UNIQA osiguranje

Annual Report for 2019

Contents

Management Report

Independent auditor's report

To the Shareholder of UNIQA osiguranje d.d.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respect, the financial position of UNIQA osiguranje d.d. (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 15 April 2020.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2019 to 31 December 2019.

PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, Croatia
T: +385 (1) 6328 888, F:+385 (1)6111 556, www.pwc.hr

Our audit approach

Overview

Materiality	• Overall Company materiality: HRK 6.3 million, which represents 1% of gross written premiums.
Key audit matters	• Estimates used in calculation of insurance contract provisions and liability adequacy test (LAT)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	HRK 6.3 million
How we determined it	1 % of gross written premiums
Rationale for the materiality benchmark applied	We chose gross written premiums as the benchmark because it is the benchmark against which the performance of the Company is measured, in terms of its market share.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Estimates used in calculation of insurance contract provisions and liability adequacy test (LAT) Refer to note 11 “Insurance contract provisions”. The Company had insurance contracts provisions of HRK 2.6 billion at 31 December 2019 representing 88% of the Company’s total liabilities. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities, and therefore we considered it a key audit matter for our audit. Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contracts provisions. The complexity of the models may give rise to errors as a result of inadequate or incomplete data or the design or application of the models. Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and cancellation rates are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions. The Company’s IFRS liability adequacy test was performed in order to confirm that insurance contracts provisions were adequate in the context of expected future cash outflows.	We used our own actuarial expert to assist us in performing our audit procedures. In particular, our audit focused on the models considered more complex or requiring significant judgement in the setting of assumptions used in calculation of insurance contracts provisions or performing liability adequacy test. We obtained the understanding of the actuarial process of the Company including management’s determination and approval process for setting of economic and actuarial assumptions. Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied along with comparison to applicable industry experiences. We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards. Furthermore, by performing our recalculations we have determined whether the models and systems were calculating the insurance contracts provisions accurately and completely. We tested the validity of management’s liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The inputs used were reconciled to the accounting records. Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Company and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements.

Reporting on other information including the Management Report

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

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

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 14 June 2013. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 16 May 2019, representing a total period of uninterrupted engagement appointment of seven years.

Forms in accordance with regulatory requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18 and 50/19), ("Ordinance"), the Management Board of the Company prepared forms presented on pages 107 to 121, entitled the Statement of financial position as at 31 December 2019, and the Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the period from 01 January to 31 December 2019, together with information to reconcile the forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union as presented on pages 19 to 106 adjusted for the purposes of the Ordinance.

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

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

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

Management's Responsibility for the Financial Statements

Based on the Accounting Act, the Management Board is required to prepare financial statements for UNIQA osiguranje d.d. (hereinafter: the 'Company') for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the financial position and operating results of the Company for that period.

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

In preparing the 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 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 Company and must also ensure that the financial statements comply with the Accounting Act in force. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements and the Management Report. The Management Report was prepared in line with the requirements of Article 21 of the Accounting Act.

The financial statements of the Company were authorised by the Management Board on 31 March 2020 and submitted to the Supervisory Board for approval.

UNIQA osiguranje d.d.

Saša Krbavac *President of the Management Board*	Tatjana Račić Žlibar *Member of the Management Board*	Luka Matošić *Member of the Management Board*

Digitally signed by: SAŠA KRBAVAC
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Digitally signed by: TATJANA RAČIĆ ŽLIBAR
Date: 15-tra-2020 10:02:25
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Date: 15-tra-2020 10:04:58
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Statement of financial position
As at 31 December 2019

(all amounts are expressed in thousands of HRK)

	Note	31 December 2019	31 December 2018
Assets			
Property and equipment	4	32,009	23,269
Investment property	5	53,458	56,460
Intangible assets:			
- Deferred acquisition costs	6	94,545	63,430
- Other intangible assets		3,811	4,162
Financial assets:			
- Financial assets held to maturity	7	660,737	892,102
- Available-for-sale financial assets	7	1,920,850	1,775,673
- Financial assets at fair value through profit or loss	7	146,795	88,041
- Loans and receivables	7	32,249	43,967
Reinsurers' share in insurance contract provisions	8	314,655	292,494
Current tax assets		3,472	-
Insurance contract and other receivables	9	202,462	185,542
Cash and cash equivalents		87,133	66,756
Total assets		**3,552,176**	**3,491,896**
Liabilities and equity			
Liabilities			
Insurance contract provisions	11	2,628,161	2,604,807
Insurance contract and other payables	12	311,175	318,569
Current tax liability		-	2,155
Deferred tax liability	10	31,780	24,442
Total liabilities		**2,971,116**	**2,949,973**
Capital and reserves			
Share capital	13	62,700	62,700
Legal reserves		2,269	2,269
Other reserves		230,449	230,449
Fair value reserve	13	150,878	125,880
Retained earnings		134,764	120,625
Total capital and reserves		**581,060**	**541,923**
Total liabilities and equity		**3,552,176**	**3,491,896**

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

Statement of comprehensive income
For the year ended 31 December 2019

(all amounts are expressed in thousands of HRK)

	Note	2019	2018
Gross premiums written	14	634,804	582,447
Premiums ceded to reinsurance	14	(144,444)	(146,574)
Net premiums written		**490,360**	**435,873**
Change in provision for unearned premiums	14	(69,959)	(31,170)
Reinsurers' share of change in provision for unearned premiums	14	(493)	1,301
Net earned premium		**419,908**	**406,004**
Investment income	15	140,489	136,356
Investment costs	15	(7,511)	(43,612)
Net investment income		**132,978**	**92,744**
Reinsurance commission		43,589	43,713
Other operating income		4,132	4,726
Net income		**600,607**	**547,187**
Claims incurred	16	(457,545)	(377,657)
Reinsurers' share of claims incurred	16	100,920	77,908
Net claims incurred		**(356,625)**	**(299,749)**
Acquisition costs	17	(120,499)	(110,186)
Administration costs	18	(94,043)	(96,092)
Provisions for legal disputes, net	12	22,105	(3,590)
Other operating expenses		(6,198)	(3,641)
Profit before tax		**45,347**	**33,928**
Income tax	19	(7,500)	(10,220)
Profit for the year		**37,847**	**23,708**
Other comprehensive income			
Items that can be subsequently recognised in profit or loss			
Changes in fair value of available-for-sale financial assets, net of deferred tax		24,998	(33,295)
Comprehensive income		**62,845**	**(9,587)**

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

Statement of changes in equity
For the year ended 31 December 2019

(all amounts are expressed in thousands of HRK)

	Share capital	Legal reserves	Other reserves	Fair value reserve	Retained earnings	Total
Year ended 31 December 2018						
Balance at 1 January 2018	**62,700**	**2,269**	**230,449**	**159,175**	**122,982**	**577,575**
Profit for the year	-	-	-	-	23,708	**23,708**
Other comprehensive income:						
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 13(b))	-	-	-	(40,604)	-	**(40,604)**
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 13(b))	-	-	-	7,309	-	**7,309**
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**(33,295)**	**23,708**	**(9,587)**
Transactions with owner:						
Dividends payment	-	-	-	-	(26,065)	**(26,065)**
Balance at 31 December 2018	**62,700**	**2,269**	**230,449**	**125,880**	**120,625**	**541,923**
Year ended 31 December 2019						
Balance at 1 January 2019	**62,700**	**2,269**	**230,449**	**125,880**	**120,625**	**541,923**
Profit for the year	-	-	-	-	37,847	**37,847**
Other comprehensive income:						
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 13(b))	-	-	-	30,485	-	**30,485**
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 13(b))	-	-	-	(5,487)	-	**(5,487)**
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**24,998**	**37,847**	**62,845**
Transactions with owner:						
Dividends payment	-	-	-	-	(23,708)	**(23,708)**
Balance at 31 December 2019	**62,700**	**2,269**	**230,449**	**150,878**	**134,764**	**581,060**

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

Statement of cash flows
For the year ended 31 December 2019

(all amounts are expressed in thousands of HRK)

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		**45,347**	**33,928**
Adjustments for:			
Depreciation of property and equipment	4	6,917	3,161
Amortisation of other intangible assets		2,272	2,243
Expenses from write-off and sale of tangible and intangible assets		91	238
Investment income	15	(132,978)	(92,744)
Other		(19)	-
Interest expense		299	-
Changes in assets and liabilities:			
Decrease/(increase) in insurance contract and other receivables		(13,757)	(2,094)
Decrease in investments in securities and investment funds		80,206	84,461
Decrease in investments in loans and receivables		12,093	41,890
(Increase)/decrease in insurance contract provisions		23,354	(145,153)
(Increase)/decrease in reinsurers' share of insurance contract provision		(22,161)	177
Increase in deferred acquisition costs		(31,115)	(11,942)
Decrease in insurance contract and other payables and deferred income		(23,406)	(6,047)
Cash flow from operating activities		*(52,857)*	*(91,883)*
Interest received		114,153	132,525
Income tax paid		(11,276)	(7,120)
Net cash used in operating activities		**50,020**	**33,522**
Cash flows from investing activities			
Proceeds from sale of investment property		2,063	1,953
Investments in intangible assets		(2,007)	(1,274)
Investment property		(463)	-
Investments in equipment	4	(772)	(1,907)
Net cash from investing activities		**(1,179)**	**(1,228)**
Cash flows from financing activities			
Lease payments		(4,457)	-
Interest paid on leases		(299)	-
Dividend paid		(23,708)	(26,065)
Net cash inflow from financing activities		**(28,464)**	**(26,065)**
Net increase in cash and cash equivalents		**20,377**	**6,229**
Cash and cash equivalents at beginning of year		**66,756**	**60,527**
Cash and cash equivalents at end of year		**87,133**	**66,756**

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

1. GENERAL INFORMATION

UNIQA osiguranje d.d. (the 'Company') is a public limited liability company incorporated and domiciled in Croatia, Planinska 13a, Zagreb.

The Company is a composite insurer offering life and non-life insurance products in Croatia, regulated by the Croatian Financial Services Supervision Agency ('HANFA'), and provides cross-border insurance services in the Republic of Slovenia.

The sole shareholder of the Company with 100% of voting rights (2018: 100% of voting rights) is UNIQA International AG, Vienna. The ultimate parent company is UNIQA Insurance Group AG, Vienna, which is a public limited liability company, incorporated and domiciled in the Republic of Austria.

Management Board of the Company

Saša Krbavac – President of the Management Board
Tatjana Račić Žlibar – Member of the Management Board
Luka Matošić – Member of the Management Board

2. BASIS OF PREPARATION

Statement of compliance

UNIQA osiguranje d.d. prepares its financial statements in accordance with the Insurance Act (OG 30/15 and 112/18) and the Accounting Act (OG 78/15, 134/15, 120/16 and 116/18).
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Functional and presentation currency

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

Basis of measurement

These financial statements are prepared on the historical or amortised cost basis, except for financial assets available for sale, at fair value through profit or loss, and investment property which are stated at their fair value. Other financial assets and liabilities, and non-monetary assets and liabilities, are stated at amortised or historical cost, less impairment, where appropriate.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2. BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (Croatian kuna) at the middle exchange rate of the Croatian National Bank prevailing 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 middle exchange rate of the Croatian National Bank prevailing at that date. The foreign currency gains or losses on monetary items represent the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising from translation are recognised in profit or loss, except for equity instruments classified as financial asset available for sale.

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between foreign exchange differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Foreign exchange differences on changes in amortised cost are recognised in profit or loss, as part of the investment income or costs. Foreign exchange 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.

The most significant currency in which the Company holds assets and liabilities is the euro. The EUR exchange rate used for translation as at 31 December 2019 was EUR 1 = HRK 7.442580 (2018: EUR 1 = HRK 7.417575).

New and amended standards adopted by the Company

As of 1 January 2019, the Company has adopted IFRS 16 Leases, which led to changes in accounting policies and to the reconciliation of amounts recognised in the financial statements.

IFRS16 was first issued in January 2016.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee recognising the right to use an asset at the commencement date of the lease, and if lease payments are made over time, also recognising financing. Lessees will be required to recognise:

(a) assets and liabilities for all leases with a lease term of more than 12 months, unless the underlying asset is of low value and

(b) depreciation of right-of-use assets separately from interest on lease liabilities in profit or loss.

In accordance with the transitional provisions of IFRS 16, the Company decided to implement the new standard retrospectively with the cumulative effect of initial application recognised as at the date of initial application of IFRS16, i.e. 1 January 2019 with the corresponding effects recorded in equity (retained earnings). This means that the data presented for 2018 and 2019 is not comparable.

(all amounts are expressed in thousands of HRK)

2. BASIS OF PREPARATION (CONTINUED)

For all leases, except for short-term leases and leases of low-value assets other than those which are subleased, previously classified as operating leases:

- as at 1 January 2019 the Company has recognised a lease liability measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2019,
- for all leases the Company has elected to recognise a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

In applying IFRS 16, the Company elected the following practical expedients:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- accounting for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- accounting for leases with the value of the underlying asset being less than EUR 5,000 as at 1 January 2019 (translated into HRK at the mid exchange rate of the Croatian National Bank as at 1 January 2019) as low-value leases.

The explanation of the difference between operating lease commitments disclosed as at 31 December 2018 when applying IAS 17 to the lease liabilities recognised as at 1 January 2019 is presented in the table below:

	1 January 2019
Operating lease commitments as at 31/12/2018 under IAS17 (non-cancellable leases under IAS 17)	-
Leases previously not included (cancellable leases under IAS 17))	17,364
Excluded short-term leases	(115)
Excluded low value assets	(1,630)
Effect of discounting using the incremental borrowing rate at 1/1/2019	(691)
Lease liability as at 1/1/2019	14,928
Short-term portion	4,515
Long-term portion	10,413

The weighted average incremental borrowing rate applied to measure lease liabilities is 2.46% for property and vehicles.

Standards and interpretations not yet adopted

Certain new standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2022. In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 17 application for the periods beginning on 1 January 2023. This change is expected to be announced in the second quarter of 2020.)

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. The Standard requires a current measurement model, where estimates are remeasured in each reporting period.

2. BASIS OF PREPARATION (CONTINUED)

The contracts are measured by using the following parameters:

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

According to the Standard, one may choose where to present the change in the discount rates - either in profit or loss or directly in other comprehensive income. The final choice is likely to reflect the manner in which insurers disclose their financial assets in accordance with IFRS 9.

An alternative, simplified approach to premium allocation is permitted for the liability for remaining coverage for insurance contracts with short-term coverage, frequently drawn up by non-life insurers.

There is an amendment to the general measurement model called "access to variable fee approach" for certain contracts drawn up by life insurers where the policyholders have a share of returns on the underlying items When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the results of the insurers using this model will likely be less unstable than with the general model.

In 2019, the Company embarked on a comprehensive and complex project to introduce IFRS 17 regulation into its operations. The project will last for a minimum of two years and in 2019 the Company mostly dealt with organising the project itself. The project was divided into six main units (project management, actuarial part, accounting part, IFRS 9, IT and project reporting). In each of these units, the Company and the Group have made significant progress in the preparation and implementation of IFRS 17 regulations. In addition, the Company and the Group have created a risk matrix that is regularly updated and evaluated. Organisational preparations have been made to bring these regulations into effect (SAP implementation, IT solutions, various IT upgrades etc.). Due to the size and complexity of the project, it will continue at full intensity throughout 2020.

The Company plans to adopt this standard on its effective date.

- *IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018).* For insurance companies, the adoption of this standard is deferred until 1 January 2022 when the adoption of the new insurance standard is expected. *(In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 9 application for the periods beginning on 1 January 2023 in order to be applied together with IFRS 17. This change is expected to be announced in the second quarter of 2020.)*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new model for impairment of financial assets.

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

3. ACCOUNTING POLICIES

3.1. Property and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

Depreciation of assets is recognised in profit or loss on a straight-line basis to allocate their cost to their residual values over the estimated useful lives of each item of equipment. Assets not put into use are not depreciated. The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated selling expenses, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements	4 - 10 years
Motor vehicles	3 - 4 years
Computers	3 - 5 years
Furniture and equipment	3 - 10 years

3. ACCOUNTING POLICIES (continued)

3.1. Property and equipment (continued)

Depreciation 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 of the related asset and are included in the income statement.

The accounting policies for right-of-use assets disclosed within property and equipment are set out in Note 3.9.

3.2. Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property comprises land and buildings and is carried at fair value denominated in HRK in accordance with the estimate. Fair value estimates are based on valuations performed periodically by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g. due to the inability to access property which is not owned), the fair value stated in the value information provided by the independent valuation expert is also applied for valuation purposes. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair value are recorded in the statement of comprehensive income.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably.

Investment property is initially carried at cost. An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Investment property is reclassified to property and equipment when the Company begins to use it for its own purposes. The acquisition cost for further accounting purposes is the fair value expressed in HRK in accordance with the latest valuation made by a certified valuation expert.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of property and equipment. However, if fair value gains reverse a previous impairment loss, these gains are recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recognised in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

3. ACCOUNTING POLICIES (continued)

3.3. Intangible assets

Deferred acquisition costs – insurance contracts

Acquisition costs comprise direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of existing contracts. Deferred acquisition costs for non-life insurances comprise charged commissions incurred in concluding insurance policies during an accounting period but which relate to a subsequent accounting period. General selling expenses, other variable underwriting and policy issue costs and line of business costs are not deferred.

For non-life insurance business, the deferred acquisition costs at the reporting date have been calculated individually for each policy active at the reporting date by deferring the total charged commission using the pro-rata temporis method, adjusted, if appropriate, for specific risk distributions over the period covered by the contract.

For life assurance business, deferred acquisition costs are taken into account in calculating life assurance provisions by means of Zillmerisation. As such, deferred acquisition costs for life assurances are not recognised at the reporting date as a separate item of assets.

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

Other intangible assets

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

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 is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life of software is 5 - 10 years. Useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the net carrying amount of assets and are included in profit or loss for the period.

3. ACCOUNTING POLICIES (continued)

3. 4. Financial instruments

Classification and recognition

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

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

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities which are classified as held for trading, as well as the financial assets and liabilities which the Company initially designated as at fair value through profit or loss. Financial derivatives are classified as held for trading. The Company does not apply hedge accounting. Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

The Company designates financial assets and liabilities at fair value through profit or loss when either:

- the assets and 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 or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable arise when the Company provides money to a debtor with no intention of trading with the receivable and include deposits with banks and loans based on life policy surrender values.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Any sale or reclassification of a significant amount of held-to-maturity investments, provided that it occurs prior to their maturity, their amounts are not insignificant or the instrument is not close to its maturity or there is a public call for sale of financial assets, would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

3. ACCOUNTING POLICIES (continued)

3. 4. Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets designated as available for sale are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or equity prices.

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss.

Recognition and derecognition

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

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

The Company 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 change, the Company will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

Initial and subsequent measurement

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. Fair value is defined as 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.

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

3. ACCOUNTING POLICIES (continued)

3. 4. Financial instruments (continued)

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method realised at each initial individual investment, less impairment losses.

Financial liabilities not designated at fair value through profit or loss are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses

Gains and losses arising from a change in the fair value of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

Gains and losses from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and are disclosed in the statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. Foreign exchange differences on revaluation of non-monetary financial assets (e.g. equity instruments or investment funds) denominated in or linked to foreign currency classified as available for sale are recognised in the statement of financial position.

Dividend income is recognised in profit or loss.

Upon sale or other derecognition of available-for-sale financial assets, any cumulative gains or losses are transferred from the statement of financial position to profit or loss.

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

Fair value measurement principles

The Company adopts prices from the Bloomberg Generic Network (BGN) and Bloomberg Valuation Service (BVAL) by the SimCorp Dimension accounting software, which is automatically linked to the Bloomberg Information and Financial Service.

The Bloomberg Generic Network (BGN) provides market consensus prices for state and corporate bonds that are determined based on market prices collected from different sources, taking into account the reliability of each individual source.

The Bloomberg Valuation Service (BVAL) provides estimates of fair prices for debt securities based on market data.

3. ACCOUNTING POLICIES (continued)

3. 4. Financial instruments (continued)

The criteria of determining the active and inactive market refer to equity and debt securities, which are categorised as assets at fair value through profit or loss or available-for-sale financial assets.

The market for a particular equity security is regarded as active if its prices are readily and regularly available in a regulated market and those prices represent actual and regularly occurring market transactions on an arm's length basis, within fifteen (15) days from the date of valuation of the financial instrument.

If the price of the security has been available in a regulated market for a period exceeding fifteen (15) days and if it represents an actual and regular transaction on an arm's length basis, the market is considered to be inactive.

The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive.

For debt securities that are actively traded on regulated markets, fair value is defined on the basis of the latest consensus price available at the financial information service for the valuation date of the security. The source of the latest consensus price is the Bloomberg Generic Network (BGN).

Debt securities that are not quoted in an active market are valued according to the following price hierarchy:
a) Bloomberg Valuation Service (BVAL)
b) The price obtained by estimation techniques.

For equity securities that are actively traded on a regulated market, fair value is defined based on the last bid price realised on the stock exchange of the issuer or the stock exchange defined as the primary source of pricing, i.e. source of the security, and the price is officially quoted at the financial information service.

