,963	6,237,639	24,591,602
090		6,2	<i>Loss of the current accounting period (-)</i>						
091		B	SUBORDINATED LIABILITIES		15,275,280	15,275,280		15,322,940	15,322,940
092	093+094+ 095+096+ 097+098	C	TECHNICAL PROVISIONS	1,567,397,020	455,709,002	2,023,106,022	1,630,262,210	463,979,358	2,094,241,568

Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of financial position (balance sheet) 31 December 2014

EQUITY AND LIABILITIES

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
093		1	Unearned premiums, gross amount	2,729,730	132,009,487	134,739,217	2,468,815	133,234,918	135,703,733
094		2	Mathematical provision, gross amount	1,550,094,373		1,550,094,373	1,613,364,070		1,613,364,070
095		3	Provision for claims outstanding, gross amount	14,572,917	320,701,340	335,274,257	14,429,325	327,629,866	342,059,192
096		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount						
097		5	Equalisation provision, gross amount		398,176	398,176		298,374	298,374
098		6	Other insurance technical provisions, gross amount		2,600,000	2,600,000		2,816,200	2,816,200
099		D	LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	120,958,045		120,958,045	148,629,623		148,629,623
100	101+102	E	OTHER RESERVES		9,413,328	9,413,328		10,387,293	10,387,293
101		1	Provisions for pensions and similar liabilities		751,653	751,653		557,317	557,317
102		2	Other provisions		8,661,674	8,661,674		9,829,976	9,829,976
103	104+105	F	DEFERRED AND CURRENT TAX LIABILITY	4,712,799	1,724,960	6,437,759	12,149,023	4,336,248	16,485,272
104		1	Deferred tax liability	4,712,799	1,724,960	6,437,759	11,973,250	3,779,523	15,752,773
105		2	Current tax liability				175,774	556,725	732,499
106		G	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	271,828,153	72,418,623	344,246,776	280,945,036	82,325,636	363,270,673
107	108+109+110	H	FINANCIAL LIABILITIES				69,423	288,534	357,956
108		1	Liabilities on the basis of loans						
109		2	Liabilities on the basis of issued securities						
110		3	Other financial liabilities				69,423	288,534	357,956
111	112+113+114+115	I	OTHER LIABILITIES	61,336,108	108,677,114	170,013,222	56,337,864	103,065,049	159,402,913
112		1	Liabilities from direct insurance business	5,644,854	8,741,982	14,386,836	5,038,355	6,233,715	11,272,069
113		2	Liabilities from co-insurance and reinsurance business	55,560,175	71,059,598	126,619,773	51,073,057	75,218,567	126,291,624

Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of financial position (balance sheet) 31 December 2014

EQUITY AND LIABILITIES

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
114		3	Liabilities for sale and ceased business						
115		4	Other liabilities	131,079	28,875,534	29,006,613	226,453	21,612,767	21,839,220
116	117+118	J	ACCRUED EXPENSES AND DEFERRED INCOME	228,272	47,912,339	48,140,611	1,243,910	44,714,844	45,958,754
117		1	Deferred reinsurance commission						
118		2	Other accrued expenses and deferred income	228,272	47,912,339	48,140,611	1,243,910	44,714,844	45,958,754
119	071+091+092+099+100+103+106+107+111+116	K	TOTAL LIABILITIES (A+B+C+D+E+F+G+H+I+J)	2,317,285,334	931,433,880	3,248,719,214	2,463,231,620	942,982,833	3,406,214,454
120		L	OFF BALANCE SHEET ITEMS						

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2014 - 31.12.2014

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003 +004+005 +006+007 +008+009	I	Earned premiums (recognized in revenue)	174,743,795	137,862,740	312,606,535	234,834,749	143,145,196	377,979,945
002		1	Written gross premiums	223,602,305	254,187,623	477,789,928	280,834,260	282,700,085	563,534,345
003		2	Co-insurance premiums						
004		3	Value adjustment and charged adjustment of insurance/co-insurance premium value		-3,999,318	-3,999,318		-5,883,864	-5,883,864
005		4	Premiums ceded to reinsurance (-)	-49,325,665	-119,919,015	-169,244,680	-46,194,289	-131,829,646	-178,023,935
006		5	Premiums ceded to co-insurance (-)						
007		6	Change in gross provisions for unearned premiums (+/-)	721,862	17,711,488	18,433,350	260,915	-1,225,432	-964,516
008		7	Change in provisions for unearned premiums, reinsurance share (+/-)	-254,707	-10,118,039	-10,372,746	-66,137	-615,948	-682,085
009		8	Change in provisions for unearned premiums, co-insurance share (+/-)						
010	011+012 +016+017 +018+022 +023	II	Income from investments	106,339,220	28,159,525	134,498,745	128,960,852	23,283,545	152,244,398
011		I	Income from subsidiaries, associates and joint ventures						
012	013+014 +015	2	Income from investment in land and buildings	479,340	151,263	630,603	728,710	157,541	886,251
013		2,1	<i>Income from rent</i>	479,340	151,263	630,603	728,710	157,541	886,251
014		2,2	<i>Income from increased value of land and buildings</i>						
015		2,3	<i>Income from sale of land and buildings</i>						
016		3	Interest income	78,832,672	23,028,263	101,860,935	94,693,006	20,892,160	115,585,166
017		4	Unrealized profits from investment valued at fair value through profit and loss account	4,813,022	118,299	4,931,321	13,909,122	138,067	14,047,189
018	019+020 +021	5	Profits from sale (realization) of financial investments	7,363,269	3,923,077	11,286,346	11,698,103	1,318,475	13,016,577
019		5,1	<i>Investment valued at fair value through profit and loss account</i>	1,304,200	386,402	1,690,602	1,694,847	171,056	1,865,903
020		5,2	<i>Investments available-for-sale</i>	6,047,798	3,536,675	9,584,473	9,991,281	1,147,419	11,138,700
021		5,3	<i>Other profits from sale of financial investments</i>	11,272		11,272	11,975		11,975
022		6	Net positive exchange rate differentials	14,269,203	673,531	14,942,735	5,670,715	674,011	6,344,726

