ANNUAL FINANCIAL REPORT FOR THE YEAR 2018

EUROHERC

Contents

Annual Financial Report for the Year 2018

Zagreb, 30 April 2019

Contents

Main Company data

EUROHERC osiguranje PLC has been operating in Croatia for 26 years, since 1992. The founders of the Company are local natural persons. The headquarters of the company is located in Zagreb.

The business activities of the Company focus on non-life insurance. Considering the size of the non-life insurance portfolio, the Company ranks second on the non-life insurance market, whereas on the total [life and non-life insurance] market it ranks third in 2018.

The Company is registered for performing business activities with regard to the following types of non-life insurance:

1. Accident Insurance
2. Health Insurance
3. Road Vehicle Insurance
4. Railroad Vehicle Insurance
5. Aircraft Insurance
6. Vessel Insurance
7. Goods in Transit Insurance
8. Fire and Special Perils Insurance
9. Other Property Insurance
10. Motor Vehicle Liability Insurance
11. Aircraft Liability Insurance
12. Vessel Liability Insurance
13. Other Liability Insurance
14. Loan Insurance
15. Guarantee Insurance
16. Financial Losses Insurance
17. Legal Protection Insurance
18. Travel Insurance

The equity of the Company amounts to HRK 61,002,000 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total.

Organisation Structure

EUROHERC osiguranje PLC has a mixed organisation structure which is a combination of production, functional, territorial and project organisation units.

The Company's organisation structure is a combination of the aforementioned components, and all of them, due to the complexity of the Company's business activity, work together to achieve the desired results.

The Company operates through branches, which are established in a certain area, i.e. within a local market. At the same time, they operate as profit centres.

Name of Branch	Head Office	Director
05 ZAGREB	Ulica grada Vukovara 282	Matea GRGIĆ
06 VARAŽDIN	Zagrebačka 63	Mladen RIHTARIĆ
07 SISAK	Franje Lovrića 17A	Božica ZLOVOLIĆ
08 BJELOVAR	Zagrebačka 51	Dominik TRNSKI
09 OSIJEK	Ulica Hrvatske Republike 45	Robert DANKOŠ
10 PULA	Matka Laginje 3	Goran ČUJIĆ
11 RIJEKA	Riva 8	Davor MILAS
12 ZADAR	Obala kneza Branimira 5	Milenko RAJIĆ
18 SPLIT	Varaždinska 54	Katija KRIŽAN
22 DUBROVNIK	Ante Starčevića 72	Ante JAŽO
23 ČAKOVEC	Kralja Tomislava 30	Tomislav ABRAMOVIĆ
24 KARLOVAC	Prilaz Većeslava Holjevca 2A	Sanja SMOJVER
25 VELIKA GORICA	Slavka Kolara 17A	Krešimir BELOŠA FIJAN
26 SLAVONSKI BROD	Petra Svačića 1A	Denis KRASNOPJURKA
43 AUSTRIJA	Parkring 20	Draženka KOPJAR*

* from 1 March 2019, the Austrian branch is represented by dr. sc. Hermann Forster

In addition to the geographical division, the Company is vertically subdivided into four departements, based on basic functions or groups of business activities: Sales, Claims, Finance and IT.

By the end of 2018, the Company had 1,179 employees: 1,049 in the Republic of Croatia and 130 employees in the Republic of Austria. Of the total number of employees, 834 work in the Sales departement (72 more than in 2017) and 114 work in the Claims departement.

Departements

Departement	Director
01 SALES	Anđelka BRAICA
02 CLAIMS	Darinko IVKOVIĆ
03 FINANCE	Tomislav ČIZMIĆ
04 IT	Željko KORDIĆ

Darinko Ivković, Vjeran Zadro, mr. sc. Ivana Bratanić, Tomislav Čizmić, Željko Kordić

Management and Supervisory Board of the Company

The Management Board has five members and a procurator, who jointly represent the Company. On 31/12/2018 members of the Management Board are the following:

- **Mr. sc. Ivana Bratanić,** President of the Management Board
- **Željko Kordić**, Member of the Management Board
- **Darinko Ivković**, Member of the Management Board
- **Tomislav Čizmić**, Member of the Management Board
- **Vjeran Zadro**, Member of the Management Board

The Supervisory Board of the Company in 2018 comprised the following persons:

President

Dr. sc. Mladenka GRGIĆ

Members

Zlatko LEROTA | Hrvoje PLANINIĆ | Radoslav PAVLOVIĆ | Niko KRIVIĆ | Miroslav GRBAVAC | Radoslav LAVRIĆ

Financial results

In 2018, the Company made HRK 1,165 million in revenues (HRK 1,003 million in 2017), HRK 983 million (HRK 852 million in 2017) or 84% of which refer to insurance premiums. The expenses of the Company amounted to HRK 1,023 million (HRK 909 million in 2017).

Profit before taxation amounted to HRK 174 million (HRK 118 million in 2017). Income tax amounted to HRK 32 million (HRK 24 million in 2017). Profit for the accounting period, after taxes, amounted to HRK 142 million (HRK 93 million in 2017). Earnings per share amounted to HRK 507.15 million (HRK 360.47 million in 2017).

Earned premium (income)

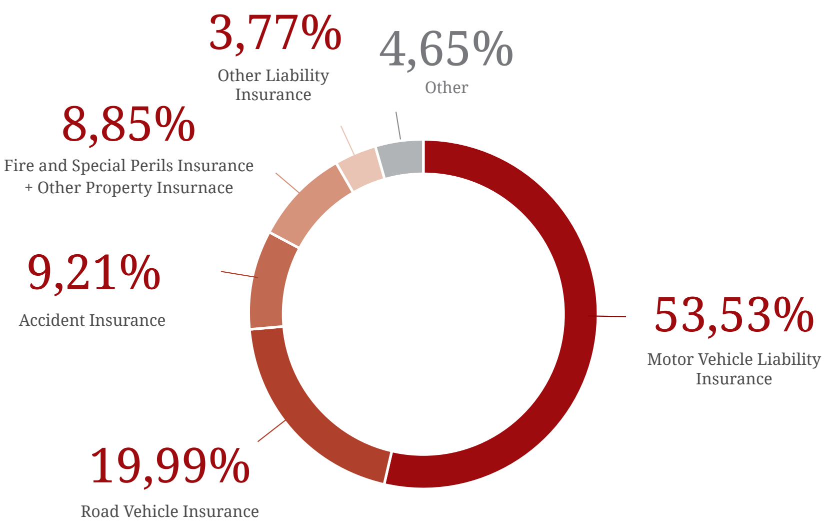
The total premium (premium for insurance and premium for co-insurance) agreed for the year ending on 31 December 2018 amounted to HRK 1,119 million (HRK 915 million in 2017), which is HRK 204 million or 22.3% more than in the previous business year.

The Company's share in the non-life insurance market of the Republic of Croatia amounts to 16.4%, which represents a 1.44% increase in relation to 2017. The total market share of the Company increased from 10.11% in 2017 to 11.2% in 2018.

The largest share in the premium income structure, i.e. 53.53%, holds the Motor Third Party Liability Insurance – Motor Vehicle Liability Insurance, followed by Motor Casco Insurance – Road Vehicle Insurance with a 19.99% share, and Accident Insurance with a 9.21% share.

EUROHERC	Written gross premium		Changes 18/17	
	2017	**2018**	**In absolute terms**	**%**
Total HRK	**915,180,435**	**1,118,861,695**	**203,681,259**	**122.3%**
In the HR market	877,336,097	933,041,111	55,705,014	106.3%
In the AT market	37,844,339	185,820,584	147,976,245	491.0%
AT (EUR)	5,079,777	25,065,232		

Written gross premium in 2018 in %



Claims incurred, net

In 2018, net claims incurred amounted to HRK 398 million (HRK 293 million in 2017), 192,578 claims were liquidated (171,350 in 2017), and HRK 399 million (HRK 333 million in 2017) were allocated for the payment of the Settled claims. The share of reinsurance in Settled claims amounted to HRK 1 million.

