

Wiener osiguranje Vienna Insurance Group

Annual report and financial
statements
for 2015

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Annual report

The Management Board is submitting its annual report together with the audited financial statements for the year ended 31 December 2015.

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 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.

Through more than 100 sales points located across the country, more than 550 sales employees 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 customers and 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 2015 are indicator of further strengthening of the position of the Company.

In order to offset the effects of unfavourable business environment, the Company is continuously focused on increasing its process efficiency and strict cost controlling, which has resulted in good financial performance also in 2015. 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. The Group has operated in Central and Eastern Europe (CEE) for more than 25 years and is one of the leading listed insurance Groups in the region. VIG generated more than EUR 9 billion in premiums in 2015, making it number 1 in its core markets again. With close to 23,000 employees and around 50 Group companies in 25 countries, the Group offers an extensive customer-oriented portfolio of products and services across all lines of business (property and casualty, life and health insurance).

VIG's success is primarily based on local entrepreneurship and customer proximity. This is reflected in the regional ties, multi-brand strategy and wide variety of distribution channels used. The Group made a conscious decision to rely on regionally established brands united under the Vienna Insurance Group umbrella. VIG's success as a corporate Group is also due to the individual strengths of these brands and local expertise of around 50 Group companies.

VIG's activities are clearly focused on its core business, the insurance business. It operates as a progressive and highly risk-conscious insurer. Reliability, trustworthiness and solidarity are qualities that benefit the Group not only in its relationships with customers, but also with business partners, employees and shareholders. Values such as honesty, integrity, diversity, equal opportunity and customer-orientation form the basis for business decisions at VIG.

The effects of this fundamental approach are shown in its strategy of continuous sustainable growth, as well as its excellent creditworthiness. VIG's development is confirmed by the international rating agency Standard & Poor's which has awarded the Group a rating of A+ with a stable outlook for years. As a result, VIG has the best rating of all companies in the ATX, the leading index of the Vienna Stock Exchange.

VIG has been listed since October 1994 and is now one of the top companies in the "Prime Market" segment of the Vienna Stock Exchange. VIG has an attractive dividend policy that offers shareholders a dividend of at least 30% of the Group profit (after taxes and non-controlling interests).

Its listing on the Prague Stock Exchange in February 2008 also emphasises the great importance of the Central and Eastern European economic area for VIG. As in Vienna, VIG is also one of the top companies in the Prague stock market.

Annual report (continued)

The Company (continued)

Around 70% of VIG's shares are held by its principal shareholder Wiener Städtische Versicherungsverein. The remaining shares are in free float.

Business performance

In 2015, the Company reported net profit of HRK 25.6 million which reflects stability in operations of the Company, 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 546.2 million, representing a decrease of 3.08% in comparison to 2014 while the market slightly increased by 1.9%, which is positioning the Company on fifth place among insurance companies in Croatia, with a total market share of 6.26%. In life-segment the Company realised a decrease of 5.43% and holds fourth place with market share of 9.05%. In non-life segment the Company recorded a slight decrease in gross written premiums by 0.75% and increased its market share on 4.85%. As in previous years, the largest share in total premium relates to life insurance (49%) and motor insurance (29%). The other non-life insurances recorded positive trend while the corporate business grew by 7% and the retail business by 26%.

In 2015, net policyholder claims and benefits incurred amounted to HRK 289.3 million, which is, compared to the previous year, decrease by HRK 12.3 million (4%). Total acquisition, administrative and other operating expenses (including technical expenses) amounted to HRK 228.5 million which is a decrease by HRK 10.9 million (5%) compared to the previous year.

As of 31 December 2015 the Company's total assets amounted to HRK 3.460 million and have increased by HRK 53.7 million or 2% compared to the end of the previous year.

As of 1 October 2015 the Company merged its daughter company Wiener nekretnine d.o.o. which was involved in investment property. The subsidiary was a limited liability company incorporated and domiciled in Croatia. In the first nine months 2015, Wiener nekretnine d.o.o. realised net profit of HRK 0.9 million and revenue in amount of HRK 7.0 million.

The Company has strong capital base and was in compliance with all regulatory capital requirements during 2015. 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. Although the Company goes through the same negative premium trend due to the liberalisation, like the rest of the market, the profitability is assured due to a good segmentation of the new tariffs.

As a reaction on market developments and legal requirements which are entering into force in the year 2016, the Company started the preparation for the launch of the new tariff generation in the segment of life insurances. The new tariff generation is calculated with adapted guaranteed interest rate and the latest mortality tables.

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.

Annual report (continued)

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 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. In 2015, the Company was already well prepared for the qualitative, and quantitative requirements of Solvency II.

The economic environment

Growth of the Croatian economy picked up over the course of 2015, marking it the first year of positive growth since 2008. The positive momentum is expected to be maintained in 2016, pushing the unemployment rate down. However, the pace of the recovery remains constrained by the still high stock of debt in both the private and public sectors. The public deficit is expected to have decreased to 4.2% of GDP in 2015 and, on a no-policy-change basis, to continue declining going forward.

Croatia's economy is expected to have expanded by 1.8% in 2015. Benefitting from the strong momentum gathered in the second half of 2015, the recovery is forecast to gain ground in 2016. Domestic demand is projected to remain the main driver of expansion. Improving labour market conditions are set to support household spending, while investment should gain speed in 2016 and 2017 as the absorption of EU funds improves. The contribution of government consumption to growth is projected to remain positive in 2016. Overall, real GDP is expected to grow by 2.1% in 2016 and 2017.

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

Croatian insurance market

According to statistical data from the Croatian Insurance Bureau, in 2015 total gross written premium of the insurance companies increased by 1,92% compared to 2014. The main factors which influenced the insurance business on the Croatian market were closure of many companies, high unemployment and stagnation in construction. Significant impact also continued to have the regulation of prebankruptcy procedure.

The insurance market in Croatia had to face stagnation. In 2015, 25 insurance companies operating on the Croatian insurance market recorded a gross written premium of HRK 8.724 million or a slight growth by 1,92%. Non-life segment experienced decline of 2.24% compared to 2014 while life segment increased by 11.28% in comparison to 2014.

Annual report (continued)

Croatian insurance market (continued)

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 loss of premium in this line of business by sales of increased number of policies (13%) 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. In the context of the Social Active Day the Company started in 2015 the cooperation with the Red noses.

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.

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.

Annual report (continued)

Corporate governance (continued)

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 it 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 2015 and up to the date of the signing of this report, comprised:

Walter Leonhartsberger	President
Tamara Rendić	Member
Jasminka Horvat Martinović	Member
Božo Šaravanja	Member

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 2015 and up to the date of the signing of this report, comprised:

Peter Franz Höfner	Chairman
Franz Fuchs	Deputy Chairman from 30 April 2015
Hans-Peter Hagen	Deputy Chairman until 30 April 2015
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



Božo Šaravanja
Member of the Management Board

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VIENNA INSURANCE GROUP d.d.

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

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.

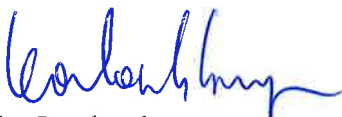
In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- 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.

The Management Board is responsible for preparation and content of the annual report in accordance with the article 18 of the Accounting Act.

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



Jasminka Horvat Martinović
Member of the Management Board



Božo Šaravanja
Member of the Management Board

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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, 2015, 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.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Board Members: Branislav Vrtačnik, Eric Daniel Olcott, Marina Tonžetić, Juraj Moravek, Dražen Nimčević and John Jozef H. Ploem; Bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, bank account no. 2484008-1100240905; SWIFT Code: RZBHR2X IBAN: HR1024840081100240905.

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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, 2015, 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 132/2010, 39/2012 - "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 132 to 146, 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 131, 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 2015.


Branislav Vrtačnik, President of Management Board

Zagreb, 4 March 2016

Deloitte d.o.o.
Radnička cesta 80
10 000 Zagreb


Vanja Vlasković, Certified auditor

Statement of financial position

as at 31 December

	Note	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Assets					
Property and equipment	12	89,936	101,701	89,936	54,925
Investment property	13	62,079	59,486	62,079	44,789
Intangible assets					
Deferred acquisition costs	14	21,309	15,514	21,309	15,514
Other intangible assets	15	9,508	8,496	9,508	8,496
Investments in subsidiary and associate	16 b)	-	6	-	1,600
Held-to-maturity investments	17	930,431	954,660	930,431	954,660
Available-for-sale financial assets	17	1,042,650	1,044,397	1,042,650	1,044,397
Financial assets at fair value through profit or loss	17	343,637	334,006	343,637	334,006
Loans and receivables	17	204,148	169,797	204,148	175,797
Reinsurers' share of technical provisions	18	492,445	506,874	492,445	506,874
Deferred tax asset	19	5,078	2,355	5,078	2,355
Inventories		136	350	136	350
Insurance and other receivables	20	246,790	246,047	246,790	246,649
Current income tax prepayment		-	132	-	-
Assets held for sale	21	6,096	9,204	6,096	9,204
Cash and cash equivalents	22	5,693	6,815	5,693	6,599
Total assets		3,459,936	3,459,840	3,459,936	3,406,215
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)	44,092	63,011	44,092	63,011
Retained earnings		85,266	79,604	85,266	75,872
Total equity		542,632	555,889	542,632	552,157
Liabilities					
Technical provisions	25	2,232,705	2,193,224	2,232,705	2,193,224
Discretionary profit participation provision	26	46,343	49,649	46,343	49,649
Subordinated loan	27	15,270	15,323	15,270	15,323
Borrowings	28	764	49,383	764	-
Provisions for liabilities and charges	29	8,359	10,574	8,359	10,387
Deferred tax liability	19	11,023	15,753	11,023	15,753
Current income tax liability		9,351	731	9,351	731
Insurance and other payables	30	593,489	569,314	593,489	568,991
Total liabilities		2,917,304	2,903,951	2,917,304	2,854,058
Total liabilities and equity		3,459,936	3,459,840	3,459,936	3,406,215

The accounting policies and other explanatory notes on pages 14 to 131 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December

	Note	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Gross premiums written	31	544,984	557,577	544,984	557,650
Written premiums ceded to reinsurers	31	(171,655)	(178,024)	(171,655)	(178,024)
Net premiums written		373,329	379,553	373,329	379,626
Change in the gross provision for unearned premiums	31	(7,270)	(965)	(7,270)	(965)
Reinsurers' share of change in the provision for unearned premiums	31	1,111	(682)	1,111	(682)
Net earned premiums		367,170	377,906	367,170	377,979
Fees and commission income	32	52,255	54,453	52,255	54,453
Financial income	33	150,133	149,806	149,219	148,835
Other operating income	34	8,152	8,902	8,151	8,902
Operating income		577,710	591,067	576,795	590,169
Claims and benefits incurred	35	(406,621)	(421,340)	(406,621)	(421,346)
Reinsurers' share of claims and benefits incurred	35	117,298	119,755	117,298	119,755
Net policyholder claims and benefits incurred		(289,323)	(301,585)	(289,323)	(301,591)
Acquisition costs	36	(98,465)	(107,673)	(98,465)	(107,673)
Administrative expenses	37	(103,340)	(110,816)	(105,551)	(113,489)
Other operating expenses	38	(24,624)	(18,271)	(24,489)	(18,270)
Financial expenses	39	(27,941)	(20,819)	(26,139)	(18,033)
Profit before income tax		34,017	31,903	32,828	31,113
Income tax expense	40	(7,452)	(6,680)	(7,183)	(6,522)
Profit for the year		26,565	25,223	25,645	24,591
Other comprehensive income for the year					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax		(18,919)	37,260	(18,919)	37,260
Total comprehensive income for the year		7,646	62,483	6,726	61,851
Earnings per share		HRK	HRK		
Basic and diluted earnings per share	24	71	67		

The accounting policies and other explanatory notes on pages 14 to 131 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
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)
At 31 December 2014	235,795	50,453	4,188	122,838	63,011	79,604	555,889
At 1 January 2015	235,795	50,453	4,188	122,838	63,011	79,604	555,889
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	26,565	26,565
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(23,649)	-	(23,649)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	4,730	-	4,730
<i>Total other comprehensive income</i>	-	-	-	-	(18,919)	-	(18,919)
Total comprehensive income for the year	-	-	-	-	(18,919)	26,565	7,646
Transactions with owners recognised directly in equity							
Dividends for 2014 (Note 23 e)	-	-	-	-	-	(20,903)	(20,903)
At 31 December 2015	235,795	50,453	4,188	122,838	44,092	85,266	542,632

The accounting policies and other explanatory notes on pages 14 to 131 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
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>Total 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)
At 31 December 2014	235,795	50,453	4,188	122,838	63,011	75,872	552,157
At 1 January 2015	235,795	50,453	4,188	122,838	63,011	75,872	552,157
<i>Acquired on merger of Wiener nekretnine (Note 11)</i>	-	-	-	-	-	4,652	4,652
Total comprehensive income for the year							
<i>Profit for the year</i>	-	-	-	-	-	25,645	25,645
<i>Other comprehensive income</i>							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	(23,649)	-	(23,649)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 23 f)	-	-	-	-	4,730	-	4,730
<i>Total other comprehensive income</i>	-	-	-	-	(18,919)	-	(18,919)
Total comprehensive income for the year	-	-	-	-	(18,919)	25,645	6,726
Transactions with owners recognised directly in equity							
Dividends for 2014 (Note 23 e)	-	-	-	-	-	(20,903)	(20,903)
At 31 December 2015	235,795	50,453	4,188	122,838	44,092	85,266	542,632

The accounting policies and other explanatory notes on pages 14 to 131 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

	Note	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Cash flows from operating activities					
Profit for the year		26,565	25,223	25,645	24,591
Adjustments for:					
Income tax expense	40	7,452	6,680	7,183	6,522
Depreciation and impairment losses	12,13	14,144	8,532	13,183	7,219
Amortisation	15	1,536	2,398	1,536	2,398
Change in deferred acquisition costs	14	(5,795)	1,135	(5,795)	1,135
Depreciation of small inventory		378	432	378	432
Impairment losses on financial assets	17,39	5,181	2,717	5,181	2,717
Impairment losses on investment in associate	39	6	-	-	-
Impairment losses on insurance and other receivables	20,38,39	2,141	6,402	2,064	6,402
Net fair value gains on financial assets	33	(30,640)	(25,933)	(30,640)	(25,933)
Net foreign exchange losses / (gains)	39,33	2,351	(3,920)	2,527	(4,066)
Dividend income	33	(680)	(1,016)	(680)	(1,016)
Interest income	33	(114,938)	(115,227)	(115,208)	(115,587)
Interest expense	39	13,086	12,758	11,264	10,189
Profit on disposal of equipment	34	(700)	(238)	(700)	(238)
Provisions for liabilities and charges	29	1,008	2,280	1,008	2,122
Equipment write off	38	633	5	575	5
Changes in operating assets and liabilities					
Net decrease / (increase) in held-to-maturity investments		20,665	(57,944)	20,665	(57,944)
Net (increase) / decrease in available-for-sale financial assets		(3,761)	12,112	(3,761)	12,112
Net increase in financial assets at fair value through profit or loss		(2,706)	(14,334)	(2,706)	(14,334)
Net increase in loans and receivables		(41,119)	(31,425)	(41,119)	(31,425)
Net increase in investment property		(471)	(3,058)	(471)	(3,054)
Net decrease / (increase) in reinsurance share in technical provisions		14,428	(23,747)	14,428	(23,747)
Net (increase) / decrease in receivables and other assets		(8,877)	1,640	(9,039)	1,774
Net decrease in assets held for sale		2,189	4,037	2,189	4,037
Net increase in technical provisions		36,175	98,807	36,175	98,807
Net increase in insurance and other liabilities		31,385	3,786	34,159	3,900
Interest received		117,204	122,674	117,504	123,003
Interest paid		(12,918)	(12,746)	(11,646)	(10,176)
Dividend received		680	1,000	680	1,000
Income tax paid		(1,423)	(141)	(1,423)	(45)
Net cash from operations		73,179	22,889	73,156	20,800
Cash flow from investing activities					
Purchases of property and equipment		(3,162)	(3,088)	(3,142)	(3,079)
Purchases of other intangible assets		(2,614)	(1,665)	(2,614)	(1,665)
Proceeds from sale of equipment		923	455	923	455
Net cash used in investing activities		(4,853)	(4,298)	(4,833)	(4,289)
Cash flows from financing activities					
Repayment of borrowings		(48,545)	(2,017)	(48,545)	-
Dividends paid		(20,903)	(20,822)	(20,903)	(20,822)
Net cash used in financing activities		(69,448)	(22,839)	(69,448)	(20,822)
Acquired on merger of Wiener nekretnine	11	-	-	219	-
Net decrease in cash and cash equivalents		(1,122)	(4,248)	(906)	(4,311)
Cash and cash equivalents at 1 January		6,815	11,063	6,599	10,910
Cash and cash equivalents at 31 December	22	5,693	6,815	5,693	6,599

The accounting policies and other explanatory notes on pages 14 to 131 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”) whose registered address is at Slovenska ulica 24, Zagreb is a joint stock company incorporated and domiciled in Croatia. 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 a composite insurer offering life and non-life insurance products in Croatia, regulated by the Croatian Financial Services Supervision Agency (“HANFA” or “the Agency”).

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.

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

As of 1 October 2015, following a decision of the majority shareholder to undertake a reorganization of its operations in Croatia, a daughter company Wiener nekretnine d.o.o. (“Wiener nekretnine”) was legally and operationally merged into the Company, as a result of which Wiener nekretnine ceased to exist as a separate legal entity. Prior to the merger, Wiener nekretnine was a limited liability company domiciled in Croatia, 100% owned by the Company. 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, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS” as adopted by EU).

The financial statements were authorised for issue by the Management Board on 4 March 2016 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 as adopted by EU 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 as adopted by EU 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 Wiener nekretnine d.o.o.

As of 1 October 2015, based on a decision of major shareholder, Wiener nekretnine was legally merged into the Company and ceased to exist as a separate legal and operational entity.

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 Wiener nekretnine. The merger was accounted for at the carrying amounts given that the merger involved companies under common control i.e. 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 Wiener nekretnine were added to the same components within the Company's equity. Issued capital of Wiener nekretnine was eliminated on merger against the Company's investment in Wiener nekretnine. The assets, liabilities and equity assumed on merger are summarised in Note 11.

(f) Comparative figures

In 2015, the Group changed classification of deposit with Credo banka d.d. from "Insurance and other receivables" to „Loans and receivables“. In addition, the Group changed classification of sales personnel costs and other benefits from "Personnel expenses" within "Administrative expenses" to „Other acquisition costs" within "Acquisition costs". The effects of these changes on comparative figures of statement of financial position as at 31 December 2015 and the statement of comprehensive income for the year then ended are stated in a table below. There were no effect on total profit or loss or other comprehensive income for the year ended 31 December 2014.

Group	As originally reported	Reclassification	Reported as comparative
	2014		2015
	HRK'000		HRK'000
Loans and receivables	166,426	3,371	169,797
Insurance and other receivables	249,418	(3,371)	246,047
Acquisition costs	(52,294)	(55,379)	(107,673)
Administrative expenses	(166,195)	55,379	(110,816)
Company	As originally reported	Reclassification	Reported as comparative
	2014		2015
	HRK'000		HRK'000
Loans and receivables	172,426	3,371	175,797
Insurance and other receivables	250,020	(3,371)	246,649
Acquisition costs	(52,294)	(55,379)	(107,673)
Administrative expenses	(168,868)	55,379	(113,489)

2 Basis of preparation (continued)

(g) Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiary (together “the Group”).

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

In the separate financial statements of the Company, the investments 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 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.

Interests 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)

(h) 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:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (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),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 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 IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative - adopted by the EU on 18 December 2015 (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 - adopted by the EU on 2 December 2015 (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 - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- 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),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- 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),
- 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 - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

2 Basis of preparation (continued)

(h) New standards and interpretations (continued)

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 4 March 2016:

- 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) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018),
- 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 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 and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

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 provision 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. If significant 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the related asset, and are included in profit or loss.

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 of significant items of property and equipment are as follows:

	2015	2014
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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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:

	2015	2014
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.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred.