**Supplementary information prescribed by a Regulation of the Croatian Financial Services
Supervisory Agency (continued)**

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2014 - 31.12.2014

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
023		7	Other investment profits	581,714	265,092	846,805	2,261,198	103,291	2,364,489
024		III	Income from commissions and fees	9,393,649	47,875,050	57,268,699	8,346,454	46,106,409	54,452,862
025		IV	Other insurance-technical income, net of reinsurance	554,107	4,088,896	4,643,003	479,544	7,139,109	7,618,653
026		V	Other income	367,594	3,481,850	3,849,445	79,140	1,203,834	1,282,975
027	028+032	VI	Expenditures for insured events, net	-111,233,638	-64,296,359	-175,529,997	-137,868,832	-81,164,289	-219,033,121
028	029+030+031	1	Settled claims	-111,234,576	-82,606,373	-193,840,949	-138,155,611	-90,021,808	-228,177,418
029		1,1	Gross amount (-)	-147,965,346	-127,692,246	-275,657,591	-171,607,308	-151,894,887	-323,502,195
030		1,2	Co-insurer share (+)		198,035	198,035			
031		1,3	Reinsurer share(+)	36,730,769	44,887,838	81,618,608	33,451,697	61,873,079	95,324,776
032	033+034+035	2	Change in provisions for claims outstanding (+/-)	938	18,310,014	18,310,952	286,779	8,857,519	9,144,298
033		2,1	Gross amount (-)	-256,959	5,900,002	5,643,044	143,592	-6,928,527	-6,784,935
034		2,2	Co-insurer share (+)						
035		2,3	Reinsurer share(+)	257,897	12,410,012	12,667,909	143,187	15,786,046	15,929,233
036	037+040	VII	Change in other technical provisions, net of reinsurance	-32,445,004	114,787	-32,330,217	-54,769,558	-116,398	-54,885,955
037	038+039	1	Change in mathematical provision (+/-)	-32,445,004		-32,445,004	-54,769,558		-54,769,558
038		1,1	Gross amount (-)	-42,182,939		-42,182,939	-63,269,697		-63,269,697
039		1,2	Reinsurer share(+)	9,737,935		9,737,935	8,500,139		8,500,139
040	041+042+043	2	Change in other technical provisions, net of reinsurance (+/-)		114,787	114,787		-116,398	-116,398
041		1,1	Gross amount (-)		114,787	114,787		-116,398	-116,398
042		1,2	Co-insurer share (+)						
043		1,3	Reinsurer share(+)						
044	045+046+047	VIII	Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+/-)	-9,146,233		-9,146,233	-27,671,578		-27,671,578
045		1	Gross amount (-)	-9,146,233		-9,146,233	-27,671,578		-27,671,578
046		2	Co-insurer share (+)						
047		3	Reinsurer share(+)						