For equity securities whose price is not quoted in an active market the Company establishes fair value by using valuation techniques. Valuation techniques include the use of prices achieved in comparable and recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimate and the discount rate is a market rate related to the date of the statement of financial position for a financial instrument with similar terms and conditions. Where a pricing model is used, inputs are based on market related measures at the date of the statement of financial position.

3. ACCOUNTING POLICIES (continued)

3. 4. Financial instruments (continued)

If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially quoted at the financial information service, that is the price published for a particular fund by the management company that manages the particular fund.

The fair value of derivative instruments that are not traded in an active market is estimated based on the value of proceeds or expenditures that the Company would have if it would terminate the contract at the date of the statement of financial position, taking into account current market assessments and the credit worthiness of the other contracting party.

3.5. Impairment of financial assets

Financial assets carried at amortised cost

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management’s judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets’ original effective interest rate. Losses are recognised through profit or loss and reflected in impairment provisions for loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

3. ACCOUNTING POLICIES (continued)

3.5. Impairment of financial assets (continued)

Available-for-sale financial assets

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between its cost and current fair value – is removed from the statement of financial position and recognised in profit or loss.

Impairment losses on equity instruments recognised in profit or loss are not subsequently reversed in profit or loss.

The impairment loss is reversed through profit or loss, 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.

3.6. Impairment of non-financial assets

The net carrying amounts of the Company's assets, other than deferred acquisition costs, financial assets and deferred tax assets, are reviewed at the date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each date of the statement of financial position. An impairment loss is recognised if the net carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses are recognised in profit or loss. 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 date of the statement of financial position 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 accumulated depreciation or amortisation, if no impairment loss had been recognised.

3. ACCOUNTING POLICIES (continued)

3.7. Specific instruments

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate.

All derivatives are carried as assets when their fair value is positive and as liabilities when negative. Changes in the fair value of derivatives are included in the statement of comprehensive income.

The Company does not hold or issue derivative financial instruments for trading purposes.

Debt securities

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

Bank deposits

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

Equity securities

Equity securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

Loans to policyholders

Loans to policyholders are classified as loans and receivables and are carried at amortised cost using the effective interest method net of impairment losses.

Structured securities

Structured securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

Investments in investment funds

Investments in open and close ended funds are classified as equity instruments in financial assets available for sale or at fair value through profit or loss and are carried at fair value. If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially published for a particular fund by the management company that manages the particular fund.

3. ACCOUNTING POLICIES (continued)

3.7. Specific instruments (continued)

Investments held on account and at risk of life assurance policyholders

Investments held on account and at risk of *unit-linked* life assurance policyholders are classified as financial assets at fair value through profit or loss and are carried at fair value; they comprise policyholders' investments linked to the value of the investment fund share ('unit-linked'), i.e. structured products (index-linked).

Trade and other receivables
Trade and other receivables are carried at amortised cost using the effective interest method, less impairment.

Trade and other payables
Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest method.

3.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.9. Leases – applicable as of 1 January 2019

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The right-of-use assets are presented in the statement of financial position together with property and equipment, except for right-of-use assets that meet the definition of investment property which is presented in the statement of financial position in a separate line item – investment property.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company's incremental borrowing rate.

3. ACCOUNTING POLICIES (continued)

3.9. Leases – applicable as of 1 January 2019 (continued)

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of the liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation periods for right-of-use for assets are as follows:

• right of use for office building	5 years
• right of use for vehicles	4 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low-value assets, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less.

Leases – applicable before 1 January 2019

Leases where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. The Company does not use finance leases. Other leases are operating leases (where the Company is the lessee) where leased assets are not recognised in the Company's statement of financial position. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

3.10. Cash and cash equivalents

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

3. ACCOUNTING POLICIES (continued)

3.11. Staff costs

Pension obligations and post-employment benefits

The Company pays mandatory pension funds contributions on the basis of contracts. In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Short-term employee benefits

The Company recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company recognises liabilities for accumulated compensated absences based on unused vacation days at the reporting date.

3.12. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse or are settled, based on laws that have been enacted or substantively enacted by the date of the statement of financial position.

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.

3.13. Provisions

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

3.14. Discretionary bonus provision

Policyholders or beneficiaries of endowment policies are entitled to a discretionary share in the profits of the Company realised through the management of life assurance funds. Such entitlements are presented within the discretionary bonus provision and are recorded as part of mathematical provisions.

3. ACCOUNTING POLICIES (continued)

3.15. Capital and reserves

Share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in HRK.

Dividends

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

Legal and other reserves

Legal and other reserves represent cumulative transfers from retained earnings from previous years and are formed in accordance with the provisions of effective laws. Legal and other reserves can be used for covering prior period losses, if they are not covered by profit in the current period or if other reserves are not available.

Other reserves

Other reserves are formed and used by the decision of the General Assembly and can be used for capital contributions, payment of dividends, covering of losses or for other purposes.

Fair value reserve

Revaluation reserves represent 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 and accumulated loss

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. Loss for the current year is covered from the Company's reserves or by capital contribution.

3.16. Income

Investment income

Interest income is recognised in profit or loss for all interest-bearing financial instruments measured at amortised cost and for debt securities classified as available for sale, using the effective interest method, i.e. the interest rate that discounts expected future cash flows to the net present value over the period of the related contract or currently effective variable interest rate.

Interest income from monetary assets at fair value through profit or loss, is recognised as interest income at the coupon interest rate.

Investment income also includes net foreign exchange gains resulting from translation of monetary assets and liabilities using the exchange rate at the reporting date, dividends, net gains from change in fair value of financial assets classified as at fair value through profit or loss and realised net gains at derecognition of available-for-sale financial assets.

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

3. ACCOUNTING POLICIES (continued)

3.16. Income (continued)

Fee and commission income

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

Operating leases

Income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

3.17. Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, commission and other direct costs incurred at the conclusion of insurance contracts.

Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related revenue recognition criteria.

Administration costs

Administration costs include personnel expenses, depreciation of equipment and amortisation of other intangible assets, marketing and advertising expenses and other administration costs. Other costs consist mainly of costs of premium collection, policy termination costs and portfolio management costs.

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease benefits are recognised in the statement of comprehensive income as part of the total lease expense.

Investment expenses

Financial expenses include interest expenses recognised using the effective interest rate method and the net foreign exchange losses resulting from translating monetary assets and liabilities using the exchange rate at the reporting date. Financial expenses also include net losses from changes in fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale.

3. ACCOUNTING POLICIES (continued)

3.18. Classification of contracts

Contracts under which the Company accepts a 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 variables: 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.

As a general guideline, the Company defines as significant insurance risk the possibility of having to pay compensation on the occurrence of an insured event that is at least 5% more than the compensation payable if the insured event did not occur. Contracts where the transfer of insurance risk to the Company from the policyholder is not significant are classified as 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, whose amount or timing is at the discretion of the insurer and that are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract; or
- realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or
- the profit or loss of the insurer.

The discretionary element of those contracts is accounted for as a discretionary bonus provision and is recorded within the mathematical provision.

3.19. Premiums

Gross non-life premiums written comprise the premiums on contracts entered into during the current accounting period with a maturity of up to one year, irrespective of whether they relate in whole or in part to a later accounting period. The limitation of the period to one year does not relate to insurance premiums contracted for a period exceeding one year due to its risk characteristics, for example, insurance of buildings under construction, facilities being assembled, credit insurance, etc. regardless of whether the premium has been fully paid, and to insurance premiums contracted for a period exceeding one year where the premium has been fully paid as a lump sum at the inception of insurance. Premiums include commissions payable to intermediaries and exclude taxes and contributions 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 provisions for premiums due from policyholders.

3. ACCOUNTING POLICIES (continued)

3.19. Premiums (continued)

The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. The Company cancels life assurance policies for which premiums from policyholders are not paid 90 days upon maturity and which do not satisfy the criteria for capitalisation. During both mentioned periods, the Company undertakes all available means to collect the respective amounts. Amounts that are not written off and not collected from non-life insurance policyholders with defaults in payment of more than 180 days are wholly impaired (100%). The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of the risk occurrence during the insurance period, based on the assumption of risk patterns. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The reinsurance premium calculation is based on reinsurance contracts.

In accordance with the exemption afforded by IFRS 4, and in line with the effective regulations, premiums in respect of the life assurance business continue to be accounted for on a cash receipts basis.

3.20. Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which are expected to be collected in subsequent accounting periods and are calculated using the “pro-rata temporis” method, adjusted if necessary, to reflect any specific distributions of risk during the period covered by the contract.

The unearned premium provision is calculated in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the Croatian Financial Services Supervisory Agency (HANFA). Unearned premiums in respect of life assurance and life riders for which a mathematical provision is calculated is included within the mathematical provision. Unearned premiums of life riders for which a mathematical provision is not calculated are recorded in the provision for unearned premiums and accounted for in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). If, due to the nature of risks, methods from the Minimum standards, methods of calculating and guidelines for calculating the unearned premium provision are not appropriate, the appointed certified actuary defines the calculation method and describes and explains it in the annual Opinion of the appointed certified actuary on the calculation of the technical provision. The reinsurers’ share in the provisions for unearned premiums is calculated according to reinsurance contracts.

3.21. Unexpired risk provision

A provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition costs and administration costs likely to arise after the end of the accounting period) attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premiums in relation to such policies after the deduction of deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, before taking into account relevant investment returns.

3. ACCOUNTING POLICIES (continued)

3.22. Mathematical provision

The mathematical provision is established in the amount of the present value of estimated future liabilities of the insurance company based on concluded life assurance contracts less the present value of future premiums that will be received based on these insurance contracts. The mathematical provision is calculated separately for each policy active at the date of the calculation and each cancelled policy that is eligible for reactivation in accordance with the technical insurance basics and the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). The mathematical provision also takes into account the allocated profit. In basic life insurances, it is allowed to decrease the mathematical provision by unamortised actual acquisition costs of insurance – zillmerisation. The maximum allowed zillmerisation rate in the Republic of Croatia is 3.5%. In tariffs where the actual acquisition costs are higher than 3.5% for zillmerisation, the maximum allowed rate is used. A liability adequacy test (LAT) is performed quarterly by the Company in order to verify whether the established mathematical provision is sufficient for covering corresponding insurance liabilities. In case of a negative test result, the mathematical provision is increased by the indicated amount and recorded in the statement of comprehensive income.

3.23. Claims

Total claims incurred in a financial period consist of claims settled net of recourses and claims handling costs paid during the accounting period together with the movement in the provision for incurred claims.

Settled claims
Settled claims are recorded in the moment of settling the claim and are recognised (determined) as the amount to be paid to settle the claim plus claims handling expenses. Recovered claims recoverable from third parties are deducted from settled claims (recourses).
The reinsurers' share in claims settled for reinsured policies is calculated on the basis of gross claims settled under these policies in accordance with the terms and conditions of the reinsurance contracts.

Claims provision
Claims provisions represent the estimated final cost of settling all claims, including direct and indirect settlement costs, arising from events occurred until the date of the statement of financial position. These provisions include the provision for reported but not settled claims, provision for incurred but not reported claims and the provision for claims handling costs. Claims provisions are formed in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA).

Claims provisions are assessed by reviewing individual reported claims and making provisions for claims incurred but not reported, taking into account 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. The reinsurers' share in the claims provision is calculated on the basis of gross claims provisions in accordance with the terms and conditions of the reinsurance contracts.

3. ACCOUNTING POLICIES (continued)

3.23. Claims (continued)

Whilst the Management Board of the Company considers that the gross claims provisions and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them and relevant events, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts of provisions.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.

The methods used, and the estimates made, are reviewed regularly.

3.24. Special provision for unit-linked life assurance products

A special provision for unit-linked life assurance products is recorded at fair value of the underlying investment.

3.25. Reinsurance

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

Premiums ceded and recoverable amounts are presented separately in the Company's statement of comprehensive income and the statement of financial position on the gross basis.

Receivables under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance) are accounted for as deposits.

Reinsurance assets include receivables due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims provisions or provisions for settled claims associated with the reinsured policy.

Reinsurance assets comprise the actual or estimated amounts, which, under reinsurance contracts, are recoverable from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company forms provisions for estimated uncollectible assets from reinsurance, if required.

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.

The calculation of the reinsurers' share in the mathematical provisions calculated in accordance with terms and conditions of reinsurance contracts.

3. ACCOUNTING POLICIES (continued)

3.25. 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 deferred in line with the provisions of reinsurance contracts, in a manner consistent with the deferral of acquisition costs in non-life insurance.

3.26. Liability adequacy test

Insurance contracts are tested for liability adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. In case of liability inadequacy, an additional provision is made and the Company recognises the loss in the statement of comprehensive income. Estimations of future cash flows are based on actuarial presumptions taking into account experience of claims occurrence, latest demographic tables, aspects of mortality, morbidity, return on investments, costs and inflation.

(all amounts are expressed in thousands of HRK)

4. PROPERTY AND EQUIPMENT

			Right-of-use assets		
	Land and buildings	**Equipment and other assets**	**Land and buildings**	**Vehicles**	**Total**
At 1 January 2018	**27,429**	**6,054**	**-**	**-**	**33,483**
Disposals	-	(40)	-	-	(40)
Write-off and impairment	(194)	(4)	-	-	(198)
Depreciation	(783)	(2,378)	-	-	(3,161)
Additions	-	1,907	-	-	1,907
Transfer to investment property (Note 5)	(8,722)	-	-	-	(8,722)
At 31 December 2018	**17,730**	**5,539**	**-**	**-**	**23,269**
Cost	26,616	36,559	-	-	63,175
Accumulated depreciation	(8,886)	(31,020)	-	-	(39,906)
Net book amount	**17,730**	**5,539**	**-**	**-**	**23,269**
At 1 January 2019	**17,730**	**5,539**	**-**	**-**	**23,269**
Effect of IFRS 16 adoption	-	-	13,530	1,398	14,928
New lease agreements	-	-	269	186	455
Termination of agreements	-	-	(782)	-	(782)
Other movements	-	19	270	-	289
Write-off and impairment	-	(5)	-	-	(5)
Depreciation	(491)	(1,890)	(4,065)	(471)	(6,917)
Additions	-	772	-	-	772
At 31 December 2019	**17,239**	**4,435**	**9,222**	**1,113**	**32,009**
Cost	26,616	33,393	13,287	1,584	74,880
Accumulated depreciation	(9,377)	(28,958)	(4,065)	(471)	(42,871)
Net book amount	**17,239**	**4,435**	**9,222**	**1,113**	**32,009**

The item land and buildings includes land that is not depreciated, with the total value of HRK 436 thousand as at 31 December 2019 (2018: HRK 436 thousand).

As at 31 December 2019 and 2018, the Company did not have land and buildings pledged as collateral for the Company's liabilities.

The depreciation charge for the period is recognised under "Administration costs" in the statement of comprehensive income (Note 18).

(all amounts are expressed in thousands of HRK)

5. INVESTMENT PROPERTY

	2019	2018
At 1 January	**56,460**	**50,845**
Disposals	(1,902)	(1,954)
Additions	463	-
Reversal of impairment (Note 15)	349	-
Change in fair value (Note 15)	(1,912)	(1,153)
Transfer from property and equipment (Note 4)	-	8,722
At 31 December	**53,458**	**56,460**

Land and buildings included in this category have been acquired for investment purposes. Any income arising from this investment is primarily the fair value gain expected as a result of market appreciation in value and is included in net investment income. Fair value losses are included in investment costs. As a rule, land and buildings are annually (at least once every five years) and independently valued and their carrying value is reconciled with the fair value of land and buildings, calculated by certified court valuators using the comparable method and/or income approach as the methods for property valuation. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g. due to the inability to access property which is not owned), the fair value amount stated in the value information provided by the independent valuation expert is also applied for valuation purposes.

Rental income is included in the investment income and amounts to HRK 2,844 thousand (2018: HRK 2,899 thousand). Property management expenses are included in investment costs, and amount to HRK 699 thousand (2018: HRK 801 thousand) (Note 15). Expenses (including repairs and maintenance, security, etc.) arising from investment property that generated income during the period amount to HRK 570 thousand (2018: HRK 409 thousand), and expenses arising from investment property that did not generate income amount to HRK 129 thousand (2018: HRK 392 thousand).

As at 31 December 2019, one of the Company's properties has been pledged as collateral with a carrying value of HRK 209 thousand.

6. DEFERRED ACQUISITION COSTS

As part of the Company's insurance business, certain acquisition costs are deferred. For life assurance business, deferred acquisition costs are taken into account in calculating mathematical provisions by means of Zillmersation. As such, deferred acquisition costs for life assurances are not recognised at the reporting date as a separate item of assets.

	2019	2018
At 1 January	**63,430**	**51,488**
Increase (Note 17)	93,457	65,036
Decrease (Note 17)	(62,342)	(53,094)
As at 31 December	**94,545**	**63,430**

(all amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS

2019	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
Debt securities – fixed rate, listed					
Government bonds	645,752	1,471,763	-	-	2,117,515
Corporate bonds	-	187,250	-	-	187,250
Accrued interest	14,985	27,291	-	-	42,276
Total debt securities	**660,737**	**1,686,304**	**-**	**-**	**2,347,041**
Investment funds					
Mixed funds	-	-	2,848	-	2,848
Bond funds	-	186,343	6,220	-	192,563
Equity funds	-	32,727	76,576	-	109,303
Alternative funds	-	4,004	1,616	-	5,620
Total investment funds	**-**	**223,074**	**87,260**	**-**	**310,334**
Other					
Structured product	-	11,472	59,535	-	71,007
Other	**-**	**11,472**	**59,535**	**-**	**71,007**
Deposits					
Bank deposits	-	-	-	20,000	20,000
Accrued interest	-	-	-	3	3
Total deposits	**-**	**-**	**-**	**20,003**	**20,003**
Loans					
Loans based on life policy surrender values	-	-	-	10,266	10,266
Mortgage loans	-	-	-	574	574
Other loans	-	-	-	1,355	1,355
Accrued interest	-	-	-	51	51
Total loans	**-**	**-**	**-**	**12,246**	**12,246**
Total	**660,737**	**1,920,850**	**146,795**	**32,249**	**2,760,631**

(all amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS (continued)

2018	**Held to maturity**	**Available for sale**	**At fair value through profit or loss**	**Loans and receivables**	**Total**
Debt securities – fixed rate, listed					
Government bonds	876,023	1,470,483	-	-	2,346,506
Corporate bonds	-	75,927	-	-	75,927
Accrued interest	16,079	26,233	-	-	42,312
Total debt securities	**892,102**	**1,572,643**	**-**	**-**	**2,464,745**
Investment funds					
Mixed funds	-	-	306	-	306
Bond funds	-	142,469	5,748	-	148,217
Equity funds	-	39,691	54,176	-	93,867
Alternative funds	-	3,892	1,701	-	5,593
Total investment funds	**-**	**186,052**	**61,931**	**-**	**247,983**
Other					
Structured product	-	16,978	26,110	-	43,088
Other	**-**	**16,978**	**26,110**	**-**	**43,088**
Deposits					
Bank deposits	-	-	-	29,055	29,055
Accrued interest	-	-	-	139	139
Total deposits	**-**	**-**	**-**	**29,194**	**29,194**
Loans					
Loans based on life policy surrender values	-	-	-	12,770	12,770
Mortgage loans	-	-	-	664	664
Other loans	-	-	-	1,281	1,281
Accrued interest	-	-	-	58	58
Total loans	**-**	**-**	**-**	**14,773**	**14,773**
Total	**892,102**	**1,775,673**	**88,041**	**43,967**	**2,799,783**

(all amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS (continued)

The fair value disclosure and information on credit quality is set out in Note 22.

Financial assets at fair value through profit or loss are designated at fair value at initial recognition because they are managed, evaluated and reported internally on a fair value basis.

Analysis of loans

	2019	2018
Loans based on life policy surrender values		
- Gross	10,335	12,842
- Impairment provisions	(69)	(72)
Total loans based on life policy surrender values	**10,266**	**12,770**
Loans secured by mortgage or bank guarantee		
- Gross	6,665	6,981
- Impairment provisions	(6,091)	(6,317)
Total loans secured by mortgage or bank guarantee	**574**	**664**
Other loans		
- Gross	1,634	1,589
- Impairment provisions	(279)	(308)
Total other loans	**1,355**	**1,281**
Accrued interest	51	58
Total	**12,246**	**14,773**

Movement in impairment of loans

	Loans based on life policy surrender values	Loans secured by mortgage or bank guarantee	Other loans	Total
At 1 January 2018	**(6,116)**	**(8,813)**	**(308)**	**(15,237)**
Collection of impaired loans	2,212	2,167	-	4,379
Write-off	3,832	329	-	4,161
At 31 December 2018	**(72)**	**(6,317)**	**(308)**	**(6,697)**
At 1 January 2019	**(72)**	**(6,317)**	**(308)**	**(6,697)**
Collection of impaired loans	-	226	29	255
Write-off	3	-	-	3
At 31 December 2019	**(69)**	**(6,091)**	**(279)**	**(6,439)**

(all amounts are expressed in thousands of HRK)

8. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	2019	2018
Non-life insurance		
Reinsurers' share in unearned premium	65,919	66,428
Reinsurers' share in provisions for RBNS claims	88,522	64,395
Reinsurers' share in provisions for IBNR claims	63,366	66,152
Reinsurers' share in provision for bonuses and discounts	153	121
	217,960	**197,096**
Life assurance		
Reinsurers' share in unearned premium	199	184
Reinsurers' share in provisions for RBNS claims	166	218
Reinsurers' share in provisions for IBNR claims	4	10
Reinsurers' share in life assurance mathematical provision	96,326	94,986
	96,695	**95,398**
	314,655	**292,494**

The reinsurers' share in technical provisions represents expected future claims that will be charged to the Company's reinsurers and the reinsurers' share in unearned premiums, the mathematical provision and the provision for bonuses and discounts.