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 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:

	2015	2014
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 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. In 2015, Wiener nekretnine d.o.o. has been merged in Life segment of the Company.

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 and indirect costs arising from the acquiring of insurance contracts such as sales representatives' commission and salaries, marketing and advertising expenses and other contract issuance related costs. 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 insurers, 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, Croatian 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. 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction and are not retranslated. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available for sale equity instruments classified as available for sale which 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 a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within financial income or financial expense in the 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 their 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 2015 was EUR 1 = HRK 7.635047 (2014: EUR 1 = HRK 7.661471).

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 and all technical 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 2015, the Group was involved in 943 (2014: 965) claims-related court cases for which HRK 74,748 thousand (2014: HRK 77,229 thousand) was provided as part of the claims reserve for reported but not yet settled claims. At 31 December 2015, the Group was involved in 56 (2014: 54) non-insurance court cases for which HRK 7,784 thousand (2014: HRK 10,017 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 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 the 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 and is explained in accounting policy 3 (f) under paragraph "Reclassification". 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.

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.

In accordance with the Agency regulations and as allowed by IFRS 13 *Fair Values*, the Group uses mid-market prices as a measure of fair value on active markets for domestic debt and equity securities.

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 should 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

Dual-use property

The Group has property that has dual use purpose (part of the property is used for own activities and part of the property is used as investment property). A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out separately under finance lease contract.

4 Accounting estimates and judgements (continued)

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

Valuation of investment property

The estimated fair value of investment property held by the Group and Company amounts to HRK 73,905 thousand as of 31 December 2015 (2014: HRK 83,508 thousand). Fair value is determined by an independent appraiser having an appropriate professional qualification. Fair values were determined using a mixture of different valuation techniques, which would in hierarchy of fair value be classified as Level 3.

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 these equipment and intangible assets.

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).

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 2015, 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 2015 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 8.3% decrease of the recoverable amount of goodwill. Despite the decrease, the net recoverable amount of goodwill would still exceed its carrying value.

4 Accounting estimates and judgements (continued)

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

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.

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 deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In 2015, as a result of impairment test, the Group recognised impairment loss in the amount of HRK 22 thousand (2014: HRK 656 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, EUR 200 thousand for liability, EUR 100 thousand for marine and aviation risks 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 (2014: 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 by Standard & Poor's.

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			
	2015		2014	
	HRK'000	%	HRK'000	%
Life assurance – traditional products	4,582,249	51.0%	5,065,600	62.2%
Unit-linked and index-linked products	76,128	0.8%	89,558	1.1%
Supplementary risks to life assurance	4,344,918	48.2%	2,990,298	36.7%
As at 31 December	9,003,295	100.0%	8,145,456	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 2015

In HRK	Total sum insured			
	Before reinsurance		After reinsurance	
	HRK'000	%	HRK'000	%
< 100,000	2,029,867	30.12%	1,644,213	32.26%
100,000 – 250,000	3,681,464	54.63%	2,736,697	53.70%
>250,000	1,027,885	15.25%	715,597	14.04%
At 31 December 2015	6,739,216	100.00%	5,096,507	100.00%

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%
At 31 December 2014	6,750,592	100.00%	5,048,237	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 2015 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. The life assurance provision is calculated 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 does not specify otherwise.

The following mortality tables for the calculation of mathematical reserve are used:

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, therefore in some products these mortality tables for calculation of mathematical provision are used. For critical illness, the original morbidity and mortality tables are used and for additional surgery and child birth rider the original biometric tables are used.

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 policies concluded before year 2010, 3% for the policies concluded during 2010, and 2.75% for the policies concluded after 2010. The tariffs that have technical interest rate used for premium determination which is lower than those prescribed 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, C03, B, A07, CE, CE-N	3.00%	MT HR 2000
	AWS	3.00%	MT HR 1980-82
	DJ	3.00%	MT HR 1989-91
Endowment	A13, B13, C13, CS13, CS-N13, CS-N14 G11, G12, G13, G14, G16, G17, G18, G32, G33, G35, G36	2.50%	Wiener unisex tables 1
Endowment - group	BR	3.30%	MT HR 2000
	D11, D11J	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, IL-CRO19, IL-CRO19B	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 Liability adequacy test (LAT) is used. 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

The Company uses risk free interest rate term structure. It applies HRK forward rates for all of its products. The applied curve comes from yield curve estimation issued by EIOPA.

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.

At 31 December 2015, a provision of HRK 2,450 thousand has been established (2014: HRK 2,816 thousand) as a result of the liability adequacy test and is presented as 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	1,445,506
Interest rates (discounting and investment return) –100bp	1,513,196
Mortality +15%	1,454,029
Policy maintenance expenses +10%	1,470,816

The portfolio modelled represents 96.81% of in force life assurance provision (HRK 1,602,872 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 2015

Group and Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	34,580	55,356	89,936
Investment property	37,398	24,681	62,079
Intangible assets			
Deferred acquisition costs	21,061	248	21,309
Other intangible assets	7,496	2,012	9,508
Held-to-maturity investments	61,680	868,751	930,431
Available-for-sale financial assets	334,423	708,227	1,042,650
Financial assets at fair value through profit or loss	40,843	302,794	343,637
Loans and receivables	36,661	167,487	204,148
Reinsurers' share of technical provisions	204,309	288,136	492,445
Deferred tax asset	2,541	2,537	5,078
Inventories	135	1	136
Insurance and other receivables	148,832	97,958	246,790
Assets held for sale	-	6,096	6,096
Cash and cash equivalents	1,852	3,841	5,693
Total assets	931,811	2,528,125	3,459,936
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	14,489	29,603	44,092
Retained earnings	31,045	54,221	85,266
Total equity	225,223	317,409	542,632
Liabilities			
Technical provisions	435,834	1,796,871	2,232,705
Discretionary profit participation provision	-	46,343	46,343
Subordinated loan	15,270	-	15,270
Borrowings	-	764	764
Provisions for liabilities and charges	4,583	3,776	8,359
Deferred tax liability	3,622	7,401	11,023
Current income tax liability	3,871	5,480	9,351
Insurance and other payables	243,408	350,081	593,489
Total liabilities	706,588	2,210,716	2,917,304
Total liabilities and equity	931,811	2,528,125	3,459,936

10 Segment reporting (continued)

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	133,128	-	(6,000)	169,797
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	90,034	480	(1,082)	246,047
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 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	133,128	175,797
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	90,034	246,649
Assets held for sale	-	9,204	9,204
Cash and cash equivalents	4,745	1,854	6,599
	<u>942,983</u>	<u>2,463,232</u>	<u>3,406,215</u>
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
	<u>218,563</u>	<u>333,594</u>	<u>552,157</u>
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
	<u>724,420</u>	<u>2,129,638</u>	<u>2,854,058</u>
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 comprehensive income by business segment for the year ended 31 December 2015****Group**

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	279,390	265,594	-	-	544,984
Written premiums ceded to reinsurers	(130,064)	(41,591)	-	-	(171,655)
Net premiums written	149,326	224,003	-	-	373,329
Change in the gross provision for unearned	(7,515)	245	-	-	(7,270)
Reinsurers' share of change in the provision for unearned premiums	1,177	(66)	-	-	1,111
Net earned premiums	142,988	224,182	-	-	367,170
Fees and commission income	41,571	10,684	-	-	52,255
Financial income	23,479	125,740	6,840	(5,926)	150,133
Other operating income	5,630	2,521	1	-	8,152
Operating income	213,668	363,127	6,841	(5,926)	577,710
Claims and benefits incurred	(163,246)	(243,375)	-	-	(406,621)
Reinsurers' share of claims and benefits incurred	81,203	36,095	-	-	117,298
Net policyholder claims and benefits incurred	(82,043)	(207,280)	-	-	(289,323)
Acquisition costs	(53,757)	(44,708)	-	-	(98,465)
Administrative expenses	(35,065)	(70,486)	(3,446)	5,657	(103,340)
Other operating expenses	(20,625)	(3,864)	(135)	-	(24,624)
Financial expenses	(5,936)	(20,203)	(2,071)	269	(27,941)
Profit before income tax	16,242	16,586	1,189	-	34,017
Income tax expense	(3,651)	(3,532)	(269)	-	(7,452)
Profit for the year	12,591	13,054	920	-	26,565
Other comprehensive income for the year					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(629)	(18,290)	-	-	(18,919)
Total comprehensive income for the year	11,962	(5,236)	920	-	7,646

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	(64,597)	(43,076)	-	-	(107,673)
Administrative expenses	(40,967)	(72,522)	(5,020)	7,693	(110,816)
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					
<i>Items that may be reclassified subsequently to profit or loss</i>					
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 2015

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	279,390	265,594	544,984
Written premiums ceded to reinsurers	(130,064)	(41,591)	(171,655)
Net premiums written	149,326	224,003	373,329
Change in the gross provision for unearned premiums	(7,515)	245	(7,270)
Reinsurers' share of change in the provision for unearned premiums	1,177	(66)	1,111
Net earned premiums	142,988	224,182	367,170
Fees and commission income	41,571	10,684	52,255
Financial income	23,479	125,740	149,219
Other operating income	5,630	2,521	8,151
Operating income	213,668	363,127	576,795
Claims and benefits incurred	(163,246)	(243,375)	(406,621)
Reinsurers' share of claims and benefits incurred	81,203	36,095	117,298
Net policyholder claims and benefits incurred	(82,043)	(207,280)	(289,323)
Acquisition costs	(53,757)	(44,708)	(98,465)
Administrative expenses	(35,065)	(70,486)	(105,551)
Other operating expenses	(20,625)	(3,864)	(24,489)
Financial expenses	(5,936)	(20,203)	(26,139)
Profit before income tax	16,242	16,586	32,828
Income tax expense	(3,651)	(3,532)	(7,183)
Profit for the year	12,591	13,054	25,645
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(629)	(18,290)	(18,919)
Total comprehensive income for the year	11,962	(5,236)	6,726

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	(64,597)	(43,076)	(107,673)
Administrative expenses	(40,967)	(72,522)	(113,489)
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			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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)

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 Wiener nekretnine d.o.o.

As of 1 October 2015 the Company legally merged with Wiener nekretnine d.o.o., whereby Wiener nekretnine d.o.o. 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 Wiener nekretnine d.o.o. Retained earnings of Wiener nekretnine d.o.o. are added to the Retained earnings of the Company while cost of investment in Wiener nekretnine d.o.o. in the amount of HRK 1,600 thousand is eliminated with original net assets of Wiener nekretnine d.o.o. at acquisition date.

Effect of legal merger

The legal merger of Wiener nekretnine d.o.o. as at 1 October 2015 had the following effect on the Company's assets and liabilities in 2015:

	Acquired on merger
	HRK'000
Assets and liabilities assumed	
Property and equipment (Note 12)	51,198
Investment property (Note 13)	9,276
Other receivables	2,563
Cash and cash equivalents	219
Borrowing	(55,208)
Provisions for liabilities and charges (Note 29)	(29)
Current income tax liability	(137)
Other payables	(1,630)
Investment of the Company in Wiener nekretnine d.o.o.	(1,600)
	<hr/>
Net identifiable assets and liabilities	4,652
	<hr/> <hr/>
Recognised as part of equity as follows:	
Retained earnings	4,652
	<hr/>
Total	4,652
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12 Property and equipment

Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost					
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
At 31 December 2014	114,404	7,474	43,637	7,683	173,198
At 1 January 2015	114,404	7,474	43,637	7,683	173,198
Additions	93	266	2,382	266	3,007
Disposals	(74)	(3,693)	(38)	-	(3,805)
Write offs	-	-	(1,226)	(4,164)	(5,390)
Reclassification to investment property (Note 13)	(14,220)	-	-	-	(14,220)
Reclassification from investment property (Note 13)	6,530	-	-	-	6,530
Reclassification from asset held for sale	919	-	-	-	919
Reclassification	1,189	(10)	150	(1,329)	-
At 31 December 2015	108,841	4,037	44,905	2,456	160,239
Depreciation and impairment losses					
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)
At 31 December 2014	21,300	6,138	38,725	5,334	71,497
At 1 January 2015	21,300	6,138	38,725	5,334	71,497
Depreciation charge for the year (Note 37)	1,779	680	1,946	468	4,873
Disposals	(43)	(3,548)	(36)	-	(3,627)
Write offs	-	-	(1,190)	(3,567)	(4,757)
Impairment (Note 38)	4,618	-	-	-	4,618
Reclassification to investment property (Note 13)	(3,560)	-	-	-	(3,560)
Reclassification from investment property (Note 13)	1,259	-	-	-	1,259
Reclassification	546	(10)	39	(575)	-
At 31 December 2015	25,899	3,260	39,484	1,660	70,303
Carrying amounts					
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
At 1 January 2015	93,104	1,336	4,912	2,349	101,701
At 31 December 2015	82,942	777	5,421	796	89,936

Included within land and buildings is non-depreciable land with a carrying amount of HRK 18,132 thousand (2014: HRK 20,787 thousand). Land and buildings with a carrying amount of HRK 7,597 thousand (2014: HRK 42,609 thousand) are pledged as collateral for borrowings of the Group (Note 28).

In 2015, the Group changed the use of business premises with carrying amount of HRK 10,660 thousand (2014: HRK 8,798 thousand) from owner-occupied to investment property and reclassified these premises as such. In 2015, the Group changed the use of business premises with carrying amount of HRK 5,271 thousand from investment property to owner-occupied and reclassified these premises as such. In 2015, the Group changed the intention to sell asset held for sale with carrying amount of HRK 919 thousand and started to use it as owner-occupied.

During 2015 there were no capitalised borrowing costs related to the acquisition of property and equipment.

12 Property and equipment (continued)

Company

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost					
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
At 31 December 2014	57,424	7,474	38,874	7,354	111,126
At 1 January 2015	57,424	7,474	38,874	7,354	111,126
Acquired on merger of Wiener nekretnine (Note 11)	63,510	-	4,720	-	68,230
Additions	93	266	2,362	266	2,987
Disposals	(74)	(3,693)	(38)	-	(3,805)
Write offs	-	-	(1,163)	(3,835)	(4,998)
Reclassification to investment property (Note 13)	(14,220)	-	-	-	(14,220)
Reclassification from assets held from sale	919	-	-	-	919
Reclassification	1,189	(10)	150	(1,329)	-
At 31 December 2015	108,841	4,037	44,905	2,456	160,239
Depreciation and impairment losses					
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)
At 31 December 2014	11,018	6,138	34,002	5,043	56,201
At 1 January 2015	11,018	6,138	34,002	5,043	56,201
Acquired on merger of Wiener nekretnine (Note 11)	12,336	-	4,696	-	17,032
Depreciation charge for the year (Note 37)	984	680	1,941	457	4,062
Disposals	(43)	(3,548)	(36)	-	(3,627)
Write offs	-	-	(1,158)	(3,265)	(4,423)
Impairment (Note 38)	4,618	-	-	-	4,618
Reclassification to investment property (Note 13)	(3,560)	-	-	-	(3,560)
Reclassification	546	(10)	39	(575)	-
At 31 December 2015	25,899	3,260	39,484	1,660	70,303
Carrying amounts					
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
At 1 January 2015	46,406	1,336	4,872	2,311	54,925
At 31 December 2015	82,942	777	5,421	796	89,936

Included within land and buildings is non-depreciable land with a carrying amount of HRK 18,132 thousand (2014: HRK 11,234 thousand). Land and buildings with a carrying amount of HRK 7,597 thousand (2014: HRK 42,609 thousand) are pledged as collateral for borrowings of the Company (Note 28).

In 2015, the Company changed the use of business premises with carrying amount of HRK 10,660 thousand from owner-occupied to investment property and reclassified these premises as such. In 2015, the Company changed the intention to sell asset held for sale with carrying amount of HRK 919 thousand and started to use it as owner-occupied.

During 2015 there were no capitalised borrowing costs related to the acquisition of property and equipment.

13 Investment property

	Group	Company
	HRK'000	HRK'000
Cost		
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	-
At 31 December 2014	71,191	52,981
At 1 January 2015	71,191	52,981
Acquired on merger of Wiener nekretnine (Note 11)	-	11,680
Acquired in lieu of uncollected loans	1,347	1,347
Additions	510	510
Reclassifications from property and equipment (Note 12)	14,220	14,220
Reclassification to property and equipment (Note 12)	(6,530)	-
At 31 December 2015	80,738	80,738
Depreciation and impairment losses		
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	-
At 31 December 2014	11,705	8,192
At 1 January 2015	11,705	8,192
Acquired on merger of Wiener nekretnine (Note 11)	-	2,404
Depreciation charge for the year (Note 39)	1,072	922
Impairment (Note 39)	3,581	3,581
Reclassifications from property and equipment (Note 12)	3,560	3,560
Reclassification to property and equipment (Note 12)	(1,259)	-
At 31 December 2015	18,659	18,659
Carrying amounts		
At 1 January 2014	50,794	44,682
At 31 December 2014	59,486	44,789
At 1 January 2015	59,486	44,789
At 31 December 2015	62,079	62,079

As of 31 December 2015, investment property of the Group was not pledged as collateral for borrowing of the Group (2014: carrying amount of HRK 14,697 thousand was pledged) (Note 28).

The rental income arising during the year amounted to HRK 2,959 thousand for the Group (2014: HRK 2,363 thousand) and HRK 1,775 thousand for the Company (2014: HRK 887 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 1,332 thousand (2014: HRK 866 thousand) are recognised in profit or loss within "Financial expenses - other" (Note 39).

In 2015, the Group changed the use of business premises with carrying amount of HRK 10,660 thousand (2014: HRK 8,798 thousand) from owner-occupied to investment property and reclassified these premises as such. In 2015, the Group changed the use of business premises with carrying amount of HRK 5,271 thousand from investment property to owner-occupied 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. For segment reporting purposes, life rider business is classified as life assurance business.

An analysis of deferred costs is shown below:

Group and Company

	Non-life		Life rider		Total	
	2015	2014	2015	2014	2015	2014
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January	15,251	16,368	263	281	15,514	16,649
Net change recognised in profit or loss (Note 36)	5,810	(1,117)	(15)	(18)	5,795	(1,135)
At 31 December	21,061	15,251	248	263	21,309	15,514

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						
At 1 January 2014	3,552	3,450	41,449	3,106	62	51,619
Additions	-	-	1,204	419	-	1,623
Transfer into use	-	-	1,043	(1,043)	-	-
Reclassifications to property and equipment (Note 12)	-	-	(321)	-	-	(321)
At 31 December 2014	3,552	3,450	43,375	2,482	62	52,921
At 1 January 2015	3,552	3,450	43,375	2,482	62	52,921
Additions	-	-	2,497	51	-	2,548
Transfer into use	-	-	328	(328)	-	-
At 31 December 2015	3,552	3,450	46,200	2,205	62	55,469
Amortisation and impairment losses						
At 1 January 2014	-	2,760	39,205	-	62	42,027
Amortisation for the year (Note 37)	-	345	2,053	-	-	2,398
At 31 December 2014	-	3,105	41,258	-	62	44,425
At 1 January 2015	-	3,105	41,258	-	62	44,425
Amortisation for the year (Note 37)	-	345	1,191	-	-	1,536
At 31 December 2015	-	3,450	42,449	-	62	45,961
Carrying amounts						
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
At 1 January 2015	3,552	345	2,117	2,482	-	8,496
At 31 December 2015	3,552	-	3,751	2,205	-	9,508

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						
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)
At 31 December 2014	3,552	3,450	43,333	2,482	62	52,879
At 1 January 2015	3,552	3,450	43,333	2,482	62	52,879
Acquired on merger of Wiener nekretnine	-	-	42	-	-	42
Additions	-	-	2,497	51	-	2,548
Transfer into use	-	-	328	(328)	-	-
At 31 December 2015	3,552	3,450	46,200	2,205	62	55,469
Amortisation and impairment losses						
At 1 January 2014	-	2,760	39,163	-	62	41,985
Amortisation for the year (Note 37)	-	345	2,053	-	-	2,398
At 31 December 2014	-	3,105	41,216	-	62	44,383
At 1 January 2015	-	3,105	41,216	-	62	44,383
Acquired on merger of Wiener nekretnine	-	-	42	-	-	42
Amortisation for the year (Note 37)	-	345	1,191	-	-	1,536
At 31 December 2015	-	3,450	42,449	-	62	45,961
Carrying amounts						
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
At 1 January 2015	3,552	345	2,117	2,482	-	8,496
At 31 December 2015	3,552	-	3,751	2,205	-	9,508

16 Investments in subsidiary and associate

a) Subsidiary and associate are as follows:

	Industry	Domicile	Group ownership at 31 December 2015	Group ownership at 31 December 2014
Wiener nekretnine d.o.o.	Property management	Croatia	-	100%
Vile Baredine d.o.o.	Construction and services	Croatia	30%	30%

b) Investments in subsidiary and associate are as follows:

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Wiener nekretnine d.o.o.	-	-	-	1,600
Vile Baredine (30%)	-	6	-	-
	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>6</u>	<u>-</u>	<u>1,600</u>

Wiener nekretnine d.o.o. are fully consolidated in the Group financial statements for the period from 1 January until 30 September 2015, when they have been legally merged into the Company, as disclosed in Note 11.