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2014 - 31.12.2014

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
048			Expenses for premium refund (bonuses and discounts), net of reinsurance						
049		1	Depending on the result (bonuses)						
050		2	Not depending on the result (rebates)						
051	052+056	X	Business expenditures (for business operations), net	-98,583,952	-110,515,237	-209,099,188	-115,597,595	-105,564,030	-221,161,626
052	053+054+055	1	Acquisition costs	-21,191,695	-25,602,782	-46,794,477	-16,389,642	-35,904,209	-52,293,851
053		1,1	Commission	-16,619,592	-17,846,995	-34,466,587	-13,606,356	-29,289,894	-42,896,249
054		1,2	Other acquisition costs	-4,477,592	-6,016,840	-10,494,432	-2,766,047	-5,496,540	-8,262,586
055		1,3	Change in deferred acquisition costs (+/-)	-94,510	-1,738,948	-1,833,458	-17,240	-1,117,775	-1,135,015
056	057+058+059	2	Administration costs	-77,392,257	-84,912,454	-162,304,711	-99,207,953	-69,659,822	-168,867,775
057		2,1	Depreciation of tangible assets	-3,527,948	-3,694,194	-7,222,142	-2,966,455	-3,944,932	-6,911,386
058		2,3	Salaries, taxes and contributions to and from salaries	-32,361,546	-48,372,753	-80,734,299	-43,682,207	-44,209,471	-87,891,678
059		2,4	Other administration costs	-41,502,764	-32,845,507	-74,348,271	-52,559,292	-21,505,418	-74,064,710
060	061+062+063+064+065+066+067	XI	Investment expenses	-36,034,868	-12,360,134	-48,395,001	-13,449,188	-7,993,427	-21,442,615
061		1	Depreciation (buildings not intended for business operations of the company)	-123,761	-111,703	-235,464	-259,089	-291,492	-550,581
062		2	Interest	-7,923,861	-2,206,654	-10,130,515	-8,124,224	-2,065,353	-10,189,577
063		3	Investment value adjustment (reduction)	-15,262,353	-8,242,075	-23,504,427	-1,166,470	-4,120,144	-5,286,615
064		4	Losses from sale (realization) of financial assets	-5,174,435	-900,447	-6,074,881	-896,255	-101,830	-998,085
065		5	Adjustment of financial assets at fair value through profit and loss account	-470,187	-242,034	-712,220		-132,203	-132,203
066		6	Net negative exchange rate differences	-5,484,268	-370,695	-5,854,964	-1,693,823	-585,203	-2,279,026
067		7	Other investment expenses	-1,596,003	-286,527	-1,882,529	-1,309,327	-697,201	-2,006,528
068	069+070	XII	Other technical expenses, net of reinsurance	-986,284	-16,873,564	-17,859,847	-1,240,221	-13,950,701	-15,190,922
069		1	Expenses for preventive operations		-2,209,463	-2,209,463		-2,312,751	-2,312,751
070		2	Other technical expenses of insurance	-986,284	-14,664,101	-15,650,385	-1,240,221	-11,637,950	-12,878,172
071		XIII	Other expenses including value adjustments	-1,584,413	-2,507,266	-4,091,680	-224,553	-2,854,782	-3,079,335
072	001+010+024+025+026+027+036+044+048+051+060+068+071	XIV	Profit or loss of the accounting period before taxation (+/-)	1,383,974	15,030,290	16,414,264	21,879,214	9,234,467	31,113,681

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2014 - 31.12.2014

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
073	074+075	XV	Profit or loss tax	4,058,582	4,024,058	8,082,639	-3,525,251	-2,996,827	-6,522,079
074		1	Current tax expense				-192,348	-601,750	-794,097
075		2	Deferred tax expense (income)	4,058,582	4,024,058	8,082,639	-3,332,904	-2,395,078	-5,727,981
076	072+073	XVI	Profit or loss of the accounting period after taxation (+/-)	5,442,556	19,054,347	24,496,903	18,353,963	6,237,639	24,591,602
077		1	Attributable to owners of the parent						
078		2	Attributable to non-controlling interests						
079	001+010+024+025+026+075	XVII	TOTAL INCOME	295,456,947	225,492,119	520,949,066	369,367,836	218,483,016	587,850,852
080	027+036+044+048+051+060+068+071+074	XVIII	TOTAL EXPENDITURE	-290,014,391	-206,437,772	-496,452,163	-351,013,873	-212,245,377	-563,259,250
081	082+083+084+085+086+087+088+089	XIX	Other comprehensive income	-20,195,982	-5,520,791	-25,716,773	29,041,803	8,218,253	37,260,056
082		1	Profits/losses on translation of financial statements on foreign operating activities						
083		2	Profits/losses on revaluation of financial assets available for sale	-25,244,978	-6,900,989	-32,145,967	36,302,254	10,272,816	46,575,070
084		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
085		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
086		5	Effects from cash flow hedging instruments						
087		6	Actuarial profits/losses on defined benefit pension plans						
088		7	Share in other comprehensive income of associated companies						
089		8	Profit tax on other comprehensive income	5,048,996	1,380,198	6,429,193	-7,260,451	-2,054,563	-9,315,014
090	076+081	XX	Total comprehensive income	-14,753,426	13,533,556	-1,219,870	47,395,766	14,455,892	61,851,658
091		1	Attributable to owners of the parent						
092		2	Attributable to non-controlling interests						
093		XXI	Reclassification adjustments						

**Supplementary information prescribed by a Regulation of the Croatian
Financial Services Supervisory Agency (continued)**

Unconsolidated statement of cash flow (indirect method) for period 01.01.2014 - 31.12.2014