9. INSURANCE CONTRACT AND OTHER RECEIVABLES

	2019	2018
Receivables from policyholders, gross	122,747	113,649
- from impairment	(23,251)	(25,671)
Receivables from policyholders, net	99,496	87,978
Receivables from reinsurance		
- from claims recoveries	42,571	44,816
- from reinsurance commission	22,956	21,750
Receivables from reinsurance for share in profit	763	455
Receivables from reinsurance for participation in impairment and guarantee fund provision	5,573	5,506
Credit card receivables	10,315	9,585
Receivables for service claims	6,091	5,995
Other receivables	15,267	8,335
- from impairment	(5,595)	(5,799)
Prepaid expenses	5,025	6,921
	202,462	**185,542**

(all amounts are expressed in thousands of HRK)

9. INSURANCE CONTRACT AND OTHER RECEIVABLES (continued)

The movement in impairment provisions during the year was as follows:

	Premium	Other	Total
At 1 January 2018	**(29,886)**	**(6,721)**	**(36,607)**
Decrease in impairment provisions	4,214	923	5,137
At 31 December 2018	**(25,672)**	**(5,798)**	**(31,470)**
At 1 January 2019	**(25,672)**	**(5,798)**	**(31,470)**
Decrease in impairment provisions	2,421	203	2,624
At 31 December 2019	**(23,251)**	**(5,595)**	**(28,846)**

The analysis of the credit quality of insurance contract receivables at the date of the statement of financial position is as follows:

	2019	2018
Neither past due nor impaired	71,885	59,026
Past due but not impaired	27,611	28,952
Impaired	23,251	25,671
Impairment provision	(23,251)	(25,671)
	99,496	**87,978**

The ageing analysis of receivables past due but not impaired at the reporting date is as follows:

	2019	2018
Less than 30 days	16,641	14,956
30 to 180 days	10,970	13,996
	27,611	**28,952**

Impairment losses from receivables from policyholders are deducted from gross premium written. The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. Unpaid premiums from life assurance policyholders overdue more than 90 days which do not satisfy the criteria for capitalisation, are cancelled. During both mentioned periods, the Company undertakes all available means to collect the respective amounts.

Amounts that are not written off and not collected from non-life assurance policyholders with defaults in payment of more than 180 days, are wholly impaired (100%).

(all amounts are expressed in thousands of HRK)

10. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax (liabilities) / assets are as follows:

	2019	2018
Deferred tax (liabilities) /assets		
Available-for-sale financial assets	(33,120)	(27,633)
Effect of temporarily non-deductible expenses	1,340	3,191
	(31,780)	**(24,442)**

Movement in temporary differences and components of deferred tax (liabilities) / assets recognised in the statement of comprehensive income and in equity:

	Available-for-sale financial assets	Temporarily non-deductible expenses	Deferred tax assets / (liabilities)
At 1 January 2018	**(34,941)**	**2,889**	**(32,052)**
Increase in deferred tax liability recognised in other comprehensive income	7,308	-	7,308
Increase in deferred tax assets recognised in profit or loss	-	302	302
At 31 December 2018	**(27,633)**	**3,191**	**(24,442)**
Increase in deferred tax liability recognised in other comprehensive income	(5,487)	-	(5,487)
Increase in deferred tax assets recognised in profit or loss	-	(1,851)	(1,851)
At 31 December 2019	**(33,120)**	**1,340**	**(31,780)**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACT PROVISIONS

	2019	2018
Non-life insurance (gross)		
Provision for unearned premiums	335,227	264,797
Provision for reported but not settled claims (RBNS)	181,912	154,409
Provision for incurred but not reported claims (IBNR)	202,660	211,793
Provision for bonuses and discounts	1,425	2,786
	721,224	**633,785**
Life assurance (gross)		
Provision for unearned premiums	2,753	3,224
Mathematical life insurance provision	1,708,966	1,865,223
Provision for reported but not settled claims (RBNS)	50,556	14,578
Provision for incurred but not reported claims (IBNR)	6,785	6,740
Provisions for unit-linked products	137,877	81,257
	1,906,937	**1,971,022**
	2,628,161	**2,604,807**

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

Non-life insurance

A provision is made at the date of the statement of financial position for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the amounts of similar claims. Each claim is reviewed regularly and the relevant provision is regularly updated as and when new information arises. The reinsurers' share is determined by individual calculations based on reinsurance contracts effective at the time 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 actuaries using statistical techniques.

The key methods are:

- chain ladder methods, which use historical data to estimate the future development of unsolved claims;
- expected claims ratio method;
- Bornhuetter-Ferguson method, which, in estimating IBNR provisions, in addition to expected claims, takes into consideration exposure measures;
- benchmarking methods, which use the experience of comparable, more mature, classes to estimate the cost of claims.

The actual method or blend of methods used varies by the year of the claim considered, the class of business and 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.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

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 underwritten insurance contracts;
- random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the reinsurers' share.

The assumptions which have the greatest effect on the measurement of non-life insurance provisions are as follows:

Tail factors

For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to their ultimate settlement. These tail factors are estimated prudently based on actuarial judgements and the best fit from a statistical point of view.

Discounting

With the exception of annuities, non-life claims provisions are not discounted. Provisions for annuities are calculated separately for each annuity, based on the amount of annuity from the claim, in the capitalized amount as the present value of all future annuity liabilities. When calculating provisions for annuity claims the Company uses the 2010-2012 mortality tables of the Republic of Croatia published by the Croatian Bureau of Statistics, at an annual discount rate of 3%. Depending on information regarding the claim, the presumption of the increase in annuity amount is taken into account. Annuity claims mainly arise from motor third party liability and liability claims.

Non-life insurance claims

Anticipated recoveries from reinsurance have been disclosed as separate assets and are estimated in accordance with the terms of the reinsurance contracts.

The ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided against. The adjustments to the claims provisions established in prior years are reflected in the financial statements in the period of the adjustments and are disclosed separately if material.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Life assurance

The Company forms technical provisions for life insurance contracts for the purpose of meeting all liabilities arising from those contracts.

Claims provision

A provision for reported but not settled claims (“RBNS”) is formed to estimate the final cost of settling all incurred liabilities arising from an adverse event for each individual claim, taking into account the corresponding costs of claims processing and deductions for amounts already paid. For incurred but not reported claims (“IBNR”) the amount of the provision is estimated using actuarial methods (the chain ladder method and the lump sum method). Based on past experience of the share of indirect costs in claims settlement, these provisions are increased by indirect claims processing costs.

Mathematical provision

The mathematical provision is calculated based on the prospective net method using the statistical data (mortality and morbidity tables) and interest rates adjusted to the provisions of the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). Life assurance policies are linked to the EUR. The mathematical provision for life insurance is decreased by the non-amortised acquisition costs (Zillmerisation), where the Zillmerisation rate is not higher than 3.5% of the insured amount, depending on the type of contract and commission paid.

Policyholder discretionary bonuses

Policyholders or beneficiaries of endowment policies are entitled to a share in the profits of the Company realised in the management of life assurance funds. In the event of endowment, the share in profits is paid along with the sum insured. In the event of death, the Company pays the sum insured and the shares in the profits accounted for by that time. The Company provides for discretionary bonuses allocated to policyholders within the mathematical provision.

Unit/Index-linked life assurance

Life assurance where the policyholder takes on the risk of investment combines the risk of life assurance and investment in financial instruments. A special life assurance provision is formed for this type of insurance when the policyholder bears the risk of the investment and it is carried at fair value of the related investment.

Reinsurers’ share in life assurance technical provisions

The reinsurers’ share in life assurance technical provisions is calculated in accordance with the reinsurance contracts in force for each individual policy/claim.

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(b) Analysis of movement in provision for unearned premium

	2019 Gross	2019 Reinsurance	2019 Net	2018 Gross	2018 Reinsurance	2018 Net
Non-life insurance						
At 1 January	264,797	(66,428)	198,369	232,933	(65,109)	167,824
Premiums written during the year	439,750	(138,065)	301,685	380,865	(140,594)	240,271
Movement in provision for unearned premiums	(369,320)	138,574	(230,746)	(349,001)	139,275	(209,726)
At 31 December	**335,227**	**(65,919)**	**269,308**	**264,797**	**(66,428)**	**198,369**
Life assurance						
At 1 January	3,224	(184)	3,040	3,918	(201)	3,717
Premiums written during the year	5,278	(687)	4,591	6,119	(755)	5,364
Movement in provision for unearned premiums	(5,749)	672	(5,077)	(6,813)	772	(6,041)
At 31 December	**2,753**	**(199)**	**2,554**	**3,224**	**(184)**	**3,040**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(c) Analysis of movements in provisions for reported but not settled claims

	2019 Gross	2019 Reinsurance	2019 Net	2018 Gross	2018 Reinsurance	2018 Net
Non-life insurance						
At 1 January	154,409	(64,395)	90,014	162,475	(64,847)	97,628
Claims reported in current year	227,229	(97,333)	129,896	205,313	(73,330)	131,983
Change in estimate for previous year claims	(6,681)	960	(5,721)	(16,950)	3,770	(13,180)
Claims paid	(193,045)	72,246	(120,799)	(196,429)	70,012	(126,417)
At 31 December	**181,912**	**(88,522)**	**93,390**	**154,409**	**(64,395)**	**90,014**
Life assurance						
At 1 January	14,578	(218)	14,360	9,951	(642)	9,309
Claims incurred in the current year	341,626	(5,807)	335,819	354,827	(8,436)	346,391
Change in claims from the previous year	2,769	(48)	2,721	4,644	90	4,734
Claims paid	(308,417)	5,907	(302,510)	(354,844)	8,770	(346,074)
At 31 December	**50,556**	**(166)**	**50,390**	**14,578**	**(218)**	**14,360**

(d) Analysis of movements in provisions for incurred but not reported claims

	2019 Gross	2019 Reinsurance	2019 Net	2018 Gross	2018 Reinsurance	2018 Net
Non-life insurance						
At 1 January	211,793	(66,152)	145,641	210,166	(63,520)	146,646
Increases recognised during the year	19,738	(8,777)	10,961	33,816	(12,574)	21,242
Less: transfer to claims reported provision	(28,871)	11,564	(17,307)	(32,189)	9,942	(22,247)
At 31 December	**202,660**	**(63,365)**	**139,295**	**211,793**	**(66,152)**	**145,641**
Life assurance						
At 1 January	6,740	(10)	6,730	6,363	(44)	6,319
Increases recognised during the year	383	6	389	697	36	733
Less: transfer to claims reported provision	(338)	(0)	(338)	(320)	(2)	(322)
At 31 December	**6,785**	**(4)**	**6,781**	**6,740**	**(10)**	**6,730**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(e) Mathematical life insurance provision

	2019 Gross	2019 Reinsurance	2019 Net	2018 Gross	2018 Reinsurance	2018 Net
At 1 January	**1,865,223**	**(94,986)**	**1,770,237**	**2,066,983**	**(96,578)**	**1,970,405**
Premium allocation	109,139	(7,063)	102,076	140,883	(7,023)	133,860
Release of liabilities due to benefits paid, surrenders and other terminations	(305,100)	5,705	(299,395)	(351,835)	8,453	(343,382)
Allocation of discretionary bonus (DPF)	3,854	-	3,854	4,000	-	4,000
Change in IBNR and RBNS	36,321	3	36,324	5,885	180	6,065
Change in provision for unearned premiums	(471)	15	(456)	(693)	(18)	(711)
At 31 December	**1,708,966**	**(96,326)**	**1,612,640**	**1,865,223**	**(94,986)**	**1,770,237**

(f) Provisions for unit-linked products

	2019 Gross and net	2018 Gross and net
At 1 January	81,257	47,784
Technical premium allocation	41,859	42,279
Unrealised gains/(losses) on funds where policyholders' investments were allocated	14,761	(8,806)
At 31 December	**137,877**	**81,257**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(g) Development of claims reserve

For the year ended 31 December 2019

	Prior to 2014	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims at the end of accident year	731,285	279,146	445,948	544,210	613,073	557,078	530,033	-
One year later	699,227	288,608	447,255	556,987	628,335	586,174	-	-
Two years later	655,092	281,778	445,175	553,824	629,137	-	-	-
Three years later	668,256	271,911	439,846	558,859	-	-	-	-
Four years later	688,232	267,688	437,976	-	-	-	-	-
Five years later	621,256	269,356	-	-	-	-	-	-
Six years later	753,329	-	-	-	-	-	-	-
Total estimate of provisions	**753,329**	**269,356**	**437,976**	**558,859**	**629,137**	**586,174**	**530,033**	**3,764,864**
Cumulative payments	(622,283)	(251,030)	(417,106)	(526,936)	(590,891)	(536,981)	(403,088)	(3,348,315)
Claims handling costs	4,482	587	693	1,033	1,352	4,315	12,905	25,367
Claims provision as at 31 December 2019	**135,527**	**18,911**	**21,562**	**32,956**	**39,599**	**53,508**	**139,850**	**441,913**

For the year ended 31 December 2018

	Prior to 2013	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims at the end of accident year	599,565	131,720	279,146	445,948	544,210	613,073	557,078	-
One year later	558,305	140,922	288,608	447,255	556,987	628,335	-	-
Two years later	515,793	139,299	281,778	445,175	553,824	-	-	-
Three years later	539,896	128,360	271,911	439,846	-	-	-	-
Four years later	557,707	130,525	267,688	-	-	-	-	-
Five years later	495,287	125,969	-	-	-	-	-	-
Six years later	641,675	-	-	-	-	-	-	-
Total estimate of provisions	**641,675**	**125,969**	**267,688**	**439,846**	**553,824**	**628,335**	**557,078**	**3,214,415**
Cumulative payments	(507,246)	(111,318)	(250,424)	(415,566)	(523,301)	(582,776)	(459,374)	(2,850,005)
Claims handling costs	4,555	408	567	853	1,167	4,348	11,212	23,110
Claims provision as at 31 December 2018	**138,984**	**15,059**	**17,831**	**25,133**	**31,690**	**49,907**	**108,916**	**387,520**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(h) Structure of assets used for backing life assurance mathematical provision

	2019	2018
Assets backing mathematical provision		
Government bonds	1,558,443	1,703,359
Corporate bonds	153,743	63,933
Investment funds	194,852	167,099
Cash and deposits	46,088	58,167
Mortgages and borrowings	10,305	12,812
Property	38,032	38,135
Total assets used for backing life assurance mathematical provision	**2,001,463**	**2,043,505**
Life assurance mathematical provision, net of reinsurance	1,612,639	1,770,237
Claims provision for risks for which it is necessary to create mathematical provision, net of reinsurance	53,467	16,656
Required coverage of life assurance mathematical provision	**1,666,106**	**1,786,893**
Excess of coverage	**335,357**	**256,612**

As at 31 December 2019 and 2018, the Company was in compliance with regulatory requirements relating to the structure and amounts of assets invested for backing mathematical provision.

The table below analyses assets used for backing mathematical provision by remaining maturities and insurance contract liabilities.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
2019					
Assets backing mathematical provision	675,296	790,315	304,081	231,771	2,001,463
Life assurance mathematical provision, net of reinsurance	(459,431)	(463,914)	(311,428)	(377,867)	(1,612,640)
Claims provision, net of reinsurance	(49,054)	(3,969)	(444)	-	(53,467)
Maturity gap	**166,811**	**322,432**	**(7,791)**	**(146,096)**	**335,356**
2018					
Assets backing mathematical provision	504,291	936,021	480,648	122,545	2,043,505
Life assurance mathematical provision, net of reinsurance	(432,341)	(583,380)	(358,301)	(396,215)	(1,770,237)
Claims provision, net of reinsurance	(14,230)	(2,020)	(406)	-	(16,656)
Maturity gap	**57,720**	**350,621**	**121,941**	**(273,670)**	**256,612**

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

As at 31 December 2019, the structure of assets to cover the mathematical provision of the Company is as follows: 67.88% is classified as assets available for sale (2018: 57.21%), and 0.23% as financial assets at fair value through profit or loss (2018: 0.21%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 27.17% as assets held to maturity (2018: 37.23%), 0.52% as loans and prepayments (2018: 0.63%), 1.00% as deposits (2018: 1.23%), 1.90% as property (2018: 1.86%) and 1.30% as funds on a business account (2018: 1.63%).

In 2019, the Company realised an average return by investing 5.38% of the mathematical provision assets (2018: 3.79%).

The following table analyses the financial assets used for backing mathematical provision by relevant groupings based on the currency in which it is denominated. The mathematical provision for traditional products is denominated in EUR.

	EUR	HRK	Total
2019			
Assets backing mathematical provision	1,860,888	140,575	**2,001,463**
2018			
Assets backing mathematical provision	1,945,129	98,376	**2,043,505**

The valuation of financial assets is set out in Note 3 - Accounting policies.

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(i) Structure of assets used for backing technical provision other than mathematical provision

	2019	2018
Assets used for backing technical provision other than mathematical provision		
Government bonds	455,765	433,745
Corporate bonds	35,027	12,621
Investment funds	32,782	23,274
Cash and deposits	33,301	17,191
Mortgages and borrowings	328	325
Total assets used for backing technical provision other than mathematical provision	**557,203**	**487,156**
Provision for unearned premiums, net of reinsurance	271,863	201,409
Claims provision, net of reinsurance	236,388	240,089
Other provisions	1,271	2,665
Required coverage of technical provision other than mathematical provision	**509,522**	**444,163**
Difference	**47,681**	**42,993**

As at 31 December 2019 and 2018, the Company was in compliance with regulatory requests relating to the structure and amounts of assets invested for backing the technical provision.

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

The table below analyses assets used for backing the technical provision by remaining maturities from the reporting date and the estimated remaining contractual maturities of technical provisions for which coverage is required:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
2019					
Assets used for backing technical provisions	228,999	139,045	189,159	-	557,203
Provision for unearned premiums, net of reinsurance	(133,168)	(61,154)	(71,993)	(5,548)	(271,863)
Claims provision and other provisions, net of reinsurance	(66,212)	(75,853)	(47,188)	(48,406)	(237,659)
Maturity gap	**29,619**	**2,038**	**69,978**	**(53,954)**	**47,681**
2018					
Assets used for backing technical provisions	64,180	285,758	90,365	46,853	487,156
Provision for unearned premiums, net of reinsurance	(120,734)	(32,390)	(45,731)	(2,554)	(201,409)
Claims provision and other provisions, net of reinsurance	(64,161)	(77,666)	(49,509)	(51,418)	(242,754)
Maturity gap	**(120,715)**	**175,702**	**(4,875)**	**(7,119)**	**42,993**

As at 31 December 2019, the structure of assets to cover the technical provision of the Company is as follows: 86.50% is classified as assets available for sale (2018: 84.75%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 7.46% as assets held to maturity (2018: 11.66%), 0.06% as loans and prepayments (2018: 0.06%), and 5.98% as funds on a business account (2018: 3.53%).

The following table analyses the financial assets used for backing the technical provision by relevant groupings based on the currency in which it is denominated.

	EUR	Other foreign currencies	HRK	Total
2019				
Assets used for backing technical provisions	93,789	-	463,414	557,203
Provision for unearned premiums, net of reinsurance	(25,783)	(54)	(246,027)	(271,864)
Claims provision and other provisions, net of reinsurance	(28,992)	-	(208,666)	(237,658)
	39,014	**(54)**	**8,721**	**47,681**
2018				
Assets used for backing technical provisions	109,927	-	377,229	487,156
Provision for unearned premiums, net of reinsurance	(17,337)	-	(184,072)	(201,409)
Claims provision and other provisions, net of reinsurance	(17,791)	-	(224,963)	(242,754)
	74,799	**-**	**(31,806)**	**42,993**

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test

Life assurance

The mathematical provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. For this purpose, the Company uses the liability adequacy test for the majority of products in its portfolio. Where reliable market data is available, assumptions are derived from observable market prices. However, in the absence of market transactions in the economy in which the Company operates, significant difficulties remain in calibrating the assumptions used in observable market conditions.

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

Due to the levels of uncertainty in the future development of insurance markets and the Company's portfolio, the Company uses reasonably margins for risk and uncertainty. Input assumptions are updated annually based on recent experience. The methodology of testing considers current estimates of all future cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of correlation between all risks factors.

The principal assumptions used are:

Segmentation

The Company segments the products into several homogeneous groups according to the characteristics of individual products (product type - mixed and savings insurance, UL, IL, risk insurance, annuities, other insurance types, i.e. riders). 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 on the basis of the assumptions described below is compared with the insurance liabilities for each product group separately. If that comparison shows that the carrying amount of 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 liability.