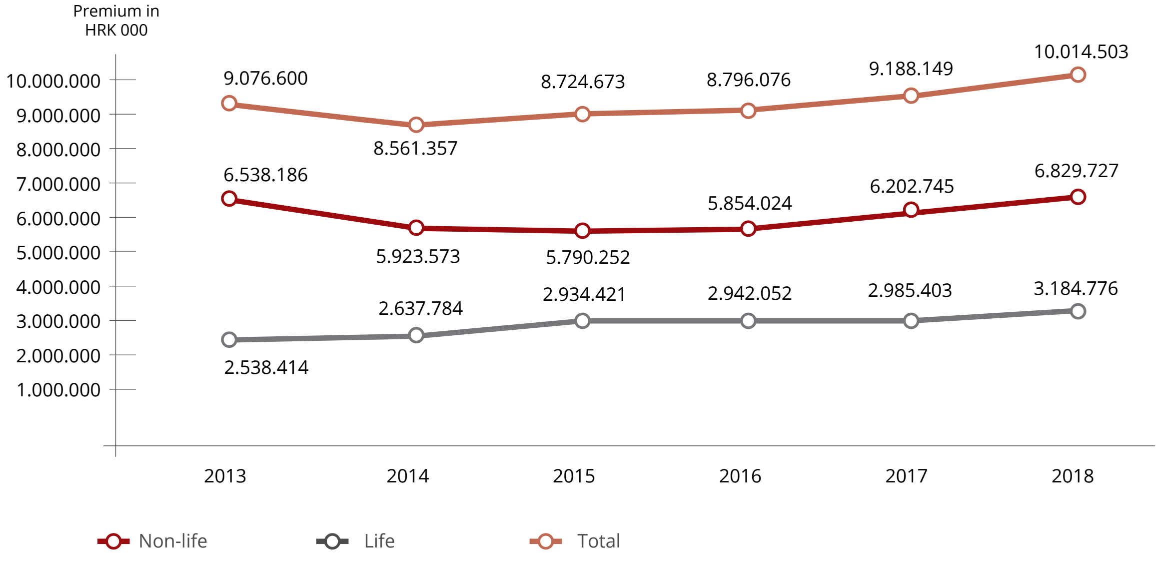
Insurance market in the Republic of Croatia in 2018

The insurance market saw a significant increase in 2018, and the written gross premium (WGP) exceeded the amount of HRK 10 billion for the first time.

The total premium increased with a 109 index, non-life insurance with a 110 index, life insurance with a 107 index. In 2018, in comparison to 2017, significant growth of WGP was achieved for most types of insurance. Motor Casco Insurance (03) had the biggest growth in premium, with a HRK 165 million growth in premium and a 118.7 index. In addition to Motor Casco Insurance, Motor Third Party Liability Insurance (10) also underwent a significant growth in premium amounting to HRK 129.5 million and with a 106.3 index. The growth of the Motor Vehicle Insurance market is due to the increase in sales of motor vehicles, both new and used. In addition, we may conclude that the process of Motor Third Party Liability Insurance policies price decrease finished, due to market liberalisation. Average premium per Motor Third Party Liability Insurance policy stayed at the level of HRK 930. The growth rate of the average premium of Motor Casco Insurance amounted to 5%. This growth was predominantly caused by the increase in the average cost of vehicle, less so by the increase in price of insurance. At the end of 2018, 18 insurance companies and 2 branches of foreign companies (FOE – freedom of establishment; FOS – freedom of services) were active in the Croatian insurance market, so the further market analysis comprises overall data. Of the 20 insurance companies/branches, 6 is registered only for non-life insurance operations, 3 only for life insurance operations, and 11 complex companies for performing life and non-life insurance operations. In terms of the ownership structure of the Company, foreign capital has the majority share in 13 companies, and domestic capital has the majority share in 7 companies.

Furthermore, it is important to stress that in 2018 a part of insurance companies from the Republic

Calculated gross premium in HR for the period 2013-2018, source: Croatian Insurance Bureau



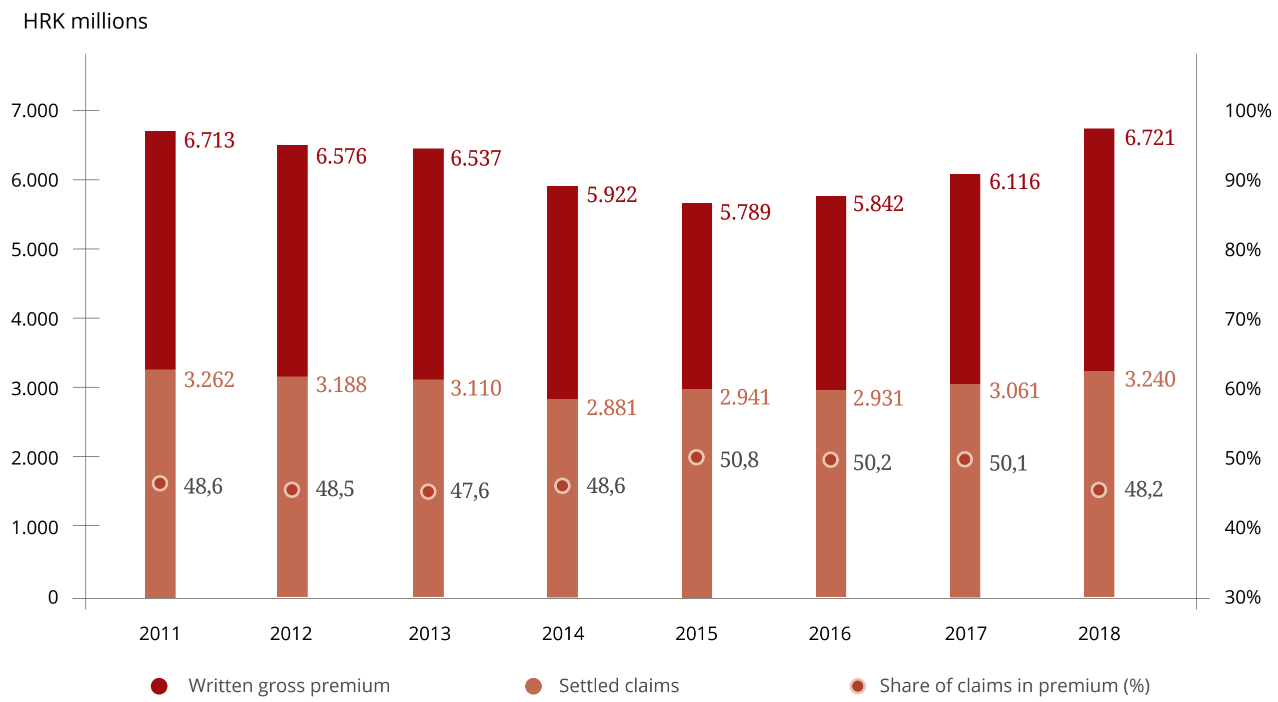
Total	**100,4%**	**94,3%**	**101,9%**	**100,8%**	**104,5%**	**109,0%**
Non-life	99,4%	90,6%	97,7%	101,1%	106,0%	110,1%
Life	103,1%	103,9%	111,2%	100,3%	101,5%	106,7%

of Croatia made a significant amount of calculated premium in the EU market.

Total Settled claims amounted to HRK 5.55 billion in 2018, and had a 8.6% growth rate in relation to 2017. The relevant growth rate is a result of a 12.7% growth rate of liquidated life insurance claims, while the growth rate of non-life insurance amounted to 5.85%. The increase in liquidated life insurance claims is a result of the increase in insurance contracts expiries and a greater share of single premium policies. The share of Settled claims in the written gross premium in 2018 amounted to 56.3%, which constitutes an insignificant decrease in relation to 2017, when the relevant share amounted to 56.5%. This halted the growth in share of Settled claims in relation to the written gross premium in 2014, by maintaining it on the 56% level.