in HRK

Position number	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	80,854,567	2,276,725
002	003+004	1	Cash flow before the change in assets and liabilities	(83,225,672)	(50,677,432)
003		1.1	Profit/loss before taxation	31,113,681	16,414,264
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	(114,339,353)	(67,091,696)
005		1.2.1	<i>Depreciation of real estate and equipment</i>	5,063,814	4,356,642
006		1.2.2	<i>Depreciation of intangible assets</i>	2,398,154	3,100,963
007		1.2.3	<i>Value impairment and profits/losses on reduction to fair value</i>	(2,326,327)	26,070,552
008		1.2.4	<i>Interest expense</i>	10,189,577	10,130,515
009		1.2.5	<i>Interest income</i>	(115,585,166)	(101,860,935)
010		1.2.6	<i>Shares in profit of associated companies</i>	-	-
011		1.2.7	<i>Profits/losses on sale of tangible assets (including land and buildings)</i>	(238,238)	(122,417)
012		1.2.8	<i>Other adjustments</i>	(13,841,167)	(8,767,016)
013	014+015+...+030	2	Increase/decrease in assets and liabilities	164,125,264	52,954,157
014		2.1	Increase/decrease in investments available-for-sale	12,112,307	(79,808,352)
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	1,074,645	(2,565,171)
016		2.3	Increase/decrease in deposits, loans and receivables	(31,424,892)	27,015,410
017		2.4	Increase/decrease of deposits in insurance business ceded to reinsurance	-	-
018		2.5	Increase/decrease in investments for the account and risk of life assurance policyholders	(15,408,558)	(5,511,381)
019		2.6	Increase/decrease in reinsurance share in technical provisions	(23,747,287)	(12,033,098)
020		2.7	Increase/decrease in tax assets	-	-
021		2.8	Increase/decrease in receivables	119,950,994	121,865,934
022		2.9	Increase/decrease in other assets	4,034,955	3,983,260
023		2.10	Increase/decrease in prepayments and accrued income	4,826,329	1,876,939
024		2.11	Increase/decrease in technical provisions	71,135,546	17,991,758
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	27,671,578	9,146,233
026		2.13	Increase/decrease in tax liabilities	-	-
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	18,180,521	9,566,507
028		2.15	Increase/decrease in financial liabilities	357,956	(1,552,497)
029		2.16	Increase/decrease in other liabilities	(20,751,438)	(26,378,804)
030		2.17	Increase/decrease in accruals and deferred income	(3,887,391)	(10,642,582)
031		3	Paid profit tax	(45,025)	-

Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of cash flow (indirect method) for period 01.01.2014 - 31.12.2014 (continued)

in HRK

Position number	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	(64,344,028)	(3,381,000)
033		1	Inflows from sale of tangible assets	455,279	311,200
034		2	Outflows for purchase of tangible assets	(3,078,835)	(1,879,783)
035		3	Inflows from sale of intangible assets	-	
036		4	Outflows for purchase of intangible assets	(1,664,580)	(1,274,692)
037		5	Inflows from sale of land and buildings not intended for business operations of the company	-	
038		6	Outflows for purchase of land and buildings not intended for business operations of the company	(3,111,816)	(1,215,641)
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures	-	
040		8	Inflows from investments held to maturity	-	340,334
041		9	Outflows for investments held to maturity	(57,944,067)	
042		10	Inflows from sale of securities and stakes	-	
043		11	Outflows for investments in securities and stakes	-	
044		12	Inflows from dividends and shares in profit	999,991	337,582
045		13	Inflows on the basis of payment of given short-term and long-term loans	-	
046		14	Outflows for given short-term and long-term loans	-	
047	048+049+050 +051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	(20,822,368)	(987,555)
048		1	Cash inflows on the basis of initial capital increase	-	
049		2	Cash inflows from received short-term and long-term loans	-	
050		3	Cash outflows for payment of received short-term and long-term loans	-	
051		4	Cash outflows for repurchase of own shares	-	
052		5	Cash outflows for payment of dividends	(20,822,368)	(987,555)
053	001+032+047		NET CASH FLOW	(4,311,829)	(2,091,831)
054		IV	EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS		6,489,559
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(4,311,829)	4,397,729
056		1	Cash and cash equivalents at the beginning of the period	10,910,701	6,512,973
057	055+056	2	Cash and cash equivalents at the end of the period	6,598,872	10,910,701

Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of changes in equity for period 01.01.2013 - 31.12.2013

in HRK

Position code	Position description	Attributable to owners of the parent							Total capital and reserves	Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves			
I.	Balance as at 1 January of previous year	235,795,140	43,699,922	29,322,603	1,462,698	7,853,197	1,161,830	319,295,389	-		
1.	Changes in accounting policies										
2.	Correction of errors from previous periods										
II.	Balance as at 1 January of previous year (corrected)	235,795,140	43,699,922	29,322,603	1,462,698	7,853,197	1,161,830	319,295,389	-		
III.	Comprehensive income/loss of the previous year	-	-	(25,716,773)	-	-	24,496,903	(1,219,870)	-		
1.	Profit or loss of the period						24,496,903	24,496,903			
2.	Other comprehensive income or loss of the previous year	-	-	(25,716,773)	-	-	-	(25,716,773)	-		
2.1.	Unrealised gains or losses from tangible assets (land and buildings)										
2.2.	Unrealised gains or losses from financial assets available for sale			(25,716,773)				(25,716,773)			
2.3.	Realised gains or losses from financial assets available for sale										
2.4.	Other non-owner changes in equity										
IV.	Transactions with owners (previous period)	-	6,752,671	22,145,205	125,563,371	39,753,235	(1,161,830)	193,052,652	-		
1.	Increase/decrease in subscribed capital										
2.	Other payments by owners										
3.	Payment of shares in profit/dividends						(987,555)	(987,555)			
4.	Other distributions to owners		6,752,671	22,145,205	125,563,371	39,753,235	(174,274)	194,040,208			
V.	Balance as at the last day of the reporting period in previous year	235,795,140	50,452,593	25,751,035	127,026,069	47,606,432	24,496,903	511,128,171	-		