Cost of investment in associate, Vile Baredine d.o.o. is fully impaired and provided for. Provision has been included in 'Financial expenses' in the income statement (Note 39).

c) Summarised financial information for associate, Vile Baredine d.o.o. are as follows:

	2015 HRK'000	2014 HRK'000
Current assets	32	29
Non-current assets	1,870	1,870
Current liabilities	(2,111)	(2,102)
Net assets	<u>(209)</u>	<u>(203)</u>
Share of associates' profit	<u>(2)</u>	<u>(7)</u>

17 Financial investments

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Held-to-maturity investments	930,431	954,660	930,431	954,660
Available-for-sale financial assets	1,042,650	1,044,397	1,042,650	1,044,397
Financial assets held for trading	120,357	185,375	120,357	185,375
Financial assets designated at fair value through profit or loss	223,280	148,631	223,280	148,631
Financial assets at fair value through profit or loss	343,637	334,006	343,637	334,006
Loans and receivables	204,148	169,797	204,148	175,797
	2,520,866	2,502,860	2,520,866	2,508,860

Financial assets at fair value through profit or loss

As at 31 December 2015 there were no past due financial assets at fair value through profit or loss.

Available-for-sale financial assets

In 2015, 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 22 thousand (2014: decreased profit before tax by HRK 656 thousand), related to financial assets which became impaired in 2015.

Held-to-maturity investments

As at 31 December 2015 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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Loans to customers	91,903	103,542	91,903	109,542
Deposits with banks	177,742	127,395	177,742	127,395
Impairment allowance on loans to customers	(33,569)	(32,583)	(33,569)	(32,583)
Impairment allowance on deposits with banks	(31,928)	(28,557)	(31,928)	(28,557)
Loans to customers, net of impairment allowance	58,334	70,959	58,334	76,959
Deposits with banks, net of impairment allowance	145,814	98,838	145,814	98,838
	204,148	169,797	204,148	175,797

17 Financial investments (continued)

Loans and receivables (continued)

Loans and receivables are analysed as shown below:

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Not due and not impaired	195,051	152,931	195,051	158,931
Due but not impaired	1,108	1,554	1,108	1,554
Due and impaired	73,486	76,452	73,486	76,452
Impairment	(65,497)	(61,140)	(65,497)	(61,140)
	<u>204,148</u>	<u>169,797</u>	<u>204,148</u>	<u>175,797</u>

Out of the Group's past due but not impaired loans and receivables in the amount of HRK 1,108 thousand (2014: HRK 1,554 thousand), HRK 694 thousand (2014: HRK 735 thousand) is secured by mortgages on real estate, HRK 402 thousand (2014: HRK 760 thousand) is secured by the redemption value of life assurance policies while, HRK 12 thousand is not secured (2014: HRK 59 thousand).

Out of past due and impaired loans and receivables in the amount of HRK 73,486 thousand (2014: HRK 76,452 thousand), HRK 41,558 thousand (2014: 44,524 thousand) relate to past due and impaired loans and HRK 31,928 thousand (2014: HRK 28,557 thousand) relate to past due and fully impaired deposits with banks. Out of past due and impaired loans in the amount of HRK 41,558 thousand (2014: 44,524 thousand), HRK 29,068 thousand (2014: HRK 32,002 thousand) is secured by mortgages on real estate, while HRK 12,490 thousand (2014: 12,522 thousand) is not secured, however is fully impaired.

In 2015 and 2014 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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	<u>32,583</u>	<u>34,160</u>	<u>32,583</u>	<u>34,160</u>
Impairment losses	1,824	2,213	1,824	2,213
Collection of amounts previously provided for	(36)	(14)	(36)	(14)
Reversal of impairment	-	(138)	-	(138)
Impairment losses on loans to customers, net (Note 39)	1,788	2,061	1,788	2,061
Write offs	(802)	(3,638)	(802)	(3,638)
At 31 December	<u>33,569</u>	<u>32,583</u>	<u>33,569</u>	<u>32,583</u>

In 2015 the Group and Company foreclosed properties in exchange of uncollected loans and interest receivables due to which amounts charged to the impairment allowance for loans have been written of in amount HRK 326 thousand (2014: HRK 91 thousand).

17 Financial investments (continued)

Loans and receivables (continued)

The movement in impairment allowance for deposits with banks during the year was as follows:

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	28,557	28,557	28,557	28,557
Impairment losses on deposits with banks (Note 39)	3,371	-	3,371	-
At 31 December	31,928	28,557	31,928	28,557

17 Financial investments (continued)

Group	Held-to-maturity	Available-for-sale financial	Financial	Loans and	Total
	investments	assets	assets at fair	receivables	
	HRK'000	HRK'000	value through	HRK'000	HRK'000
			profit or loss		
			HRK'000		
2015					
Listed	-	4,877	718	-	5,595
Unlisted	-	24,365	-	-	24,365
Equity securities	-	29,242	718	-	29,960
Bonds - Government of the Republic of Croatia	929,821	923,912	-	-	1,853,733
Municipal bonds – domestic	610	311	-	-	921
Corporate bonds – domestic	-	56,575	-	-	56,575
Corporate bonds – foreign	-	-	32,852	-	32,852
Corporate bonds – assets backing index-linked products, foreign	-	-	186,350	-	186,350
Debt securities – fixed rate, listed	930,431	980,798	219,202	-	2,130,431
Investment funds – open ended, quoted	-	32,610	86,787	-	119,397
Investment funds – assets backing unit-linked products, domestic	-	-	36,930	-	36,930
Investment funds	-	32,610	123,717	-	156,327
Deposits with banks	-	-	-	145,814	145,814
Loans to customers – secured by the redemption value of life assurance	-	-	-	45,164	45,164
Loans to customers - secured by mortgages on real estate	-	-	-	11,140	11,140
Loans to customers - other	-	-	-	2,030	2,030
Loans and receivables	-	-	-	204,148	204,148
	930,431	1,042,650	343,637	204,148	2,520,866
2014					
Listed	-	753	753	-	1,506
Unlisted	-	24,296	-	-	24,296
Equity securities	-	25,049	753	-	25,802
Bonds - Government of the Republic of Croatia	953,447	897,625	-	-	1,851,072
Bonds - Government of the 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	-	-	-	98,838	98,838
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 - other	-	-	-	2,520	2,520
Loans and receivables	-	-	-	169,797	169,797
	954,660	1,044,397	334,006	169,797	2,502,860

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
2015					
Listed	-	4,877	718	-	5,595
Unlisted	-	24,365	-	-	24,365
Equity securities	-	29,242	718	-	29,960
Bonds - Government of the Republic of Croatia	929,821	923,912	-	-	1,853,733
Municipal bonds – domestic	610	311	-	-	921
Corporate bonds – domestic	-	56,575	-	-	56,575
Corporate bonds – foreign	-	-	32,852	-	32,852
Corporate bonds – assets backing index-linked products, foreign	-	-	186,350	-	186,350
Debt securities – fixed rate, listed	930,431	980,798	219,202	-	2,130,431
Investment funds – open ended, quoted	-	32,610	86,787	-	119,397
Investment funds – assets backing unit-linked products, domestic	-	-	36,930	-	36,930
Investment funds	-	32,610	123,717	-	156,327
Deposits with banks	-	-	-	145,814	145,814
Loans to customers – secured by the redemption value of life assurance	-	-	-	45,164	45,164
Loans to customers - secured by mortgages on real estate	-	-	-	11,140	11,140
Loans to customers - other	-	-	-	2,030	2,030
Loans and receivables	-	-	-	204,148	204,148
	930,431	1,042,650	343,637	204,148	2,520,866
2014					
Listed	-	753	753	-	1,506
Unlisted	-	24,296	-	-	24,296
Equity securities	-	25,049	753	-	25,802
Bonds - Government of the Republic of Croatia	953,447	897,625	-	-	1,851,072
Bonds - Government of the 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	-	-	-	98,838	98,838
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 - other	-	-	-	2,520	2,520
Loans and receivables	-	-	-	175,797	175,797
	954,660	1,044,397	334,006	175,797	2,508,860

17 Financial investments (continued)

Reclassification of financial assets

From 2011 to 2012 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 as held-to-maturity investments. The Group has intent and ability to hold the reclassified assets to maturity.

The following table shows the amount of the remaining balance of reclassified assets (that have not yet matured) in the Group's portfolio:

Group and Company	Net book value at the reclassification date	Effective interest rate at the reclassification date	Other comprehensive income up to the reclassification date
Reclassification date	HRK'000	%	HRK'000
5 October 2011	219,132	6.38	(1,759)
2 November 2011	296,041	6.80	(8,764)
20 March 2012	139,508	6.57	3,543
Total	654,681	6.61	(6,980)

	At the reclassification date		31 December 2015		31 December 2014	
	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Assets reclassified in 2011:						
Debt securities	515,173	515,173	521,409	602,120	522,024	603,614
Assets reclassified in 2012:						
Debt securities	139,508	139,508	141,168	163,252	141,735	165,084
	654,681	654,681	662,577	765,372	663,759	768,698

The following table shows the amounts recognised in profit or loss and other comprehensive income from reclassified assets in 2015:

	2015		2014	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
Available-for-sale financial asset reclassified to held-to-maturity investment 2011 to 2012				
Exchange rate differences	(1,405)	-	1,266	-
Interest income	43,566	-	43,269	-
Amortisation of premium	223	-	142	-
Amortisation of fair value reserve to profit or loss	(1,238)	-	(1,326)	-
Change in fair value reserve, net of income tax	-	991	-	1,061
	41,146	991	43,351	1,061

17 Financial investments (continued)

Reclassification of financial assets (continued)

The following table shows the amounts that would be recognised in profit or loss and other comprehensive income from reclassified assets in 2015 if there was no reclassification:

	2015		2014	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
Available-for-sale financial asset reclassified to held-to-maturity investment 2011 to 2012				
Exchange rate differences	(1,640)	-	1,472	-
Interest income	43,566	-	43,269	-
Amortisation of premium	(1,156)	-	(1,090)	-
Change in fair value reserve, net of income tax	-	9,746	-	28,826
	<u>40,770</u>	<u>9,746</u>	<u>43,651</u>	<u>28,826</u>

18 Reinsurers' share of technical provisions

Group and Company	Note	2015	2014
		HRK'000	HRK'000
Non-life			
Reinsurance share in provision for unearned premiums	25 a)	60,794	59,617
Reinsurance share in reported but not settled claims reserve	25 b)	87,787	111,954
Reinsurance share in incurred but not reported claims reserve	25 c)	55,728	52,316
Total Non-life		204,309	223,887
Life			
Reinsurance share in provision for unearned premiums	25 a)	741	807
Reinsurance share in reported but not settled claims reserve	25 b)	2,584	2,190
Reinsurance share in incurred but not reported claims reserve	25 c)	1,120	1,161
Reinsurance share in life assurance provision	25 f)	283,691	278,829
Total Life		288,136	282,987
Total reinsurers' share of technical provisions		492,445	506,874

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
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)
At 31 December 2014	-	2,129	226	2,355	(15,753)	(15,753)
At 1 January 2015	-	2,129	226	2,355	(15,753)	(15,753)
Credited to the income statement (Note 40)	-	2,670	53	2,723	-	-
Credited to other comprehensive income	-	-	-	-	4,730	4,730
At 31 December 2015	-	4,799	279	5,078	(11,023)	(11,023)

20 Insurance and other receivables

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Receivables arising from insurance contracts				
- from policyholders	94,556	112,897	94,556	112,897
- from recourses	30,448	30,659	30,448	30,659
- from other	18,873	17,906	18,873	17,906
Receivables from reinsurance				
- for claims recoveries	47,003	48,221	47,003	48,221
- for reinsurance commission	32,884	26,378	32,884	26,378
- for reinsurance deposits	16,857	16,751	16,857	16,751
Other receivables				
- accrued interest	76,381	71,284	76,381	71,314
- other	7,399	5,811	7,399	6,252
Prepaid expenses	976	1,281	976	1,281
Impairment allowance				
- for receivables from policyholders	(48,549)	(55,810)	(48,549)	(55,810)
- for recourse receivables	(4,979)	(4,996)	(4,979)	(4,996)
- for accrued interest	(19,662)	(20,282)	(19,662)	(20,282)
- for other receivables	(5,397)	(4,053)	(5,397)	(3,922)
Total insurance and other receivables	246,790	246,047	246,790	246,649

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

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

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Not due and not impaired	200,261	191,017	200,261	191,619
Due but not impaired	46,529	55,030	46,529	55,030
Due and impaired	78,587	85,141	78,587	85,010
Impairment allowance	(78,587)	(85,141)	(78,587)	(85,010)
	246,790	246,047	246,790	246,649

20 Insurance and other receivables (continued)

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

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	<u>55,810</u>	<u>55,694</u>	<u>55,810</u>	<u>55,694</u>
Increase in provisions	11,038	16,467	11,038	16,467
Decrease in provisions due to collection	(9,855)	(10,583)	(9,855)	(10,583)
Impairment losses	<u>1,183</u>	<u>5,884</u>	<u>1,183</u>	<u>5,884</u>
Write off of provision	(8,444)	(5,768)	(8,444)	(5,768)
At 31 December	<u><u>48,549</u></u>	<u><u>55,810</u></u>	<u><u>48,549</u></u>	<u><u>55,810</u></u>

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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	<u>4,996</u>	<u>5,071</u>	<u>4,996</u>	<u>5,071</u>
Decrease in provisions due to collection (Note 34)	(17)	(75)	(17)	(75)
At 31 December	<u><u>4,979</u></u>	<u><u>4,996</u></u>	<u><u>4,979</u></u>	<u><u>4,996</u></u>

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

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	<u>20,282</u>	<u>21,104</u>	<u>20,282</u>	<u>21,104</u>
Increase in provisions	134	153	134	153
Decrease in provisions due to collections	-	(53)	-	(53)
Net impairment losses (Note 39)	<u>134</u>	<u>100</u>	<u>134</u>	<u>100</u>
Write off of provisions	(754)	(922)	(754)	(922)
At 31 December	<u><u>19,662</u></u>	<u><u>20,282</u></u>	<u><u>19,662</u></u>	<u><u>20,282</u></u>

20 Insurance and other receivables (continued)

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

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
At 1 January	4,053	4,538	3,922	4,404
Acquired on merger of Wiener nekretnine	-	-	178	-
Increase in provisions	1,428	75	1,349	75
Unused amounts reversed	(53)	-	(52)	-
Impairment losses	1,375	75	1,297	75
Write off of provisions	(31)	(560)	-	(557)
At 31 December	5,397	4,053	5,397	3,922

21 Assets held for sale

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Property	6,096	9,204	6,096	9,204

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

22 Cash and cash equivalents

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Cash at bank	5,693	6,815	5,693	6,599

23 Equity

a) Share capital

	31 December 2015 HRK'000	31 December 2014 HRK'000
Authorised, issued and fully paid		
374,278 (2014:374,278) ordinary shares of HRK 630	235,795	235,795
	<u> </u>	<u> </u>

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

At the reporting date, the shareholders of the Company are as follows:

	2015 % ownership	2014 % ownership
Vienna Insurance Group AG Wiener Versicherung Gruppe	99.47	99.47
Minority shareholders	0.53	0.53
	<u> </u>	<u> </u>
	100.00	100.00
	<u> </u>	<u> </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) Dividends per share

In 2015, the Company paid dividends for 2014 in the amount of HRK 20,903 thousand or HRK 55.85 per share (in 2014 for 2013: HRK 20,822 thousands or HRK 55.63 per share), following their declaration by shareholders in General Assembly. A dividend in respect of the year ended 31 December 2015 of HRK 58,24 per share, amounting to a total dividend of HRK 21.798 thousand, is to be proposed at the annual general meeting in April 2016.

23 Equity (continued)

f) Fair value reserve

The fair value reserve represents the cumulative 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

	2015 HRK'000	2014 HRK'000
At 1 January		
Gross fair value reserve	78,764	32,189
Deferred tax (Note 19)	(15,753)	(6,438)
Net	63,011	25,751
Net (losses)/gains from change in fair value of available-for-sale financial assets	(174)	56,177
Impairment losses on financial assets available for sale – transfer to profit or loss (Note 39)	22	656
Net gains on disposal of available-for-sale financial assets – transfer to profit or loss (Note 33)	(23,497)	(10,258)
	(23,649)	46,575
Deferred tax on net losses/(gains) from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 19)	4,730	(9,315)
<i>Net (debit)/credit recognised in other comprehensive income</i>	<i>(18,919)</i>	<i>37,260</i>
At 31 December		
Gross fair value reserve	55,115	78,764
Deferred tax (Note 19)	(11,023)	(15,753)
Net	44,092	63,011

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.

	2015	2015	2015	2014	2014	2014
	Non-life	Life	Total	Non-life	Life	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Solvency margin	31,628	68,743	100,371	34,704	69,624	104,328
Min. Founding capital (FC)	28,860	28,860	57,720	28,860	28,860	57,720
Guarantee capital (GC)	205,917	272,740	478,657	205,272	266,110	471,382
Capital	205,917	248,375	454,292	203,722	241,764	445,486
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GC >= min FC	YES	YES	YES	YES	YES	YES
Capital >= Solvency margin	YES	YES	YES	YES	YES	YES
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As shown in the table above, as at 31 December 2015 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 174,3 million and HRK 179,6 million respectively (2014: HRK 169.0 million and HRK 172.1 million).

An analysis of capital is given below

	2015	2015	2015	2014	2014	2014
	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	18,454	41,167	59,621	17,519	33,762	51,281
Intangible assets	(7,496)	(2,012)	(9,508)	(7,259)	(1,237)	(8,496)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic capital	190,647	272,740	463,387	189,949	266,110	456,059
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tier 2 capital						
Subordinated loan	15,270	-	15,270	15,323	-	15,323
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Supplementary capital	15,270	-	15,270	15,323	-	15,323
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Guarantee capital	205,917	272,740	478,657	205,272	266,110	471,382
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deductions	-	(24,365)	(24,365)	(1,550)	(24,346)	(25,896)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital	205,917	248,375	454,292	203,722	241,764	445,486
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

24 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 (2014: 374,278). Given that there are no effect of options, convertible bonds or similar instruments, the diluted earnings per share is the same as the basic earnings per share.