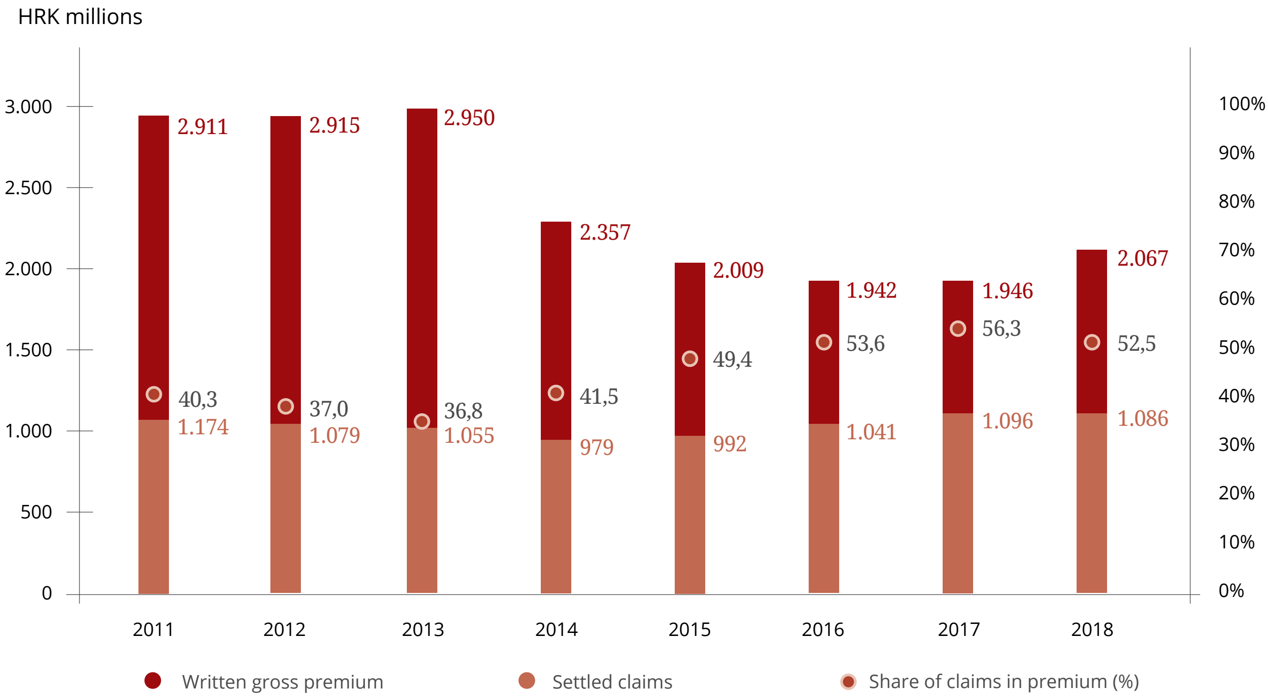
The Settled claims amount has continued growing since 2014. The growth accompanies the natural increase in number and amounts of underwritten risks, and we can expect this trend to continue in the future.

HR – share of settled claims in WGP – non-life insurance; source: Croatian Insurance Bureau



Motor Third Party Liability Insurance

HR – share of Settled claims in WGP – Motor Third Party Liability Insurance (10.01) from 2011 to 2018, source: Croatian Insurance Bureau



The chart showing the Motor Third Party Liability Insurance premium and claims trends proves the liberalisation impact. In the 2011-2018 period, the written premium decreased almost by a third, while the claims remained on the HRK 1 billion level. The further decrease of the Motor Third Party Liability Insurance premium was halted, which is a positive thing. In relation to 2017, the market saw an increase in premium in the amount of HRK 121.8 million, with a 106.3 index. The share of Settled claims in the written gross premium decreased and amounted to 52.5% in 2018.

Mandatory Motor Third Party Liability Insurance premium is the largest segment of the total written gross Motor Vehicle Liability Insurance premium (94.4%), and the total Motor Vehicle Liability Insurance share, as it is predominantly mandatory, remains high: 32.4% in case of non-life insurance, i.e. 22.1% in case of total written gross premium.

The number of contracted mandatory Motor Third Party Liability Insurance policies amounted to 2,219,108 in 2018, which represents a 5.41% increase in relation to 2017, when 2,105,148 policies were contracted. The average mandatory Motor Third Party Liability Insurance written gross premium amounted to HRK 931.68 in 2018, which is 0.8% higher than in 2017 (HRK 924.27). After years of decrease in the average Motor Third Party Liability Insurance premium, 2018 saw the complete stabilisation of the Motor Third Party Liability Insurance premium price.

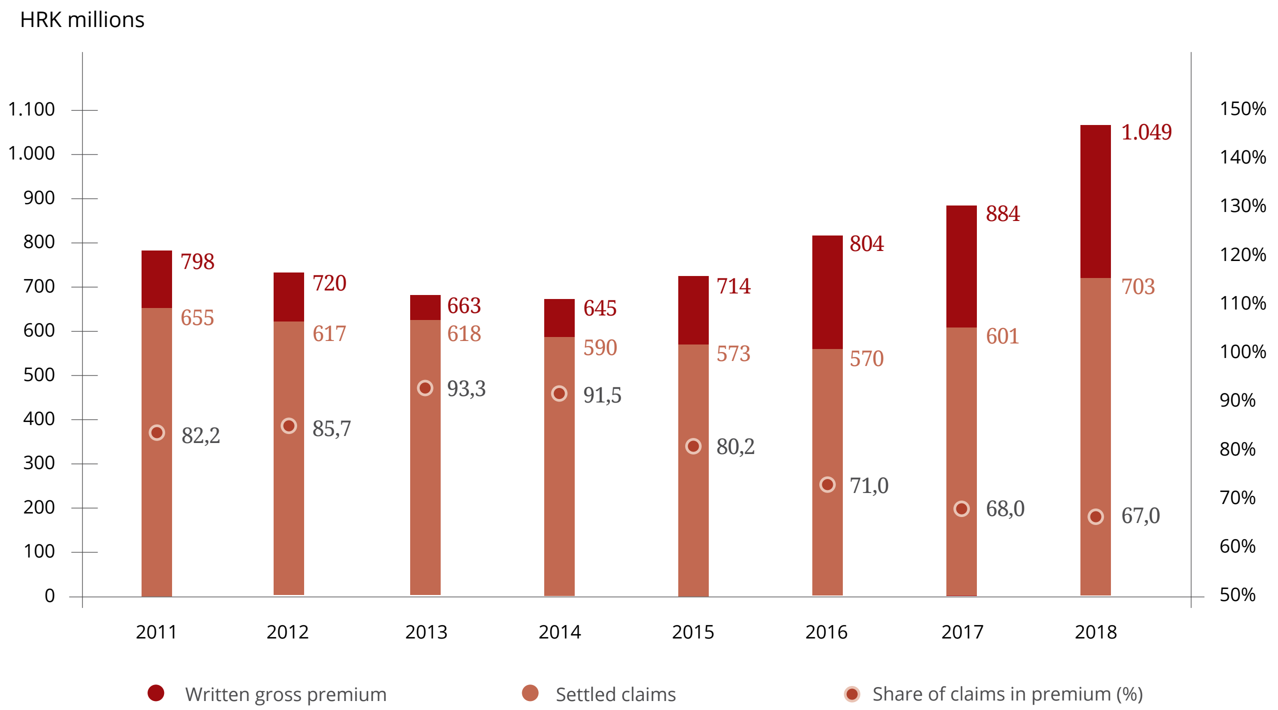
Motor Casco Insurance

The chart showing the Motor Casco Insurance premium and claims trends shows a positive written gross premium growth trend, exceeding the claims growth trend, which ultimately results in a decrease in shares of claims in the premium. The share of claims in the Motor Casco Insurance premium amounted to 67.0% in 2018.