Supplementary information prescribed by a Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of changes in equity for period 01.01.2014 - 31.12.2014

in HRK

Position code	Position description	Attributable to owners of the parent							Total capital and reserves	Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves			
VI.	Balance as at 1 January of the current year	235,795,140	50,452,593	25,751,035	127,026,069	47,606,432	24,496,903	511,128,171			
1.	Changes in accounting policies										
2.	Correction of errors from previous periods										
VII.	Balance as at 1 January of the current year (corrected)	235,795,140	50,452,593	25,751,035	127,026,069	47,606,432	24,496,903	511,128,171			
VIII.	Comprehensive income/loss of the current year			37,260,056			24,591,602	61,851,658			
1.	Profit or loss of the previous period						24,591,602	24,591,602			
2.	Other comprehensive income or loss of the current year			37,260,056				37,260,056			
2.1.	Unrealised gains or losses from tangible assets (land and buildings)										
2.2.	Unrealised gains or losses from financial assets available for sale			45,467,213				45,467,213			
2.3.	Realised gains or losses from financial assets available for sale			(8,207,157)				(8,207,157)			
2.4.	Other non-owner changes in equity										
IX.	Transactions with owners (current period)					3,674,536	(24,496,903)	(20,822,368)			
1.	Increase/decrease in subscribed capital										
2.	Other payments by owners										
3.	Payment of shares in profit/dividends										
4.	Other transactions with owners					3,674,536		(20,822,368)			
X.	Balance as at the last day of the reporting period in the current year	235,795,140	50,452,593	63,011,091	127,026,069	51,280,967	24,591,602	552,157,461			

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules

Unconsolidated statement of financial position – Assets as at 31 December 2014

Supplementary information prescribed by a regulation of the Croatian Financial Services Supervisory Agency	Transfer of deferred acquisition costs	Transfer of other tangible assets to inventories	Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other prepaid expenses and other assets to insurance and other receivables	Statutory financial statements
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-	-	-	-	-
Called up capital	-	-	-	-	-
Uncalled capital	8,495,532	-	-	-	15,514,108
INTANGIBLE ASSETS	3,896,822	-	-	-	8,495,532
Goodwill	4,598,710	-	-	-	-
Other intangible assets	55,276,745	(352,240)	-	-	54,924,505
TANGIBLE ASSETS	46,405,826	-	-	-	46,405,826
Land and buildings intended for company business operations	6,207,945	-	-	-	6,207,945
Equipment	2,662,974	-	-	-	2,662,974
Other tangible assets and stock	2,403,248,087	-	-	-	2,403,248,087
INVESTMENTS	-	-	-	-	-
Investments in land and buildings not intended for company business operations	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	44,788,724	-	-	-	44,788,724
Shares and stakes in subsidiaries	1,600,000	-	-	-	1,600,000
Shares and stakes in associates	1,600,000	-	-	-	1,600,000
Joint venture participation	-	-	-	-	-
Other financial investments	2,356,859,363	-	-	-	2,356,859,363
Held-to-maturity financial assets	954,660,190	-	-	-	954,660,190
<i>Fixed income debt and other securities</i>	954,660,190	-	-	-	954,660,190
<i>Other investments held to maturity</i>	-	-	-	-	-
Available-for-sale financial assets	1,044,396,766	-	-	-	1,044,396,766
<i>Equities, shares and other securities bearing variable income</i>	25,048,654	-	-	-	25,048,654
<i>Fixed income debt and other securities</i>	976,817,124	-	-	-	976,817,124
<i>Units in investment funds</i>	42,530,989	-	-	-	42,530,989
Other investments available for sale	-	-	-	-	-

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of financial position – Assets as at 31 December 2014 (continued)

Supplementary information prescribed by a regulation of the Croatian Financial Services Supervisory Agency

			Statutory financial statements
Financial assets at fair value through profit or loss	185,375,950		
<i>Equities, shares and other securities bearing variable income</i>	752,589		
<i>Fixed income debt and other securities</i>	25,248,567		
<i>Derivative financial instruments</i>	-		
<i>Units in investment funds</i>	159,374,794		
<i>Other investments</i>	-		
Deposits, loans and receivables	172,426,457		
<i>Deposits with banks</i>	70,442,448		
<i>Loans</i>	6,516,717		
<i>Other loans and receivables</i>	-		
Deposits assumed in reinsurance business (deposits with ceding company)	-		
INVESTMENTS FOR AND ON BEHALF OF LIFE ASSURANCE POLICYHOLDERS	148,629,623	Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	148,629,623
REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS	506,872,646	Transfer of other prepaid expenses and other assets to inventories	
Provision for unearned premium, reinsurance share	60,423,445	Transfer of deferred acquisition costs	
Life assurance provision, reinsurance share	278,829,075		
Claims reserve, reinsurance share	167,620,126		
Provision for premium refund dependant and not dependant on result (bonuses and discounts), reinsurance share	-		
Equalisation reserve, reinsurance share	-		
Other technical insurance contract provisions, reinsurance share	-		
Life assurance provision for products where policyholders bear investment risk, reinsurance share	-		
		Transfer of other prepaid expenses and other assets to insurance and other receivables	
		Financial assets at fair value through profit or loss	334,005,573
		Loans and receivables	172,426,457
		Reinsurers' share of technical provisions	506,872,646