Mortality and morbidity

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

Assumptions for mortality and morbidity are adjusted by a margin for risk and uncertainty.

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test (continued)

Persistency

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Company's past experience with insurance policies (split by type, payment method and past policy durations). The Company regularly investigates its actual persistency rates by product type and payment method and amends its assumptions accordingly. The assumptions as derived above are adjusted by a margin for risk and uncertainty.

Expense

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

Expected investment return and discount rate

Future investment returns are calculated using the best estimate of interest rate derived from return on government bonds and other instruments in which Company has investments.

The discount rate used (presented below by years of duration) is equal to expected future investment returns, taking into account credit risk, and duration and currency structure of the Company's investment portfolio.

	2019	**2018**
1 - 5 years	3.37%	3.55%
5 - 10 years	2.31%	2.09%
Over 10 years	2.32%	1.99%

Profit sharing

Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Company, the assessment of liability adequacy takes into account future discretionary bonuses. The percentage applied is consistent with the Company's current business practice for bonus allocation.

The Company performed a sensitivity test for the following assumptions: decrease in interest rate (1%), decrease in cancellation rate (10%) and increase in expenses (10%).

The results are presented in the table below:

	2019	**2018**
LAT provision	1,747,207	1,852,668
Sensitivity test for changes in assumptions:		
decrease in interest rate of 1%	1,849,662	1,949,163
decrease in cancellation rate of 50%	1,755,767	1,873,086
increase in expenses of 10%	1,790,838	1,867,307

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test (continued)

The assumption that has the greatest impact on the LAT provision amount is interest reflecting the expected future returns that will be realised by investing the mathematical provision. The Company's calculation of LAT provisions at 31 December 2019 was performed by applying different rates than those that were used in the calculation of LAT provisions at 31 December 2018. If the non-linearity in interest rates is ignored, it can be said that the LAT provision decreased by approximately HRK 3.4 due to different interest rates applied in 2019 compared to those applied in 2018.

Non-life insurance

The liability adequacy test for non-life insurance is 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. The test is performed by lines of business managed collectively. The results showed that the liability adequacy requirements are met, therefore, additional provisions for non-life insurance are not required.

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

Gains or losses and insurance liabilities are mainly sensitive to fluctuations in investment and mortality rates, cancellation rate and the cost rate estimated to determine the insurance liability adequacy. The Company estimates the impact of changes in key variables on profit for the year and equity at year end, which have a significant effect on the profit and equity. In non-life insurance, variables with the highest impact on insurance liabilities relate to the occurrence of claims and changes in the costs per insurance policy.

Life assurance

Bonuses

Around 90% of the Company’s life insurance contracts include an entitlement to receive a discretionary bonus. Bonuses to policyholders are granted in accordance with rules of the Company reported to HANFA and are recognised as a liability when proposed and approved by the Management Board. Once allocated to policyholders bonuses are guaranteed.

Premiums

Premiums for the majority of life products are linked to EUR (in addition to premiums in USD and HRK) and may be payable in regular instalments or as a single premium at inception of the policy. Most endowment-type and investment insurance and products contain a premium indexation option which may be exercised annually at the discretion of the policyholder. Where the option is not exercised, premiums are not increased by any index.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Term life insurance products

Traditional term life insurance products comprise risks of death. Premiums are paid in instalments or as single premium. Policies offer a fixed or decreasing sum insured for death. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment products

These are also traditional life insurance products providing financial protection during the duration of the contract and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offer covering for risks of death, endowment, dread diseases, permanent disability and accident rider. Insurance benefits are usually fully paid as a lump-sum.

Unit- and index-linked insurance

These are types of insurance where the insurance contractor bears the basic investment risk and the value of the payment upon endowment, i.e. the expiration of the insurance policy depends on the fair value of the related asset. The risk assumed by the Company with this type of insurance is the risk of death. When contracting the policy, the Company guarantees the agreed percentage of premiums paid in the event of the insured person's death during the life of the policy, and the fund reserve is added to that amount.

Non-life insurance

The Company offers many types of non-life insurances, mainly motor, property, liability, marine, transport, loan insurance, receivables, 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 a 3 months' notice (6 months' notice in case of long-term contracts longer than 5 years). A portion of accident insurance policies have a single premium option for long-term duration (the maximum duration in the portfolio is 30 years). These policies are connected with bank loans. The Company 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 reduce and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and timing of future cash flows. The amount of particular claim payments is limited by the sum insured which is established in the insurance policy. Other significant sources of uncertainty related to non-life insurance arise 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 and personal injuries in motor third party liability 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 those mentioned above, are described below.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Motor insurance

The Company's motor insurance portfolio comprises both motor third party liability insurance (MTPL) and motor hull (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by insured motorists under the "Green Card" system. Property damage under MTPL and motor hull 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 decisions and directives set by the Supreme Court which influence court practice.

MTPL is regulated by the Compulsory Traffic Insurance Act. The minimum sums insured are regulated by law. When paying a premiums for continuing insurance, policyholders are entitled to a no-claims bonus under their policy when the conditions are met, i.e. penalty for bad loss experience is charged.

Motor hull 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 Company uses risk management techniques to identify risks and analyse losses and also cooperates with reinsurers. Personal property insurance consists of standard buildings and contents insurance. Claims are normally reported promptly and can be settled without delay.

Liability insurance

This covers all types of liability and includes commercial liability, employees and professional indemnity as well as personal liability. The majority of general liability covers are written on an "occurrence" basis.

Accident insurance

Accident insurance is traditionally and mostly sold as an addition to life products or to MTPL products offered by the Company and as a part of the insurance package of credit and debit card users of Raiffeisenbank Austria d.d. Zagreb and other banks.

(all amounts are expressed in thousands of HRK)

12. INSURANCE AND OTHER PAYABLES

	2019	2018
Indirect insurance contract payables	329	68
Reinsurance contract payables	76,133	77,391
Deposits retained from business ceded to reinsurance /i/	96,525	95,170
Other liabilities	24,003	30,512
	196,990	203,141
Lease liabilities /ii/	10,413	-
Accrued expenses	82,403	71,446
Provisions for liabilities and charges	6,877	6,452
Provisions for legal claims /iii/	14,492	37,530
	311,175	**318,569**

All insurance contract payables, other insurance related liabilities (except deposits held from business ceded to reinsurance and a part of leases) are due within 12 months from the reporting date. The maturity of deposits held and leases is disclosed in Note 22.3. All payables are expected to be settled within 12 months of the reporting date, except for a part of leases.

/i/ The Company retains deposits from reinsurance business arising from the quota share reinsurance treaty with the parent company. In accordance with the reinsurance treaty, applicable from 1999, the Company does not cede the reinsurers' share in the mathematical provision but retains and invests the funds. Deposits retained from reinsurance business bear a 3% fixed interest rate per annum (2018: 3% p.a.).

/ii/ Lease liabilities

	31 December 2019	**1 January 2019**
Mature within one year	4,420	4,515
Mature after one year	5,993	10,413
	10,413	**14,928**

During 2019, interest expense on leases in the amount of HRK 299 thousand was recognised in the statement of comprehensive income.

/iii/ As at 31 December 2019, the Company was a plaintiff or defendant in several legal claims. Based on the estimate made by Management and legal counsel, provisions were made in the total amount of HRK 14,492 thousand (2018: HRK 37,530 thousand) for legal claims whose outcome is assessed as unfavourable for the Company. Management believes that the Company will not have any material losses arising from these and other legal claims above the amount of provisions made as at 31 December 2019.

Movement in provision for legal claims

	2019	2018
Opening balance as at 1 January	**37,530**	**35,347**
Increase in provision	1,491	4,826
Decrease in provision	(24,529)	(2,643)
Closing balance as at 31 December	**14,492**	**37,530**

(all amounts are expressed in thousands of HRK)

13. CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2019, the Company's share capital amounted to HRK 62,700 thousand (2018: HRK 62,700 thousand). It is divided into 76 ordinary shares with a nominal value of HRK 825 thousand per share (2018: 76 ordinary shares with a nominal value of HRK 825 thousand per share).

As at 31 December 2019 and 2018, the Company's sole shareholder is UNIQA International AG, Vienna. The ultimate parent and controlling party is UNIQA Insurance Group AG, Vienna.

(b) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of available-for-sale investments.

Movements in the fair value reserve were as follows:

	2019	**2018**
Gross fair value reserve	153,513	194,116
Deferred tax	(27,632)	(34,941)
At 1 January	**125,881**	**159,175**
Change in fair value	33,042	(30,717)
Deferred tax on change in fair value	(5,948)	5,529
Net realised gains from available-for-sale financial assets (Note 15)	(2,556)	(9,886)
Deferred tax on net realised gains from available-for-sale financial assets	460	1,779
At 31 December	**150,879**	**125,880**
Gross fair value reserve	183,999	153,513
Deferred tax (Note 10)	(33,120)	(27,633)
At 31 December	**150,879**	**125,880**

(c) Capital management

The Company manages its capital by assessing shortfalls between the reported and required capital levels on a regular basis. During the year there were no changes in respect of share capital, aims, policies and processes of capital management adopted in previous years.

The Company's main objective in managing capital is meeting the requirements prescribed by the Croatian Financial Services Supervisory Agency (HANFA) as the regulator of the insurance market in the Republic of Croatia. In accordance with the Insurance Act, the Company is obliged to have a minimum share capital of HRK 57.72 million, i.e. HRK 28.86 million for performing non-life assurance activities and HRK 28.86 million for performing life assurance activities. As at 31 December 2019 and 2018, the Company's share capital amounted to HRK 62.7 thousand and the Company meets the stated criterion.

Capital requirements are determined according to the Solvency II regulation. Calculations of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) are conducted quarterly. Throughout the year 2019, the Company has been meeting regulatory capital requirements, reporting quarterly quantitative information to the Croatian Financial Services Supervisory Agency.

(all amounts are expressed in thousands of HRK)

13. CAPITAL AND RESERVES (continued)

(c) Capital management

The Company's solvency capital is determined by applying the standard formula.

The Company's solvency quota as at 31/12/2019 was 176% (2018: 214%), while the minimum required capital quota was 432% (2018: 527%). The 2019 data will be published on the Company's web site as part of the Report on Solvency and Financial Position for 2019 by 02/06/2020 at the latest.

The continued monitoring of regulatory capital adequacy and capital management are an integral part of the process of own risk assessment and solvency. The key elements of own risk and solvency assessment are the projection of solvency capital requirement, minimum capital requirement and equity to cover capital requirements throughout the business plan period, an estimation of the deviation between the Company's risk profile and the assumptions on which the standard formula is based and the preparation of sensitivity analyses and stress testing, through which the Company's capital adequacy is continually re-examined.

14. PREMIUMS

	2019	**2018**
Non-life insurance		
Gross premiums written	439,750	380,865
Written premiums ceded to reinsurance, net of reinsurers' share in impairment	(138,178)	(139,898)
Change in gross provisions for unearned premiums	(70,430)	(31,864)
Change in provision for unearned premiums, reinsurers' share	(509)	1,319
Total premium earned from non-life insurance, net of reinsurance	**230,633**	**210,422**
Life assurance		
Gross premiums written	195,054	201,582
Premiums ceded to reinsurance	(6,265)	(6,676)
Change in gross provisions for unearned premiums	471	694
Change in provision for unearned premiums, reinsurers' share	15	(18)
Total premium earned from life assurance, net of reinsurance	**189,275**	**195,582**
Net earned premium	**419,908**	**406,004**
Total life and non-life insurance		
Gross premiums written	634,804	582,447
Premiums ceded to reinsurance	(144,444)	(146,574)
Change in gross provisions for unearned premiums	(69,959)	(31,170)
Change in provision for unearned premiums, reinsurers' share	(493)	1,301
Net earned premium	**419,908**	**406,004**

(all amounts are expressed in thousands of HRK)

14. PREMIUMS (continued)

Premiums ceded to reinsurance do not relieve the Company from its direct obligations to its policyholders. Therefore, there is credit risk exposure to the extent that the reinsurer would not be able to settle their liabilities assumed under reinsurance contracts.

An analysis of written premiums and claims incurred by class of business is set out below.

For the year 2019	**Gross premiums written**	**Gross premiums earned**	**Gross claims incurred**	**Acquisition and administration costs**	**Reinsurance balance**
Non-life insurance					
Motor (third party liability)	74,931	79,629	(49,364)	(23,470)	(6,999)
Motor (other classes)	60,338	58,982	(43,847)	(17,528)	1,604
Property	70,790	63,588	(27,483)	(29,176)	10,729
Personal lines	100,284	87,810	(48,418)	(35,175)	2,154
Other	133,407	79,310	(43,631)	(39,305)	(7,947)
Total non-life insurance	**439,750**	**369,319**	**(212,743)**	**(144,654)**	**(459)**
Life assurance					
Individual premiums	195,054	195,525	(244,803)	(69,556)	(1,127)
Periodic premiums	158,547	158,804	(190,286)	(56,538)	(916)
Single premiums	36,507	36,721	(54,517)	(13,018)	(211)
Total life insurance	**195,054**	**195,525**	**(244,803)**	**(69,556)**	**(1,127)**
Total	**634,804**	**564,845**	**(457,546)**	**(214,209)**	**(1,586)**

For the year 2018	**Gross premiums written**	**Gross premiums earned**	**Gross claims incurred**	**Acquisition and administration costs**	**Reinsurance balance**
Non-life insurance					
Motor (third party liability)	84,208	88,249	(47,169)	(28,229)	190
Motor (other classes)	60,286	59,419	(50,610)	(18,766)	(826)
Property	64,048	57,989	(22,023)	(26,881)	9,779
Personal lines	80,532	75,611	(44,104)	(30,701)	2,163
Other	91,791	67,733	(15,132)	(34,284)	10,257
Total non-life insurance	**380,865**	**349,001**	**(179,037)**	**(138,861)**	**21,564**
Life assurance					
Individual premiums	201,582	202,276	(191,561)	(67,418)	(2,316)
Periodic premiums	161,117	161,547	(157,520)	(53,884)	(1,851)
Single premiums	40,465	40,729	(34,041)	(13,534)	(465)
Total life insurance	**201,582**	**202,276**	**(191,561)**	**(67,418)**	**(2,316)**
Total	**582,447**	**551,277**	**(370,598)**	**(206,278)**	**19,248**

(all amounts are expressed in thousands of HRK)

15. NET INVESTMENT INCOME

	2019	2018
Investment income		
Interest income:		
- Held-to-maturity investments	46,199	56,443
- Available-for-sale financial assets	60,521	60,737
- Loans and receivables	904	1,423
Net realised gains:		
- Financial assets at fair value through profit or loss	360	82
- Available-for-sale financial assets	2,556	9,886
- Sale of property	161	-
Net unrealised gains:		
- Change in fair value of financial assets through profit or loss	17,901	-
- Change in fair value of available-for-sale financial assets	1,509	-
Income from collection of impaired loans and receivables	346	4,597
Income from reversal of impairment of property	349	-
Dividend income	1,051	289
Net foreign exchange gains	5,781	-
Rental income	2,844	2,899
Income from reversal of impairment of available-for-sale financial assets	7	-
	140,489	**136,356**
Investment expenses		
Net realised losses:		
Net realised losses on sale of property	-	(149)
Net unrealised losses:		
Net unrealised losses on change in fair value of financial assets through profit or loss	-	(5,793)
Net unrealised losses on change in fair value of investment property	(1,912)	(1,153)
Impairment of bonds	-	(228)
Custodian expenses	(587)	(550)
Net foreign exchange losses	-	(29,934)
Investment property expense	(699)	(801)
Other	(4,313)	(5,004)
	(7,511)	**(43,612)**
Net investment income	**132,978**	**92,744**

	2019 Non-life insurance	2019 Life assurance	2019 Total	2018 Non-life insurance	2018 Life assurance	2018 Total
Investment income						
Income from investment of capital	3,012	2,853	5,865	3,884	6,703	10,587
Income from investment of mathematical provision	-	99,785	99,785	-	106,814	106,814
Income from investment of special provision for unit-linked products	-	18,394	18,394	-	15	15
Income from investment of other technical provisions	14,794	1,651	16,445	17,376	1,564	18,940
Total investment income	**17,806**	**122,683**	**140,489**	**21,260**	**115,096**	**136,356**
Investment expenses						
Costs from investment of capital	(1,758)	(659)	(2,417)	(666)	(1,482)	(2,148)
Costs from investment of mathematical provision	-	(4,545)	(4,545)	-	(32,301)	(32,301)
Costs from investment of special provision for unit-linked products	-	431	431	-	(5,736)	(5,736)
Costs from investment of other technical provisions	(980)	-	(980)	(3,075)	(352)	(3,427)
Total investment expenses	**(2,738)**	**(4,773)**	**(7,511)**	**(3,741)**	**(39,871)**	**(43,612)**
Net investment income	**15,068**	**117,910**	**132,978**	**17,519**	**75,225**	**92,744**

(all amounts are expressed in thousands of HRK)

16. CLAIMS INCURRED, NET

	2019	2018
Non-life insurance		
Settled claims		
Gross amount	(193,045)	(192,077)
Reinsurers' share	72,246	70,012
Change in provisions for reported but not settled claims		
Gross amount	(28,518)	8,066
Reinsurers' share	24,127	(452)
Change in provisions for incurred but not reported claims		
Gross amount	10,147	(1,626)
Reinsurers' share	(2,786)	2,631
Changes in provision for bonuses and discounts		
Gross amount	(1,327)	(459)
Reinsurers' share	145	(1,003)
Total non-life insurance claims	**(212,743)**	**(186,096)**
Total reinsurers' share in total non-life insurance claims	**93,732**	**71,188**
Total non-life insurance claims, net of reinsurance	**(119,011)**	**(114,908)**
Life assurance		
Settled claims		
Gross amount	(308,417)	(354,844)
Reinsurers' share	5,907	8,769
Change in life assurance mathematical provision		
Gross amount	156,258	201,760
Reinsurers' share	1,340	(1,592)
Change in provisions for reported but not settled claims		
Gross amount	(35,978)	(4,627)
Reinsurers' share	(52)	(423)
Change in provisions for incurred but not reported claims		
Gross amount	(45)	(377)
Reinsurers' share	(6)	(34)
Change in provision for unit-linked products	(56,620)	(33,473)
Total life insurance claims	**(244,802)**	**(191,561)**
Total reinsurers' share in life insurance claims	**7,188**	**6,720**
Total life insurance claims, net of reinsurance	**(237,614)**	**(184,841)**
Total claims incurred	**(457,545)**	**(377,657)**
Total reinsurers' share in claims incurred	**100,920**	**77,908**
Total claims incurred, net of reinsurance	**(356,625)**	**(299,749)**

As at 31 December 2019, the Company was involved in 650 (2018: 655) court cases for which HRK 88,895 thousand (2018: HRK 88,307 thousand) was provided as part of the provision for reported but not settled claims. The Management Board believes that the related provisions are sufficient.

(all amounts are expressed in thousands of HRK)

16. CLAIMS INCURRED, NET (continued)

Analysis of claims ratio, cost ratio and combined ratio

The table below presents the claims ratio, cost ratio and combined ratio by line of business calculated in accordance with HANFA's Ordinance on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies.

2019	**Claims ratio**	**Cost ratio**	**Combined ratio**
Accident insurance	27.51%	58.92%	86.43%
Health insurance	69.37%	30.09%	99.46%
Insurance of motor vehicles	74.34%	29.36%	103.70%
Vessel insurance	134.76%	47.35%	182.11%
Insurance of goods in transit	399.64%	29.95%	429.59%
Insurance against fire and natural disasters	49.57%	45.80%	95.37%
Other property insurance	34.91%	45.92%	80.83%
Motor third-party liability insurance	61.99%	28.32%	90.31%
Vessel third-party liability insurance	17.81%	41.67%	59.48%
Other third-party liability insurance	51.67%	42.32%	93.99%
Loan insurance	3.96%	67.71%	71.67%
Guarantee insurance	107.95%	43.75%	151.70%
Financial loss insurance	39.49%	45.37%	84.86%
Insurance of legal protection costs	1.35%	51.04%	52.39%
Travel insurance	38.89%	44.82%	83.71%
Total non-life insurance	**57.24%**	**39.05%**	**96.29%**
2018			
Accident insurance	19.88%	63.98%	83.86%
Health insurance	78.47%	28.31%	106.78%
Insurance of motor vehicles	85.18%	31.25%	116.43%
Vessel insurance	104.61%	50.03%	154.64%
Insurance of goods in transit	55.79%	32.24%	88.03%
Insurance against fire and natural disasters	40.14%	46.92%	87.06%
Other property insurance	34.97%	46.57%	81.54%
Motor third-party liability insurance	53.45%	31.36%	84.81%
Vessel third-party liability insurance	14.85%	37.21%	52.06%
Other third-party liability insurance	12.88%	43.02%	55.90%
Loan insurance	1.68%	66.27%	67.95%
Guarantee insurance	628.41%	44.38%	672.79%
Financial loss insurance	44.63%	48.12%	92.75%
Insurance of legal protection costs	14.30%	53.83%	68.13%
Travel insurance	41.96%	47.19%	89.15%
Total non-life insurance	**53.19%**	**39.59%**	**92.78%**

The above ratios have been calculated in accordance with the Instructions for Completing Financial Statements and Additional Reports of Insurance and Reinsurance Companies, which was issued by HANFA at the Board meeting held on 10 June 2016: Claims ratio = (settled claims, gross amount + change in provisions for claims, gross amount + change in other technical provisions, gross amount) / (gross premium written + impairment and collected premium impairment + change in gross provisions of unearned premium).