In 2018, the share of the Motor Casco Insurance premium in the total premium amounted to 10.6%, and 9.8% in the previous year. Since 2015 the Motor Casco Insurance premium has steadily grown with rates exceeding the market growth rates and has demonstrated a positive growth trend of shares in the total premium. The written gross Motor Casco Insurance premium amounted to HRK 1,048 million in 2018, with an absolute growth in premium amounting to HRK 165.4 million.

We have good reason to believe that in 2019 the positive trend in terms of growth of total and average Motor Casco Insurance premium will continue and that Settled claims will increase, which would ultimately result in maintaining the level of shares of claims in the premium at around 65% and which should suffice for achieving positive business results on the Motor Casco Insurance (03) market.

HR – share of Settled claims in WGP – Motor Casco Insurance (03) from 2011 to 2018,
source: Croatian Insurance Bureau



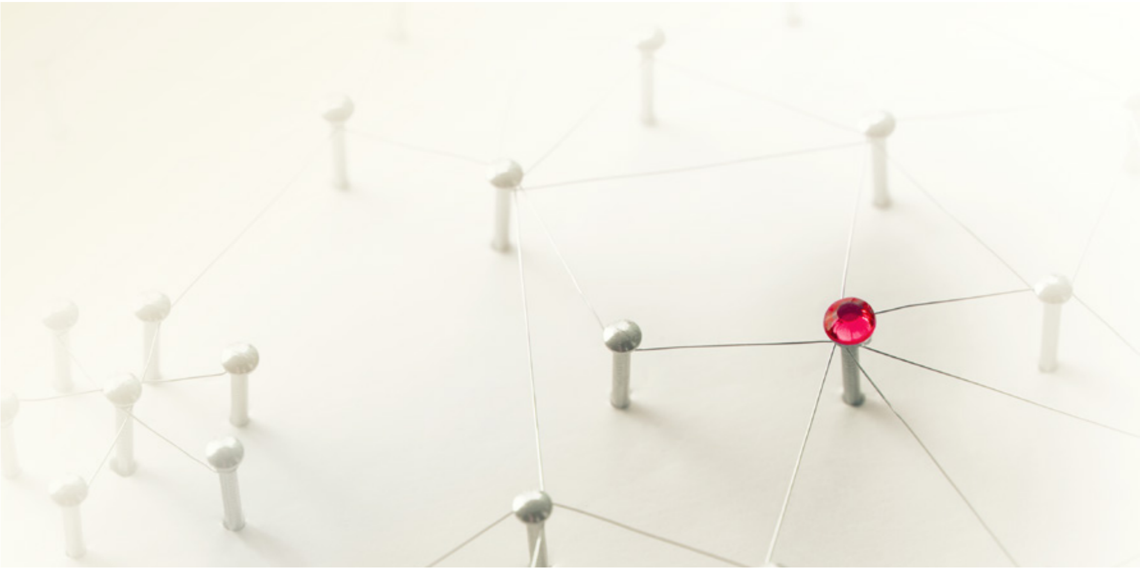
Liabilities to the Supervisory Board

In the course of 2018, the Management Board of the Company submitted regular quarterly written reports to the Supervisory Board on all issues relevant for the operations and management of the Company, in accordance with the Company's Statute, the Insurance Act and the Companies Act.

The reports submitted to the Supervisory Board were drawn up diligently, and are truthful and complete.

The Management Board of the Company accepted all of the recommendations, observations and suggestions of the Supervisory Board and used them so as to manage the Company's business in the best possible manner and in the interest of the Company's shareholders, while completely complying with the laws and other regulations that refer to the Company's business activity.

Conclusion



Despite its strong market competition, the Croatian private equity company EUROHERC osiguranje PLC became the second largest company in the non-life insurance market and continues to holds its position as such. The Company regularly settles its liabilities to the owners, employees and state. Throughout the 26 years of its operation, it has always complied with the highest professional standards. The Company, depending on its capacity, participates in socially responsible and humanitarian activities. The Company established its own business infrastructure, system of branches and sales network through which it today offers a series of new, innovative products.

In 2017 and 2018, the Company decided to expand to the Austrian insurance market, which points to the possibility and potential of further developing the Company outside the borders of the Republic of Croatia.

The Company's long-term task is to improve all services and employee's work, in particular the sales market in compliance with professional standards, good economic practices and specifics that are inherent to the insurance market.

EUROHERC advocates an active approach, efficiency and lawfulness when it comes to liquidating claims. The Company still forms part of a small group of insurance companies with the highest efficiency in claims settlement procedures.

The Management Board will continue implementing a conservative investment policy, in order to ensure high liquidity and investment safety.

The Management Board has set a concrete goal, and it plans to maintain the current market position of the Company in the following years, with the share in the overall and the non-life insurance market constantly increasing. Furthermore, the Company plans to strengthen its position as a leader in the mandatory Motor Vehicle Insurance market, and to maintain its leading position in the sales of innovative products, i.e. products voluntarily added to the mandatory Motor Third Party Liability Insurance.

Furthermore, the Company will make its top priority to maintain its high efficiency when it comes to handling and liquidating claims at a level of 75-80%. It is, therefore, implied that the Company will operate rationally and generate income in the following years, while further increasing the Company's equity, which will guarantee its safe and stable operation.

Zagreb, 30 April 2019

MANAGEMENT BOARD OF THE COMPANY

Mr. sc. Ivana Bratanić, *President*

Tomislav Čizmić, *Member*

Darinko Ivković, *Member*

Vjeran Zadro, *Member*

EUROHERC osiguranje d.d. DIREKCIJA ZAGREB

Non-financial Report for the 2018

Contents

Introduction

The Directive 2014/95/EU of the European Parliament and of the Council as regards disclosure of non-financial and diversity information by certain large undertakings and groups entered into force on 6 December 2014 and will in 2018 become applicable to information corresponding to 2017. Pursuant to the Directive, non-financial disclosure requirements refer to so-called public-interest entities[1], i.e. certain large companies with more than 500 employees. Companies must publish relevant and useful information necessary for understanding of the company's development, performance, position and impact of its activity, and not an exhaustive, detailed statement.

One of the aims of the disclosure requirement that derive from the Directive in question is to ensure sustainable forms of production and consumption, achieve gender equality, and to lower greenhouse gas emissions and engage in a climate-proof development.

The entities which are required to prepare a non-financial statement are obliged to prepare a non-financial statement with information that refer to at least environmental, social and human resources issues, and issues concerning the respect of human rights, fight against corruption and bribery, providing descriptions of policies, results and risks connected with these issues.

In terms of environmental issues, the Report should contain details on current and foreseeable effects of the companies' business activities on the environment and, where appropriate, on health and safety, use of renewable and/or non-renewable sources of energy, greenhouse gas emissions, water use and air pollution.

In terms of social and human resources issues, the Report information may refer to measures undertaken to guarantee gender equality, implement ILO's fundamental conventions and labour conditions, engage in social dialogue, respect the workers' rights to information and counselling, respect the workers' unions rights, ensure health and safety at work, and to ensure dialogue with local communities and/or to measures undertaken in order to ensure the protection and development of those communities.

In terms of human rights and the fight against corruption and bribery, non-financial information may entail data on preventing human rights violations and/or instruments for the fight against corruption and bribery that are currently in force.

If an enterprise does not implement measures connected to one or more of the aforementioned issues, the non-financial statement must give a clear and reasonable explanation why those measures have not been implemented.

[1] Article 3 (1) of the Accounting Act and Article 2 (1) Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC define the public-interest entity as an enterprise established pursuant to the regulations of the Republic of Croatia and whose securities are admitted to trading on a regulated market of any member state, in accordance with the laws regulating the capital market. However, enterprises whose securities are not admitted to trading on a regulated market, but are financial institutions, are considered public-interest entities. This implies that insurance and reinsurance companies are considered public-interest companies, pursuant to the same article.