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of financial position – Assets as at 31 December 2014 (continued)

Supplementary information prescribed by a regulation of the Croatian Financial Services Supervisory Agency

	Transfer of deferred acquisition costs	Transfer of other tangible assets to inventories		Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other prepaid expenses and other assets to insurance and other receivables	Statutory financial statements
DEFERRED AND CURRENT TAX ASSET						
Deferred tax asset	2,354,658					2,354,658
Current tax asset	2,354,658					
RECEIVABLES		352,240				352,240
Receivables from direct insurance business	198,548,728					
From policyholders	57,086,711					
From sales representatives	57,086,711					
Receivables from coinsurance and reinsurance	91,350,201					
Other receivables	50,111,816					
Receivables from other insurance business	36,254,299					
Receivables for investment yields	277,828					
Other receivables	13,579,690					
OTHER ASSETS	15,803,054					
Cash at bank and in hand	6,598,872					
Amounts on business account	5,961,848					
Amounts on account for backing life assurance provision	637,025					
Cash in hand	9,204,181					
Long term assets held for sale	-					
Other	-					
PREFPAID EXPENSES AND ACCRUED INCOME	66,985,380					
Accrued interest and rent income	50,754,465					
Deferred acquisition costs	15,514,108				(50,754,465)	
Other prepaid expenses and accrued income	716,807					
TOTAL ASSETS	3,406,214,454				(716,807)	3,406,214,454
OFF BALANCE SHEET RECORDS	-					-
						Assets held for sale
						Total assets

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of financial position – Equity and liabilities as at 31 December 2014

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

	Transfer of discretionary profit participation from life assurance provision to separate line	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer of deposit from reinsurance, accrued expenses and other liabilities to insurance and other payables	Statutory financial statements
EQUITY				
Share capital	552,157,461			Total equity
<i>Paid in share capital - ordinary shares</i>	235,795,140			Share capital
<i>Paid in share capital - preference shares</i>	235,795,140			
<i>Called up share capital</i>	-			
Share premium (capital reserves)	50,452,593			Capital reserves
Revaluation reserve	63,011,091			Fair value reserve
<i>Land and buildings</i>	-			
<i>Financial investments</i>	63,011,091			
<i>Other revaluation reserves</i>	-			
Reserves	127,026,069			
<i>Legal reserve</i>	3,316,154			
<i>Statutory reserve</i>	871,562			
<i>Other reserve</i>	122,838,353			
Retained earnings or accumulated losses	51,280,967			
<i>Retained earnings</i>	51,280,967			
<i>Accumulated losses (-)</i>	-			
Profit or loss of current reporting period	24,591,602			
Profit of current reporting period	24,591,602			
Loss of current reporting period (-)	-			
SUBORDINATED DEBT	15,322,940			
TECHNICAL PROVISIONS	2,094,241,568			
Provision for unearned premiums, gross	135,703,733			
Life assurance provision, gross	1,613,364,070			
Claims reserve, gross	342,059,192			
Provisions for premium refund dependant and not dependant on result (bonuses and discounts), gross	-			
Equalisation reserve, gross	298,374			
Other technical insurance contract provisions, gross	2,816,200			
	(49,649,509)	148,629,623		
	49,649,509			
				Legal and statutory reserve
				Other reerves
				Retained earnings
				Liabilities
				Subordinated loan
				Technical provisions
				Discretionary profit participation provision

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of financial position – Equity and liabilities as at 31 December 2014 (continued)

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

		Transfer of discretionary profit participation from life assurance provision to separate line	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer of deposit from reinsurance, accrued expenses and other liabilities to insurance and other payables	Statutory financial statements
LIFE ASSURANCE PROVISION FOR PRODUCTS WHERE POLICYHOLDERS BEAR INVESTMENT RISK, gross	148,629,623		(148,629,623)		10,387,293
OTHER PROVISIONS	10,387,293				
Provision for pension contributions and similar liabilities	557,317				
Other provisions	9,829,976				
DEFERRED AND CURRENT TAX LIABILITY	16,485,272				
Deferred tax liability	15,752,773				
Current tax liability	732,499				
DEPOSIT FROM REINSURANCE	363,270,673				
FINANCIAL LIABILITIES	357,956			(363,270,673)	
Liabilities for loans	-				
Liabilities for issued securities	-				
Other financial liabilities	357,956				
OTHER LIABILITIES	159,402,913				
Liabilities arising from direct insurance business	11,272,069				
Liabilities from coinsurance and reinsurance business	126,291,624				
Liabilities for discontinued operations	-			409,229,426	
Other liabilities	21,839,220				
ACCRUED EXPENSES AND DEFERRED INCOME	45,958,754			(45,958,754)	
Deferred reinsurance commission	-				
Other accrued expenses and deferred income	45,958,754				
TOTAL LIABILITIES	3,406,214,454				
OFF BALANCE SHEET RECORDS	-				
					15,752,773
					732,499
					Deferred tax liability
					Current income tax liability
					568,632,340
					Insurance and other payables
					3,406,214,454
					Total liabilities and equity