Group	2015	2014
	HRK'000	HRK'000
Profit attributable to ordinary shareholders for earnings per share	26,565	25,223

Group	2015	2014
	HRK	HRK
Basic and diluted earnings per share	71	67

25 Technical provisions

Group and Company

	<i>Note</i>	2015	2014
		HRK'000	HRK'000
<i>Non-life insurance business</i>			
Provision for unearned premiums	25 a)	140,750	133,235
Reported but not settled claims reserve	25 b)	174,060	207,747
Incurred but not reported claims reserve	25 c)	118,338	119,883
Unexpired risk provision	25 d)	2,450	2,816
Other technical provision	25 e)	236	298
Total Non-life insurance business		435,834	463,979
<i>Life assurance business</i>			
Provision for unearned premiums	25 a)	2,224	2,469
Reported but not settled claims reserve	25 b)	12,141	11,680
Incurred but not reported claims reserve	25 c)	2,695	2,750
Life assurance provision for traditional products	25 f)	1,556,531	1,563,715
Provision for unit-linked and index-linked	25 g)	223,280	148,631
Total Life assurance business		1,796,871	1,729,245
Total technical provisions		2,232,705	2,193,224

25 Technical provisions (continued)

a) Analysis of movement in provision for unearned premium

Group

	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
<i>Non-life insurance business</i>						
At 1 January	133,235	59,617	73,618	132,009	60,233	71,776
Premiums written during the year	279,390	130,064	149,326	276,743	131,830	144,913
Less: premiums earned during the year	(271,875)	(128,887)	(142,988)	(275,517)	(132,446)	(143,071)
At 31 December	140,750	60,794	79,956	133,235	59,617	73,618
<i>Life assurance business</i>						
At 1 January	2,469	807	1,662	2,730	873	1,857
Premiums written during the year	10,163	5,142	5,021	11,039	5,142	5,897
Less: premiums earned during the year	(10,408)	(5,208)	(5,200)	(11,300)	(5,208)	(6,092)
At 31 December	2,224	741	1,483	2,469	807	1,662

Company

	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
<i>Non-life insurance business</i>						
At 1 January	133,235	59,617	73,618	132,009	60,233	71,776
Premiums written during the year	279,390	130,064	149,326	276,816	131,830	144,986
Less: premiums earned during the year	(271,875)	(128,887)	(142,988)	(275,590)	(132,446)	(143,144)
At 31 December	140,750	60,794	79,956	133,235	59,617	73,618
<i>Life assurance business</i>						
At 1 January	2,469	807	1,662	2,730	873	1,857
Premiums written during the year	10,163	5,142	5,021	11,039	5,142	5,897
Less: premiums earned during the year	(10,408)	(5,208)	(5,200)	(11,300)	(5,208)	(6,092)
At 31 December	2,224	741	1,483	2,469	807	1,662

25 Technical provisions (continued)

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

Group

	2015	2015	2015	2014	2014	2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life insurance business</i>						
At 1 January	207,747	111,954	95,793	204,997	102,704	102,293
Current year claims	168,513	77,701	90,812	153,531	66,620	86,911
Change in previous year claims	(3,294)	90	(3,384)	1,108	4,503	(3,395)
Claims paid	(198,906)	(101,958)	(96,948)	(151,889)	(61,873)	(90,016)
At 31 December	174,060	87,787	86,273	207,747	111,954	95,793
<i>Life assurance business</i>						
At 1 January	11,680	2,190	9,490	11,511	1,976	9,535
Current year claims	156,236	31,441	124,795	129,691	33,012	96,679
Change in previous year claims	23,035	(167)	23,202	42,085	654	41,431
Claims paid	(178,810)	(30,880)	(147,930)	(171,607)	(33,452)	(138,155)
At 31 December	12,141	2,584	9,557	11,680	2,190	9,490

Company

	2015	2015	2015	2014	2014	2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life insurance business</i>						
At 1 January	207,747	111,954	95,793	204,997	102,704	102,293
Current year claims	168,513	77,701	90,812	153,537	66,620	86,917
Change in previous year claims	(3,294)	90	(3,384)	1,108	4,503	(3,395)
Claims paid	(198,906)	(101,958)	(96,948)	(151,895)	(61,873)	(90,022)
At 31 December	174,060	87,787	86,273	207,747	111,954	95,793
<i>Life assurance business</i>						
At 1 January	11,680	2,190	9,490	11,511	1,976	9,535
Current year claims	156,236	31,441	124,795	129,691	33,012	96,679
Change in previous year claims	23,035	(167)	23,202	42,085	654	41,431
Claims paid	(178,810)	(30,880)	(147,930)	(171,607)	(33,452)	(138,155)
At 31 December	12,141	2,584	9,557	11,680	2,190	9,490

25 Technical provisions (continued)

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

Group and Company

	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
<i>Non-life insurance business</i>						
At 1 January	119,883	52,316	67,567	115,704	45,780	69,924
Additions recognised during the year	30,649	21,104	9,545	37,061	25,040	12,021
Transfer to claims reported provision	(32,194)	(17,692)	(14,502)	(32,882)	(18,504)	(14,378)
At 31 December	118,338	55,728	62,610	119,883	52,316	67,567
<i>Life assurance business</i>						
At 1 January	2,750	1,161	1,589	3,061	1,232	1,829
Additions recognised during the year	3,445	709	2,736	4,509	732	3,777
Transfer to claims reported provision	(3,500)	(750)	(2,750)	(4,820)	(803)	(4,017)
At 31 December	2,695	1,120	1,575	2,750	1,161	1,589

d) Analysis of movements in unexpired risk provision

Group and Company

	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
At 1 January	2,816	-	2,816	2,600	-	2,600
Release in profit or loss	(2,816)	-	(2,816)	(2,600)	-	(2,600)
Increase in profit or loss	2,450	-	2,450	2,816	-	2,816
At 31 December	2,450	-	2,450	2,816	-	2,816

e) Analysis of movements in other technical provision

Group and Company

	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
At 1 January	298	-	298	398	-	398
Release in profit or loss	(298)	-	(298)	(398)	-	(398)
Increase in profit or loss	236	-	236	298	-	298
At 31 December	236	-	236	298	-	298

25 Technical provisions (continued)

f) Life assurance provisions

Group and Company

	2015	2015	2015	2014	2014	2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January	1,563,715	278,829	1,284,886	1,496,413	270,328	1,226,085
Premium allocation	127,796	26,899	100,897	176,207	35,228	140,979
Release of liabilities due to benefits paid, surrenders and other terminations	(182,522)	(30,412)	(152,110)	(173,191)	(38,099)	(135,092)
Unwinding of discount/accretion of interest	42,902	7,701	35,201	46,203	8,202	38,001
Change in Zillmer adjustment	11,135	2,341	8,794	15,532	2,799	12,733
Change in provision for unearned premium	(3,350)	(705)	(2,645)	(2,354)	(496)	(1,858)
Foreign currency translations	(3,145)	(962)	(2,183)	4,905	867	4,038
Balance at 31 December	1,556,531	283,691	1,272,840	1,563,715	278,829	1,284,886

g) Provision for unit-linked and index-linked

Group and Company

	2015	2015	2015	2014	2014	2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January	148,631	-	148,631	120,959	-	120,959
Premium allocation	68,777	-	68,777	16,117	-	16,117
Unrealised gains on funds where policyholder investments were allocated	6,283	-	6,283	11,156	-	11,156
Foreign currency translations	(411)	-	(411)	399	-	399
Balance at 31 December	223,280	-	223,280	148,631	-	148,631

25 Technical provisions (continued)

h) Development of claims reported by policyholders at 31 December 2015

Group and Company

	Prior to 2009	2009	2010	2011	2012	2013	2014	2015	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	1,422,009	275,601	282,137	250,600	287,218	238,094	251,088	279,574	-
One year later	1,396,655	261,529	262,640	243,080	264,621	239,746	244,176	-	-
Two years later	1,374,041	251,726	248,164	236,125	237,077	236,301	-	-	-
Three years later	1,400,583	244,873	239,955	232,357	231,645	-	-	-	-
Four years later	1,405,914	248,824	225,626	230,861	-	-	-	-	-
Five years later	1,411,388	247,479	236,078	-	-	-	-	-	-
Six years later	1,401,838	250,820	-	-	-	-	-	-	-
Seven years later	1,399,145	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	1,399,145	250,820	236,078	230,861	231,645	236,301	244,176	279,574	3,108,600
Cumulative payments	1,355,180	235,070	224,827	201,874	209,873	205,121	203,434	185,398	2,820,777
Amount recognised in the current year statement of financial position	43,965	15,750	11,251	28,987	21,772	31,180	40,742	94,176	287,823
Claims handling costs and recourses	4,150	997	759	1,208	944	1,129	1,533	2,920	13,640
Unsettled claims at 31 December 2015 on policies transferred in at 30 December 2005 on merger with Aurum	5,771	-	-	-	-	-	-	-	5,771
Total value recognised in the current year statement of financial position	53,886	16,747	12,010	30,195	22,716	32,309	42,275	97,096	307,234

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

2015

	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	142,974	-	-	-	-	-	142,974
Reported but not settled claims reserve and incurred but not reported claims reserve	71,318	235,916	-	-	-	-	307,234
Unexpired risk provision	2,450	-	-	-	-	-	2,450
Other technical provision	236	-	-	-	-	-	236
Life assurance provision and provision for unit-linked and index-linked	119,075	606,870	304,455	222,927	70,774	455,710	1,779,811
Technical provisions	336,053	842,786	304,455	222,927	70,774	455,710	2,232,705

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

25 Technical provisions (continued)

j) Structure of assets used for backing life assurance provision

Group and Company

	31 December 2015 HRK '000	31 December 2014 HRK '000
Assets used for backing life assurance provision		
Debt securities issued by Republic of Croatia	1,306,607	1,318,010
Municipal bonds	921	1,822
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	32,355	32,058
Shares and equities of investment funds registered in Republic of Croatia	39,664	46,021
Advances and loans in the amount of insurance redemption value based on life insurance contract	39,933	43,551
Deposits with banks domiciled in Republic of Croatia	47,600	47,600
Balances on giro account of the Company	35	637
	<hr/>	<hr/>
Total assets used for backing life assurance provision	1,467,115	1,489,699
	<hr/> <hr/>	<hr/> <hr/>
	31 December 2015 HRK '000	31 December 2014 HRK '000
Life assurance provision, net of reinsurance and discretionary profit participation provision	1,319,183	1,334,535
Claims provision for risks for which it is necessary to create life assurance provision, net of reinsurance	8,495	7,992
	<hr/>	<hr/>
Requested coverage of life assurance provision	1,327,678	1,342,527
	<hr/> <hr/>	<hr/> <hr/>
Assets used for backing life assurance provision	1,467,115	1,489,699
Requested coverage of life assurance provision	1,327,678	1,342,527
	<hr/>	<hr/>
Excess of coverage	139,437	147,172
	<hr/> <hr/>	<hr/> <hr/>

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	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2015					
Asset backing life assurance provision	46,523	767,677	601,102	51,813	1,467,115
Life assurance provision, net of reinsurance	(93,052)	(334,875)	(216,684)	(674,572)	(1,319,183)
Claims provision, net of reinsurance	(3,398)	(5,097)	-	-	(8,495)
Maturity gap	(49,927)	427,705	384,418	(622,759)	139,437
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

As of 31 December 2015, 43.1% 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. 50.0% of assets used for backing life assurance provision are classified as held-to-maturity investments, 0.9% of assets used for backing life assurance provision are classified as financial assets at fair value through profit and loss and 6.0% 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	EURO linked	EURO and EURO linked total	HRK	USD	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2015						
Asset backing life assurance provision	83,450	854,018	937,468	519,855	9,792	1,467,115
Life assurance provision, net of reinsurance	-	(924,097)	(924,097)	(384,597)	(10,489)	(1,319,183)
Claims provision, net of reinsurance	-	(7,767)	(7,767)	(728)	-	(8,495)
	83,450	(77,846)	5,604	134,530	(697)	139,437
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

In 2015, the Company achieved an annual return on investments from life assurance provision in amount of 6.46% (2014: 6.55%). Weighted average yield for the three-year period from 2013 to 2015 was 6.53% (2014: three year period from 2012 to 2014: 6.39%).

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 2015 HRK '000	31 December 2014 HRK '000
Assets used for backing technical provisions		
Securities issued by Republic of Croatia	350,787	317,634
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	20,980	25,504
Bonds and other debt securities not traded on regulated stock exchange, if their issuer is company with residence in the Republic of Croatia, other state Member or other state member of OECD	2,995	-
Equities traded on regulated stock exchange in Republic of Croatia	4,705	753
Shares and equities of investment funds registered in Republic of Croatia	22,135	33,271
Loans and deposits to banks domiciled in Republic of Croatia (same bank or group of related banks at max. 5%)	20,443	20,069
Balances on giro account of the Company	1,664	4,745
Total assets used for backing technical provisions (other than life assurance provision)	423,709	401,976
	31 December 2015 HRK '000	31 December 2014 HRK '000
Provision for unearned premiums, net of reinsurance	81,439	75,280
Claims provision, net of reinsurance	151,520	166,447
Other provisions	2,686	3,114
Requested coverage of technical provisions (other than life assurance provision)	235,645	244,841
Assets used for backing technical provisions (other than life assurance provision)	423,709	401,976
Coverage of technical provisions (other than life assurance provision)	235,645	244,841
Excess of coverage	188,064	157,135

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
2015					
Asset backing technical provisions	117,094	271,384	35,231	-	423,709
Provision for unearned premium, net of reinsurance	(81,439)	-	-	-	(81,439)
Claims provision, net of reinsurance	(34,626)	(116,894)	-	-	(151,520)
Other provisions	(2,686)	-	-	-	(2,686)
Maturity gap	(1,657)	154,490	35,231	-	188,064
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

As of 31 December 2015, 76.3% of total assets used for backing technical provisions are classified as financial assets available for sale and 3.9% 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. 14.6% of assets used for backing technical provision are classified as held-to-maturity investments and 5.2% 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
2015						
Asset backing technical provision	-	27,652	27,652	395,990	67	423,709
Provision for unearned premium, net of reinsurance	-	(1,452)	(1,452)	(79,986)	(1)	(81,439)
Claims provision, net of reinsurance	-	(8,196)	(8,196)	(143,323)	(1)	(151,520)
Other provisions	-	-	-	(2,686)	-	(2,686)
	-	18,004	18,004	169,995	65	188,064
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

26 Discretionary profit participation provision

Group and Company

	2015 HRK'000	2014 HRK'000
Balance at 1 January	49,649	53,682
Funds released during the year due to surrenders and benefits	(3,306)	(4,033)
Balance at 31 December	46,343	49,649

27 Subordinated loan

Group and Company

	2015 HRK'000	2014 HRK'000
Subordinated loan	15,270	15,323

Subordinated loan is obtained from LVP Holding GmbH. Subordinated loan bears a fixed interest rate of 8% per annum (2014: 8% p.a.) and has unlimited maturity. Payment of this loan is subordinated to all other liabilities of the Group.

28 Borrowings

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Borrowings	764	49,383	764	-

Borrower	Currency	Contracted principal in currency	Interest rate	Maturity	Outstanding amount Group 2015 HRK'000	Outstanding amount Group 2014 HRK'000
LVP Holding GmbH	EUR	5,756,129	5%, fixed	31 December 2015	-	44,101
OTP banka d.d.	EUR	1,000,000	3 month EURIBOR + 1.8%	31 December 2016	764	1,532
OTP banka d.d.	HRK	12,500,000	6.5%, fixed	21 December 2017	-	3,750
					764	49,383

Loan granted by OTP banka d.d. is secured with the property of the Group as disclosed in Note 12.

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
At 1 January 2014	8,312	751	395	9,458
Used during the year	(562)	(207)	(395)	(1,164)
Release of provision as unused	(379)	(125)	-	(504)
Increase of provision	2,646	138	-	2,784
At 31 December 2014	10,017	557	-	10,574
At 1 January 2015	10,017	557	-	10,574
Used during the year	(3,097)	(126)	-	(3,223)
Release of provision as unused	(20)	-	-	(20)
Increase of provision	884	144	-	1,028
At 31 December 2015	7,784	575	-	8,359

Company

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Restructuring provision HRK'000	Total HRK'000
At 1 January 2014	8,267	751	395	9,413
Used during the year	(546)	(207)	(395)	(1,148)
Release of provision as unused	(379)	(125)	-	(504)
Increase of provision	2,488	138	-	2,626
At 31 December 2014	9,830	557	-	10,387
At 1 January 2015	9,830	557	-	10,387
Acquired on merger of Wiener nekretnine (Note 11)	29	-	-	29
Used during the year	(2,939)	(126)	-	(3,065)
Release of provision as unused	(20)	-	-	(20)
Increase of provision	884	144	-	1,028
At 31 December 2015	7,784	575	-	8,359

In 2015 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 are recognised in „Administrative expenses“ (Note 37).

30 Insurance and other payables

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Direct insurance contract payables				
- to policyholders	8,175	7,870	8,175	7,870
- to agents, brokers and intermediaries	2,590	2,474	2,590	2,474
Reinsurance contract payables	131,427	126,292	131,427	126,292
Deposits retained from reinsurance business	376,874	363,271	376,874	363,271
Trade payables	10,927	10,687	10,927	10,389
Liabilities for salaries	8,183	8,897	8,183	8,851
Commission expense accrual	7,738	2,132	7,738	2,132
Other payables	2,660	3,838	2,660	3,885
Deferred income from recourses	25,469	25,663	25,469	25,663
Accrued expenses	19,446	18,190	19,446	18,164
Total insurance and other payables	593,489	569,314	593,489	568,991

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% or 2,5% fixed interest rate per annum 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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<i>Non-life insurance</i>				
Gross premium written	279,390	276,743	279,390	276,816
Written premiums ceded to reinsurers	(130,064)	(131,830)	(130,064)	(131,830)
Change in unearned premiums, gross	(7,515)	(1,226)	(7,515)	(1,226)
Change in unearned premiums, reinsurance share	1,177	(616)	1,177	(616)
Total premium income net, (earned) from non-life insurance	142,988	143,071	142,988	143,144
<i>Life assurance</i>				
Gross premium written	265,594	280,834	265,594	280,834
Written premiums ceded to reinsurers	(41,591)	(46,194)	(41,591)	(46,194)
Change in unearned premiums, gross	245	261	245	261
Change in unearned premiums, reinsurance share	(66)	(66)	(66)	(66)
Total premium income net, (earned) from life assurance	224,182	234,835	224,182	234,835
Total				
Gross premium written	544,984	557,577	544,984	557,650
Written premiums ceded to reinsurers	(171,655)	(178,024)	(171,655)	(178,024)
Change in unearned premiums, gross	(7,270)	(965)	(7,270)	(965)
Change in unearned premiums, reinsurance share	1,111	(682)	1,111	(682)
Total premiums	367,170	377,906	367,170	377,979

Gross premiums written for the Group and the Company for life assurance business include premiums of HRK 6.6 million (2014: HRK 7.7 million) in respect of unit-linked products and premiums of HRK 74.2 million in respect of index-linked products (2014: HRK 21.6 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 1.2 million (2014: HRK 5.9 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
2015					
<i>Non-life insurance business</i>					
Motor (third party)	125,933	125,962	(69,051)	(37,270)	(4,806)
Motor (other classes)	29,550	26,498	(22,453)	(5,537)	(906)
Property	59,902	59,769	(33,449)	(21,147)	2,832
Personal lines	12,366	13,254	(5,952)	(5,816)	(563)
Other	51,639	46,392	(32,341)	(16,841)	(2,670)
Total non-life	279,390	271,875	(163,246)	(86,611)	(6,113)
<i>Life assurance business</i>					
Life assurance	169,298	169,334	(151,042)	(80,944)	3,800
Annuity assurance	821	821	(777)	(280)	-
Additional riders	15,087	15,296	(3,823)	(9,130)	1,322
Index/Unit Linked	80,388	80,388	(87,733)	(24,840)	-
Total life	265,594	265,839	(243,375)	(115,194)	5,122
Grand total	544,984	537,714	(406,621)	(201,805)	(991)
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)

* Reinsurance balance does not include technical interest rate on reinsurance deposit in the amount of HRK 1,154 thousand for non-life and HRK 8,314 thousand for life business (2014: HRK 861 thousand for non-life and HRK 8,124 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
2015					
<i>Non-life insurance business</i>					
Motor (third party)	125,933	125,962	(69,051)	(38,380)	(4,806)
Motor (other classes)	29,550	26,498	(22,453)	(5,700)	(906)
Property	59,902	59,769	(33,449)	(22,546)	2,832
Personal lines	12,366	13,254	(5,952)	(5,975)	(563)
Other	51,639	46,392	(32,341)	(16,221)	(2,670)
Total non-life	279,390	271,875	(163,246)	(88,822)	(6,113)
<i>Life assurance business</i>					
Life assurance	169,298	169,334	(151,042)	(80,944)	3,800
Annuity assurance	821	821	(777)	(280)	-
Additional riders	15,087	15,296	(3,823)	(9,130)	1,322
Index/Unit Linked	80,388	80,388	(87,733)	(24,840)	-
Total life	265,594	265,839	(243,375)	(115,194)	5,122
Grand total	544,984	537,714	(406,621)	(204,016)	(991)
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)