Overview of the Field of Non-financial Statements

Field	Field Topics
Brief Overview of the Business Model	
	Business Environment
	Organisation and Structure
	Our Market
	Strategy and Targets
	Long-term Market Drivers
	Risk Management
	Sustainable Growth
Human Resources	
	Company's Human Resources
	Staff Policy Results
	How We Manage Risks
	Human Rights
	Key Non-financial Indicators
Relevant Environmental Issues and Social Community	
	Company's Environment Protection Policies
	Company's Social Community Policies
Anti-Corruption Policy	
	Anti-Corruption Measures Description
Management Board of the Company and Company Management Supervision	
	Diversity Policy Description

Brief Overview of the Business Model

Business Environment

In the Republic of Croatia, in the period 2007-2017, GDP per capita ranged from EUR 10.2 thousand to EUR 11.9 thousand. Growth of GDP per capita is the result of both the nominal GDP increase and population decrease. The inflation rate amounted to 1.5% in 2018. This represents a clear increase in relation to 2017, when the inflation rate amounted to 1.1%. In 2018, the economic growth rate amounted to 2.6%, which represents a slow-down in relation to 2017, when the growth rate amounted to 2.9%. The GDP is projected to grow at a rate of 2.7% in 2019, with an inflation rate amounting to 0.9%. The inflation rate decrease in 2019 in relation to the previous year is a result of the decrease in energy prices' contribution to price growth and decrease in added value tax rate for certain products.

According to the projections of the Ministry of Finance, general government deficit and debt might continue their decrease of 2019. The monetary policy will continue supporting the economic growth, while preserving its expansive character through providing support to the monetary system liquidity and maintaining the stability of the HRK/EUR exchange rate. At the end of 2018, the general government debt amounted to 73.3% of GDP, while at the end of 2017 it amounted to 77.5%. In 2018, the budget surplus amounted to HRK 0.9 billion, but this figure does not comprise the state guarantees which, in line with ESA 2010 methodology, must be included in the expenses, which will in turn negatively affect the budget balance.

According to EUROSTAT's data, the population of the Republic of Croatia decreased from 4.31 to 4.15 million residents in the period 2007-2017 (in 2018, the population decreased to 4.11 million residents). In nominal terms, Croatia lost 159,000 residents in the period 2007-2017, which represents a 3.7% decrease (by the end of 2018, the population decreased by 208,000 residents).

According to EUROSTAT's data, economically active population decreased from 1.848 million to 1.777 million in the period 2007-2017, which represents a decrease of 3.8% in economically active population or 71 thousand economically active residents.

Since it joined the EU, the Republic of Croatia has been facing extremely negative demographic trends and decrease in economically active population due to demographic ageing and emigration. According to official data of the Croatian Bureau of Statistics, in the period 2013-2016, 102.2 thousand people emigrated from Croatia, but according to estimates based on statistical indicators of EU member countries, 269.8 thousand residents emigrated from Croatia[2].

The average unemployment rate amounted to 11.2% in 2017 and 9.9.% in 2018. However, the employment rate (for the population aged over 20) amounted to 63.6% in the Republic of Croatia in 2017, while the employment rate in the 20-64 age group in the EU-28, reported in the European Union Labour Force Survey (EU LFS), amounted to 72.2% in 2017, which is the highest annual average ever recorded in the EU. Sweden is the only EU member country with a rate over 80% (81.8%). This is also the case in EFTA countries: Iceland (87.6%) and Switzerland (82.1%).

In 2018, the average economic growth rate in the EU-28 amounted to 1.9%, and in the Eurozone it amounted to 1.8%. The relevant data represent a growth slow-down in relation to 2017, when the economic growth rate amounted to 2.5%. Germany's growth rate decreased from 2.2% in 2017 to 1.4% in 2018. France's growth rate amounted to 1.5% in 2018 (2.2% in 2017). The growth rate of Italy amounted to 0.9% in 2018 (1.6% in 2017), and Italy entered a "technical recession" in Q4 2018 (two consecutive quarters of economic downturn).

However, relatively high economic growth rates in 2018 were recorded in Poland (5.1%), Slovenia (4.5%), Latvia (4.8%), Lithuania (3.4%), Estonia (3.9%), and Hungary (4.9%).

In 2018, there were 18 insurance companies and 2 branches of foreign companies (FOE – freedom

[2] Ivana Draženović, Marina Kunovac, Dominik Pripužić (2018), Dynamics and determinants of emigration: the case of Croatia and the experience of new EU member states, Public Sector Economics 42 (4), pg 415-447.

of establishment; FOS – freedom of services), 46 insurance and reinsurance mediation companies, 406 insurance representation crafts, and 26 insurance representation companies in vehicle control stations active in the financial departement of the Republic of Croatia. The share of assets of insurance and reinsurance companies in the total assets of financial intermediaries (all financial institutions in the Croatian financial market) amounted to 42 billion HRK, i.e. 7% in the end of 2018, making the insurance and reinsurance companies the 3rd largest financial intermediary. Banks' assets amounted to HRK 416.7 billion or 69.47%, and the mandatory pension funds' assets amounted to HRK 98.1 billion or 16.36% . The remaining financial intermediaries in the financial departement of the Republic of Croatia comprise leasing companies with a share of about HRK 20 billion (3.33%) and factoring companies with a share of about HRK 1.8 billion (0.3%).

In terms of the ownership structure of insurance and reinsurance companies, foreign capital has the majority share in 13 companies, and domestic capital has the majority share in 7 companies. In the course of 2018, there were two company mergers: on 7 May 2018, the company Erste osiguranje PLC was merged with the company Wiener osiguranje VIG PLC; and on 2 July 2018, the company Croatia osiguranje kredita PLC was merged with Croatia osiguranje PLC.

Organisation and Structure

EUROHERC osiguranje PLC has a mixed organisation structure which is a combination of production, functional, territorial and project organisation units. The business operations of the Company are divided into four departements, i.e. organisation units: Sales, Claims, Finance and IT.

A Departement Director is at the head of each departement, and for certain business departement expert groups, Departement Directors have Executive Directors as their subordinates. In line with the vertical division of the organisation, each departement's structure spans across all levels of the Company: from the head office to every branch of the Company.

EUROHERC operates on the Croatian and, since April 2017, Austrian market. In terms of territorial organisation, EUROHERC is divided into 15 branches managed by Branch Directors. Since all branches are organised pursuant to the identical departement scheme, each branch is managed by the relevant Director or Head of Department within each departement. The branches are economic-profit centres, and their head offices are located in: Zagreb, Split, Rijeka, Osijek, Varaždin, Čakovec, Sisak, Karlovac, Zadar, Bjelovar, Dubrovnik, Pula, Slavonski Brod and Velika Gorica. The subsidiary network features dealerships and sales points throughout Croatia. This ensures fast and efficient communication with our clients and presence of EUROHERC in the whole Croatian market.

In the Austrian market, EUROHERC osiguranje PLC operates through a branch with an office in Vienna. In organisational terms, the branch functions in line with Croatian branches' operations principle. The branch office is in charge of regional centres in larger cities in which EUROHERC operates in, namely, Graz, Linz, Klagenfurt and Salzburg, as well as Vienna.

In 2018, EUROHERC osiguranje PLC, having made HRK 1,118,861,695 in premium income, ranked 3rd in terms of total premium income of insurance companies in the Republic of Croatia, i.e. it ranked 2nd in the non-life insurance market.