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency Unconsolidated statement of comprehensive income for year ended 31 December 2014

Statutory financial statements

	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other technical income with other operating income	Net earned premiums Gross premiums written
Earned premiums					377,979,945
Gross premiums written					563,534,345
Coinsurance premiums					-
Impairment loss and collected impairment loss of premium receivables/coinsurance premium	(5,883,864)	5,883,864			(5,883,864)
Written premiums ceded to reinsurance (-)					(178,023,935)
Premiums ceded to coinsurance (-)					-
Change in gross provision for unearned premium (+/-)					(964,516)
Reinsurers' share of change in the provisions for unearned premiums (+/-)					(682,085)
Coinsurers' share of change in the provisions for unearned premiums (+/-)					-
Investment income					152,244,398
Income from subsidiaries, associates and joint ventures					-
Income from investment in land and buildings					886,251
Rental income					886,251
Capital appreciation of land and buildings					-
Gain on disposal of land and buildings					-
Interest income					115,585,166
Unrealised gains of financial assets at fair value through profit or loss					14,047,189
Income from disposal of financial investments (realised)					13,016,577
Investment in financial assets at fair value through profit or loss					1,865,903
Available-for-sale financial assets					11,138,700
Other income from sale of financial investments					11,975
Net positive foreign exchange differences					6,344,726
Other investment income					2,364,489
	(3,409,314)				(3,409,314)
					148,835,084
					Financial income
					Written premiums ceded to reinsurers
					Change in the gross provision for unearned premiums
					Reinsurers' share of change in the provision for unearned premiums

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of comprehensive income for year ended 31 December 2014 (continued)

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency	Statutory financial statements			
	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Comprising reinsurers share of technical provisions with reinsurers share of net claims incurred		
	Comprising other technical income with other income	Comprising gross changes in provisions with net claims incurred		
	Comprising other technical income with other income	Comprising gross changes in provisions with net claims incurred		
	Netting off of premium impairment with gross premium written	Comprising other technical income with other income		
	Netting off of premium impairment with gross premium written	Comprising other technical income with other income		
Fees and commission income	54,452,862		54,452,862	Fees and commission income
Other technical income, net of reinsurance	7,618,653			
Other income	1,282,975			
Net claims incurred	(219,033,121)			
Claims paid	(228,177,418)			
Gross amount (-)	(323,502,195)			
Coinsurers' share (+)				
Reinsurers' share(+)	95,324,776			
Change in claims reserves (+/-)	9,144,298			
Gross amount (-)	(6,784,935)			
Coinsurers' share (+)				
Reinsurers' share(+)	15,929,233			
Net change in life assurance provision and other technical provisions	(54,885,955)			
Change in life assurance provision (+/-)	(54,769,558)			
Gross amount (-)	(63,269,697)			
Reinsurers' share(+)	8,500,139			
Change in other technical provisions (+/-)	(116,398)			
Gross amount (-)	(116,398)			
Coinsurers' share (+)				
Reinsurers' share(+)				
Change in life assurance provisions for products where policyholders bear investment risk, net of reinsurance (+/-)	(27,671,578)			
Gross amount (-)	(27,671,578)			
Coinsurers' share (+)				
Reinsurers' share(+)				
Expenses for premium refund (bonuses and discounts), net of reinsurance				
Dependant on result (bonuses)				
Not dependant of result (discounts)				
Operating expenses (expenses for operations), net	(221,161,626)			
Acquisition costs	(52,293,851)			
Commission	(42,896,249)			
Other acquisition costs	(8,262,586)			
Change in deferred acquisition costs (+/-)	(1,135,015)			
			(421,344,803)	Claims and benefits incurred
			119,754,148	Reinsurers' share of claims and benefits incurred
			8,901,628	Other operating income
			54,452,862	Fees and commission income

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of comprehensive income for year ended 31 December 2014 (continued)