Cost ratio = (operating expenses (business-related expenses), net + other insurance and technical income, net of reinsurance + other technical costs, net of reinsurance) / (gross premium written + impairment and collected premium impairment + change in gross provisions of unearned premium)

Combined ratio = claims ratio + cost ratio.

(all amounts are expressed in thousands of HRK)

17. ACQUISITION COSTS

	2019	2018
Non-life insurance		
Commission expenses	97,777	68,980
Other acquisition costs	24,274	26,096
Change in deferred acquisition costs	(31,115)	(11,942)
Total acquisition costs, non-life	**90,936**	**83,134**
Life assurance		
Commission expenses	16,843	13,863
Other acquisition costs	12,720	13,189
Total acquisition costs, life	**29,563**	**27,052**
Total	**120,499**	**110,186**

Included within acquisition costs for the Company are internal sales staff costs amounting to HRK 21.1 million (2018: HRK 19.4 million).

The following table presents acquisition costs by type of insurance:

	2019	2018
Non-life insurance		
Accident insurance	12,294	10,795
Health insurance	12,389	10,089
Insurance of motor vehicles	10,567	11,276
Vessel insurance	3,915	3,272
Insurance of goods in transit	171	161
Insurance against fire and natural disasters	9,774	8,813
Other property insurance	8,206	6,559
Motor third-party liability insurance	12,244	14,766
Vessel third-party liability insurance	913	892
Other third-party liability insurance	9,937	7,347
Loan insurance	28	15
Guarantee insurance	5,802	5,138
Financial loss insurance	3,098	2,490
Insurance of legal protection costs	467	496
Travel insurance	1,131	1,025
Total non-life	**90,936**	**83,134**
Life assurance		
Life assurance	21,783	18,724
Annuity insurance	106	65
Life rider products	3,828	1,186
Marriage and birth assurance	148	169
Life or annuity insurance where the policyholder bears the investment risk	3,698	6,908
Total life assurance	**29,563**	**27,052**
Total non-life and life insurance	**120,499**	**110,186**

(all amounts are expressed in thousands of HRK)

18. ADMINISTRATION COSTS

	2019	2018
Depreciation and amortisation	9,189	5,404
Staff costs	33,629	34,990
Cost of materials and services	12,727	13,112
Rental costs	5,668	8,190
Marketing and promotion	10,011	9,344
Maintenance costs	4,532	4,355
Audit costs	1,270	1,266
Other costs	17,017	19,431
Total	**94,043**	**96,092**

As at 31 December 2019, the Company had 564 employees (2018: 598).

During 2019, the Company paid HRK 15.8 million (2018: HRK 15.8 million) of pension contributions into obligatory defined contribution pension funds in respect of its employees.

The following table presents administration costs by type of insurance:

	2019	2018
Non-life insurance		
Accident insurance	5,576	5,825
Health insurance	4,916	3,992
Insurance of motor vehicles	6,960	7,489
Vessel insurance	2,282	2,111
Insurance of goods in transit	234	249
Insurance against fire and natural disasters	6,194	6,684
Other property insurance	5,002	4,825
Motor third-party liability insurance	11,223	13,462
Vessel third-party liability insurance	605	634
Other third-party liability insurance	4,009	4,271
Loan insurance	3,750	3,247
Guarantee insurance	20	12
Financial loss insurance	1,922	1,716
Insurance of legal protection costs	238	286
Travel insurance	786	923
Total non-life	**53,717**	**55,726**
Life assurance		
Life assurance	27,162	27,940
Annuity insurance	93	97
Life rider products	1,649	1,769
Marriage and birth assurance	239	252
Life or annuity insurance where the policyholder bears the investment risk	11,183	10,308
Total life assurance	**40,326**	**40,366**
Total non-life and life insurance	**94,043**	**96,092**

(all amounts are expressed in thousands of HRK)

19. INCOME TAX

	2019	2018
Current tax expense		
Current period	(5,649)	(10,522)
Deferred income tax (expense)/income		
Recognition of deferred tax assets (Note 10)	(1,851)	302
	(7,500)	**(10,220)**

Reconciliation of the accounting result for the period to the income tax expense:

	2019	2018
Accounting result before income tax	**45,347**	**33,928**
Income tax at 18%	(8,162)	(6,107)
Effect of non-deductible expenses	(4,270)	(7,375)
Effect of non-taxable income	4,932	3,262
Income tax	**(7,500)**	**(10,220)**

As at 31 December 2019 and 31 December 2018, there were no tax losses carried forward.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within 3 years following the year in which the tax liability was reported and may impose additional tax liabilities and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

(all amounts are expressed in thousands of HRK)

20. RELATED PARTY TRANSACTIONS

The sole shareholder of the Company is UNIQA International AG Vienna, with holdings of 100% of shares at the end of 2019 and 2018. The ultimate parent and controlling party is UNIQA Insurance Group AG, Vienna. The Company considers that it has an immediate related party relationship with its owner, its ultimate parent company, subsidiaries, members of the UNIQA Group, Supervisory Board and Management Board members and other executive management (together "key management personnel"), close family members of key management personnel, and entities jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

Raiffeisenbank Austria d.d. Zagreb and its subsidiaries and affiliates are also considered related parties. The ultimate parent of Raiffeisenbank Austria d.d. Zagreb is Raiffeisen Zentralbank Oesterreich AG (RZB), and UNIQA International AG, Vienna is an associate of RZB.

Assets, liabilities, income and expenses as at and for the years ended 31 December 2019 and 2018 arising from related party transactions were as follows:

2019:	**Assets**	**Liabilities**	**Income**	**Expenses**
Parent company	7,650	104,808	6,378	7,265
Other related companies within UNIQA Group	57,267	65,538	115,560	142,308
Other related companies within RZB Group	243,649	1,795	119,393	32,297
Key management personnel	-	2,822	-	15,818
	308,566	**174,963**	**241,331**	**197,688**
2018:				
Parent company	8,546	104,111	4,211	3,438
Other related companies within UNIQA Group	61,600	85,479	114,156	143,013
Other related companies within RZB Group	183,724	5,976	112,396	28,999
Key management personnel	-	2,459	-	14,231
	253,870	**198,025**	**230,763**	**189,681**

(a) Reinsurance business

The parent company and one of the related companies provide reinsurance to the Company. The result of these transactions are receivables and liabilities at year-end as follows:

	2019	**2018**
Premiums ceded to reinsurance:		
Reinsurance premiums payable at beginning of year	73,046	71,815
Premiums ceded to reinsurance during the year	142,191	143,944
Reinsurance premiums paid during the year	(143,031)	(142,713)
Reinsurance premiums payable at end of year	**72,206**	**73,046**
Deposits retained from business ceded to reinsurance	96,525	95,170
Reinsurance recoveries:		
At beginning of year	42,846	45,402
Invoiced during the year	77,256	77,303
Received during the year	(78,329)	(79,859)
Outstanding at end of year	**41,773**	**42,846**
Reinsurance commission:		
At beginning of year	21,530	20,917
Invoiced during the year	46,390	46,973
Received during the year	(45,066)	(46,361)
Outstanding at end of year	**22,854**	**21,529**

20. RELATED PARTY TRANSACTIONS (continued)

(b) Other activities

During 2019, the gross premium written in respect of insurance policies sold through distribution channels of related parties totalled HRK 119.3 million (2018: HRK 112.3 million).

Related parties have property, motor, life and personal lines insurance policies with the Company. Gross premium written for the policies in 2019 amounted to HRK 3.8 million (2018: HRK 3.7 million).

As at 31 December 2019, the funds on the Company's giro account with related parties amounted to HRK 79.7 million (2018: HRK 32.4 million).

As at 31 December 2019, the Company invested HRK 217.0 million in open-ended investment funds in assets managed by a related party (2018: HRK 179.8 million) and HRK 4.2 million in the structured product (2018: HRK 3.9 million), and HRK 22.4 million in bonds (in 2018, there were no investments in bonds).

(c) Relationship with key management personnel

The gross remuneration paid or payable by the Company to the key management personnel for 2019 amounted to HRK 15,818 thousand (2018: HRK 14,231 thousand), including fixed salary and bonuses for 2019.

In 2019, the Company paid pension contributions for key management personnel in the amount of HRK 2,083 thousand (2018: HRK 1,898 thousand) into obligatory defined contribution pension funds.

In 2019, the Company paid a variable bonus for 2018 in the total amount of HRK 2,408 thousand, of which HRK 1,283 thousand for 3 members of the Management Board, HRK 40 thousand for 3 procurators and HRK 1,085 thousand for 81 employees.

Included in key management personnel are members of the Management Board and Executive Directors. At year end, members of the Supervisory and Management Boards did not hold any shares of the Company.

21. INSURANCE RISK MANAGEMENT

The Company is exposed to actuarial and underwriting risk arising from a wide range of life and non-life insurance products.

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 incurred expenses and claims will be higher than the premium received. The provision risk represents the risk that the absolute level of technical provisions is misstated or that the actual claims will fluctuate around the statistical mean value.

Non-life underwriting risk includes also catastrophe risk, which streams from irregular events that are not sufficiently covered by premium and provisions. Life underwriting risk includes biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy cancellations, terminations, changes to capitalisation status (cessation of premium payment) and surrenders.

Risk management

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance. The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years which reduces the variability of the outcome. Non-life contracts are generally annual in nature and the Company has the right to refuse the renewal or change the terms and conditions of the contract at renewal.

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance contracts for non-life insurance policies in order to reduce the net exposure for individual insurance contracts, whereas in terms of life assurance, long-term reinsurance contracts are effective on a proportionate basis.

Ceded reinsurance contains credit risk, and such insurance receivables are reported after deductions for known uncollectible items. The Company monitors the financial position of reinsurers (credit rating) and carefully enters into reinsurance contracts. 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 liabilities for life business.

Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact the Company's liabilities. Such concentrations may arise from a single insurance contract or a similar liability may arise from a larger number of contracts. 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.

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

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

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

	Gross claims incurred	**Reinsurance balance**	**Net claims incurred**
For the year 2019			
Non-life insurance			
Motor (third party liability)	(49,364)	31,438	(17,926)
Motor (other classes)	(43,847)	21,424	(22,423)
Property	(27,483)	9,932	(17,551)
Personal lines	(48,418)	3,060	(45,358)
Other	(43,631)	27,878	(15,753)
Total non-life insurance	**(212,743)**	**93,732**	**(119,011)**
Life assurance			
Individual premiums	(244,802)	7,188	(237,614)
Periodic premiums	(190,286)	5,588	(184,698)
Single premiums	(54,516)	1,600	(52,916)
Total life assurance	**(244,802)**	**7,188**	**(237,614)**
Total	**(457,545)**	**100,920**	**(356,625)**

	Gross claims incurred	**Reinsurance balance**	**Net claims incurred**
For the year 2018			
Non-life insurance			
Motor (third party liability)	(47,169)	27,165	(20,004)
Motor (other classes)	(50,610)	23,855	(26,755)
Property	(22,023)	9,558	(12,465)
Personal lines	(44,104)	3,466	(40,638)
Other	(22,191)	7,143	(15,048)
Total non-life insurance	**(186,097)**	**71,188**	**(114,909)**
Life assurance			
Individual premiums	(191,561)	6,720	(184,841)
Periodic premiums	(157,520)	5,526	(151,994)
Single premiums	(34,041)	1,194	(32,847)
Total life assurance	**(191,561)**	**6,720**	**(184,841)**
Total	**(377,658)**	**77,908**	**(299,750)**

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

Non-life insurance

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

The greatest likelihood of significant losses to the Company arises from catastrophes, such as floods, storms or earthquake damages. The techniques and assumptions that the Company uses to calculate these risks include: measurement of geographical accumulations, assessment of probable maximum losses, and excess of loss reinsurance.

The table below presents reinsurance coverage and retention of the Company by type of insured event as at 31 December:

	2019	**2019**	**2018**	**2018**
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	1,250	Unlimited	1,250
Fire	1,000,000	1,500	1,000,000	1,500
Motor hull insurance	3,500	360	3,500	360
Machinery breakage	364,000	1,100	364,000	1,100
Construction /assembly	364,000	1,100	364,000	1,100
Theft	1,000,000	1,500	1,000,000	1,500
Vessels	73,000	1,000	22,400	1,000
Liability	146,000	900	146,000	900
Earthquake	160,000	2,000	160,000	2,000
Flood	160,000	2,000	160,000	2,000

Life assurance

For life assurance contracts that cover policyholder's death, there is no significant geographical concentration of risk, although the concentration of the amount at risk may impact the ratio of insurance payment on the portfolio level. Amounts at risk for life assurance are as follows:

	Value at risk			
	2019		**2018**	
Line of insurance		**%**		**%**
Life assurance – traditional products	2,748,415	95.37%	2,957,817	96.78%
Unit-linked life assurance products	133,566	4.63%	98,337	3.22%
At 31 December	**2,881,981**	**100.00%**	**3,056,154**	**100.00%**

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

The tables for long-term insurance contracts are presented below and provide an overview of the concentration of risk through nine groups of contracts grouped by sum insured per policy.

Sum insured per policy as at 31 December 2019	**Total sum insured Before reinsurance**	
in HRK		**%**
< 40,000	530,464	9.7
40,001-60,000	435,090	7.9
60,001-80,000	644,718	11.8
80,001-100,000	620,077	11.3
100,001-125,000	849,666	15.5
125,001-150,000	479,339	8.8
150,001-250,000	1,344,082	24.6
250,001-500,000	400,811	7.3
> 500,001	167,204	3.1
At 31 December 2019	**5,471,451**	**100.0**

Sum insured per policy as at 31 December 2018	**Total sum insured Before reinsurance**	
in HRK		**%**
< 40,000	581,053	9.0
40,001-60,000	512,289	7.9
60,001-80,000	737,309	11.4
80,001-100,000	732,501	11.3
100,001-125,000	1,048,737	16.2
125,001-150,000	665,732	10.3
150,001-250,000	1,446,331	22.3
250,001-500,000	553,896	8.5
> 500,001	203,272	3.1
At 31 December 2018	**6,481,120**	**100.0**

22. FINANCIAL RISK MANAGEMENT

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

22.1 Market risk

Market risk includes three types of risk:

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

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

Asset and liability matching

The Company actively manages its assets using approaches that balance 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. The Management Board reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing supervisions of the asset/liability management process. Due attention is also given to the compliance with the rules established by the Insurance Act.

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

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

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1 Market risk (continued)

Currency risk

The Company is exposed to currency risk through foreign currency transactions. This risk entails that the value of the financial instrument will change because of changes in foreign exchange rates. The Company is exposed to foreign currency risk through its lending, deposit and investment activities, as well as its premium income, the calculation of technical provisions and settled claims under insurance policies with a currency clause. The prevailing currency in which the risk arises is the euro. The Company manages its foreign exchange risk exposure by seeking to reduce the gap between the assets and liabilities denominated in foreign currencies or those under currency clause. Investments for the purpose of backing the mathematical provision are mainly EUR denominated, since most of the mathematical provision funds are also EUR denominated.

Considering historical movements of the exchange rate between HRK and EUR, the analysis was made based on the presumptions of possible movements in key variables. The effect of exchange rate risk was analysed for EUR and HRK. The Management Board assessed that an increase/decrease in the EUR exchange rate by 1% (2018: 1%), with other variables held constant, would result in higher/lower profit for the period of HRK 16,433 thousand (2018: HRK 17,524 thousand), not taking into account the effect of exchange rate movement on the mathematical provision denominated in EUR.

The Company's financial assets and liabilities within the scope of IAS 39 as at 31 December 2019 and 31 December 2018 are denominated in the following currencies:

2019	**EUR**	**HRK**	**Other foreign currencies**	**Total**
Financial assets				
Held-to-maturity investments				
- Debt securities	617,804	42,933	-	660,737
Available-for-sale financial assets				
- Debt securities	1,211,901	474,403	-	1,686,304
- Bond funds	186,343	-	-	186,343
- Equity funds	32,727	-	-	32,727
- Alternative funds	4,004	-	-	4,004
- Structured product	1,513	-	9,959	11,472
Financial assets at fair value through profit or loss				
- Mixed funds	2,848	-	-	2,848
- Bond funds	6,220	-	-	6,220
- Equity funds	76,576	-	-	76,576
- Alternative funds	1,616	-	-	1,616
- Structured product		4,228	55,307	59,535
Loans and receivables				
- Bank deposits	-	20,003	-	20,003
- Loans	11,069	1,177	-	12,246
Other receivables	14,898	182,539	-	197,437
Cash and cash equivalents	4,690	82,386	57	87,133
Total financial assets	**2,172,209**	**807,669**	**65,323**	**3,045,201**
Financial liabilities				
Insurance and other liabilities	110,888	86,102	-	196,990
Lease liabilities	7,156	3,257	-	10,413
Total financial liabilities	**118,044**	**89,359**	**-**	**207,403**
Currency gap between financial assets and liabilities	**2,054,165**	**718,310**	**65,323**	**2,837,798**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Currency risk (continued)

2018	**EUR**	**HRK**	**Other foreign currencies**	**Total**
Financial assets				
Held-to-maturity investments				
- Debt securities	848,759	43,343	-	892,102
Available-for-sale financial assets				
- Debt securities	1,148,762	423,881	-	1,572,643
- Bond funds	142,469	-	-	142,469
- Equity funds	39,691	-	-	39,691
- Alternative funds	3,892	-	-	3,892
- Structured product	-	-	16,978	16,978
Financial assets at fair value through profit or loss				
- Mixed funds	306	-	-	306
- Bond funds	5,748	-	-	5,748
- Equity funds	54,176	-	-	54,176
- Alternative funds	1,701	-	-	1,701
- Structured product	-	3,930	22,180	26,110
Loans and receivables				
- Bank deposits	-	29,194	-	29,194
- Loans	13,798	975	-	14,773
Other receivables	16,273	162,346	3	178,621
Cash and cash equivalents	24,416	42,122	217	66,756
Total financial assets	**2,299,991**	**705,791**	**39,378**	**3,045,160**
Financial liabilities				
Insurance and other liabilities	109,518	93,608	14	203,141
Total financial liabilities	**109,518**	**93,608**	**14**	**203,141**
Currency gap between financial assets and liabilities	**2,190,472**	**612,183**	**39,364**	**2,842,019**

Interest rate risk

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. The Company is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk is, however, limited considering that most of the Company's interest-bearing investments at the reporting date bear fixed interest rates.

The Company does not have significant debt liabilities and interest rate changes also do not influence the level of non-life provisions. The life assurance provision is discounted using equal or the lower of the technical interest rate or regulatory prescribed rate. The prescribed discount rate to some extent reflects expected movement in interest yields over longer periods of time. Therefore, changes in investment values attributable to interest rate changes will not be mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

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

The Company attempts to match the future proceeds 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 Company to purchase interest rate swaps in Croatia, the Company is exposed to interest rate risk.

The Company is contractually committed to accrue interest at rates of 0.5%, 2.75%, 3%, 3.5% and 4.5% per annum on premiums paid under life assurance policies for distribution to policyholders upon maturity of such policies and is currently not able to fully hedge the future interest rate on assets invested to meet those future liabilities. By reducing the technical interest rate in the calculation of the mathematical provision (2.35% in 2018, 2.00% in 2019) the Company reduces exposure to future interest rate risk.

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

Debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.
For liabilities under long-term insurance contracts, changes in interest rates will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

For debt securities classified as fair value through profit or loss and available for sale, an increase in interest rates will result in a changed fair value of these assets, which will be recorded in other comprehensive income for assets classified as available-for-sale and in profit or loss for assets classified as at fair value through profit or loss.

The tables below present the Company’s financial assets and liabilities within the scope of IAS 39 analysed according to the periods of changes in interest rates, which are determined based on the lower of the remaining contractual maturity and the contractual period of interest rate changes.