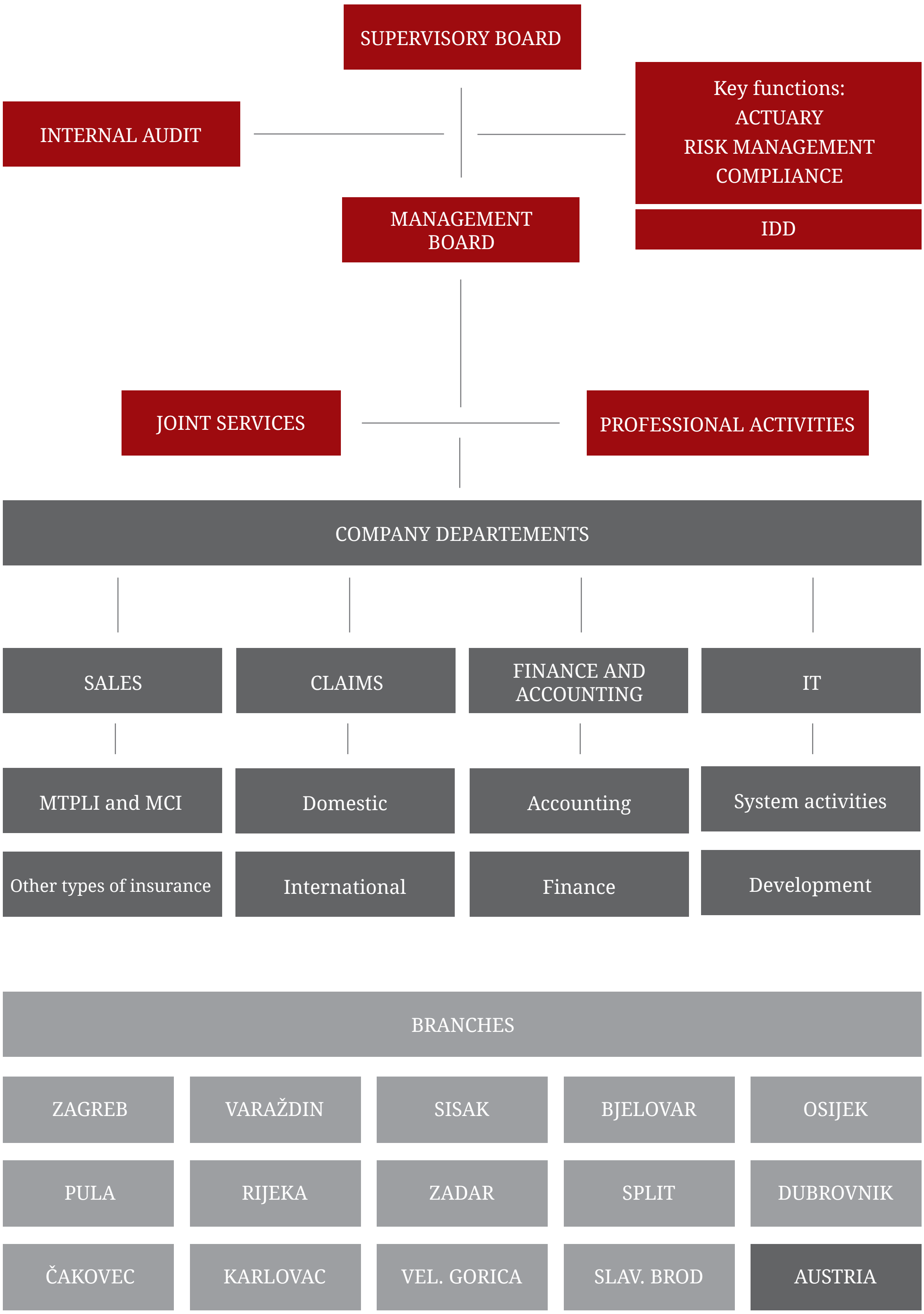
HRK 1,118,861,695

having made in premium income in 2018

The share capital of EUROHERC osiguranje PLC amounted to HRK 61,002,000 and is divided into 305,010 shares of nominal value of 200 HRK. The shareholders' structure is dispersed and it entails both mid-level and top-level management, which resulted in a high level of work motivation of management and professional staff.

[3] Source: https://www.hnb.hr/statistika/statisticki-podaci/financijski-sektor/druge-monetarne-financijske-institucije/kreditne-institucije/nekonsolidirana-bilanca/kreditne-institucije/tromjesecni-podaci, https://www.hanfa.hr/publikacije/mjesecna-izvjesca/

Organisation Structure of EUROHERC osiguranje PLC



Our Market

In 2018 a part of insurance companies from the Republic of Croatia made a significant amount of written premium in the EU market. The table below shows the gross written premium per contracting type.

The Company EUROHERC osiguranje PLC has been operating in the Republic of Croatia for 26 years, since 1992. The seat of the Company is located in Zagreb since 2000. Since it was established, the Company recorded high premium growth rates. In terms of premium income size, EUROHERC osiguranje PLC is one of the leading Croatian insurance companies.

In 2018, the share of the total written premium of all insurance companies in the GDP of the Republic of Croatia accounted for 2.6%, almost the same as in the period 2015-2017. In 2018, the share of the non-life insurance premium in the GDP accounted for 1.8%, and life insurance premium accounted for 0.8%. These percentages are higher than in Eastern neighbouring countries of the Republic of Croatia, but in comparison to the developed countries of the European Union, Croatia lags behind significantly. In 2018, the total premium per capita amounted to 2,440 HRK (1,664 HRK for non-life insurance and 776 HRK for life insurance). Although the indicator of average premium per capita increases by the year, the Republic of Croatia is still far from reaching the average values of developed countries, which points to further insurance market growth potential.

HR - Written gross premium in HRK (WGP) in 2018, source: Croatian Insurance Bureau

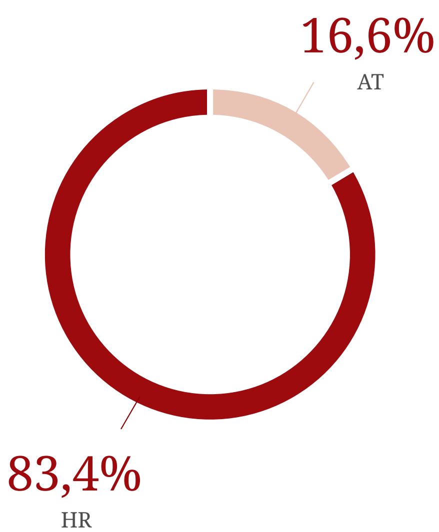
(in HRK)

2018		HR - HR		HR in EU (FOE/FOS)		EU in RH (FOE/FOS)	
		Written gross premium	Share	Written gross premium	Share	Written gross premium	Share
Total	**10,014,503,705**	**9,615,537,344**	**96.0%**	**240,090,950**	**2.4%**	**158,875,412**	**1.6%**
Non-life	6,829,727,332	6,482,153,243	94.9%	239,283,784	3.5%	108,290,305	1.6%
Life	3,184,776,373	3,133,384,101	98.4%	807,166	0.0%	50,585,106	1.6%