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency	Comprising other technical income with other operating income	Comprising gross provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Statutory financial statements
Administrative expenses	(168,867,775)					(168,867,775)
Depreciation of tangible assets and from salaries	(6,911,386)					
Salaries and taxes and contributions on other administration costs	(87,891,678)					
Investment expenses	(74,064,710)					
Depreciation of investment property	(21,442,615)					
Interest expense	(550,581)					
Impairment loss of investments	(10,189,577)					
Realised loss on disposal of financial investments	(5,286,615)					
	(998,085)					
Adjustment of financial assets at fair value through profit and loss account	(132,203)					
Net negative foreign exchange differences	(2,279,026)					
Other investment expenses	(2,006,528)					
Other technical expenses, net of reinsurance	(15,190,922)					
Prevention expenses	(2,312,751)					
Other technical charges	(12,878,172)					
Other expenses, including impairment losses	(3,079,335)					
Profit or loss for the period before income tax (+/-)	31,113,681					
Income tax on profit or loss	(6,522,079)					
Current tax expense	(794,097)					
Deferred tax expense (benefit)	(5,727,981)					
Profit or loss for the period after income tax (+/-)	24,591,602					
Attributable to owners of the company	-					
Attributable to non-controlling interests	-					
TOTAL INCOME	587,850,852					
TOTAL EXPENSES	(563,259,250)					
						3,409,314
						(18,033,301)
						Financial expenses
						(18,270,258)
						Other operating expenses
						(3,079,335)
						3,079,335
						Profit before income tax
						31,113,681
						Income tax expense
						(6,522,079)
						Profit for the year
						24,591,602

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of comprehensive income for year ended 31 December 2014 (continued)

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	Comprising other technical income with operating income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold
Other comprehensive income	37,260,056				37,260,056
Foreign currency translation gains/losses of financial statements of foreign operations	-				
Gains/losses from changes in fair value of available-for-sale financial assets	46,575,070				46,575,070
Gains/losses from revaluation of land and buildings used by the company in operations	-				
Gains/losses from revaluation of other tangible and intangible assets (excluding land and buildings)	-				
Effects of cash flow hedges	-				
Actuarial gains/(losses) of defined benefit plan	-				
Share in other comprehensive income of associates	-				
Income tax on other comprehensive income	(9,315,014)				(9,315,014)
Total comprehensive income	61,851,658				61,851,658
Attributable to owners of the company	-				
Attributable to non-controlling interests	-				
Reclassification adjustments					
					Income tax on other comprehensive income
					(9,315,014)
					Total comprehensive income for the year
					61,851,658
					Net change in fair value of available-for-sale financial assets
					46,575,070

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of cash flows for year ended 31 December 2014

Statement of cash flow prepared in accordance with the Regulation on the structure and content of the annual financial statements of insurance and reinsurance companies, the preparation of which is described in detail in the Instructions for preparation of financial statements of insurance and reinsurance companies ("HANFA CF") differ in the presentation from the Statement of cash flows ("CF") forming a part of statutory financial statements.

Differences are as follows:

1. Cash flow from operating activities in CF begins with profit for the year and is adjusted for tax while in HANFA CF begins with profit for the year before tax and doesn't require adjustment for tax.
2. Impairment losses on financial assets and on insurance and other receivables are in CF presented separately while in HANFA CF are presented within Impairment losses and fair value gains/losses.
3. Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within Increase/decrease of prepaid expenses and accrued revenues.
4. Depreciation, amortisation and impairment losses on property and intangible assets in CF are shown collectively, while in CF HANFA they are presented within Depreciation of real estate and equipment, Amortisation of intangible assets and Impairment losses and fair value gains/losses.
5. Depreciation of small inventory is shown separately in CF, while in CF HANFA is shown within Depreciation of property and equipment.
6. Impairment losses on insurance and other receivables in CF are presented separately while in CF HANFA are presented within Impairment losses and fair value gains/losses.
7. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains and losses while in CF HANFA they are presented within Impairment losses and fair value gains/losses and include only unrealised gains and losses.
8. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA are presented only dividend cash receipts within investing activities.
9. Provision for liabilities and charges in CF is shown separately as adjustment of profit while in CF HANFA is shown within Increase/decrease of accrued expenses and deferred income.
10. Net increase in held-to-maturity investments in CF is shown within cash flow from operating activities, while in HANFA CF within cash flow from investing activities.
11. Net decrease/(increase) in available-for-sale financial assets and financial assets at fair value through profit or loss in CF are shown after eliminating non-cash items, as opposed to being shown in HANFA CF comprising also realised gains/losses.
12. Net increase in financial assets at fair value through profit and loss in CF is shown comprising investments for the account and risk of life assurance policyholders as opposed to being shown separately in HANFA CF.
13. Net increase in investment property in CF is shown within cash flow from operating activities while in CF HANFA is presented within cash flow from investing activities
14. Net decrease/(increase) in receivables and other assets in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in receivables and Increase/decrease in prepayments and accrued income after deducting Change in differed acquisition costs, Interest received and Dividend received shown separately in CF.
15. Net increase in insurance and other liabilities in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in deposits retained from business ceded to reinsurance, Increase/decrease in other liabilities, Increase/decrease in accruals and deferred income after deducting Provision for liabilities and charges and interest paid which are shown separately in CF.

Reconciliation between unconsolidated financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Unconsolidated statement of cash flows for year ended 31 December 2014 (continued)

16. Net increase in technical provision in CF comprise Increase/decrease in technical provisions and Increase/ decrease in life assurance technical provisions where the policyholder bears the investment risk which are shown separately in HANFA CF.
17. Purchases of property and equipment in CF do not include small inventory while in HANFA CF do include.
18. Cash and cash equivalents acquired on merger of Helios VIG d.d. are shown separately in CF while in HANFA CF are shown within Effect of exchange rate changes on cash and cash equivalents.