The tables below present the Management Board's estimate on the Company’s interest rate risk exposure as at 31 December 2019 and 2018, which are not necessarily indicative of the position in another period. However, taking into account the interest rate assumptions, which are the basis for the mathematical provision calculation, these estimates show a certain sensitivity of the Company's profit to changes in interest rates. Profit will also be affected by currency structure of assets, liabilities and capital. The Company has significant interest-bearing assets and liabilities on which interest is paid in foreign currency.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

2019	**Effective interest rate**	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Held-to-maturity investments							
- Debt securities	5.36%	399,235	-	142,308	119,194	-	660,737
Available-for-sale financial assets							
- Debt securities	3.93%	270,723	-	787,214	628,367	-	1,686,304
- Bond funds		-	-	-	-	186,343	186,343
- Equity funds		-	-	-	-	32,727	32,727
- Alternative funds		-	-	-	-	4,004	4,004
- Structured product		-	-	330	11,142	-	11,472
Financial assets at fair value through profit or loss							
- Mixed funds		-	-	-	-	2,848	2,848
- Bond funds		-	-	-	-	6,220	6,220
- Equity funds		-	-	-	-	76,576	76,576
- Alternative funds		-	-	-	-	1,616	1,616
- Structured product		-	-	50,904	8,631	-	59,535
Loans and receivables							
- Bank deposits	0.30%	20,003	-	-	-	-	20,003
- Loans	6.23%	1,060	1,001	7,311	2,823	51	12,246
Other receivables	n/a	-	-	-	-	197,437	197,437
Cash and cash equivalents		87,133	-	-	-	-	87,133
Total financial assets		**778,154**	**1,001**	**988,067**	**770,157**	**507,822**	**3,045,201**
Financial liabilities							
Insurance and other liabilities	3%	76,676	3,407	33,767	58,808	24,332	196,990
Lease liabilities	2.46%	2,169	2,251	5,993	-	-	10,413
Total financial liabilities		**78,845**	**5,658**	**39,760**	**58,808**	**24,332**	**207,403**
Interest rate gap		**699,309**	**(4,657)**	**948,307**	**711,349**	**483,490**	**2,837,798**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

2018	**Effective interest rate**	**Up to 6 months**	**6-12 months**	**1-5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Held-to-maturity investments							
- Debt securities	5.40%	-	230,241	483,873	177,988	-	892,102
Available-for-sale financial assets							
- Debt securities	4.48%	593	71,777	882,334	617,939	-	1,572,643
- Bond funds		-	-	-	-	142,469	142,469
- Equity funds		-	-	-	-	39,691	39,691
- Alternative funds		-	-	-	-	3,892	3,892
- Structured product		-	-	-	-	16,978	16,978
Financial assets at fair value through profit or loss							
- Mixed funds		-	-	-	-	306	306
- Bond funds		-	-	-	-	5,748	5,748
- Equity funds		-	-	-	-	54,176	54,176
- Alternative funds		-	-	-	-	1,701	1,701
- Structured product		-	-	-	-	26,110	26,110
Loans and receivables							
- Bank deposits	0.18%	29,194	-	-	-	-	29,194
- Loans	6.31%	760	1,831	8,859	3,323	-	14,773
Other receivables	n/a	-	-	-	-	178,621	178,621
Cash and cash equivalents		66,756	-	-	-	-	66,756
Total financial assets		**97,303**	**303,849**	**1,375,066**	**799,250**	**469,692**	**3,045,160**
Financial liabilities							
Other liabilities	3.00%	77,057	2,532	31,988	60,985	30,579	203,141
Total financial liabilities		**77,057**	**2,532**	**31,988**	**60,985**	**30,579**	**203,141**
Interest rate gap		**20,246**	**301,317**	**1,343,078**	**738,265**	**439,113**	**2,842,019**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Equity price risk

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

The Company assessed that an increase/decrease in the fair value of investments in investment funds classified as available-for-sale assets by 10% (2018: 10%), in comparison to the one reported, with all other variables held constant, would result in a loss/gain recognised in other comprehensive income in the amount of HRK 22,307 thousand (2018: HRK 18,605 thousand) and in a loss/gain recognised in profit or loss in the amount of HRK 8,726 thousand (2018: HRK 6,193 thousand).

22.2. Credit risk

The Company's portfolios of fixed income securities, to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt. The Company manages this risk by up-front, stringent underwriting analysis, reviews by the Management Board and regular meetings to review credit developments.

Not taking into account the existing collection and other loan security instruments, the maximum exposure to credit risk at the date of the statement of financial position is as follows:

	2019	**2018**
Debt securities:		
- Held-to-maturity investments	660,737	892,102
- Available-for-sale financial assets	1,920,850	1,775,673
- Financial assets at fair value through profit or loss	146,795	88,041
Loans and receivables:		
Bank deposits	20,003	29,194
Loans	12,246	14,773
Reinsurers' share in insurance contract provisions	314,655	292,494
Other receivables and reinsurance receivables	197,437	178,621
Cash and cash equivalents	87,133	66,756
	3,359,856	**3,337,654**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

Exposure to state

At the reporting date, the Company had a significant concentration of amounts due from the Republic of Croatia, whose credit rating is BBB (S&P):

	2019	2018
Government bonds	1,698,934	2,004,047
Accrued interest on government bonds	33,831	35,403
Total	**1,732,765**	**2,039,450**

The total exposure to the republic of Croatia credit risk represents 49% of the Company's total assets (2018: 58%).

Exposure to large corporate entities and banks

At 31 December 2019, the exposure to large domestic corporate entities comprising debt securities and accrued interest on debt securities amounted to HRK 188,770 thousand (2018: HRK 76,554 thousand). The credit rating of the issuer of debt securities comprising 95% (2018: 88%) of the total exposure to corporate entities is A-, B+, BBB, BBB+, while other issuers do not have a credit rating.

As at 31 December 2019, the exposure to financial institutions comprising deposits with banks amounts to HRK 20,003 thousand (2018: HRK 29,194 thousand). Financial institutions do not have a credit rating.

Exposure to reinsurance companies

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

The exposure to reinsurers according to S&P ratings, where available, was as follows:

S&P rating	**2019**	**2018**
A and AA	148,534	126,202
BBB	1,595	2,550
Other or without rating	1,759	1,795
	151,888	**130,547**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

Analysis by credit quality at the date of the statement of financial position

	Debt securities	Loans	Bank deposits	Other receivables and reinsurance receivables	Reinsurers' share in insurance contract provisions	Cash and cash equivalents	Total
2019							
Neither past due nor impaired	2,347,041	11,606	20,003	197,438	314,655	87,133	2,977,876
Past due but not impaired	-	640	-	-	-	-	640
Impaired	-	6,439	-	5,025	-	-	11,464
Impairment provision	-	(6,439)	-	(5,025)	-	-	(11,464)
	2,347,041	**12,246**	**20,003**	**197,438**	**314,655**	**87,133**	**2,978,516**
2018							
Neither past due nor impaired	2,464,745	14,331	29,194	178,621	292,494	66,756	3,046,140
Past due but not impaired	-	442	-	-	-	-	442
Impaired	-	6,697	-	6,922	-	-	13,619
Impairment provision	-	(6,697)		(6,922)	-	-	(13,619)
	2,464,745	**14,773**	**29,194**	**178,621**	**292,494**	**66,756**	**3,046,582**

The loan analysis is presented in Note 7. Loan exposures are covered with collateral, mortgages or the surrender value of life insurance policies. Management believes the estimated value of assets taken as collateral amounting to HRK 35,398 thousand (2018: HRK 44,420 thousand) does not differ significantly from their fair values, as valuations were performed by independent valuation specialists.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

The ageing analysis of past due but not impaired balances is shown in the table below:

	2019	2018
Less than 30 days	214	143
31 - 180 days	230	241
181 - 365 days	143	57
Over 365 days	53	1
	640	**442**

Credit risk arising from loans relates to debtors without credit rating. Credit risk relating from other receivables (other than accrued interests, reinsurance receivables and credit card receivables) relates to domestic debtors without credit rating.

22.3. Liquidity risk

Liquidity risk arises as a result of the Company's financial 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 time frame. The Company holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and compliance with legal requirements with respect to the value of liquidity ratios.

The Company's liquidity position is good and all statutory requirements for claims settlement were met in time.

The tables below present the Company's financial assets and liabilities within the scope of IAS 39 as at 31 December 2019 and 31 December 2018 by groups based on the remaining contractual maturity and the estimated remaining contractual maturities of insurance provisions.

The financial liabilities are recorded in the amount of contractual future undiscounted cash flows, whereas financial assets are stated at carrying amount. Equity securities and investments in funds are included in the maturity group 'Up to 6 months', based on their classification.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2019	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Total**
Financial assets					
Held-to-maturity investments					
- Debt securities	399,235	-	142,308	119,194	660,737
Available-for-sale financial assets					
- Debt securities	270,723	-	787,214	628,367	1,686,304
- Bond funds	186,343	-	-	-	186,343
- Equity funds	32,727	-	-	-	32,727
- Alternative funds	4,004	-	-	-	4,004
- Structured product	-	-	330	11,142	11,472
Financial assets at fair value through profit or loss					
- Mixed funds	2,848	-	-	-	2,848
- Bond funds	6,220	-	-	-	6,220
- Equity funds	76,576	-	-	-	76,576
- Alternative funds	1,616	-	-	-	1,616
- Structured product	-	-	50,904	8,631	59,535
Loans and receivables					
- Bank deposits	20,003	-	-	-	20,003
- Loans	1,111	1,001	7,311	2,823	12,246
Other receivables	196,839	153	95	350	197,437
Cash and cash equivalents	87,133	-	-	-	87,133
Total financial assets	**1,285,378**	**1,154**	**988,162**	**770,507**	**3,045,201**
Financial liabilities					
Insurance contract and other payables	101,007	3,408	33,767	58,808	196,990
Lease liabilities	2,169	2,251	5,993	-	10,413
Total financial liabilities	**103,176**	**5,659**	**39,760**	**58,808**	**207,403**
Maturity gap between financial assets and liabilities	**1,182,202**	**(4,505)**	**948,402**	**711,699**	**2,837,798**

Remaining expected maturities of insurance liabilities

2019	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
UPR	165,366	76,113	89,601	4,872	1,798	230	337,980
RBNS, IBNR and other provisions	158,876	189,535	102,914	58,718	34,401	36,771	581,215
Mathematical provision	466,036	496,640	340,485	210,205	140,918	54,682	1,708,966
Total technical provision	**790,278**	**762,288**	**533,000**	**273,795**	**177,117**	**91,683**	**2,628,161**
Reinsurers' share	79,932	97,573	77,923	39,283	12,613	7,331	314,655
Net technical provision	**710,346**	**664,715**	**455,077**	**234,512**	**164,504**	**84,352**	**2,313,506**
Deposits retained from business ceded to reinsurance	**6,618**	**32,793**	**29,117**	**20,976**	**4,221**	**2,799**	**96,525**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

Deposits retained from business ceded to reinsurance are recorded within insurance contract and other payables (Note 12).

Future undiscounted cash flows from lease agreements are as follows:

2019	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
Lease liabilities	4,545	6,245	-	-	-	-	10,790

Net debt reconciliation:

2019	**Cash and cash equivalents**	**Lease liabilities**	**Net debt**
1 January 2019	66,756	(14,928)	51,828
Cash flow	20,377	-	20,377
Expenses arising from lease liabilities	-	4,756	4,756
Increases arising from new agreements	-	(455)	(455)
Termination of agreements	-	782	782
Other increases - non-cash	-	(269)	(269)
Interest expense	-	(299)	(299)
Foreign exchange differences	-	-	-
31 December 2019	**87,133**	**(10,413)**	**76,720**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2018	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Total**
Financial assets					
Held-to-maturity investments					
- Debt securities	-	230,241	483,873	177,988	892,102
Available-for-sale financial assets					
- Debt securities	593	71,777	882,334	617,939	1,572,643
- Bond funds	142,469	-	-	-	142,469
- Equity funds	39,691	-	-	-	39,691
- Alternative funds	3,892	-	-	-	3,892
- Structured product	-	-	16,978	-	16,978
Financial assets at fair value through profit or loss					
- Mixed funds	306	-	-	-	306
- Bond funds	5,748	-	-	-	5,748
- Equity funds	54,176	-	-	-	54,176
- Alternative funds	1,701	-	-	-	1,701
- Structured product	-	-	22,180	3,930	26,110
Loans and receivables					
- Bank deposits	29,194	-	-	-	29,194
- Loans	760	1,831	8,859	3,323	14,773
Other receivables	177,778	114	309	420	178,621
Cash and cash equivalents	66,756	-	-	-	66,756
Total financial assets	**523,064**	**303,963**	**1,414,533**	**803,600**	**3,045,160**
Financial liabilities					
Other liabilities	107,636	2,532	31,988	60,985	203,141
Total financial liabilities	**107,636**	**2,532**	**31,988**	**60,985**	**203,141**
Maturity gap between financial assets and liabilities	**415,428**	**301,431**	**1,382,545**	**742,615**	**2,842,019**

Remaining expected maturities of insurance liabilities

2018	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
UPR	160,329	43,237	61,045	1,808	1,424	178	268,021
RBNS, IBNR and other provisions	113,411	153,812	94,000	51,166	30,656	28,518	471,563
Mathematical provision	455,539	614,683	377,525	206,659	159,291	51,526	1,865,223
Total technical provision	**729,279**	**811,732**	**532,570**	**259,633**	**191,371**	**80,222**	**2,604,807**
Reinsurers' share	97,730	85,264	61,415	25,628	15,569	6,888	292,494
Net technical provision	**631,549**	**726,468**	**471,155**	**234,005**	**175,802**	**73,335**	**2,312,314**
Deposits retained from business ceded to reinsurance	**23,243**	**31,363**	**19,263**	**10,544**	**8,128**	**2,629**	**95,170**

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values

Fair value is defined as 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. Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value. Held-to-maturity investments, loans and receivables, other receivables and all financial liabilities are measured at amortised cost less impairment.

	Carrying amount		Fair value	
	2019	**2018**	**2019**	**2018**
In thousands of HRK				
Held-to-maturity investments – debt securities	660,737	892,102	727,644	970,044

The Management Board believes that the carrying value of loans and receivables is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses. Loans and receivables include deposits with other banks. Cash and cash equivalents comprise cash at current accounts with banks. The fair value of these fixed-rate deposits and current accounts with banks approximates their carrying amount. The Management Board believes that the fair value of other receivables and other liabilities approximates their carrying amount due to their short-term maturity.

Fair value estimation

In accordance with the amendment to IFRS 13 for financial instruments that are measured in the statement of financial position at fair value, the Company discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The following table presents the Company's assets and liabilities that are measured at fair value as at 31 December 2019 and 2018 according to those hierarchical levels:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	6,220	-	-	**6,220**
- Mixed funds	2,848	-	-	**2,848**
- Equity funds	76,576	-	-	**76,576**
- Alternative funds	1,616	-	-	**1,616**
- Structured product	59,535	-	-	**59,535**
Available-for-sale financial assets				
- Debt securities	1,651,277	35,027	-	**1,686,304**
- Bond funds	186,343	-	-	**186,343**
- Equity funds	32,727	-	-	**32,727**
- Alternative funds	4,004	-	-	**4,004**
- Structured product	11,472	-	-	**11,472**
Investment property	-	-	53,458	**53,458**
Total assets	**2,032,618**	**35,027**	**53,458**	**2,121,103**

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	5,748	-	-	**5,748**
- Mixed funds	306	-	-	**306**
- Equity funds	54,176	-	-	**54,176**
- Alternative funds	1,701	-	-	**1,701**
- Structured product	26,110	-	-	**26,110**
Available-for-sale financial assets				
- Debt securities	1,563,673	8,970	-	**1,572,643**
- Bond funds	142,469	-	-	**142,469**
- Equity funds	39,691	-	-	**39,691**
- Alternative funds	3,892	-	-	**3,892**
- Structured product	16,978	-	-	**16,978**
Investment property	-	-	56,460	**56,460**
Total assets	**1,854,744**	**8,970**	**56,460**	**1,920,174**

The Company has financial assets classified in level 3 referring to investment property.

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The fair value of investments held to maturity is determined on the basis of market prices and is classified in level 1 in accordance with IFRS 13.

The fair value of debt financial instruments is determined on the basis of the consensus closing price (which is determined on the basis of market prices obtained from different sources taking into account the reliability of each source), which is available on the financial information service at the date of the securities valuation. The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive. These instruments included in level 1 comprise primarily government bonds classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

In 2019, level 2 assets amounted to HRK 35,027 thousand (2018: HRK 8,970 thousand) and relate to corporate bonds. No consensus price was available for them from Bloomberg Generic Network (BGN) at the valuation date, so the market is considered inactive. The discounted cash flow valuation technique was used to calculate fair value.

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property comprises land and buildings and is carried at fair value. Fair value estimates are based on valuations and value information performed and obtained by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Accordingly, these assets are included in fair value level 3.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. An independent valuation and information of the value of the Company's investment property was conducted and obtained by external valuers in order to determine the fair value as at 31 December 2019 and 31 December 2018. The fair value of investment property was derived using the income and sales comparison approaches, as appropriate depending on the particular asset.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The most significant inputs in this valuation approach were rental income and price per square meter generated based on comparable properties in close proximity, which were then adjusted by differences in key attributes.

Information about fair value measurements of investment property using significant unobservable inputs:

Fair value		Valuation technique	Unobservable inputs	Range of unobservable inputs in 2019	Range of unobservable inputs in 2018
2019	2018				
53,458	56,460	Income approach	Discount rate	6.5 - 8.0%	7.0 - 8.5%
			Average rent price per m^2	42.2 - 184.72 HRK/m^2	30 - 92 HRK/m^2
		Comparison approach	Average sales price per m^2	-	3,400 - 9,200 HRK/m^2
		Cost method	Construction cost per m^2	3,051.46 - 7,918.91 HRK/m^2	-

A significant increase/(decrease) in the average price per m^2, with other variables held constant, would have an impact on a significant increase/(decrease) in the fair value of investment property. A significant increase/(decrease) in the discount rate, with other variables held constant, would have an impact on a significant decrease/(increase) in the fair value of investment property.

23. EVENTS AFTER THE BALANCE SHEET DATE

On 11 March 2020, the World Health Organization declared the SARS-CoV-2 virus pandemic and Zagreb was hit by a severe earthquake on 22 March 2020. For the time being, the Company does not have sufficient information to quantify the impact of these events on its operations and operating results, but it anticipates that it will be able to continue as a going concern. We have considered the pandemic and the earthquake are non-adjusting post balance sheet events that do not impact the measurement of assets and liabilities in the financial statements as of 31 December 2019 or for the year then ended.

The effects of the pandemic, other than mortality and affecting people’s health and national healthcare systems, are already observable in the global economy which is threatened by a new global recession. The capital market has been disrupted, volatility has increased and securities prices have dropped. Locally, this was accompanied by a weakening of the HRK against the euro and the US dollar.

The majority of the Company's investment portfolio has been invested in government bonds, whose impairment value has been relatively low so far. Based on currently available information, the Company expects that changes in securities prices and exchange rates will have a relatively low adverse effect on the Company's profit. In addition, the decrease in capital and reserves due to a change in the revaluation reserve will be moderate.

Developments in the financial markets may reduce the demand for the Company's unit-linked and index-linked products. However, in conditions of reduced purchasing power, liquidity, economic activity and mobility, the sale of the Company’s other products may also be affected.

23. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Depending on the duration and further effects of the pandemic, increased claim amounts are also possible with accident insurance, health insurance, loan insurance, various financial losses, assistance etc., while claim amounts may be reduced for insurance of motor vehicles and motor third-party liability insurance due to restricted movement of people and goods. We consider that the pandemic and the earthquake are non-adjusting post balance sheet events that do not impact the measurement of assets and liabilities in the financial statements as of 31 December 2019 or for the year then ended.

Claims are being reported as a result of the earthquake, and at this time it is difficult to estimate the Company's total liability as new claims are being daily. In addition, the damage of many buildings cannot be assessed yet due to safety reasons. Notwithstanding the great estimation uncertainty of the Company's total gross liability, the net liability (after applying reinsurance: excess of loss reinsurance contracts to cover natural disasters and quota reinsurance) is limited to the Company's retention (HRK 2 million) plus the additional reinsurance premium (the so-called "reinstatement premium") that the Company will have to pay to renew the limit of the excess of loss reinsurance contract, and the amount of that premium depends on the "used" reinsurance limit.

The Company has a significant amount of cash and cash equivalents and liquid securities and expects to have no liquidity difficulties despite the unfavourable environment.

Given the Company's good current capitalisation, despite the effects of both events (the Covid-19 pandemic and the earthquake of 22 March 2020) on the decrease in profit and capital and consequently the decrease in the solvency quota, it is expected that the Company will have sufficient own capital to cover regulatory capital requirements throughout 2020 and throughout the next 5 years of business planning.

The Company's financial statements in accordance with the format prescribed by the Croatian Financial Services Supervisory Agency (HANFA)

The financial statements on the operations of the company UNIQA osiguranje d.d. prepared in accordance with the Ordinance on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies (OG 37/16, 96/18, 50/19) are presented below.

1. Statement of financial position
    1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements
2. Statement of comprehensive income
    2.1. Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements
3. Statement of cash flows
4. Statement of changes in equity
5. Notes to the financial statements – see notes 1 to 22 to the financial statements.