Strategy and Targets

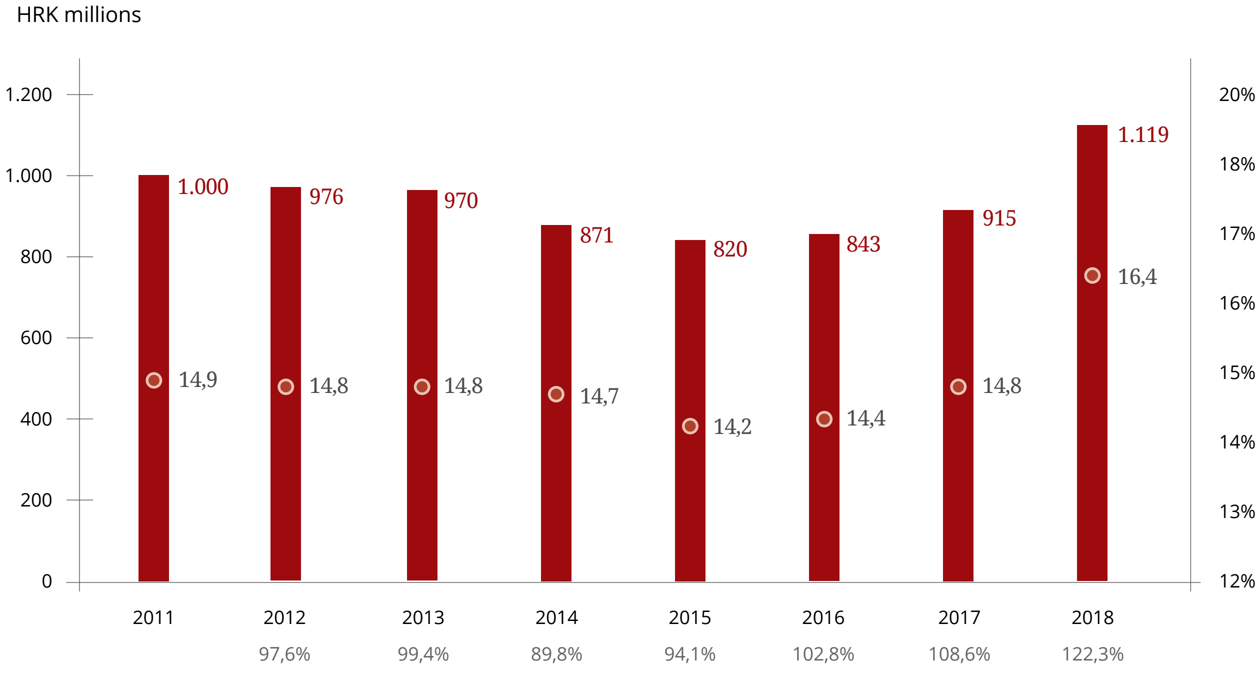
In 2018, the company EUROHERC osiguranje PLC made a premium income in the amount of HRK 1,118,861,695, which represents a premium growth of 22.3% in relation to 2017. The premium income growth in 2018 exceeds the market growth, meaning the Company increased its company share, and by the end of 2018 it held 16.4% of the non-life insurance market and 11.2% of the total market[4].

In 2018, EUROHERC saw a growth in premium in both markets: HRK 55.7 million, i.e. 106.3% in the HR market, and HRK 20 million EUR, i.e. HRK 148 million in the AT market. The Company ranked 3rd for years in the overall HR market and 2nd



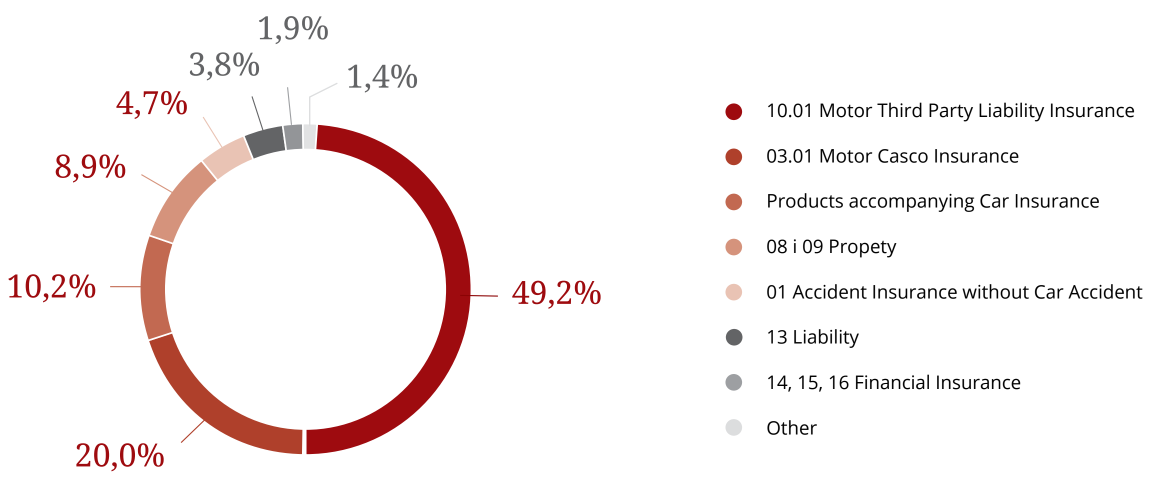
[4] Total written market premium with FOE/FOS premium (Sava Slo and AD Slo)

EUROHERC - GWP and share in non-life insurance market from 2011 to 2018, source: Croatian Insurance Bureau



EUROHERC osiguranje - WGP in 2018 per types of insurance

Product	Written gross premium	
	2018	**Share %**
10.01 Motor Third Party Liability Insurance	HRK 550,898,364	49,2%
03.01 Motor Casco Insurance	HRK 223,638,976	20,0%
Products accompanying Car Insurance	HRK 114,231,374	10,2%
08 and 09 Property	HRK 99,059,361	8,9%
01 Accident Insurance without Car Accident	HRK 52,464,651	4,7%
13 Liability	HRK 42,126,120	3,8%
14, 15, 16 Financial insurance	HRK 20,755,556	1,9%
Other	HRK 15,687,293	1,4%
ALL	**HRK 1,118,861,695**	



in the non-life insurance market. The Company's aim is to rank 2nd in terms of total premium in the future.

The largest share in the premium income structure of the Company amounting to 49.2% is still held by Motor Vehicle Liability Insurance. In the last three year, the share of mandatory Motor Third Party Liability Insurance in the total portfolio has reached the level of 49%, while it previously exceeded 60%. Motor Casco Insurance premium ranks 2nd with a share of 20%. In relation to 2017, this represents an increase of 3.6%. Motor Casco Insurance share in the total premium has been growing continuously since 2014, when it amounted to 10.2%.

A significant share in the total premium is held by products contracted for the Motor Third Party Liability Insurance policy, namely 01.02 Car accident, 18.05 Car Assistance, and 10.02 Voluntary aspects of the Motor Third Party Liability Insurance policy. They have a 10.2% in the total written premium. All other types of insurance together account for HRK 230 million in premium, i.e. have a share of 20.6% in 2018.

Based on the aforementioned, Motor Vehicle Insurance (10 and 03) together account for 69.2% of the premium income structure in 2018. All other types of non-life insurance in the Company's premium account for a 30.8% share, which points to the fact that the Company will focus on the premium of all other types of insurance in the future, in order to make them account for 40% of the total portfolio in the foreseeable future.

The Company recognised the potential of doing business in the Austrian market, considering the premium relevance, and a high level of insurance culture and tradition. The Republic of Austria is one of the richest countries in the world, in terms of GDP per capita, which is approximately quadruple the Croatian GDP per capita, while its population is double the population of Croatia.

According to 4Q 2018 data, the total assets of the insurance companies in the Republic of Austria amount to EUR 106.9 billion, while in the Republic of Croatia they amount to HRK 5.6 billion. The total written gross premium in Austria amounts to 17.2 billion EUR[5] (EUR 17.1 billion in 2017), and in Croatia it amounts to EUR 1.3 billion. The written non-life insurance premium in Austria amounts to about EUR 9.44 billion (55%), while in Croatia it amounts to about EUR 910.63 million (around 68%). Furthermore, the accrued premium per capita (known as insurance density) in Austria amounts to EUR 1,946, while in Croatia it amounts to EUR 320. The number of motor vehicles per 1000 people in Austria amounts to 555, while in Croatia it amounts to 493.

Motor Vehicle Insurance is the third largest premium insurance segment in the Republic of Austria with a 19.35% share[6], with the annual written premium of EUR 3.3 billion (around HRK 24.75 billion), which accounts for 8 times the amount of the Motor Vehicle Insurance premium, calculated in the Republic of Croatia in 2018 (around EUR 415.6 million or HRK 3.1 billion).

In 2017, the Motor Vehicle Insurance market (Motor Third Party Liability Insurance, Motor Casco Insurance, and Accident Insurance) in the Republilc of Austria comprised 22 insurance companies. The four largest companies accounted for 57.45% of the market: Generali Versicherung AG (17.40%), UNIQA Österreich Versicherungen AG (17.03%), Allianz Elementar Versicherungs-AG (12.91%), WIENER STÄDTISCHE Versicherung and AG Vienna Insurance Group (11.11%).