* Reinsurance balance does not include technical interest rate on reinsurance deposit in the amount of HRK 1,154 thousand for non-life and HRK 8,314 thousand for life business (2014: HRK 861 thousand for non-life and HRK 8,124 thousand for life business)

32 Fees and commission income

Group and Company

	2015 HRK'000	2014 HRK'000
Reinsurance commission	45,321	51,830
Profit reinsurance commission	6,934	2,623
	<u>52,255</u>	<u>54,453</u>

33 Financial income

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Interest income:				
- Available-for-sale financial assets	48,738	50,974	48,738	50,974
- Held-to-maturity investments	55,929	54,220	55,929	54,220
- Loans and receivables	10,271	10,033	10,541	10,393
Dividend income	680	1,016	680	1,016
Rental income from investment property (Note 13)	2,959	2,363	1,775	887
Unrealised gain on assets at fair value through profit or loss	6,386	13,915	6,386	13,915
Net realised gain on assets at fair value through profit or loss	757	1,760	757	1,760
Net realised gain on assets available for sale (Note 23f)	23,497	10,258	23,497	10,258
Foreign exchange translation gain				
- Financial assets at fair value through profit or loss	-	305	-	305
- Available-for-sale financial assets	-	2,145	-	2,145
- Held-to-maturity investments	-	2,323	-	2,323
- Loans and receivables	-	146	-	146
- Deposit retained from reinsurance business	-	(843)	-	(843)
- Other	-	(156)	-	(10)
Other financial income	916	1,347	916	1,346
	<u>150,133</u>	<u>149,806</u>	<u>149,219</u>	<u>148,835</u>

Group

	Non-life 2015 HRK'000	Life 2015 HRK'000	Investment property 2015 HRK'000	Total 2015 HRK'000	Non-life 2014 HRK'000	Life 2014 HRK'000	Investment property 2014 HRK'000	Total 2014 HRK'000
Financial income								
Income from assets backing equity	2,200	1,931	1,183	5,314	1,576	2,371	1,330	5,277
Income from assets backing life assurance provision	-	117,395	-	117,395	-	111,736	-	111,736
Income from assets backing other technical provisions	21,010	-	-	21,010	20,530	-	-	20,530
Income from assets backing index- linked and unit-linked products	-	6,414	-	6,414	-	12,263	-	12,263
	<u>23,210</u>	<u>125,740</u>	<u>1,183</u>	<u>150,133</u>	<u>22,106</u>	<u>126,370</u>	<u>1,330</u>	<u>149,806</u>

33 Financial income (continued)

Company

	Non-life 2015 HRK'000	Life 2015 HRK'000	Total 2015 HRK'000	Non-life 2014 HRK'000	Life 2014 HRK'000	Total 2014 HRK'000
Financial income						
Income from assets backing equity	2,469	1,931	4,400	1,935	2,371	4,306
Income from assets backing life assurance provision	-	117,395	117,395	-	111,736	111,736
Income from assets backing other technical provisions	21,010	-	21,010	20,530	-	20,530
Income from assets backing index-linked and unit- linked products	-	6,414	6,414	-	12,263	12,263
	<u>23,479</u>	<u>125,740</u>	<u>149,219</u>	<u>22,465</u>	<u>126,370</u>	<u>148,835</u>

34 Other operating income

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Refund of legal enforcement collection expense and penalty interest	2,917	2,544	2,917	2,544
Profit on disposal of equipment	700	238	700	238
Income from service claims	629	413	629	413
Income from recharged expenses	273	108	273	108
Liabilities written off	171	947	171	947
Decrease in provision for recourse receivables due to collection (Note 20)	17	75	17	75
Other operating income	3,445	4,577	3,444	4,577
	<u>8,152</u>	<u>8,902</u>	<u>8,151</u>	<u>8,902</u>

35 Net policyholders claims and benefits accrued

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<i>Non-life insurance</i>				
Claims paid				
Gross amount	(198,906)	(151,889)	(198,906)	(151,895)
Reinsurers' share	101,958	61,873	101,958	61,873
Change in reported but not settled claims reserve				
Gross amount	33,687	(2,750)	33,687	(2,750)
Reinsurers' share	(24,167)	9,250	(24,167)	9,250
Change in incurred but not reported claims reserve				
Gross amount	1,545	(4,179)	1,545	(4,179)
Reinsurers' share	3,412	6,536	3,412	6,536
Change in unexpired risk provision, gross and net	366	(216)	366	(216)
Change in other technical provision, gross and net	62	100	62	100
	<hr/>	<hr/>	<hr/>	<hr/>
Total gross claims incurred from non-life insurance	(163,246)	(158,934)	(163,246)	(158,940)
Total reinsurance share in claims incurred from non-life insurance	81,203	77,659	81,203	77,659
	<hr/>	<hr/>	<hr/>	<hr/>
Total net claims incurred from non-life insurance	(82,043)	(81,275)	(82,043)	(81,281)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Life assurance</i>				
Claims paid (benefits and surrenders)				
Gross amount	(178,810)	(171,607)	(178,810)	(171,607)
Reinsurers' share	30,880	33,452	30,880	33,452
Change in life assurance provision				
Gross amount	7,184	(67,302)	7,184	(67,302)
Reinsurers' share	4,862	8,501	4,862	8,501
Change in life assurance provision for unit and index-linked products, gross and net	(74,649)	(27,672)	(74,649)	(27,672)
Change in reported but not settled claims reserve				
Gross amount	(461)	(169)	(461)	(169)
Reinsurers' share	394	214	394	214
Change in incurred but not reported claims reserve				
Gross amount	55	311	55	311
Reinsurers' share	(41)	(71)	(41)	(71)
Change in discretionary profit participation provision, gross and net	3,306	4,033	3,306	4,033
	<hr/>	<hr/>	<hr/>	<hr/>
Total gross claims incurred from life assurance	(243,375)	(262,406)	(243,375)	(262,406)
Total reinsurance share in claims incurred from life assurance	36,095	42,096	36,095	42,096
	<hr/>	<hr/>	<hr/>	<hr/>
Total net claims incurred from life assurance	(207,280)	(220,310)	(207,280)	(220,310)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total gross claims incurred	(406,621)	(421,340)	(406,621)	(421,346)
Total reinsurance share in claims incurred	117,298	119,755	117,298	119,755
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(289,323)	(301,585)	(289,323)	(301,591)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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
2015			
Personal accident insurance	45.80%	24.59%	70.40%
Health insurance	1,971.41%	-	1,971.41%
Insurance of motor vehicles	91.15%	19.04%	110.18%
Insurance of track vehicles	-	22.17%	22.17%
Insurance of aircrafts	718.13%	19.04%	737.17%
Insurance of vessels	53.89%	25.68%	79.57%
Insurance of goods in transit	43.27%	40.33%	83.60%
Insurance against fire and natural disasters	35.26%	18.12%	53.38%
Other property insurance lines	97.23%	20.87%	118.10%
Motor third party liability insurance	53.77%	12.91%	66.68%
Aircraft liability insurance	9.44%	51.33%	60.77%
Vessel liability insurance	27.94%	28.37%	56.31%
Other third liability insurance lines	61.02%	9.23%	70.25%
Credit insurance	(1,809.79%)	258.01%	(1,551.78%)
Suretyship insurance	40.30%	30.79%	71.09%
Insurance of miscellaneous financial losses	105.43%	7.85%	113.27%
Insurance of legal protection	7.76%	76.50%	84.26%
Travel insurance	138.98%	41.31%	180.29%
Total non-life	59.94%	16.84%	76.78%
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%	631.39%
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%

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

	2015 HRK'000	2014 HRK'000
<i>Non-life insurance business</i>		
Commission expenses	38,013	29,290
Other acquisition costs	21,554	34,190
Changes in deferred acquisition costs (Note 14)	(5,810)	1,117
Total acquisition costs, non-life	53,757	64,597
<i>Life assurance business</i>		
Commission expenses	8,954	13,606
Other acquisition costs	35,739	29,452
Changes in deferred acquisition costs (Note 14)	15	18
Total acquisition costs, life	44,708	43,076
	98,465	107,673

Included within acquisition costs are internal sales staff costs amounting to HRK 66.4 million (2014: HRK 71.7 million).

Analysis by class of business

Group and Company

	2015 HRK'000	2014 HRK'000
<i>Non-life insurance business</i>		
Personal accident insurance	3,453	3,312
Health insurance	11	23
Insurance of motor vehicles	3,127	3,711
Insurance of rail vehicles	15	-
Insurance of aircrafts	21	5
Insurance of vessels	3,171	3,231
Insurance of goods in transit	933	1,043
Insurance against fire and natural disasters	9,704	7,118
Other property insurance lines	6,504	4,996
Motor third party liability insurance	20,763	36,426
Aircraft liability insurance	25	32
Vessel liability insurance	878	568
Other third party liability insurance lines	3,668	2,166
Credit insurance	5	17
Suretyship insurance	10	11
Insurance of miscellaneous financial losses	827	809
Insurance of legal protection	53	68
Travel insurance	589	1,061
Total non-life	53,757	64,597
<i>Life assurance business</i>		
Life products	32,512	37,221
Annuity insurance	57	89
Life rider products	2,874	3,131
Index-linked and unit-linked	9,265	2,635
Total life	44,708	43,076
Total non-life and life	98,465	107,673

37 Administrative expenses

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Personnel expenses	34,514	33,199	34,126	32,513
Software	20,352	28,463	20,352	28,463
Rentals (Note 41)	10,917	11,273	14,898	16,540
Telecommunication and post services	6,571	6,395	6,571	6,392
Energy and utilities	5,946	6,553	5,762	6,326
Depreciation of property and equipment (Note 12)	4,873	5,296	4,062	4,200
Maintenance	4,078	4,604	3,767	4,217
Travel expenses and daily allowances	2,031	1,345	2,031	1,345
Amortisation of other intangible assets (Note 15)	1,536	2,398	1,536	2,398
Lawyers fees	1,385	1,818	1,382	1,753
Management fees – related parties (Note 42)	1,161	1,030	1,161	1,030
Audit fees	504	545	504	518
Provision for termination benefits and jubilee awards (Note 29)	144	13	144	13
Other expenses	9,328	7,884	9,255	7,781
	<u>103,340</u>	<u>110,816</u>	<u>105,551</u>	<u>113,489</u>

In 2015, the average number of employees of the Group was 703 (2014: 782) and of the Company was 701 (2014: 780). In 2014, the Group paid pension contributions of HRK 16.7 million (2014: HRK 18.0 million) into obligatory pension funds.

Analysis by class of business

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<i>Non-life insurance business</i>				
Personal accident insurance	2,363	1,694	2,523	1,813
Health insurance	-	14	-	14
Insurance of motor vehicles	2,410	2,808	2,572	3,004
Insurance of rail vehicles	60	-	64	-
Insurance of aircrafts	20	6	21	6
Insurance of vessels	998	1,088	1,065	1,164
Insurance of goods in transit	324	816	347	873
Insurance against fire and natural disasters	4,430	2,767	4,728	2,960
Other property insurance lines	1,509	427	1,610	457
Motor third party liability insurance	16,507	25,445	17,618	27,223
Aircraft liability insurance	87	20	93	21
Vessel liability insurance	481	222	513	237
Other third party liability insurance lines	1,910	1,246	2,039	1,333
Credit insurance	1	4	1	4
Suretyship insurance	32	14	34	15
Insurance of miscellaneous financial losses	201	911	214	974
Insurance of legal protection	55	58	58	63
Travel insurance	1,466	754	1,565	806
Total non-life	<u>32,854</u>	<u>38,294</u>	<u>35,065</u>	<u>40,967</u>
<i>Life assurance business</i>				
Life products	48,431	60,779	48,431	60,779
Annuity insurance	223	222	223	222
Life rider products	6,257	6,501	6,257	6,501
Index linked and unit linked	15,575	5,020	15,575	5,020
Total life	<u>70,486</u>	<u>72,522</u>	<u>70,486</u>	<u>72,522</u>
Total non-life and life	<u>103,340</u>	<u>110,816</u>	<u>105,551</u>	<u>113,489</u>

38 Other operating expenses

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Impairment property and equipment (Note 12)	4,618	-	4,618	-
Legal enforcement collection of receivables from contract holders	3,503	2,651	3,503	2,651
Credit cards payment fee	3,374	3,268	3,374	3,268
Compulsory motor third party liability insurance contribution to the Croatian health fund	3,047	3,355	3,047	3,355
Guarantee – fund levies	2,230	2,180	2,230	2,180
Fire brigade contributions	1,518	1,454	1,518	1,454
Prevention costs	977	858	977	858
Provision for legal claims (Note 29)	864	2,267	864	2,109
Provision for other receivables impairment	824	75	747	75
Write off of equipment (Note 12)	633	5	575	5
Other receivables written off during the year as uncollectible	136	343	136	343
Other expenses	2,900	1,815	2,900	1,972
	24,624	18,271	24,489	18,270

39 Financial expenses

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Interest expense	3,618	3,773	1,796	1,204
Interest expense on reinsurance deposit	9,468	8,985	9,468	8,985
Depreciation of investment property (Note 13)	1,072	767	922	550
Impairment of investment property (Note 13)	3,581	2,469	3,581	2,469
Impairment of available-for-sale financial assets (Note 23f)	22	656	22	656
Impairment of loans to customers (Note 17), net	1,788	2,061	1,788	2,061
Impairment of deposits with banks (Note 17)	3,371	-	3,371	-
Impairment of interest receivables (Note 20), net	134	100	134	100
Impairment of investments in subsidiary and associate (Note 16b)	6	-	-	-
Foreign exchange translation loss				
- Financial assets at fair value through profit or loss	214	-	214	-
- Available-for-sale financial assets	738	-	738	-
- Held-to-maturity investments	2,506	-	2,506	-
- Loans and receivables	263	-	263	-
- Deposit retained from reinsurance business	(962)	-	(962)	-
- Other	(408)	-	(232)	-
Other expenses	2,530	2,008	2,530	2,008
	27,941	20,819	26,139	18,033

39 Financial expenses (continued)

Group

	Investment				Non-life 2014	Life 2014	Investment	
	Non-life 2015	Life 2015	property 2015	Total 2015			property 2014	Total 2014
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Expenses from assets backing share capital	3,269	3,266	1,802	8,337	4,906	1,545	2,786	9,237
Expenses from assets backing life assurance provision	-	16,937	-	16,937	-	9,314	-	9,314
Expenses from assets backing other technical provisions	2,667	-	-	2,667	2,268	-	-	2,268
	<u>5,936</u>	<u>20,203</u>	<u>1,802</u>	<u>27,941</u>	<u>7,174</u>	<u>10,859</u>	<u>2,786</u>	<u>20,819</u>

Company

	2015			2014		
	Non-life HRK'000	Life HRK'000	Total HRK'000	Non-life HRK'000	Life HRK'000	Total HRK'000
Expenses from assets backing share capital	3,269	3,266	6,535	4,906	1,545	6,451
Expenses from assets backing life assurance provision	-	16,937	16,937	-	9,314	9,314
Expenses from assets backing other technical provisions	2,667	-	2,667	2,268	-	2,268
	<u>5,936</u>	<u>20,203</u>	<u>26,139</u>	<u>7,174</u>	<u>10,859</u>	<u>18,033</u>

40 Income taxes

	Group		Company	
	2015	2014	2015	2014
	HRK'000	HRK'000	HRK'000	HRK'000
Current income tax	(10,175)	(952)	(9,906)	(794)
Deferred income tax (Note 19)	2,723	(5,728)	2,723	(5,728)
Total income tax expense	<u>(7,452)</u>	<u>(6,680)</u>	<u>(7,183)</u>	<u>(6,522)</u>

40 Income taxes (continued)

a. Reconciliation of accounting profit for the year to income tax expense

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Profit before tax	<u>34,017</u>	<u>31,903</u>	<u>32,828</u>	<u>31,113</u>
Income tax at 20% (2014: 20%)	<u>(6,804)</u>	<u>(6,381)</u>	<u>(6,566)</u>	<u>(6,223)</u>
Tax effects of:				
Non-deductible expenses	(4,457)	(2,876)	(4,426)	(2,876)
Income not subject to tax	1,086	2,476	1,086	2,476
Origination and reversal of temporary differences	<u>2,723</u>	<u>101</u>	<u>2,723</u>	<u>101</u>
Total income tax expense	<u><u>(7,452)</u></u>	<u><u>(6,680)</u></u>	<u><u>(7,183)</u></u>	<u><u>(6,522)</u></u>
Effective income tax rate	<u><u>21.9%</u></u>	<u><u>20.9%</u></u>	<u><u>21.9%</u></u>	<u><u>21.0%</u></u>

b. Income tax recognised in other comprehensive income

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
On available-for-sale financial assets				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, neto of amounts realised and impairment losses (Note 19 and Note 23 f)	<u>4,730</u>	<u>(9,315)</u>	<u>4,730</u>	<u>(9,315)</u>

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

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<i>At income tax rate of 20%</i>				
Unused tax losses brought forward	-	5,829	-	5,829
Use of tax losses brought forward	-	(5,829)	-	(5,829)
Unused tax losses carried forward	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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 2015, HRK 10.9 million was recognised as an expense in the Group's profit or loss (2014: HRK 11.3 million) and HRK 14.9 million was recognised in the Company's profit or loss (2014: 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% (2014: 99.47%) of the Company's shares at year end. The remaining 0.53% (2014: 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

	2015	2014
	HRK'000	HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of the year	(98,388)	(120,624)
Reinsurance premiums ceded during the year	(160,555)	(149,314)
Reinsurance premiums paid during the year	147,741	171,550
	<u>(111,202)</u>	<u>(98,388)</u>
Reinsurance recoveries:		
At the beginning of the year	54,155	43,371
Invoiced during the year	111,364	76,369
Received during the year	(127,987)	(65,585)
	<u>37,532</u>	<u>54,155</u>
Reinsurance commission:		
At the beginning of the year	24,518	18,281
Invoiced during the year	50,254	52,464
Received during the year	(48,517)	(46,227)
	<u>26,255</u>	<u>24,518</u>
Receivables from deposit retained from reinsurance business (Note 20)	<u>16,857</u>	<u>16,751</u>
Deposit retained from reinsurance business (Note 30)	<u>(376,874)</u>	<u>(363,271)</u>
Accrued interest on deposit retained from reinsurance business	<u>9,469</u>	<u>8,985</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.

In 2015, the Group repaid borrowing from related company, LVP Holding GmbH, in the amount of HRK 43,9 million. Borrowing was bearing fixed interest of 5% per annum. As a result of borrowing and subordinated loan, the Group recognised HRK 3.4 million (2014: HRK 3.4 million) of interest expense on borrowings and subordinated loan.

In 2015, management fee charged to the Group amounted to HRK 1.2 million (2014: 1.0 million) and software maintenance services amounted to HRK 16,9 million (2014: HRK 22.4 million).

The Group holds 5% of shareholding in Erste osiguranje Vienna Insurance Group d.d., related company, which is carrying at value of HRK 10,106 thousand. In 2015 Erste osiguranje Vienna Insurance Group d.d. paid dividend in amount of HRK 510 thousand to the Company (2014: HRK 393 thousand).

The Group rents office premises to Erste osiguranje Vienna Insurance Group d.d. whereby rental income was recognised in amount of HRK 1,502 thousand (2014: HRK 749 thousand). In addition, the Group rents office premises from Erste osiguranje Vienna Insurance Group d.d. whereby rental expenses were recognised in the amount of HRK 1,375 thousand (2014: HRK 1,377 thousand).

Subsidiaries

During 2015, until the merger of Wiener nekretnine d.o.o. the Company incurred HRK 7.1 million (2014: HRK 7.6 million) of rent expense from Wiener nekretnine d.o.o.

The Company granted short term loans to Wiener nekretnine d.o.o. at interest rate of 6% which at 30 September 2015 amounted to HRK 6,000 thousand (2014: HRK 6,000 thousand).