STATEMENT OF FINANCIAL POSITION

as at: 31.12.2019.

in HRK

Position No.	Sum elements	Position code	Position description	Previous year Life	Previous year Non-life	Previous year Total	Current year Life	Current year Non-life	Current year Total
001	002+003	**I**	**INTANGIBLE ASSETS**	**2.080.623**	**2.080.623**	**4.161.246**	**1.905.244**	**1.905.243**	**3.810.487**
002		1	Goodwill						
003		2	Other intangible assets	2.080.623	2.080.623	**4.161.246**	1.905.244	1.905.243	**3.810.487**
004	005+006+007	**II**	**TANGIBLE ASSETS**	**7.992.305**	**15.276.563**	**23.268.868**	**10.723.530**	**21.284.972**	**32.008.502**
005		1	Land and buildings intended for company business operations	5.223.048	12.507.311	**17.730.359**	8.033.627	18.426.925	**26.460.552**
006		2	Equipment	2.047.145	2.047.145	**4.094.290**	2.183.517	2.351.668	**4.535.185**
007		3	Other tangible assets and inventories	722.112	722.107	**1.444.219**	506.386	506.379	**1.012.765**
008	009+010+014+033	**III**	**INVESTMENTS**	**2.281.966.034**	**493.025.786**	**2.774.991.820**	**2.156.080.870**	**520.131.737**	**2.676.212.607**
009		**A**	**Investments in land and buildings not intended for company business operations**	**42.801.244**	**13.659.089**	**56.460.333**	**41.330.715**	**12.126.930**	**53.457.645**
010	011+012+013	**B**	**Investments in subsidiaries, associates and joint ventures**						
011		1	Shares and stakes in subsidiaries						
012		2	Shares and stakes in associates						
013		3	Shares and stakes in joint ventures						
014	015+018+023+029	**C**	**Financial assets**	**2.239.164.790**	**479.366.697**	**2.718.531.487**	**2.114.750.155**	**508.004.807**	**2.622.754.962**
015	016+017	**1**	**Financial assets held to maturity**	**829.714.709**	**62.387.654**	**892.102.363**	**610.199.208**	**50.537.382**	**660.736.591**
016		*1.1*	Debt financial instruments	829.714.709	62.387.654	**892.102.363**	610.199.208	50.537.382	**660.736.591**
017		*1.2*	*Other*						
018	019+020+021+022	**2**	**Available-for-sale financial assets**	**1.364.737.645**	**410.935.005**	**1.775.672.650**	**1.465.317.032**	**455.533.326**	**1.920.850.357**
019		*2.1*	Equity financial instruments						
020		*2.2*	Debt financial instruments	1.184.982.730	387.661.525	**1.572.644.256**	1.265.065.313	421.238.761	**1.686.304.075**
021		*2.3*	Shares in investment funds	162.777.371	23.273.480	**186.050.851**	190.292.611	32.781.525	**223.074.136**
022		*2.4*	Other	16.977.544		**16.977.544**	9.959.107	1.513.039	**11.472.147**
023	024+025+026+027+028	**3**	**Financial assets at fair value through profit or loss**	**6.789.228**		**6.789.228**	**8.918.097**		**8.918.097**
024		*3.1*	Equity financial instruments						
025		*3.2*	Debt financial instruments						
026		*3.3*	Derivative financial instruments						
027		*3.4*	Shares in investment funds	6.789.228		**6.789.228**	8.818.526		**8.818.526**
028		*3.5*	Other				99.570		**99.570**
029	030+031+032	**4**	**Loans and receivables**	**37.923.208**	**6.044.038**	**43.967.246**	**30.315.819**	**1.934.099**	**32.249.918**
030		*4.1*	*Deposits with credit institutions*	25.099.926	4.094.198	**29.194.124**	20.003.447		**20.003.447**
031		*4.2*	*Loans*	12.545.410	1.949.840	**14.495.250**	9.977.775	1.934.099	**11.911.874**
032		*4.3*	*Other*	277.872		**277.872**	334.596		**334.596**
033		**D**	**Deposits with cedent**						
034		**IV**	**INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS**	**81.251.712**		**81.251.712**	**137.876.484**		**137.876.484**

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
035	036+037+038+039+040+041+042	**V**	**REINSURER'S SHARE IN TECHNICAL PROVISIONS**	**95.398.140**	**197.095.526**	**292.493.666**	**96.695.423**	**217.959.661**	**314.655.084**
036		1	Provision for unearned premiums, reinsurance share	183.600	66.427.621	**66.611.221**	198.703	65.919.022	**66.117.725**
037		2	Mathematical provisions, reinsurance share	94.986.332		**94.986.332**	96.326.020		**96.326.020**
038		3	Claims provisions, reinsurer's share	228.208	130.547.057	**130.775.265**	170.700	151.887.924	**152.058.624**
039		4	Provisions for bonuses and discounts, reinsurer's share		120.849	**120.849**		152.715	**152.715**
040		5	Equalisation provisions, reinsurer's share						
041		6	Other technical provisions, reinsurance share						
042		7	Special provision for unit-linked life insurance group, reinsurer's share						
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSETS**	**8.148.650**	**3.408.503**	**11.557.153**	**6.633.932**	**3.827.259**	**10.461.191**
044		1	Deferred tax assets	2.683.950	506.916	**3.190.865**	876.574	463.443	**1.340.018**
045		2	Current tax assets	5.464.700	2.901.587	**8.366.287**	5.757.358	3.363.815	**9.121.173**
046	047+050+051	**VII**	**RECEIVABLES**	**10.376.702**	**162.790.385**	**173.167.087**	**16.549.486**	**176.438.243**	**192.987.729**
047	048+049	**1**	**Receivables from insurance business**	**77.939**	**88.502.362**	**88.580.301**	**30.888**	**99.528.103**	**99.558.991**
048		*1.1*	*From policyholders*		87.977.727	**87.977.727**		99.496.173	**99.496.173**
049		*1.2*	*From insurance agents, or insurance brokers*	77.939	524.634	**602.574**	30.888	31.930	**62.818**
050		**2**	**Reinsurance receivables**	**9.025.972**	**57.995.093**	**67.021.065**	**7.712.251**	**58.693.089**	**66.405.339**
051	052+053+054	**3**	**Other receivables**	**1.272.792**	**16.292.930**	**17.565.721**	**8.806.347**	**18.217.052**	**27.023.398**
052		*3.1*	*Receivables from other insurance business*	626.577	14.972.677	**15.599.253**	287.104	16.119.567	**16.406.672**
053		*3.2*	*Receivables for income from investments*	25.158	5.404	**30.562**	33.533	1.833	**35.366**
054		*3.3*	*Other receivables*	621.057	1.314.849	**1.935.907**	8.485.709	2.095.651	**10.581.360**
055	056-060+061	**VIII**	**OTHER ASSETS**	**49.434.373**	**17.321.530**	**66.755.903**	**53.704.820**	**33.428.401**	**87.133.222**
056	057+058+059	**1**	**Cash at bank and in hand**	**49.434.373**	**17.321.530**	**66.755.903**	**53.704.820**	**33.428.401**	**87.133.222**
057		*1.1*	*Funds in the business account*	16.364.709	17.314.097	**33.678.806**	27.617.201	33.423.852	**61.041.053**
058		*1.2*	*Funds in the account of assets backing mathematical provision*	33.066.664		**33.066.664**	26.084.618		**26.084.618**
059		*1.3*	*Cash on hand*	3.001	7.433	**10.434**	3.001	4.549	**7.550**
060		**2**	**Non-current assets held for sale and discontinued operation**						
061		**3**	**Other**						
062	063+064+065	**IX**	**PREPAID EXPENSES AND ACCRUED INCOME**	**3.874.340**	**71.983.234**	**75.857.573**	**4.394.059**	**100.633.198**	**105.027.257**
063		1	Deferred interest and rent	28.197	16.546	**44.743**			
064		2	Deferred acquisition costs		63.430.028	**63.430.028**		94.544.637	**94.544.637**
065		3	Other prepaid expenses and accrued income	3.846.143	8.536.660	**12.382.802**	4.394.059	6.088.560	**10.482.619**
066	001+004+008+034+035+043+046+055+062	**X**	**TOTAL ASSETS**	**2.540.522.878**	**962.982.150**	**3.503.505.029**	**2.484.563.848**	**1.075.608.715**	**3.560.172.562**
067		**XI**	**OFF-BALANCE-SHEET ITEMS**						

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	**XII**	**CAPITAL AND RESERVES**	**379.323.402**	**162.599.575**	**541.922.977**	**399.006.405**	**182.054.059**	**581.060.464**
069	070+071	**1**	**Subscribed share capital**	**28.875.000**	**33.825.000**	**62.700.000**	**28.875.000**	**33.825.000**	**62.700.000**
070		*1.1*	*Paid-up capital - ordinary shares*	28.875.000	33.825.000	**62.700.000**	28.875.000	33.825.000	**62.700.000**
071		*1.2*	*Paid-up capital - preference shares*						
072		**2**	**Issued shares premiums (capital reserves)**						
073	074+075+076	**3**	**Revaluation reserves**	**111.606.266**	**14.274.567**	**125.880.833**	**122.056.192**	**28.822.673**	**150.878.865**
074		*3.1*	*Land and buildings*	2.120.258		**2.120.258**	2.120.258		**2.120.258**
075		*3.2*	*Financial assets available-for-sale*	109.486.008	14.274.567	**123.760.575**	119.935.934	28.822.673	**148.758.607**
076		*3.3*	*Other revaluation reserves*						
077	078+079+080	**4**	**Reserves**	**153.650.277**	**79.066.290**	**232.716.567**	**153.650.277**	**79.066.290**	**232.716.567**
078		*4.1*	*Legal reserves*	1.134.375	1.134.375	**2.268.750**	1.134.375	1.134.375	**2.268.750**
079		*4.2*	*Statutory reserves*						
080		*4.3.*	*Other reserves*	152.515.902	77.931.915	**230.447.817**	152.515.902	77.931.915	**230.447.817**
081	082+083	**5**	**Retained earnings or accumulated loss**	**76.932.361**	**19.985.567**	**96.917.928**	**76.932.361**	**19.985.567**	**96.917.928**
082		*5.1*	*Retained earnings*	76.932.361	19.985.567	**96.917.928**	76.932.361	19.985.567	**96.917.928**
083		*5.2*	*Accumulated loss (-)*						
084	085+086	**6**	**Profit or loss for the current accounting period**	**8.259.498**	**15.448.151**	**23.707.649**	**17.492.575**	**20.354.529**	**37.847.104**
085		*6.1*	*Profit for the current accounting period*	8.259.498	15.448.151	**23.707.649**	17.492.575	20.354.529	**37.847.104**
086		*6.2*	*Loss for the current accounting period (-)*						
087		**XIII**	**SUBORDINATED LIABILITIES**						
088		**XIV**	**NON-CONTROLLING INTEREST**						
089	090+091+092+093+094+095	**XV**	**TECHNICAL PROVISIONS**	**1.889.765.557**	**633.784.781**	**2.523.550.338**	**1.769.059.821**	**721.223.403**	**2.490.283.224**
090		1	Provisions for unearned premiums, gross amount	3.224.352	264.797.020	**268.021.372**	2.753.111	335.227.419	**337.980.529**
091		2	Mathematical provisions, gross amount	1.865.223.192		**1.865.223.192**	1.708.965.406		**1.708.965.406**
092		3	Claims provisions, gross amount	21.318.014	366.201.840	**387.519.854**	57.341.305	384.572.570	**441.913.875**
093		4	Provisions for bonuses and discounts, gross amount		2.785.921	**2.785.921**		1.423.414	**1.423.414**
094		5	Equalisation provisions, gross amount						
095		6	Other technical provisions, gross amount						
096		**XVI**	**SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount**	**81.257.156**		**81.257.156**	**137.877.472**		**137.877.472**
097	098+099	**XVII**	**OTHER PROVISIONS**	**37.683.379**	**12.259.118**	**49.942.497**	**15.604.797**	**10.742.792**	**26.347.589**
098		1	Provisions for pensions and similar liabilities						
099		2	Other provisions	37.683.379	12.259.118	**49.942.497**	15.604.797	10.742.792	**26.347.589**
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX LIABILITY**	**31.126.243**	**7.027.629**	**38.153.872**	**27.180.665**	**11.587.812**	**38.768.477**
101		1	Deferred tax liability	24.498.936	3.133.442	**27.632.378**	26.792.823	6.326.928	**33.119.751**
102		2	Current tax liability	6.627.307	3.894.187	**10.521.494**	387.843	5.260.883	**5.648.726**
103		**XIX**	**DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE**	**95.169.932**		**95.169.932**	**96.524.723**		**96.524.723**
104	105+106+107	**XX**	**FINANCIAL LIABILITIES**				**3.427.977**	**6.985.096**	**10.413.073**
105		1	Loan liabilities						
106		2	Issued financial instruments payable						
107		3	Other financial liabilities				3.427.977	6.985.096	**10.413.073**
108	109+110+111+112	**XXI**	**OTHER LIABILITIES**	**19.363.278**	**88.659.578**	**108.022.856**	**28.918.606**	**89.044.700**	**117.963.306**
109		1	Liabilities from direct insurance business	3.779.256	11.408.429	**15.187.685**	13.402.874	16.280.735	**29.683.609**
110		2	Liabilities from co-insurance and reinsurance business	9.405.059	67.981.540	**77.386.599**	8.819.534	67.291.900	**76.111.434**
111		3	Liabilities for sale and discontinued operation						
112		4	Other liabilities	6.178.963	9.269.609	**15.448.572**	6.696.199	5.472.065	**12.168.263**
113	114+115	**XXII**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**6.833.930**	**58.651.470**	**65.485.400**	**6.963.382**	**53.970.853**	**60.934.235**
114		1	Deferred reinsurance commission		21.758.586	**21.758.586**		21.418.267	**21.418.267**
115		2	Other accrued expenses and deferred income	6.833.930	36.892.883	**43.726.813**	6.963.382	32.552.586	**39.515.968**
116	068+087+088+089+096+097+100+103+104+108+113	**XXIII**	**TOTAL EQUITY AND LIABILITIES**	**2.540.522.878**	**962.982.150**	**3.503.505.029**	**2.484.563.848**	**1.075.608.715**	**3.560.172.562**
117		**XXIV**	**OFF-BALANCE-SHEET ITEMS**						

1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements

Report for the Croatian Financial Services Supervisory Agency			1	2	3	4	Basic financial statements	
Position description	Total	HRK'000					HRK'000	
INTANGIBLE ASSETS	3.810.487	3.810				1	3.811	Other intangible assets
Goodwill		0						
Other intangible assets	3.810.487	3.810						
TANGIBLE ASSETS	32.008.502	32.009					32.009	Property and equipment
Land and buildings intended for company business operations	26.460.552	26.461						
Equipment	4.535.185	4.535						
Other tangible assets and inventories	1.012.765	1.013						
INVESTMENTS	2.676.212.607	2.676.213						
Investments in land and buildings not intended for company business operations	53.457.645	53.458					53.458	Investment property
Investments in subsidiaries, associates and joint ventures		0					0	Investment in subsidiary
Shares and stakes in subsidiaries		0						
Shares and stakes in associates		0						
Shares and stakes in joint ventures		0						
Financial assets	2.622.754.962	2.622.755						
Held-to-maturity financial assets	660.736.591	660.737					660.737	Held-to-maturity investments
Debt financial instruments	660.736.591	660.737						
Other		0						
Available-for-sale financial assets	1.920.850.357	1.920.850					1.920.850	Available-for-sale financial assets
Equity financial instruments		0						
Debt financial instruments	1.686.304.075	1.686.304						
Shares in investment funds	223.074.136	223.074						
Other	11.472.147	11.472						
Financial assets at fair value through profit or loss	8.918.097	8.918	137.876				146.795	Financial assets at fair value throught profit or loss
Equity financial instruments		0						
Debt financial instruments		0						
Derivative financial instruments		0						
Shares in investment funds	8.818.526	8.819						
Other	99.570	100						
Loans and receivables	32.249.918	32.250				-1	32.249	Loans and receivables
Deposits with credit institutions	20.003.447	20.003						
Loans	11.911.874	11.912						
Other	334.596	335						
Deposits with cedent		0						
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	137.876.484	137.876	(137.876)					
REINSURER'S SHARE IN TECHNICAL PROVISIONS	314.655.084	314.655					314.655	Reinsurers' share in insurance contract provisions
Provision for unearned premiums, reinsurer's share	66.117.725	66.118						
Mathematical provisions, reinsurer's share	96.326.020	96.326						
Claims provisions, reinsurer's share	152.058.624	152.059						
Provisions for bonuses and discounts, reinsurer's share	152.715	153						
Equalisation provisions, reinsurer's share		0						
Other technical provisions, reinsurance share		0						
Special provision for unit-linked life insurance group, reinsurer's share		0						
DEFERRED AND CURRENT TAX ASSETS	10.461.191	10.461						
Deferred tax assets	1.340.018	1.340			(1.340)			
Current tax assets	9.121.173	9.121			(5.649)		3.472	Current tax assets
RECEIVABLES	192.987.729	192.988		10.483	(1.008)		202.462	Insurance contracts and other receivables
Receivables from insurance business	99.558.991	99.559						
From policyholders	99.496.173	99.496						
From insurance agents or insurance brokers	62.818	63						
Reinsurance receivables	66.405.339	66.405						
Other receivables	27.023.398	27.023						
Receivables from other insurance business	16.406.672	16.407						
Receivables for income from investments	35.366	35						
Other receivables	10.581.360	10.581						
OTHER ASSETS	87.133.222	87.133						
Cash at bank and in hand	87.133.222	87.133					87.133	Cash and cash equivalents
Funds in the business account	61.041.053	61.041						
Funds in the account of assets backing mathematical provision	26.084.618	26.085						
Cash on hand	7.550	8						
Non-current assets held for sale and discontinued operation		0						
Other		0						
PREPAID EXPENSES AND ACCRUED INCOME	105.027.257	105.027						
Deferred interest and rent		0						
Deferred acquisition costs	94.544.637	94.545					94.545	Deferred acquisition costs
Other prepayments and accrued income	10.482.619	10.483		(10.483)				
TOTAL ASSETS	3.560.172.562	3.560.173	-	-	(7.997)	-	3.552.176	

1. Investments for the account and risk of life insurance policyholders are presented together with Financial assets at fair value through profit or loss.
2. Other prepaid expenses and accrued income are presented within insurance contracts and other receivables.
3. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while internal receivables in the amount of HRK 1,008 thousand are offset with corresponding liabilities.
4. Rounding differences.

Report for the Croatian Financial Services Supervisory Agency			1	2	3	4	5	Basic financial statements	
Position description		HRK'000						HRK'000	
CAPITAL AND RESERVES	581.060.464	581.060							
Subscribed share capital	62.700.000	62.700						62.700	Share capital
Paid-up capital - ordinary shares	62.700.000	62.700							
Paid-up capital - preference shares		-							
Issued shares premiums (capital reserves)		-							
Revaluation reserves	150.878.865	150.879						150.879	Fair value reserves
Land and buildings	2.120.258	2.120							
Financial assets available-for-sale	148.758.607	148.759							
Other revaluation reserves		-							
Reserves	232.716.567	232.717							
Legal reserves	2.268.750	2.269						2.269	Legal reserves
Statutory reserves		-							
Other reserves	230.447.817	230.448					1	230.449	Other reserves
Retained profit or transferred loss	96.917.928	96.918							
Retained profit	96.917.928	96.918	37.847				-1	134.764	Retained earnings
Accumulated loss (-)		-							
Profit or loss for the current accounting period	37.847.104	37.847							
Profit for the current accounting period	37.847.104	37.847	(37.847)						
Loss for the current accounting period (-)		-							
SUBORDINATED LIABILITIES		-							
NON-CONTROLLING INTEREST		-							
TECHNICAL PROVISIONS	2.490.283.224	2.490.283		137.877				2.628.161	Insurance contract provisions
Provisions for unearned premiums, gross amount	337.980.529	337.981							
Mathematical provisions, gross amount	1.708.965.406	1.708.965							
Claims provisions, gross amount	441.913.875	441.914							
Provisions for bonuses and discounts, gross amount	1.423.414	1.423							
Equalisation provisions, gross amount		-							
Other technical provisions, gross amount		-							
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	137.877.472	137.877		(137.877)					
OTHER PROVISIONS	26.347.589	26.348			(26.348)				
Provisions for pensions and similar liabilities		-							
Other provisions	26.347.589	26.348							
DEFERRED AND CURRENT TAX LIABILITY	38.768.477	38.768							
Deferred tax liability	33.119.751	33.120				(1.340)		31.780	Deferred tax liability
Current tax liability	5.648.726	5.649				(5.649)		-	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	96.524.723	96.525			(96.525)				
FINANCIAL LIABILITIES	10.413.073	10.413			(10.413)				
Borrowings		-							
Issued financial instruments payable		-							
Other financial liabilities	10.413.073	10.413							
OTHER LIABILITIES	117.963.306	117.963			194.220	(1.008)		311.175	Insurance contracts and other payables
Liabilities from direct insurance business	29.683.609	29.684							
Liabilities from co-insurance and reinsurance business	76.111.434	76.111							
Liabilities for sale and discontinued operation		-							
Other liabilities	12.168.263	12.168							
ACCRUED EXPENSES AND DEFERRED INCOME	60.934.235	60.934			(60.934)				
Deferred reinsurance commission	21.418.267	21.418							
Other accrued expenses and deferred income	39.515.968	39.516							
TOTAL EQUITY AND LIABILITIES	3.560.172.562	**3.560.173**	**-**	**-**	**-**	**(7.997)**	**-**	**3.552.176**	

1. Profit or loss for the current accounting period is presented together with retained earnings in the Basic financial statements.
2. A special provision for unit-linked life insurance group, the gross amount is recorded in the Provisions for insurance contracts in the Basic financial statements.
3. Accrued expenses and deferred income, Deposits retained from business ceded to reinsurance, Other provisions and Financial liabilities are recorded in the Basic financial statements within Insurance contracts and other payables.
4. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while Internal receivables in the amount of HRK 1,008 thousand are offset with corresponding liabilities.
5. Rounding differences.