In 2015 there was no dividend paid by Wiener nekretnine d.o.o. to the Company (2014: nil).

Associate

The Company granted loan to Vile Baredine which was past due on 31 December 2010. Loan receivable is sued and impaired. Impairment losses recognised by the Group in respect of loans and receivables to Vile Baredine in 2015 amounted to HRK 68 thousand (2014: HRK 22 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 6.1 million (2014: 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 2015

	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	1,438	-	6,123
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	18,808	120,415	66,117	105,589
<i>Associate</i>				
Vile Baredine	615	-	-	-
<i>Related companies</i>				
LVP Holding GmbH	-	15,270	-	3,397
Wiener Staetische Versicherung AG	483	3,901	31,213	5,175
VIG Re	61,246	370,222	64,216	76,993
DONAU	105	665	72	367
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	2	19	1	14
Erste Osiguranje Vienna Insurance Group d.d.	-	-	1,593	1,375
	<u>81,259</u>	<u>511,930</u>	<u>163,212</u>	<u>199,033</u>

Company 2015

	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel</i>	-	1,438	-	5,860
<i>Parent company</i>				
Vienna Insurance Group AG Wiener Versicherung Gruppe	18,808	120,415	66,117	105,589
<i>Associate</i>				
Vile Baredine	615	-	-	-
<i>Subsidiary</i>				
Wiener nekretnine d.o.o.	-	-	269	7,071
<i>Related companies</i>				
LVP Holding GmbH	-	15,270	-	1,754
Wiener Staetische Versicherung AG	483	3,901	31,213	5,175
VIG Re	61,246	370,222	64,216	76,993
DONAU	105	665	72	367
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	2	19	1	14
Erste Osiguranje Vienna Insurance Group d.d.	-	-	494	1,375
	<u>81,259</u>	<u>511,930</u>	<u>162,382</u>	<u>204,198</u>

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
	<u>77,654</u>	<u>528,813</u>	<u>130,072</u>	<u>191,571</u>

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
	<u>84,458</u>	<u>484,894</u>	<u>129,741</u>	<u>196,493</u>

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 2015 and 31 December 2014.

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 or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000
	profit or loss after tax 2015 HRK'000	comprehensive income after tax 2015 HRK'000		
Change in price by $\pm 1\%$	995/(995)	414/(414)	1,552/(1,552)	460/(460)
Change in price by $\pm 3\%$	2,986/(2,986)	1,242/(1,242)	4,656/(4,656)	1,379/(1,379)
Change in price by $\pm 5\%$	4,977/(4,977)	2,070/(2,070)	7,760/(7,760)	2,299/(2,299)

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 2015 and 31 December 2014.

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 7.35 HRK for 1 EUR and 7.70 HRK for 1 EUR (2014: between 7.45 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 2015 HRK'000	Impact on other comprehensive income after tax 2015 HRK'000	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000
EUR / HRK rate				
Change in fx rate by \pm 1%	8,840/(8,840)	114/(114)	8,952/(8,952)	114/(114)
Change in fx rate by \pm 2%	17,680/(17,680)	228/(228)	17,903/(17,903)	227/(227)

Company	Impact on profit or loss after tax 2015 HRK'000	Impact on other comprehensive income after tax 2015 HRK'000	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000
EUR / HRK rate				
Change in fx rate by \pm 1%	8,840/(8,840)	114/(114)	9,335/(9,335)	114/(114)
Change in fx rate by \pm 2%	17,680/(17,680)	228/(228)	18,669/(18,669)	227/(227)

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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Cash and cash equivalents	22	5,693	6,815	5,693	6,599
Debt securities	17	2,130,431	2,071,484	2,130,431	2,071,484
Deposits with banks	17	145,814	98,838	145,814	98,838
Loans to customers	17	58,334	70,959	58,334	76,959
Reinsurers' share of technical provisions	18	492,445	506,874	492,445	506,874
Current income tax prepayment		-	132	-	-
Insurance and other receivables	20	246,790	246,047	246,790	246,649
		3,079,507	3,001,149	3,079,507	3,007,403

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 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Government bonds	17	1,853,733	1,851,072	1,853,733	1,851,072
Accrued interest on Government bonds		40,124	38,361	40,124	38,361
Current income tax prepayment		-	132	-	-
Current income tax liability		(9,351)	(731)	(9,351)	(731)
		1,884,506	1,888,834	1,884,506	1,888,702

The total exposure to Croatian state risk represents 54% of the total assets of the Group (2014: 55%) and 54% of the total assets of the Company (2014: 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 2015

	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	29,053	3,799	-	32,852
Debt securities – assets backing index-linked products	43,716	142,634	-	186,350
<i>Available-for-sale financial assets</i>				
Debt securities	-	923,912	56,886	980,798
<i>Held-to-maturity investments</i>				
Debt securities	-	929,821	610	930,431
<i>Loans and receivables</i>				
Deposits with banks	-	43,723	102,091	145,814
Loans to customers	-	-	58,334	58,334
Reinsurers' share of technical provisions	492,445	-	-	492,445
Insurance and other receivables	96,937	-	149,853	246,790
Cash and cash equivalents	-	-	5,693	5,693
Total exposure to credit risk	662,151	2,043,889	373,467	3,079,507

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	-	-	98,838	98,838
Loans to customers	-	-	70,959	70,959
Reinsurers' share of technical provisions	506,874	-	-	506,874
Insurance and other receivables	90,249	1,101	154,697	246,047
Current income tax prepayment	-	132	-	132
Cash and cash equivalents	-	-	6,815	6,815
Total exposure to credit risk	689,840	1,924,969	386,340	3,001,149

43 Financial risk management (continued)

Credit risk (continued)

	AAA – A HRK'000	BBB – B HRK'000	Not rated HRK'000	Total HRK'000
Company 2015				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	29,053	3,799	-	32,852
Debt securities – assets backing index-linked products	43,716	142,634	-	186,350
<i>Available-for-sale financial assets</i>				
Debt securities	-	923,912	56,886	980,798
<i>Held-to-maturity investments</i>				
Debt securities	-	929,821	610	930,431
<i>Loans and receivables</i>				
Deposits with banks	-	43,723	102,091	145,814
Loans to customers	-	-	58,334	58,334
Reinsurers' share of technical provisions	492,445	-	-	492,445
Insurance and other receivables	96,937	-	149,853	246,790
Cash and cash equivalents	-	-	5,693	5,693
Total exposure to credit risk	662,151	2,043,889	373,467	3,079,507
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	-	-	98,838	98,838
Loans to customers	-	-	76,959	76,959
Reinsurers' share of technical provisions	506,874	-	-	506,874
Insurance and other receivables	90,249	1,101	155,299	246,649
Cash and cash equivalents	-	-	6,599	6,599
Total exposure to credit risk	689,840	1,924,837	392,726	3,007,403

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 2015	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	AA-
DONAU Allgemeine Versicherungs-Aktiengesellschaft (rating VIG group)	A+
General Reinsurance AG	AA+
Glacier Reinsurance AG	Not rated
Hannover Rückversicherungs-AG	AA-
Helvetia Schweizerische Versicherungsgesellschaft AG	A
Korean Reinsurance Co.	A
Mapfre Re, Compania de Reaseguros, S.A.	A
Münchener Rückversicherungsgesellschaft	AA-
New Reinsurance Company	AA-
Odyssey America Reinsurance Corporation	A-
Partner Reinsurance Europe Ltd.	A+
Polish Re / Polskie Towarzystwo Reasekuracyjne S.A.	A-
R + V Versicherung AG	AA-
Sava / Pozavarovalnica Sava, d.d.	A-
SCOR Global P&C	AA-
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+

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	Note	2015		2014	
		Book value HRK'000	Fair value HRK'000	Book value HRK'000	Fair value HRK'000
Held-to-maturity investments	17	930,431	1,053,943	954,660	1,076,181
Available-for-sale financial assets	17	1,042,650	1,042,650	1,044,397	1,044,397
Financial assets at fair value through profit or loss	17	343,637	343,637	334,006	334,006
Loans and receivables	17	204,148	204,148	169,797	169,797
Reinsurers' share of technical provisions	18	492,445	492,445	506,874	506,874
Insurance and other receivables	20	246,790	246,790	246,047	246,047
Cash and cash equivalents	22	5,693	5,693	6,815	6,815
Total financial assets		3,265,794	3,389,306	3,262,596	3,384,117
Total financial liabilities		609,542	609,542	636,683	636,683
Company					
Held-to-maturity investments	17	930,431	1,053,943	954,660	1,076,181
Available-for-sale financial assets	17	1,042,650	1,042,650	1,044,397	1,044,397
Financial assets at fair value through profit or loss	17	343,637	343,637	334,006	334,006
Loans and receivables	17	204,148	204,148	175,797	175,797
Reinsurers' share of technical provisions	18	492,445	492,445	506,874	506,874
Insurance and other receivables	20	246,790	246,790	246,649	246,649
Cash and cash equivalents	22	5,693	5,693	6,599	6,599
Total financial assets		3,265,794	3,389,306	3,268,982	3,390,503
Total financial liabilities		609,542	609,542	584,314	584,314

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 2015	31 December 2014				
<i>Fair value through profit and loss</i>						
Debt securities	219,202	140,007	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	718	753	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	123,717	193,246	Level 1	Quoted price issued by the fund	Not applicable	Not applicable
<i>Available for sale assets</i>						
Debt securities	977,491	976,526	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	3,307	-	Level 2	Last average price amortised until maturity and corporate bond in the process of listing into stock exchange (purchase price is used)	Not applicable	Not applicable
Debt securities	-	291	Level 3	Internal valuation model	Discounted cash flows with default scenarios	Not applicable
Equity securities	4,877	753	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Equity securities	24,365	24,296	Level 2	Measured at cost and price based on NAV of the real estate fund	Not applicable	Not applicable
Open-end investment fund shares	32,610	42,531	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 2015				
<i>Financial assets at fair value through profit or loss</i>				
Debt securities	-	32,852	-	32,852
Debt securities – assets backing index-linked products	-	186,350	-	186,350
Equity securities	718	-	-	718
Investment funds	86,787	-	-	86,787
Investment funds – assets backing unit-linked products	36,930	-	-	36,930
<i>Available-for-sale financial assets</i>				
Debt securities	977,491	3,307	-	980,798
Equity securities	4,877	24,365	-	29,242
Investment funds	32,610	-	-	32,610
Total financial assets	1,139,413	246,874	-	1,386,287
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

In both 2015 and 2014 there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy. Debt securities classified as Level 3 in 2014 were reclassified to Level 1 in 2015 due to listing of this bond on stock exchange in 2015, so now the average trade price on the last day in the month is used for valuation.

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 and Company- 2015

	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	-	-	4,023	28,339	490	32,852
Debt securities – assets backing index-linked products	-	-	9,275	158,155	18,920	186,350
Equity securities	718	-	-	-	-	718
Investment funds	86,787	-	-	-	-	86,787
Investment funds – assets backing unit-linked products	-	-	-	-	36,930	36,930
<i>Available-for-sale financial assets</i>						
Debt securities	311	68,660	184,562	324,391	402,874	980,798
Equity securities	4,877	-	-	-	24,365	29,242
Investment funds	32,610	-	-	-	-	32,610
<i>Held-to-maturity investments</i>						
Debt securities	610	-	6,740	660,090	262,991	930,431
<i>Loans and receivables</i>						
Deposits with banks	-	20,443	10,000	88,648	26,723	145,814
Loans to customers	12,344	2,983	5,047	9,892	28,068	58,334
Reinsurers' share of technical provisions	53,086	68,831	41,580	175,135	153,813	492,445
Insurance and other receivables	229,425	1,714	139	4,940	10,572	246,790
Cash and cash equivalents	5,693	-	-	-	-	5,693
Total financial assets	426,461	162,631	261,366	1,449,590	965,746	3,265,794
Financial liabilities						
Subordinated loan*	-	-	-	-	15,270	15,270
Borrowings**	-	781	-	-	-	781
Insurance and other payables	124,005	148,809	41,617	125,247	153,811	593,489
Total financial liabilities	124,005	149,590	41,617	125,247	169,081	609,540

* Subordinated loan bears annual interest of 8%, or HRK 1,203 thousand in 2015. 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 - 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	3,371	23,819	-	71,648	-	98,838
Loans to customers	20,619	3,034	4,945	10,935	31,426	70,959
Reinsurers' share of technical provisions	56,397	67,718	39,226	194,461	149,072	506,874
Insurance and other receivables	234,766	2,012	-	-	9,269	246,047
Cash and cash equivalents	6,815	-	-	-	-	6,815
Total financial assets	525,380	116,843	121,217	929,946	1,569,210	3,262,596
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)

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	3,371	23,819	-	71,648	-	98,838
Loans to customers	21,619	8,034	4,945	10,935	31,426	76,959
Reinsurers' share of technical provisions	56,397	67,718	39,226	194,461	149,072	506,874
Insurance and other receivables	235,368	2,012	-	-	9,269	246,649
Cash and cash equivalents	6,599	-	-	-	-	6,599
Total financial assets	526,766	121,843	121,217	929,946	1,569,210	3,268,982
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.

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 and Company– 2015

	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	-	-	-	-	-	32,852	32,852	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	186,350	186,350	-
Equity securities	n/a	-	-	-	-	-	718	718	-
Investment funds	n/a	-	-	-	-	-	86,787	86,787	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	36,930	36,930	-
<i>Available-for-sale financial assets</i>									
Debt securities	5.69	311	68,660	184,562	324,391	402,874	-	980,798	980,798
Equity securities	n/a	-	-	-	-	-	29,242	29,242	-
Investment funds	n/a	-	-	-	-	-	32,610	32,610	-
<i>Held-to-maturity investments</i>									
Debt securities	6.29	610	-	6,740	660,090	262,991	-	930,431	930,431
<i>Loans and receivables</i>									
Deposits with banks	3.50	-	20,443	10,000	88,648	26,723	-	145,814	145,814
Loans to customers	7.50	12,344	2,983	5,047	9,892	28,068	-	58,334	45,726
Reinsurers' share of technical provisions	n/a	-	-	-	-	-	492,445	492,445	-
Insurance and other receivables	n/a	-	-	-	-	-	246,790	246,790	-
Cash and cash equivalents	0.36	5,693	-	-	-	-	-	5,693	-
Total financial assets		18,958	92,086	206,349	1,083,021	720,656	1,144,724	3,265,794	2,102,769
Financial liabilities									
Subordinated loan*	8.00	-	-	-	-	15,270	-	15,270	15,270
Borrowings**	2.22	-	781	-	-	-	-	781	-
Insurance and other payables	3.00	103,044	13,293	24,632	82,092	153,811	216,617	593,489	288,745
Total financial liabilities		103,044	14,074	24,632	82,092	169,081	216,617	609,540	304,015

* Subordinated loan bears annual interest of 8%, or HRK 1,203 thousands in 2015. 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 – 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	-	3,371	98,838	95,467
Loans to customers	7.17	20,619	3,034	4,945	10,935	31,426	-	70,959	42,358
Reinsurers' share of technical provisions	n/a	-	-	-	-	-	506,874	506,874	-
Insurance and other receivables		-	-	-	-	-	246,047	246,047	-
Cash and cash equivalents	0.37	6,815	-	-	-	-	-	6,815	-
Total financial assets		32,078	47,113	77,347	656,260	1,291,920	1,157,878	3,262,596	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)

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	-	3,371	98,838	95,467
Loans to customers	7.08	21,619	8,034	4,945	10,935	31,426	-	76,959	48,358
Reinsurers' share of technical provisions	n/a	-	-	-	-	-	506,874	506,874	-
Insurance and other receivables		-	-	-	-	-	246,649	246,649	-
Cash and cash equivalents	0.36	6,599	-	-	-	-	-	6,599	-
Total financial assets		32,862	52,113	77,347	656,260	1,291,920	1,158,480	3,268,982	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.

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 2015 and 31 December 2014.

Group and Company- 2015

	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	32,852	-	32,852	-	-	-	32,852
Debt securities – assets backing index-linked products	85,889	100,461	186,350	-	-	-	186,350
Equity securities	-	-	-	-	-	718	718
Investment funds	-	8,016	8,016	-	-	78,771	86,787
Investment funds – assets backing unit-linked products	-	36,930	36,930	-	-	-	36,930
<i>Available-for-sale financial assets</i>							
Debt securities	70,999	337,262	408,261	9,538	-	562,999	980,798
Equity securities	14,246	-	14,246	-	12	14,984	29,242
Investment funds	12,451	7,871	20,322	-	-	12,288	32,610
<i>Held-to-maturity investments</i>							
Debt securities	-	651,855	651,855	-	-	278,576	930,431
<i>Loans and receivables</i>							
Deposits with banks	-	26,723	26,723	-	-	119,091	145,814
Loans to customers	-	36,184	36,184	280	-	21,870	58,334
Reinsurers' share of technical provisions	-	296,740	296,740	198	-	195,507	492,445
Insurance and other receivables	3,041	67,784	70,825	282	-	175,683	246,790
Cash and cash equivalents	658	-	658	77	-	4,958	5,693
Total financial assets	220,136	1,569,826	1,789,962	10,375	12	1,465,445	3,265,794
Financial liabilities							
Subordinated loan*	15,270	-	15,270	-	-	-	15,270
Borrowings**	781	-	781	-	-	-	781
Insurance and other payables	7,399	331,996	339,395	-	-	254,094	593,489
Total financial liabilities	23,450	331,996	355,446	-	-	254,094	609,540

* Subordinated loan bears annual interest of 8%, or HRK 1,203 thousands in 2015. 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 - 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	-	-	-	-	-	98,838	98,838
Loans to customers	-	47,872	47,872	323	-	22,764	70,959
Reinsurers' share of technical provisions	-	293,879	293,879	199	-	212,796	506,874
Insurance and other receivables	2,277	69,998	72,275	282	-	173,490	246,047
Cash and cash equivalents	675	-	675	54	-	6,086	6,815
Total financial assets	230,242	1,599,845	1,830,087	8,824	12	1,423,673	3,262,596
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)

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	-	-	-	-	-	98,838	98,838
Loans to customers	-	47,872	47,872	323	-	28,764	76,959
Reinsurers' share of technical provisions	-	293,879	293,879	199	-	212,796	506,874
Insurance and other receivables	2,277	69,998	72,275	282	-	174,092	246,649
Cash and cash equivalents	673	-	673	54	-	5,872	6,599
Total financial assets	230,240	1,599,845	1,830,085	8,824	12	1,430,061	3,268,982
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.

47 Contingent assets and liabilities

Off-balance sheet accounts

The Group had no off-balance sheet accounts as at 31 December 2015 (2014: -).

Capital liabilities

The Group had no capital liabilities as at 31 December 2015 (2014: -).