STATEMENT OF COMPREHENSIVE INCOME

For the period: 01.01.2019.-31.12.2019.

in HRK

Position No.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	**I**	**Earned premiums (recognised in revenue)**	**195.582.120**	**210.422.344**	**406.004.464**	**189.274.843**	**230.632.882**	**419.907.725**
002		1	Gross written premiums	201.582.487	381.568.891	**583.151.378**	195.053.781	439.772.134	**634.825.915**
003		2	Impairment and collected premium impairment		-704.262	**-704.262**		-22.031	**-22.031**
004		3	Premiums ceded to reinsurance (-)	-6.676.379	-139.897.273	**-146.573.652**	-6.265.282	-138.178.224	**-144.443.506**
005		4	Change in gross provisions for unearned premiums (+/-)	693.694	-31.863.628	**-31.169.935**	471.241	-70.430.399	**-69.959.158**
006		5	Change in provisions fo unearned premiums, reinsurance share (+/-)	-17.681	1.318.616	**1.300.935**	15.103	-508.599	**-493.496**
007	008+009+010+011+012+013+014	**II**	**Investment income**	**116.365.276**	**21.515.235**	**137.880.511**	**126.857.079**	**19.448.318**	**146.305.397**
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings	3.030.066	28.513	3.058.579	4.240.863	500.438	4.741.300
010		3	Interest income	100.715.046	17.795.566	118.510.613	91.901.505	15.690.720	107.592.225
011		4	Unrealised gain on investments	10.458		10.458	17.901.079	1.509.477	19.410.556
012		5	Realised gain on investments	9.730.266	949.297	10.679.563	4.959.851	1.193.218	6.153.069
013		6	Net foreign exchange gains				5.852.785	6.979	5.859.765
014		7	Other investment income	2.879.440	2.741.859	5.621.299	2.000.996	547.485	2.548.481
015		**III**	**Commission and fee income**	**500.841**	**43.212.112**	**43.712.953**	**799.037**	**42.789.786**	**43.588.823**
016		**IV**	**Other insurance-technical income, net of reinsurance**	**1.358.338**	**1.565.091**	**2.923.429**	**551.769**	**2.546.821**	**3.098.590**
017		**V**	**Other income**	**1.128.149**	**3.201.997**	**4.330.146**	**23.130.562**	**1.627.421**	**24.757.983**
018	019+022	**VI**	**Net claims incurred**	**-351.535.234**	**-113.445.784**	**-464.981.017**	**-338.590.747**	**-117.829.194**	**-456.419.942**
019	020+021	1	Claims paid	-346.074.437	-122.064.812	-468.139.249	-302.509.948	-120.799.331	-423.309.279
020		*1.1*	*Gross amount (-)*	-354.843.890	-192.076.667	-546.920.557	-308.417.029	-193.045.029	-501.462.058
021		*1.2*	*Reinsurer's share (+)*	8.769.453	70.011.855	78.781.308	5.907.081	72.245.698	78.152.779
022	023+024	2	Change in claims provisions (+/-)	-5.460.797	8.619.028	3.158.231	-36.080.800	2.970.137	-33.110.663
023		*2.1*	*Gross amount (-)*	-5.003.624	6.439.911	1.436.287	-36.023.291	-18.370.730	-54.394.022
024		*2.2*	*Reinsurer's share (+)*	-457.172	2.179.117	1.721.944	-57.509	21.340.867	21.283.359
025	026+029	**VII**	**Change in mathematical provision and other technical provisions, net of reinsurance**	**200.167.518**		**200.167.518**	**157.597.475**		**157.597.475**
026	027+028	1	Chage in mathematical provision (+/-)	200.167.518		200.167.518	157.597.475		157.597.475
027		*1.1*	*Gross amount (-)*	201.759.579		201.759.579	156.257.786		156.257.786
028		*1.2*	*Reinsurer's share (+)*	-1.592.061		-1.592.061	1.339.688		1.339.688
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)						
030		*2.1*	*Gross amount (-)*						
031		*2.2*	*Reinsurer's share (+)*						
032	033+034	**VIII**	**Special provisions for unit-linked life insurance group, net of reinsurance (+/-)**	**-33.473.321**		**-33.473.321**	**-56.620.316**		**-56.620.316**
033		1	*Gross amount (-)*	-33.473.321		-33.473.321	-56.620.316		-56.620.316
034		2	*Reinsurer's share (+)*						
035	036+037	**IX**	**Expenditures for return of premium (bonuses and rebates), net of reinsurance**		**-1.462.461**	**-1.462.461**		**-1.182.224**	**-1.182.224**
036		1	Depending on the result (bonuses)		-1.462.461	-1.462.461		-1.182.224	-1.182.224
037		2	Not depening on the result (rebates)						
038	039+043	**X**	**Operating expenditures (for business operations), net**	**-67.355.477**	**-138.799.511**	**-206.154.988**	**-69.556.087**	**-144.719.179**	**-214.275.266**
039	040+041+042	1	Acquisition costs	-27.052.021	-83.134.378	-110.186.398	-29.563.159	-90.936.158	-120.499.317
040		*1.1*	*Commission*	-13.862.748	-68.980.403	-82.843.151	-16.843.343	-97.777.192	-114.620.535
041		*1.2*	*Other acquisition costs*	-13.189.273	-26.095.916	-39.285.190	-12.719.815	-24.273.575	-36.993.390
042		*1.3*	*Change in deferred acquisition costs (+/-)*		11.941.942	11.941.942		31.114.609	31.114.609
043	044+045+046	2	Administration costs (administrative expenses)	-40.303.456	-55.665.134	-95.968.590	-39.992.928	-53.783.021	-93.775.949
044		*2.1*	*Depreciation and amortisation*	-2.440.886	-3.163.687	-5.604.573	-4.020.109	-5.168.756	-9.188.865
045		*2.2*	*Sales, taxes and contributions from and on salaries*	-14.669.620	-17.227.858	-31.897.478	-14.239.623	-16.333.611	-30.573.234

Position No.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
046		*2.3*	*Other administration costs*	-23.192.950	-35.273.589	-58.466.539	-21.733.196	-32.280.654	-54.013.850
047	048+049+050+051+052+053+054	**XI**	**Investment charges**	**-41.140.977**	**-3.995.849**	**-45.136.826**	**-8.946.475**	**-4.380.458**	**-13.326.933**
048		1	Depreciation of land and buildings not intended for business operations of the company						
049		2	Interests						
050		3	Impairment of investments	-1.063.553	-670.031	-1.733.584	-1.616.545	-2.032.597	-3.649.142
051		4	Realised losses on investments	-712.533		-712.533	-2.118.784	-1.118.429	-3.237.213
052		5	Unrealised losses on investments	-5.803.473		-5.803.473			
053		6	Net foreign exchange losses	-28.070.506	-1.863.244	-29.933.750	-60.317	-18.464	-78.781
054		7	Other investment costs	-5.490.912	-1.462.574	-6.953.486	-5.150.829	-1.210.968	-6.361.797
055	056+057	**XII**	**Other technical expenses, net of reinsurance**	**-2.991.089**	**-944.281**	**-3.935.370**	**-3.697.931**	**-2.063.291**	**-5.761.222**
056		1	Expenses for preventive operations		-442.849	-442.849		-400.984	-400.984
057		2	Other technical insurance expenses	-2.991.089	-501.432	-3.492.521	-3.697.931	-1.662.308	-5.360.238
058		**XIII**	**Other expenses including value adjustments**	**-4.029.495**	**-1.917.835**	**-5.947.330**	**-1.111.416**	**-1.211.996**	**-2.323.412**
059	001+007+015+016+017+018+025+032+035+038+047+055+058	**XIV**	**Profit or loss for the acocunting period before loss (+/-)**	**14.576.650**	**19.351.058**	**33.927.708**	**19.687.793**	**25.658.885**	**45.346.678**
060	061+062	**XV**	**Income tax or loss**	**-6.317.152**	**-3.902.907**	**-10.220.059**	**-2.195.218**	**-5.304.356**	**-7.499.574**
061		1	Current tax expense	-6.627.307	-3.894.187	-10.521.494	-387.843	-5.260.883	-5.648.726
062		2	Deferred tax expense (income)	310.155	-8.720	301.435	-1.807.375	-43.473	-1.850.848
063	059+060	**XVI**	**Profit or loss for the accounting period after tax (+/-)**	**8.259.498**	**15.448.151**	**23.707.649**	**17.492.575**	**20.354.529**	**37.847.104**
064		1	Attributable to equity holders of the parent						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	**XVII**	**TOTAL INCOME**	315.244.880	279.908.059	595.152.939	338.805.915	297.001.755	635.807.670
067	018+025+032+035+038+047+055+058+061	**XVIII**	**TOTAL EXPENSES**	-306.985.381	-264.459.909	-571.445.290	-321.313.340	-276.647.226	-597.960.566
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**-29.446.788**	**-3.847.743**	**-33.294.531**	**10.449.926**	**14.548.106**	**24.998.032**
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	-35.910.717	-4.692.370	**-40.603.087**	12.743.812	17.741.592	**30.485.405**
071		3	Profits/losses on revaluation of land and buildings intedned for business activities of the company						
072		4	Profits/losses on revaluation of other tangible (except for land and property) and intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Profit tax on other comprehensive income	6.463.929	844.627	**7.308.556**	-2.293.886	-3.193.487	**-5.487.373**
077	078+079	**XX**	**Total comprehensive income**	**-21.187.290**	**11.600.407**	**-9.586.882**	**27.942.501**	**34.902.635**	**62.845.136**
078		1	Attributable to equity holders of the parent						
079		2	Attributable to non-controlling interest						
080		**XXI**	**Reclassification adjustments**						

2.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements

Report for the Croatian Financial Services Supervisory Agency			1	2	3	4	5	Basic financial statements	
Position description	**Total**	**HRK'000**						**HRK'000**	
Earned premiums (recognised in revenue)	**419.907.725**	419.908						419.908	Net earned premiums
Gross written premiums	**634.825.915**	634.826							
Impairment and collected premium impairment	**-22.031**	(22)							
Premiums ceded to reinsurance (-)	**-144.443.506**	(144.444)							
Change in gross provisions for unearned premiums (+/-)	**-69.959.158**	(69.959)							
Change in provision for unearned premiums, reinsurance share (+/-)	**-493.496**	(494)							
Investment income	**146.305.397**	146.305	(13.327)					132.978	Net income from investments
Income from subsidiaries, associates and joint ventures		-							
Income from investments in land and buildings	4.741.300	4.741							
Interest income	107.592.225	107.592							
Unrealised gain on investments	19.410.556	19.411							
Realised gain on investments	6.153.069	6.153							
Net foreign exchange gains	5.859.765	5.860							
Other investment income	2.548.481	2.548							
Income from commissions and fees	**43.588.823**	43.589						43.589	Income from commissions and fees
Other insurance-technical income, net of reinsurance	**3.098.590**	3.099			(3.099)				
Other income	**24.757.983**	24.758			3.070	(373)	(23.323)	4.132	Other operating income
Net claims incurred	**-456.419.942**	(456.420)		99.795				(356.625)	Claims incurred, net
Settled claims	-423.309.279	(423.309)							
Gross amount (-)	-501.462.058	(501.462)							
Reinsurer's share (+)	78.152.779	78.153							
Change in claims provisions (+/-)	-33.110.663	(33.111)							
Gross amount (-)	-54.394.022	(54.394)							
Reinsurer's share (+)	21.283.359	21.283							
Change in mathematical provision and other technical provisions, net of reinsurance	**157.597.475**	157.597		(157.597)					
Change in mathematical provision (+/-)	157.597.475	157.597							
Gross amount (-)	156.257.786	156.258							
Reinsurer's share (+)	1.339.688	1.340							
Change in other technical provisions, net of reinsurance (+/-)		-							
Gross amount (-)		-							
Reinsurer's share (+)		-							
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	**-56.620.316**	(56.620)		56.620					
Gross amount (-)	-56.620.316	(56.620)							
Reinsurer's share (+)		-							
Expenditures for return of premium (bonuses and rebates), net of reinsurance	**-1.182.224**	(1.182)		1.182					
Depending on the result (bonuses)	-1.182.224	(1.182)							
Not depending on the result (rebates)		-							
Operating expenditures (for business operations), net	**-214.275.266**	(214.275)							
Acquisition costs	-120.499.317	(120.499)						(120.499)	Acquisition costs
Commission	-114.620.535	(114.621)							
Other acquisition costs	-36.993.390	(36.993)							
Change in deferred acquisition costs (+/-)	31.114.609	31.115							
Administration costs (administrative expenses)	-93.775.949	(93.776)				(267)		(94.043)	Administration costs
Depreciation charge	-9.188.865	(9.189)							
Salaries, taxes and contributions from and on salaries	-30.573.234	(30.573)							
Other administrative expenses	-54.013.850	(54.014)							
Investment charges	**-13.326.933**	(13.327)	13.327						
Depreciation of land and buildings not intended for business operations of the company		-							
Interest		-							
Impairment of investments	-3.649.142	(3.649)							
Realised losses on investments	-3.237.213	(3.237)							
Unrealised losses on investments		-							
Net foreign exchange losses	-78.781	(79)							
Other investment costs	-6.361.797	(6.362)							
Other technical expenses, net of reinsurance	**-5.761.222**	(5.761)				5.761	22.105	22.105	Provisions for legal disputes, net
Expenses for preventive operations	-400.984	(401)							
Other technical expenses of insurance	-5.360.238	(5.360)							
Other expenses, including value adjustments	**-2.323.412**	(2.323)			29	(5.121)	1.218	(6.197)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	**45.346.678**	45.347						45.347	Profit before tax
Income tax or loss	**-7.499.574**	(7.500)						(7.500)	Income tax
Current tax expense	-5.648.726	(5.649)							
Deferred tax expense (income)	-1.850.848	(1.851)							
Profit or loss for the accounting period after tax (+/-)	**37.847.104**	37.847	-	-	-	-	-	37.847	Profit for the period

1. Investment income and costs are presented on a net basis in the Basic financial statements.
2. Change in mathematical provision, special provision for life assurance policies where the policyholder bears the risk of insurance and other technical provisions is recorded within claims incurred.
3. Reclassification of other insurance and technical income to other operating income and other operating expenses.
4. Reclassification of other technical expenses to other operating expenses and administration costs.
5. Reclassification of income and expenses from legal disputes to Provisions for legal disputes, net.

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

For the period: 01.01.2019.-31.12.2019.

in HRK

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**-178.675.810**	**-278.504.563**
002	003+004	**1**	**Cash flow before changes in operating assets and liabilities**	**-72.870.972**	**-76.323.645**
003		1.1	Profit/loss before tax	45.346.678	33.927.708
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments for:	-118.217.650	-110.251.353
005		*1.2.1*	*Depreciation of property and equipment*	6.916.735	3.161.172
006		*1.2.2*	*Amortisation*	2.242.571	2.242.571
007		*1.2.3*	*Impairment and fair value gains/losses*	-18.353.740	2.550.081
008		*1.2.4*	*Interest expense*	298.903	
009		*1.2.5*	*Interest income*	-107.592.225	-118.510.613
010		*1.2.6*	*Share in profit of associates*		
011		*1.2.7*	*Gains/losses on sale of tangible assets (including land and buildings)*	5.218	
012		*1.2.8*	*Other adjustments*	-1.735.113	305.435
013	014+015+...+030	**2**	**Increase/decrease in operating assets and liabilities**	**-94.528.458**	**-195.061.237**
014		2.1	Increase/decrease in available-for-sale financial assets	-118.186.598	-168.308.250
015		2.2	Increase/decrease in financial assets at fair value through profit or loss	-1.647.135	8.865.585
016		2.3	Increase/decrease in loans and receivables	11.408.571	42.018.789
017		2.4	Increase/decrease in deposits with cedent		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholders	-38.294.947	-40.615.255
019		2.6	Increase/decrease in reinsurer's share in technical provisions	-22.161.418	176.836
020		2.7	Increase/decrease in tax assets	1.850.848	-301.435
021		2.8	Increase/decrease in receivables	-19.820.642	-3.332.114
022		2.9	Increase/decrease in other assets	-18.914	38.190
023		2.10	Increase/decrease in prepaid expenses and accrued income	85.108.394	119.741.079
024		2.11	Increase/decrease in technical provisions	-33.267.114	-178.625.571
025		2.12	Increase/decrease in special provisions for unit-linked life insurance group	56.620.316	33.473.321
026		2.13	Increase/decrease in tax liabilities	5.487.373	-7.308.556
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	1.354.791	-1.609.742
028		2.15	Increase/decrease in financial liabilities	-4.756.360	
029		2.16	Increase/decrease in other liabilities	9.940.449	9.427.340
030		2.17	Increase/decrease in accrued expenses and deferred income	-28.146.073	-8.701.455
031		**3**	**Income tax paid**	**-11.276.380**	**-7.119.682**

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
032	033+034+…+046	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**228.754.181**	**280.922.431**
033		1	Proceeds on sale of tangible assets		
034		2	Expenses for purchase of tangible assets	-772.144	-1.908.158
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-2.007.547	-1.273.974
037		5	Proceeds from sale of land and buildings not intended for business operations of the company	2.063.622	1.953.457
038		6	Expenses for purchase of land and buildings not intended for business operations of the company	-463.261	
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Proceeds from held-to-maturity financial assets	229.933.510	282.151.106
041		9	Expenses for held-to-maturity financial assets		
042		10	Proceeds from sale of financial instruments		
043		11	Expenses for investments in financial instruments		
044		12	Proceeds from dividends and share in profit		
045		13	Proceeds from payment of short-term and long-term loans given		
046		14	Expenses for short-term and long-term loans given		
047	048+049+050 +051+052	**III**	**CASH FLOW FROM FINANCING ACTIVITIES**	**-23.707.649**	**-26.065.423**
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenses for repayment of received short-term and long-term loans		
051		4	Expenses for purchase of treasury shares		
052		5	Expenses for payment of dividends	-23.707.649	-26.065.423
053	001+032+047		**NET CASH FLOW**	**26.370.722**	**-23.647.555**
054		**IV**	**EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS**	**-5.993.403**	**29.876.319**
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**20.377.318**	**6.228.764**
056		1	Cash and cash equivalents at beginning of period	66.755.903	60.527.140
057	**055+056**	**2**	**Cash and cash equivalents at end of period**	**87.133.222**	**66.755.903**

STATEMENT OF CHANGES IN EQUITY

For the period: 01.01.2019.-31.12.2019.

in HRK

Position No.	Position description	Attributable to owners of the parent							Attributable to non-controlling interests*	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Issued shares premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total capital and reserves		
I.	**Balance at 1 January of previous year**	62.700.000	0	125.880.833	232.716.567	96.917.928	23.707.649	541.922.977		541.922.977
1.	Changes in accounting policies									
2.	Correction of prior period errors									
II.	**Balance at 1 January of previous year (restated)**	62.700.000		125.880.833	232.716.567	96.917.928	23.707.649	541.922.977		541.922.977
III.	**Comprehensive income or loss for the previous year**									
1.	Profit or loss for the period									
2.	**Other comprehensive income or loss for the previous year**									
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale									
2.3.	Realised gains or losses from financial assets available for sale									
2.4.	Other non-owner changes in equity									
IV.	**Transactions with owners (previous period)**									
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends									
4.	Other distributions to owners									
V.	**Balance at the last day of the reporting period in the previous year**	62.700.000		125.880.833	232.716.567	96.917.928	23.707.649	541.922.977		541.922.977
VI.	**Balance at 1 January of the current year**	62.700.000		125.880.833	232.716.567	96.917.928	23.707.649	541.922.977		541.922.977
1.	Changes in accounting policies									
2.	Correction of prior period errors									
VII.	**Balance at 1 January of the current year (restated)**	62.700.000		125.880.833	232.716.567	96.917.928	23.707.649	541.922.977		541.922.977
VIII.	**Comprehensive income or loss for the current year**			24.998.032			37.847.104	62.845.136		62.845.136
1.	Profit or loss for the period						37.847.104	37.847.104		37.847.104
2.	**Other comprehensive income or loss for the current year**			24.998.032				24.998.032		24.998.032
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			22.902.335				22.902.335		22.902.335
2.3.	Realised gains or losses from financial assets available for sale			2.095.696				2.095.696		2.095.696
2.4.	Other non-owner changes in equity									
IX.	**Transactions with owners (current period)**						-23.707.649	-23.707.649		-23.707.649
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends						-23.707.649	-23.707.649		-23.707.649
4.	Other transactions with owners									
X.	**Balance as at the last day of the reporting period in the current year**	62.700.000		150.878.865	232.716.567	96.917.928	37.847.104	581.060.464		581.060.464