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 the Regulation of the Croatian Financial Services Supervisory Agency

Unconsolidated statement of financial position (balance sheet) 31 December 2015

ASSETS										<i>in HRK</i>
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	1,236,302	7,259,230	8,495,532	2,011,847	7,495,998	9,507,845	
005		1	Goodwill		3,896,822	3,896,822		3,551,774	3,551,774	
006		2	Other intangible assets	1,236,302	3,362,408	4,598,710	2,011,847	3,944,224	5,956,071	
007	008+009+010	C	TANGIBLE ASSETS	4,485,704	50,791,041	55,276,745	55,357,874	34,713,961	90,071,835	
008		1	Land and buildings intended for company business operations	4,432,916	41,972,910	46,405,826	55,306,639	27,635,396	82,942,036	
009		2	Equipment	52,788	6,155,157	6,207,945	49,679	6,148,345	6,198,024	
010		3	Other tangible assets and stock		2,662,974	2,662,974	1,555	930,220	931,776	
011	012+013+017+036	D	INVESTMENTS	1,920,438,894	482,809,193	2,403,248,087	1,848,660,019	511,005,725	2,359,665,744	
012		I	Investments in land and buildings not intended for company business operations	19,730,866,60	25,057,857,83	44,788,724	24,680,784	37,398,595	62,079,379	
013	014+015+016	II	Investments in subsidiaries, associates and joint ventures	50,000	1,550,000	1,600,000				
014		1	Shares and stakes in subsidiaries	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	1,900,658,028	456,201,335	2,356,859,363	1,823,979,235	473,607,130	2,297,586,364	
018	019+020	1	Investments held-to-maturity	892,996,462	61,663,728	954,660,190	868,750,800	61,680,167	930,430,966	
019		1.1	<i>Debt securities and other securities with fixed revenue</i>	892,996,462	61,663,728	954,660,190	868,750,800	61,680,167	930,430,966	
020		1.2	<i>Other investments held to maturity</i>							
021	022+023+024+025	2	Investments available-for-sale	744,817,265	299,579,501	1,044,396,766	708,227,287	334,423,022	1,042,650,309	
022		2.1	<i>Shares, stakes and other securities with variable revenue</i>	25,048,654		25,048,654	25,255,387	3,986,170	29,241,557	
023		2.2	<i>Debt securities and other securities with fixed revenue</i>	683,974,505	292,842,619	976,817,124	656,506,395	324,292,712	980,799,107	

**Supplementary information prescribed by the Regulation of the
Croatian Financial Services Supervisory Agency (continued)**
Unconsolidated statement of financial position (balance sheet) 31 December 2015

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	35,794,107	6,736,882	42,530,989	26,465,505	6,144,140	32,609,645	
025		2.4	Other investments available for sale						-	
026	027+028 +029+030+031	3	Investments at fair value through profit and loss account	133,087,370	52,288,579	185,375,950	79,514,436	40,842,868	120,357,304	
027		3.1	Shares, stakes and other securities with variable revenue		752,589	752,589		718,422	718,422	
028		3.2	Debt securities and other securities with fixed revenue	25,248,567		25,248,567	32,851,602		32,851,602	
029		3.3	Derivative financial instruments						-	
030		3.4	Investment fund units	107,838,803	51,535,991	159,374,794	46,662,834	40,124,446	86,787,280	
031		3.5	Other investments						-	
032	033+034+035	4	Deposits, loans and receivables	129,756,930	42,669,527	172,426,457	167,486,712	36,661,074	204,147,785	
033		4.1	Deposits with credit institutions (banks)	71,648,042	23,819,250	95,467,292	115,370,717	30,443,144	145,813,861	
034		4.2	Loans	51,592,171	18,850,277	70,442,448	46,885,360	6,217,930	53,103,290	
035		4.3	Other loans and receivables	6,516,717		6,516,717	5,230,635		5,230,635	
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	148,629,623		148,629,623	223,280,049		223,280,049	
038	039+040+041+042+043+044+045	F	REINSURANCE SHARE IN TECHNICAL PROVISIONS	282,986,601	223,886,045	506,872,646	288,135,939	204,309,017	492,444,956	
039		1	Unearned premiums, reinsurance share	806,680	59,616,765	60,423,445	740,920	60,793,447	61,534,367	
040		2	Mathematical provision, reinsurance share	278,829,075		278,829,075	283,690,690		283,690,690	
041		3	Provision for claims outstanding, reinsurance share	3,350,846	164,269,280	167,620,126	3,704,329	143,515,570	147,219,899	
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 the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Unconsolidated statement of financial position (balance sheet) 31 December 2015

ASSETS										<i>in HRK</i>
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	725,678	1,628,980	2,354,658	2,536,544	2,541,272	5,077,815	
047		1	Deferred tax asset	725,678	1,628,980	2,354,658	2,536,544	2,541,272	5,077,815	
048		2	Current tax asset							
049	050+053+054	H	RECEIVABLES	50,126,157	148,422,571	198,548,728	49,243,153	140,265,666	189,508,819	
050	051+052	1	Receivables from direct insurance business		57,086,711	57,086,711		46,007,315	46,007,315	
051		1.1	<i>From policyholders</i>		57,086,711	57,086,711		46,007,315	46,007,315	
052		1.2	<i>From insurance agents, or insurance brokers</i>							
053		2	Receivables from co-insurance and reinsurance business	46,301,100	45,049,101	91,350,201	43,583,152	53,353,674	96,936,827	
054	055+056+057	3	Other receivables	3,825,057	46,286,759	50,111,816	5,660,000	40,904,677	46,564,677	
055		3.1	<i>Receivables from other insurance business</i>		36,254,299	36,254,299		36,050,729	36,050,729	
056		3.2	<i>Receivables for return on investments</i>	212,902	64,925	277,828	148,267	485	148,753	
057		3.3	<i>Other receivables</i>	3,612,154	9,967,535	13,579,690	5,511,733	4,853,462	10,365,195	
058	059+063+064	I	OTHER ASSETS	11,058,371	4,744,683	15,803,054	9,936,941	1,851,669	11,788,610	
059	060+061+062	1	Cash at bank and in hand	1,854,190	4,744,683	6,598,872	3,841,121	1,851,669	5,692,790	
060		1.1	<i>Funds in the business account</i>	1,217,165	4,744,683	5,961,848	3,805,884	1,851,669	5,657,554	
061		1.2	<i>Funds in the account of assets covering mathematical provision</i>	637,025		637,025	35,237		35,237	
062		1.3	<i>Cash in hand</i>							
063		2	Long-term assets intended for sale and business cessation	9,204,181		9,204,181	6,095,820		6,095,820	
064		3	Other							
065	066+067+068	J	PREPAYMENTS AND ACCRUED INCOME	43,544,290	23,441,090	66,985,380	48,962,725	29,627,148	78,589,873	
066		1	Deferred interest and rent	43,281,583	7,472,882	50,754,465	48,650,045	7,920,108	56,570,153	
067		2	Deferred acquisition costs	262,707	15,251,401	15,514,108	248,282	21,060,757	21,309,040	

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

Unconsolidated statement of financial position (balance sheet) 31 December 2015

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		716,807	716,807	64,398	646,283	710,681
069	001+004+ 007+011 +037+038 +046 +049+058 +065	K	TOTAL ASSETS (A+B+C+D+E+F+G+H+I+ J)	2,463,231,620	942,982,833	3,406,214,454	2,528,125,090	931,810,457	3,459,935,546
070		L	OFF BALANCE SHEET ITEMS						

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

Unconsolidated statement of financial position (balance sheet) 31 December 2015

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	333,594,531	218,562,931	552,157,461	317,408,612	225,223,457	542,632,069
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	47,892,999	15,118,092	63,011,091	29,602,578	14,489,491	44,092,069
078		3,1	<i>Land and buildings</i>						
079		3,2	<i>Financial investments</i>	47,892,999	15,118,092	63,011,091	29,602,578	14,489,491	44,092,069
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	33,762,968	17,517,999	51,280,967	41,167,676	18,453,645	59,621,322
086		5,1	<i>Retained profit</i>	33,762,968	17,517,999	51,280,967	41,167,676	18,453,645	59,621,322
087		5,2	<i>Transferred loss (-)</i>						
088	089+090	6	Profit or loss of the current accounting period	18,353,963	6,237,639	24,591,602	13,053,757	12,591,121	25,644,878
089		6,1	<i>Profit of the current accounting period</i>	18,353,963	6,237,639	24,591,602	13,053,757	12,591,121	25,644,878
090		6,2	<i>Loss of the current accounting period (-)</i>						
091		B	SUBORDINATED LIABILITIES		15,322,940	15,322,940		15,270,100	15,270,100
092	093+094+095+096+097+098	C	TECHNICAL PROVISIONS	1,630,262,210	463,979,358	2,094,241,568	1,619,931,551	435,834,225	2,055,765,776

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

Unconsolidated statement of financial position (balance sheet) 31 December 2015

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	2,468,815	133,234,918	135,703,733	2,223,563	140,750,326	142,973,890
094		2	Mathematical provision, gross amount	1,613,364,070		1,613,364,070	1,602,871,687		1,602,871,687
095		3	Provision for claims outstanding, gross amount	14,429,325	327,629,866	342,059,192	14,836,300	292,398,271	307,234,571
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		298,374	298,374		235,628	235,628
098		6	Other insurance technical provisions, gross amount		2,816,200	2,816,200		2,450,000	2,450,000
099		D	LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	148,629,623		148,629,623	223,280,049		223,280,049
100	101+102	E	OTHER RESERVES		10,387,293	10,387,293	3,775,600	4,583,158	8,358,758
101		1	Provisions for pensions and similar liabilities		557,317	557,317		574,730	574,730
102		2	Other provisions		9,829,976	9,829,976	3,775,600	4,008,428	7,784,028
103	104+105	F	DEFERRED AND CURRENT TAX LIABILITY	12,149,023	4,336,248	16,485,272	12,880,798	7,492,753	20,373,551
104		1	Deferred tax liability	11,973,250	3,779,523	15,752,773	7,400,645	3,622,373	11,023,017
105		2	Current tax liability	175,774	556,725	732,499	5,480,154	3,870,380	9,350,533
106		G	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	280,945,036	82,325,636	363,270,673	285,005,031	91,869,270	376,874,302
107	108+109+110	H	FINANCIAL LIABILITIES	69,423	288,534	357,956	1,395,214		1,395,214
108		1	Liabilities on the basis of loans				763,505		763,505
109		2	Liabilities on the basis of issued securities						
110		3	Other financial liabilities	69,423	288,534	357,956	631,709		631,709
111	112+113+114+115	I	OTHER LIABILITIES	56,337,864	103,065,049	159,402,913	59,698,656	103,634,173	163,332,830
112		1	Liabilities from direct insurance business	5,038,355	6,233,715	11,272,069	6,229,392	5,161,530	11,390,923
113		2	Liabilities from co-insurance and reinsurance business	51,073,057	75,218,567	126,291,624	46,760,693	84,666,561	131,427,255

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

Unconsolidated statement of financial position (balance sheet) 31 December 2015

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	226,453	21,612,767	21,839,220	6,708,570	13,806,082	20,514,652
116	117+118	J	ACCRUED EXPENSES AND DEFERRED INCOME	1,243,910	44,714,844	45,958,754	4,749,577	47,903,321	52,652,898
117		1	Deferred reinsurance commission						
118		2	Other accrued expenses and deferred income	1,243,910	44,714,844	45,958,754	4,749,577	47,903,321	52,652,898
119	071+091+092+099+100+103+106+107+111+116	K	TOTAL LIABILITIES (A+B+C+D+E+F+G+H+I+J)	2,463,231,620	942,982,833	3,406,214,454	2,528,125,090	931,810,457	3,459,935,546
120		L	OFF BALANCE SHEET ITEMS						

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2015 - 31.12.2015

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+00 5+006+0 07+008+ 009	I	Earned premiums (recognized in revenue)	234,834,749	143,145,196	377,979,945	224,182,882	142,987,257	367,170,139
002		1	Written gross premiums	280,834,260	282,700,085	563,534,345	265,594,110	280,260,296	545,854,407
003		2	Co-insurance premiums					313,361	313,361
004		3	Value adjustment and charged adjustment of insurance/co-insurance premium value		(5,883,864)	(5,883,864)		(1,183,334)	(1,183,334)
005		4	Premiums ceded to reinsurance (-)	(46,194,289)	(131,829,646)	(178,023,935)	(41,590,720)	(130,064,340)	(171,655,060)
006		5	Premiums ceded to co- insurance (-)						
007		6	Change in gross provisions for unearned premiums (+/-)	260,915	(1,225,432)	(964,516)	245,251	(7,515,408)	(7,270,157)
008		7	Change in provisions for unearned premiums, reinsurance share (+/-)	(66,137)	(615,948)	(682,085)	(65,760)	1,176,681	1,110,922
009		8	Change in provisions for unearned premiums, co- insurance share (+/-)						
010	011+012 +016+01 7+018+0 22+023	II	Income from investments	128,960,852	23,283,545	152,244,398	130,553,789	24,177,024	154,730,812
011		1	Income from subsidiaries, associates and joint ventures						
012	013+014 +015	2	Income from investment in land and buildings	728,710	157,541	886,251	882,743	891,810	1,774,554
013		2,1	<i>Income from rent</i>	728,710	157,541	886,251	882,743	891,810	1,774,554
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	94,693,006	20,892,160	115,585,166	94,909,888	20,297,162	115,207,050
017		4	Unrealized profits from investment valued at fair value through profit and loss account	13,909,122	138,067	14,047,189	7,089,882	44,630	7,134,511
018	019+020 +021	5	Profits from sale (realization) of financial investments	11,698,103	1,318,475	13,016,577	23,034,758	2,132,884	25,167,641
019		5,1	<i>Investment valued at fair value through profit and loss account</i>	1,694,847	171,056	1,865,903	655,314	200,146	855,460
020		5,2	<i>Investments available-for- sale</i>	9,991,281	1,147,419	11,138,700	22,375,035	1,932,738	24,307,773
021		5,3	<i>Other profits from sale of financial investments</i>	11,975		11,975	4,408		4,408
022		6	Net positive exchange rate differentials	5,670,715	674,011	6,344,726	3,267,535	582,874	3,850,409

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2015 - 31.12.2015

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	2,261,198	103,291	2,364,489	1,368,983	227,664	1,596,647
024		III	Income from commissions and fees	8,346,454	46,106,409	54,452,862	10,683,929	41,571,475	52,255,403
025		IV	Other insurance-technical income, net of reinsurance	479,544	7,139,109	7,618,653	479,733	4,300,232	4,779,964
026		V	Other income	79,140	1,203,834	1,282,975	2,040,972	1,329,508	3,370,481
027	028+032	VI	Expenditures for insured events, net	(137,868,832)	(81,164,289)	(219,033,121)	(147,983,586)	(82,471,903)	(230,455,489)
028	029+030+031	1	Settled claims	(138,155,611)	(90,021,808)	(228,177,418)	(147,930,093)	(96,949,789)	(244,879,882)
029		1,1	Gross amount (-)	(171,607,308)	(151,894,887)	(323,502,195)	(178,809,795)	(198,906,527)	(377,716,322)
030		1,2	Co-insurer share (+)						
031		1,3	Reinsurer share(+)	33,451,697	61,873,079	95,324,776	30,879,702	101,956,738	132,836,440
032	033+034+035	2	Change in provisions for claims outstanding (+/-)	286,779	8,857,519	9,144,298	(53,493)	14,477,886	14,424,394
033		2,1	Gross amount (-)	143,592	(6,928,527)	(6,784,935)	(406,975)	35,231,596	34,824,621
034		2,2	Co-insurer share (+)						
035		2,3	Reinsurer share(+)	143,187	15,786,046	15,929,233	353,483	(20,753,710)	(20,400,227)
036	037+040	VII	Change in other technical provisions, net of reinsurance	(54,769,558)	(116,398)	(54,885,955)	15,353,998	428,945	15,782,943
037	038+039	1	Change in mathematical provision (+/-)	(54,769,558)		(54,769,558)	15,353,998		15,353,998
038		1,1	Gross amount (-)	(63,269,697)		(63,269,697)	10,492,384		10,492,384
039		1,2	Reinsurer share(+)	8,500,139		8,500,139	4,861,615		4,861,615
040	041+042+043	2	Change in other technical provisions, net of reinsurance (+/-)		(116,398)	(116,398)		428,945	428,945
041		1,1	Gross amount (-)		(116,398)	(116,398)		428,945	428,945
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 (+/-)	(27,671,578)		(27,671,578)	(74,650,426)		(74,650,426)
045		1	Gross amount (-)	(27,671,578)		(27,671,578)	(74,650,426)		(74,650,426)
046		2	Co-insurer share (+)						
047		3	Reinsurer share(+)						

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2015 - 31.12.2015

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	(115,597,595)	(105,564,030)	(221,161,626)	(115,193,785)	(88,822,634)	(204,016,419)
052	053+054+055	1	Acquisition costs	(43,075,947)	(64,596,940)	(107,672,886)	(44,708,223)	(53,757,146)	(98,465,368)
053		1,1	Commission	(13,606,356)	(29,289,894)	(42,896,249)	(8,954,848)	(38,012,522)	(46,967,370)
054		1,2	Other acquisition costs	(29,452,351)	(34,189,271)	(63,641,622)	(35,738,951)	(21,553,980)	(57,292,930)
055		1,3	Change in deferred acquisition costs (+/-)	(17,240)	(1,117,775)	(1,135,015)	(14,424)	5,809,356	5,794,932
056	057+058+059	2	Administration costs	(72,521,649)	(40,967,090)	(113,488,739)	(70,485,562)	(35,065,489)	(105,551,051)
057		2,1	Depreciation of tangible assets	(2,966,455)	(3,944,932)	(6,911,386)	(3,193,799)	(2,690,015)	(5,883,813)
058		2,3,	Salaries, taxes and contributions to and from salaries	(16,995,902)	(15,516,740)	(32,512,643)	(19,696,782)	(14,428,876)	(34,125,658)
059		2,4,	Other administration costs	(52,559,292)	(21,505,418)	(74,064,710)	(47,594,982)	(17,946,598)	(65,541,579)
060	061+062+063+064+065+066+067	XI	Investment expenses	(13,449,188)	(7,993,427)	(21,442,615)	(25,016,942)	(6,634,319)	(31,651,262)
061		1	Depreciation (buildings not intended for business operations of the company)	(259,089)	(291,492)	(550,581)	(322,003)	(599,206)	(921,209)
062		2	Interest	(8,124,224)	(2,065,353)	(10,189,577)	(8,908,188)	(2,356,412)	(11,264,600)
063		3	Investment value adjustment (reduction)	(1,166,470)	(4,120,144)	(5,286,615)	(7,145,593)	(1,749,775)	(8,895,368)
064		4	Losses from sale (realization) of financial assets	(896,255)	(101,830)	(998,085)	(831,551)	(81,629)	(913,180)
065		5	Adjustment of financial assets at fair value through profit and loss account		(132,203)	(132,203)	(713,957)	(34,167)	(748,124)
066		6	Net negative exchange rate differences	(1,693,823)	(585,203)	(2,279,026)	(5,701,003)	(676,651)	(6,377,654)
067		7	Other investment expenses	(1,309,327)	(697,201)	(2,006,528)	(1,394,647)	(1,136,479)	(2,531,125)
068	069+070	XII	Other technical expenses, net of reinsurance	(1,240,221)	(13,950,701)	(15,190,922)	(1,129,751)	(15,408,957)	(16,538,708)
069		1	Expenses for preventive operations		(2,312,751)	(2,312,751)		(2,494,561)	(2,494,561)
070		2	Other technical expenses of insurance	(1,240,221)	(11,637,950)	(12,878,172)	(1,129,751)	(12,914,396)	(14,044,146)
071		XIII	Other expenses including value adjustments	(224,553)	(2,854,782)	(3,079,335)	(2,734,391)	(5,215,266)	(7,949,657)
072	001+010+024+025+026+027+036+044+048+051+060+068+071	XIV	Profit or loss of the accounting period before taxation (+/-)	21,879,214	9,234,467	31,113,681	16,586,422	16,241,360	32,827,782

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2015 - 31.12.2015

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	(3,525,251)	(2,996,827)	(6,522,079)	(3,532,665)	(3,650,239)	(7,182,904)
074		1	Current tax expense	(192,348)	(601,750)	(794,097)	(5,343,531)	(4,562,531)	(9,906,062)
075		2	Deferred tax expense (income)	(3,332,904)	(2,395,078)	(5,727,981)	1,810,866	912,291	2,723,157
076	072+073	XVI	Profit or loss of the accounting period after taxation (+/-)	18,353,963	6,237,639	24,591,602	13,053,757	12,591,121	25,644,878
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	369,367,836	218,483,016	587,850,852	369,752,170	215,277,786	585,029,956
080	027+036+044+048+051+060+068+071+074	XVIII	TOTAL EXPENDITURE	(351,013,873)	(212,245,377)	(563,259,250)	(356,698,413)	(202,686,665)	(559,385,079)
081	082+083+084+085+086+087+088+089	XIX	Other comprehensive income	29,041,803	8,218,253	37,260,056	(18,290,420)	(628,602)	(18,919,022)
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	36,302,254	10,272,816	46,575,070	(22,863,025)	(785,752)	(23,648,778)
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	(7,260,451)	(2,054,563)	(9,315,014)	4,572,605	157,150	4,729,756
090	076+081	XX	Total comprehensive income	47,395,766	14,455,892	61,851,658	(5,236,664)	11,962,519	6,725,856
091		1	Attributable to owners of the parent						
092		2	Attributable to non-controlling interests						
093		XXI	Reclassification adjustments						

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

Unconsolidated statement of cash flow (indirect method) for period 01.01.2015 - 31.12.2015

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	52,282,468	80,854,567
002	003+004	1	Cash flow before the change in assets and liabilities	(82,558,290)	(83,225,672)
003		1.1	Profit/loss before taxation	32,827,782	31,113,681
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	(115,386,072)	(114,339,353)
005		1.2.1	<i>Depreciation of real estate and equipment</i>	5,269,407	5,063,814
006		1.2.2	<i>Depreciation of intangible assets</i>	1,535,615	2,398,154
007		1.2.3	<i>Value impairment and profits/losses on reduction to fair value</i>	9,056,880	(2,326,327)
008		1.2.4	<i>Interest expense</i>	11,264,600	10,189,577
009		1.2.5	<i>Interest income</i>	(115,207,050)	(115,585,166)
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>	(699,665)	(238,238)
012		1.2.8	<i>Other adjustments</i>	(26,605,859)	(13,841,167)
013	014+015+...+ 030	2	Increase/decrease in assets and liabilities	136,265,408	164,125,264
014		2.1	Increase/decrease in investments available-for-sale	(3,761,267)	12,112,307
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	65,847,996	1,074,645
016		2.3	Increase/decrease in deposits, loans and receivables	(41,118,910)	(31,424,892)
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	(68,554,252)	(15,408,558)
019		2.6	Increase/decrease in reinsurance share in technical provisions	14,427,691	(23,747,287)
020		2.7	Increase/decrease in tax assets	-	-
021		2.8	Increase/decrease in receivables	114,276,901	119,950,994
022		2.9	Increase/decrease in other assets	2,189,028	4,034,955
023		2.10	Increase/decrease in prepayments and accrued income	(5,809,561)	4,826,329
024		2.11	Increase/decrease in technical provisions	(38,475,793)	71,135,546
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	74,650,426	27,671,578
026		2.13	Increase/decrease in tax liabilities	-	-
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	14,565,295	18,180,521
028		2.15	Increase/decrease in financial liabilities	-	357,956
029		2.16	Increase/decrease in other liabilities	4,320,781	(20,751,438)
030		2.17	Increase/decrease in accruals and deferred income	3,707,073	(3,887,391)
031		3	Paid profit tax	(1,424,650)	(45,025)

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

Unconsolidated statement of cash flow (indirect method) for period 01.01.2015 - 31.12.2015 (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	16,041,118	(64,344,028)
033		1	Inflows from sale of tangible assets	922,751	455,279
034		2	Outflows for purchase of tangible assets	(3,141,987)	(3,078,835)
035		3	Inflows from sale of intangible assets	-	-
036		4	Outflows for purchase of intangible assets	(2,614,102)	(1,664,580)
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	(470,907)	(3,111,816)
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures	-	-
040		8	Inflows from investments held to maturity	20,665,150	-
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	680,213	999,991
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	(69,448,336)	(20,822,368)
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	(48,545,474)	-
051		4	Cash outflows for repurchase of own shares	-	-
052		5	Cash outflows for payment of dividends	(20,902,862)	(20,822,368)
053	001+032+047		NET CASH FLOW	(1,124,749)	(4,311,829)
054		IV	EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS	218,667	
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(906,082)	(4,311,829)
056		1	Cash and cash equivalents at the beginning of the period	6,598,872	10,910,701
057	055+056	2	Cash and cash equivalents at the end of the period	5,692,790	6,598,872

**Supplementary information prescribed by the 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			
I.	Balance as at 1 January of previous 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									
II.	Balance as at 1 January of previous year (corrected)	235,795,140	50,452,593	25,751,035	127,026,069	47,606,432	24,496,903	511,128,171		
III.	Comprehensive income/loss of the previous year			37,260,056			24,591,602	61,851,658		
1.	Profit or loss of the period						24,591,602	24,591,602		
2.	Other comprehensive income or loss of the previous 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									
IV.	Transactions with owners (previous 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						(20,822,368)	(20,822,368)		
4.	Other distributions to owners					3,674,536	(3,674,536)			
V.	Balance as at the last day of the reporting period in previous year	235,795,140	50,452,593	63,011,091	127,026,069	51,280,967	24,591,602	552,157,461		

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

Unconsolidated statement of changes in equity for period 01.01.2015 - 31.12.2015

in HRK

Position code	Position description	Attributable to owners of the parent							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	63,011,091	127,026,069	51,280,967	24,591,602	552,157,461		
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	63,011,091	127,026,069	51,280,967	24,591,602	552,157,461		
VIII.	Comprehensive income/loss of the current year			(18,919,022)			25,644,878	6,725,856		
1.	Profit or loss of the previous period						25,644,878	25,644,878		
2.	Other comprehensive income or loss of the current year			(18,919,022)				(18,919,022)		
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			(121,326)				(121,326)		
2.3.	Realised gains or losses from financial assets available for sale			(18,797,696)				(18,797,696)		
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)					8,340,354	(24,591,602)	(16,251,248)		
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends						(20,902,862)	(20,902,862)		
4.	Other transactions with owners					8,340,354	(3,688,740)	4,651,614		
X.	Balance as at the last day of the reporting period in the current year	235,795,140	50,452,593	44,092,069	127,026,069	59,621,322	25,644,878	542,632,069		

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

Unconsolidated statement of financial position – Assets as at 31 December 2015

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

Statutory financial statements

		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	Assets
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-					
Called up capital	-					
Uncalled capital	-	21,309,040				21,309,040
INTANGIBLE ASSETS	9,507,845					9,507,845
Goodwill	3,551,774					Other intangible assets
Other intangible assets	5,956,071					
TANGIBLE ASSETS	90,071,835		(136,366)			89,935,469
Land and buildings intended for company business operations	82,942,036					Property and equipment
Equipment	6,198,024					
Other tangible assets and stock	931,776					
INVESTMENTS	2,359,665,744					
Investments in land and buildings not intended for company business operations	62,079,379					62,079,379
Investments in subsidiaries, associates and joint ventures	-					
Shares and stakes in subsidiaries	-					
Shares and stakes in associates	-					
Joint venture participation	-					
Other financial investments	2,297,586,364					
Held-to-maturity financial assets	930,430,966					930,430,966
<i>Fixed income debt and other securities</i>	930,430,966					Held-to-maturity investments
<i>Other investments held to maturity</i>	-					
Available-for-sale financial assets	1,042,650,309					1,042,650,309
<i>Equities, shares and other securities bearing variable income</i>	29,241,557					Available-for-sale financial assets
<i>Fixed income debt and other securities</i>	980,799,107					
<i>Units in investment funds</i>	32,609,645					
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 2015 (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
Financial assets at fair value through profit or loss	120,357,304			223,280,049		343,637,353 Financial assets at fair value through profit or loss
<i>Equities, shares and other securities bearing variable income</i>	<i>718,422</i>					
<i>Fixed income debt and other securities</i>	<i>32,851,602</i>					
<i>Derivative financial instruments</i>	<i>-</i>					
<i>Units in investment funds</i>	<i>86,787,280</i>					
<i>Other investments</i>	<i>-</i>					
Deposits, loans and receivables	204,147,785					204,147,785 Loans and receivables
<i>Deposits with banks</i>	<i>145,813,861</i>					
<i>Loans</i>	<i>53,103,290</i>					
<i>Other loans and receivables</i>	<i>5,230,635</i>					
Deposits assumed in reinsurance business (deposits with ceding company)	-					
INVESTMENTS FOR AND ON BEHALF OF LIFE ASSURANCE POLICYHOLDERS	223,280,049			(223,280,049)		
REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS	492,444,956					492,444,956 Reinsurers' share of technical provisions
Provision for unearned premium, reinsurance share	61,534,367					
Life assurance provision, reinsurance share	283,690,690					
Claims reserve, reinsurance share	147,219,899					
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	-					

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

Unconsolidated statement of financial position – Assets as at 31 December 2015 (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	5,077,815					5,077,815 Deferred tax asset
Deferred tax asset	5,077,815					
Current tax asset	-		136,366			136,366 Inventories
RECEIVABLES	189,508,819				57,280,834	246,789,653 Insurance and other receivables
Receivables from direct insurance business	46,007,315					
<i>From policyholders</i>	46,007,315					
<i>From sales representatives</i>	-					
Receivables from coinsurance and reinsurance	96,936,827					
Other receivables	46,564,677					
<i>Receivables from other insurance business</i>	36,050,729					
<i>Receivables for investment yields</i>	148,753					
<i>Other receivables</i>	10,365,195					
OTHER ASSETS	11,788,610					
Cash at bank and in hand	5,692,790					5,692,790 Cash and cash equivalents
<i>Amounts on business account</i>	5,657,554					
<i>Amounts on account for backing life assurance provision</i>	35,237					
<i>Cash in hand</i>	-					
Long term assets held for sale	6,095,820					6,095,820 Assets held for sale
Other	-					
PREPAID EXPENSES AND ACCRUED INCOME	78,589,873					
Accrued interest and rent income	56,570,153				(56,570,153)	
Deferred acquisition costs	21,309,040	(21,309,040)				
Other prepaid expenses and accrued income	710,681				(710,681)	
TOTAL ASSETS	3,459,935,546					3,459,935,546 Total assets
OFF BALANCE SHEET RECORDS	-					

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 2015

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

	Transfer of current year profit to retained earnings	Transfer of statutory reserve to legal reserves	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						542,632,069	Total equity
Share capital						235,795,140	Share capital
<i>Paid in share capital - ordinary shares</i>						235,795,140	
<i>Paid in share capital - preference shares</i>							
<i>Called up share capital</i>							
Share premium (capital reserves)						50,452,593	Capital reserves
Revaluation reserve						44,092,069	Fair value reserve
<i>Land and buildings</i>							
<i>Financial investments</i>						44,092,069	
<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						59,621,322	
<i>Retained earnings</i>						59,621,322	
<i>Accumulated losses (-)</i>							
Profit or loss of current reporting period						25,644,878	
<i>Profit of current reporting period</i>						25,644,878	
<i>Loss of current reporting period (-)</i>							
SUBORDINATED DEBT						15,270,100	
TECHNICAL PROVISIONS						2,055,765,776	
<i>Provision for unearned premiums, gross</i>						142,973,890	
<i>Life assurance provision, gross</i>						1,602,871,687	
<i>Claims reserve, gross</i>						307,234,571	
<i>Provisions for premium refund dependant and not dependant on result (bonuses and discounts), gross</i>						46,341,124	
<i>Equalisation reserve, gross</i>						235,628	
<i>Other technical insurance contract provisions, gross</i>						2,450,000	
						4,187,716	Legal and statutory reserve
						122,838,353	Other reerves
						85,266,199	Retained earnings
						15,270,100	Liabilities
						2,232,704,701	Subordinated loan
						46,341,124	Discretionary profit participation provision
							Technical provisions

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 2015 (continued)

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

		Transfer of current year profit to retained earnings	Transfer of statutory reserve to legal reserves	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	223,280,049				(223,280,049)		
OTHER PROVISIONS	8,358,758						8,358,758 Provisions for liabilities and charges
Provision for pension contributions and similar liabilities	574,730						
Other provisions	7,784,028						
DEFERRED AND CURRENT TAX LIABILITY	20,373,551						
Deferred tax liability	11,023,017						11,023,017 Deferred tax liability
Current tax liability	9,350,533						9,350,533 Current income tax liability
DEPOSIT FROM REINSURANCE	376,874,302					(376,874,302)	
FINANCIAL LIABILITIES	1,395,214						
Liabilities for loans	763,505						763,505 Borrowings
Liabilities for issued securities							
Other financial liabilities	631,709				(631,709)		
OTHER LIABILITIES	163,332,830						
Liabilities arising from direct insurance business	11,390,923						
Liabilities from coinsurance and reinsurance business	131,427,255						
Liabilities for discontinued operations							
Other liabilities	20,514,652						
ACCRUED EXPENSES AND DEFERRED INCOME	52,652,898					(52,652,898)	
Deferred reinsurance commission							
Other accrued expenses and deferred income	52,652,898						
TOTAL LIABILITIES	3,459,935,546						3,459,935,546 Total liabilities and equity
OFF BALANCE SHEET RECORDS							

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

Unconsolidated statement of comprehensive income for year ended 31 December 2015

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

Statutory financial statements

		Netting off of premium impairment with gross premium written	Comprising other technical income with other 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/realised gains and losses and income from sale of real estate with net book value of asset sold		
Earned premiums	367,170,139							367,170,139	Net earned premiums
Gross premiums written	545,854,407	(869,973)						544,984,434	Gross premiums written
Coinsurance premiums	313,361	(313,361)							
Impairment loss and collected impairment loss of premium receivables/coinsurance premium	(1,183,334)		1,183,334						
Written premiums ceded to reinsurance (-)	(171,655,060)							(171,655,060)	Written premiums ceded to reinsurers
Premiums ceded to coinsurance (-)	-								
Change in gross provision for unearned premium (+/-)	(7,270,157)							(7,270,157)	Change in the gross provision for unearned premiums
Reinsurers' share of change in the provisions for unearned premiums (+/-)	1,110,922							1,110,922	Reinsurers' share of change in the provision for unearned premiums
Coinsurers' share of change in the provisions for unearned premiums (+/-)	-								
Investment income	154,730,812						(5,511,714)	149,219,098	Financial income
Income from subsidiaries, associates and joint ventures	-								
Income from investment in land and buildings	1,774,554								
Rental income	1,774,554								
Capital appreciation of land and buildings	-								
Gain on disposal of land and buildings	-								
Interest income	115,207,050								
Unrealised gains of financial assets at fair value through profit or loss	7,134,511						(748,124)		
Income from disposal of financial investments (realised)	25,167,641						(913,180)		
Investment in financial assets at fair value through profit or loss	855,460								
Available-for-sale financial assets	24,307,773								
Other income from sale of financial investments	4,408								
Net positive foreign exchange differences	3,850,409						(3,850,409)		
Other investment income	1,596,647								

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

Unconsolidated statement of comprehensive income for year ended 31 December 2015 (continued)

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

		Netting off of premium impairment with gross premium written	Comprising other technical income with other income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of net claims incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised/ realised gains and losses and income from sale of real estate with net book value of asset sold	Statutory financial statements	
Fees and commission income	52,255,403							52,255,403	Fees and commission income
Other technical income, net of reinsurance	4,779,964		(4,779,964)						
Other income	3,370,481		4,779,964					8,150,445	Other operating income
Net claims incurred	(230,455,489)								
Claims paid	(244,879,882)								
<i>Gross amount (-)</i>	(377,716,322)			(28,904,477)				(406,620,799)	Claims and benefits incurred
<i>Coinsurers' share (+)</i>	-								
<i>Reinsurers' share(+)</i>	132,836,440				(15,538,612)			117,297,827	Reinsurers' share of claims and benefits incurred
Change in claims reserves (+/-)	14,424,394								
<i>Gross amount (-)</i>	34,824,621			(34,824,621)					
<i>Coinsurers' share (+)</i>	-								
<i>Reinsurers' share(+)</i>	(20,400,227)				20,400,227				
Net change in life assurance provision and other technical provisions	15,782,943								
Change in life assurance provision (+/-)	15,353,998								
<i>Gross amount (-)</i>	10,492,384			(10,492,384)					
<i>Reinsurers' share(+)</i>	4,861,615				(4,861,615)				
Change in other technical provisions (+/-)	428,945								
<i>Gross amount (-)</i>	428,945			(428,945)					
<i>Coinsurers' share (+)</i>	-								
<i>Reinsurers' share(+)</i>	-								
Change in life assurance provisions for products where policyholders bear investment risk, net of reinsurance (+/-)	(74,650,426)								
<i>Gross amount (-)</i>	(74,650,426)			74,650,426					
<i>Coinsurers' share (+)</i>	-								
<i>Reinsurers' share(+)</i>	-								
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	(204,016,419)								
Acquisition costs	(98,465,368)							(98,465,368)	Acquisition costs
<i>Commission</i>	(46,967,370)								
<i>Other acquisition costs</i>	(57,292,930)								

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

Unconsolidated statement of comprehensive income for year ended 31 December 2015 (continued)

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

Statutory financial statements

		Netting off of premium impairment with gross premium written	Comprising other technical income with other 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/realised gains and losses and income from sale of real estate with net book value of asset sold		
Change in deferred acquisition costs (+/-)	5,794,932								
Administrative expenses	(105,551,051)							(105,551,051)	Administrative expenses
<i>Depreciation of tangible assets</i>	(5,883,813)								
<i>Salaries and taxes and contributions on and from salaries</i>	(34,125,658)								
<i>Other administration costs</i>	(65,541,579)								
Investment expenses	(31,651,262)						5,511,714	(26,139,548)	Financial expenses
Depreciation of investment property	(921,209)								
Interest expense	(11,264,600)								
Impairment loss of investments	(8,895,368)								
Realised loss on disposal of financial investments	(913,180)						913,180		
Adjustment of financial assets at fair value through profit and loss account	(748,124)						748,124		
Net negative foreign exchange differences	(6,377,654)						3,850,409		
Other investment expenses	(2,531,125)								
Other technical expenses, net of reinsurance	(16,538,708)					(7,949,657)		(24,488,365)	Other operating expenses
Prevention expenses	(2,494,561)								
Other technical charges	(14,044,146)								
Other expenses, including impairment losses	(7,949,657)					7,949,657			
Profit or loss for the period before income tax (+/-)	32,827,782							32,827,782	Profit before income tax
Income tax on profit or loss	(7,182,904)							(7,182,904)	Income tax expense
Current tax expense	(9,906,062)								
Deferred tax expense (benefit)	2,723,157								
Profit or loss for the period after income tax (+/-)	25,644,878							25,644,878	Profit for the year
Attributable to owners of the company	-								
Attributable to non-controlling interests	-								
TOTAL INCOME	585,029,956								
TOTAL EXPENSES	(559,385,079)								

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

Unconsolidated statement of comprehensive income for year ended 31 December 2015 (continued)

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

Statutory financial statements

		Netting off of premium impairment with gross premium written	Comprising other technical income with other 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	(18,919,022)							(18,919,022)	Other comprehensive income
Foreign currency translation gains/losses of financial statements of foreign operations	-								
Gains/losses from changes in fair value of available-for-sale financial assets	(23,648,778)							(23,648,778)	Net change in fair value of available-for-sale financial assets
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	4,729,756							4,729,756	Income tax on other comprehensive income
Total comprehensive income	6,725,856							6,725,856	Total comprehensive income for the year
Attributable to owners of the company	-								
Attributable to non-controlling interests	-								
Reclassification adjustments	-								

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

Unconsolidated statement of cash flows for year ended 31 December 2015

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. Depreciation and impairment losses on property and equipment in CF are shown collectively, while in CF HANFA they are presented within Depreciation of real estate and equipment line and Impairment losses and fair value gains/losses line.
3. Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within Other adjustments.
4. Depreciation of small inventory is shown separately in CF, while in CF HANFA is shown within Depreciation of property and equipment.
5. Impairment losses on both financial assets and insurance and other receivables are in CF presented separately while in HANFA CF are presented within Impairment losses and fair value gains/losses.
6. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains/losses while in CF HANFA unrealised gains/losses are presented within Impairment losses and fair value gains/losses and realised gains/losses are presented within Other adjustments.
7. Net foreign exchange losses/gains are presented separately in CF while in HANFA CF are shown within Other adjustments.
8. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA dividend income is presented within Other adjustments and dividend cash receipts within investing activities.
9. Provision for liabilities and charges in CF is shown separately while in CF HANFA is shown within Other adjustments.
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 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.
12. 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
13. 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 Interest received 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 2015 (continued)

14. 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 Interest paid which is shown separately in CF.
15. 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.
16. Purchases of property and equipment in CF do not include small inventory while in HANFA CF do include.
17. Cash and cash equivalents acquired on merger of Wiener nekretnine d.o.o. are shown separately in CF while in HANFA CF are shown within Effect of exchange rate changes on cash and cash equivalents.