There are 6.8 million registered vehicles in the Republic of Austria, 4,9 million of which are personal vehicles (72%). The number of registered vehicles increases by 1-2% per annum, and the number of vehicles per 1,000 people amounts to 555, which represents a high motorisation rate.

EUROHERC's strategy for the Austrian market is focusing on Motor Vehicle Insurance. In terms of the premium income level realised in the Austrian insurance market in 2018, EUROHERC osiguranje PLC reached a market share level of 0.14%, i.e. 0.76% in the Motor Vehicle Insurance market.The Company plans to gradually create and develop its own sales network on the Austrian market, while intensely cooperating with independent brokers and non-exclusive agencies. It is expected that the Austrian branch of the Company, in the course of several business years, with a relevant number of established branch offices and sales points in the Republic of Austria, will reach the premium income level of the whole Company Euroherc osiguranje PLC reached in the Republic of Croatia in 2016 (around EUR 112.4 million). This would, in terms of the level of written premiums in the area of the Republic of Austria in 2018, result in a share of about 3.4% in the Motor Vehicle Insurance market, i.e. a share of about 0.65% of the total insurance market in the Republic of Austria.

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[5] https://www.fma.gv.at/versicherungen/offenlegung/quartalsberichte/

[6] https://www.vvo.at/vvo/vvo.nsf/033bc38c04cb4a8bc12574dc005de1e4/cadacf33211ceb0cc1258288002a6df7?O

Long-term Market Drivers

The main insurance market increase drivers are the financial education of the population and raising awareness of the need for insurance, growth of disposable income and increase in number of motor vehicles. Marketing campaigns increase the population's awareness and stress the importance of prevention for creating financial safety due to potential occurrence of harmful events. The Company will try to remain a leader in the Republic of Croatia in terms of the number of insurance policies contracted and the Motor Third Party Liability Insurance premium. The Company expects its business to increase significantly on the market in the Republic of Austria, which is, according to all macroeconomic indicators, a significantly stronger market than the insurance market in the Republic of Croatia, both due to its residents' disposable income and a long insurance tradition and a high level of the insurance culture. Modernly equipped subsidiaries and more than 527 sales points of the Company in the Republic of Croatia and 20 sales points in the Republic of Austria indicate the presence of a continuous, conscientious and wise investment into the Company's own capacities, infrastructure and employees. This led the Company to become one of the non-life insurance market leaders, with services easily accessible by a great number of citizens. The continuous capital investment into the Company's business facilities and infrastructure represents, at the same time, an investment into the resources of the Republic of Croatia. Furthermore, it sends a message of planned long-term engagement in the insurance protection. Unfavourable demographic trends in the Republic of Croatia may result in long-term consequences for business operations on the insurance market. In the long run, this can adversely affect the GDP and residents' disposable income, and the economic activity volume.

Risk Management

On 1 January 2016, a new regulatory and supervisory framework for the business of the insurance company – Solvency II – entered into force, which had been implemented into the new Insurance Act, the application of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, and a series of guidelines, technical standards and instructions of the European Insurance and Occupational Pensions Authority (EIOPA) and the Croatian Agency for Supervision of Financial Services (HANFA). The new regulatory framework introduced key amendments to the sections concerning risk management, capital adequacy and significantly greater business complexity. The new framework is expected to maintain and enhance the safety and resilience of the insurance departement and consumer protection, as well as to strengthen the efficient management of insurance companies.

In 2016, the European Insurance and Occupational Pensions Authority (EIOPA) conducted insurance stress tests in the whole European Union. Stress tests are one of the regular supervisory tools used to assess the resilience of the insurance departement to possible adverse developments and their impact on the financial stability of the system.

The Company EUROHERC osiguranje PLC prepared the Report on Solvency and Financial Condition for the first time in 2016, pursuant to the Insurance Act and the requirements of the Delegated Regulation (EU) 2015/35. The Company's capital adequacy amounted to 217% in 2018. The Company established an appropriate management system; in particular, an internal management system and risk management system. Market risk, property risk and market risk concentration are the most prominent components of the Company's risk profile. Property and liabilities valuation for solvency needs is regulated in the legislation.

The Company adopts a business plan in the beginning of the year, and it entails all potential and probable events in the insurance departement and beyond. Every three months, the Company re-examines its business strategy, comparing its business results to the results of the entire market. The Company consistently monitors its income and expenses, and compares them to its planned values and the competitors' results. The Company's reputation represents its credibility in relation to the insured persons and business partners. The trust of insured persons in the Company is difficult to gain and easy to lose. That is why one of the Company's strategic business determinants for the following period is service and products quality. Indemnity claims represent a sensitive business area in terms of insured persons. The Company has a very clear attitude and goals in that respect, and that is to quickly and lawfully settle indemnity claims, while maintaining a high efficiency level, in compliance with legal standards and defined indemnity claims settlement deadlines.

Sustainable Growth

As a relevant economic entity in the Republic of Croatia, we acknowledge our responsibility for contributing to the total economic growth of the

Republic of Croatia and improving the life quality of our clients and employees. We are constantly working on innovating and further developing our business model, and creating products and services that satisfy our clients' needs. We engage in dialogue with all stakeholders, taking into account the way in which our business operations affect our social surroundings and environment. This, furthermore, represents our model of creating value in a broader sense. It reflects our business philosophy and our view of our business surrounding. Our model for creating value reflects the way in which we use our knowledge and resources at our disposal in order to create value for all stakeholders involved in the business operations of the Company Euroherc osiguranje PLC: our clients, employees, environment, and the broad social community.

We believe that we also contribute to achieving the United Nations Sustainable Development Goals in the following manner:

- Good Health and Well-being (Goal 3) – we contribute to better life quality and safety, by enabling our clients to be safe when operating motor vehicles and enjoy coverage in case of occurrence of harmful events based on the principles of lawfulness and efficiency.

- Decent Work and Economic Growth (Goal 8) – we contribute to the elimination of poverty, and personal and professional growth of our employees, by creating work conditions and employment opportunities of high quality, enabling high-quality training in our business operations area, and providing our employees with adequate workers' compensation.

- Responsible Production and Consumption(Goal 12) – by decreasing our carbon footprint through the reduction of use of energy products and raw materials, and the reduction of CO2 emissions, we contribute to preserving the environment for our future generations.

Strenghts	Weaknesses
Recognisable name in the area of Motor Third Party Liability Insurance Highly motivated and qualified workforce Strong business ethics and client dedication High-quality working conditions Leading position on the domestic market in the area of Motor Third Party Liability Insurance Strong sales network and services availability on the whole territory of the Republic of Croatia Continuous innovation of products and services Simple and efficient organisation structure	Further digitalisation of business processes with the aim of improving the service for clients and decreasing the document administration for employees Further employee training tailored to the needs and demands of particular business processes

Opportunities	Threats
Expanding our business operation to the territory of the Republic of Austria, who has a significantly greater economic potential Long-term development of our own sales network in Austria Monitoring technological and demographic trends relevant for our business activity, and alignment with our clients' preferences	Maintaining the leading position in the Motor Third Party Liability Insurance market in the Republic of Croatia Adhering to the regulatory requirements concerning capital adequacy and complying with the relevant regulations in the area of business operations Further developing the sales network and increasing innovation in the area of product development and ways of providing services to clients

Company's Human Resources

Company's Human Resources and Staff Policy

There are certain rules of conduct in the business world. Business culture represents a very relevant, and sometimes determining, factor for achieving success and gaining profit. The Company EUROHERC osiguranje PLC defines business culture as a system of conduct, knowledge and skills, values and symbols that are widely accepted in the business world, and that are transferred when communicating. This entails the business etiquette and ethics in the sense of integrity, honesty, sincerity, and professionalism. The Company is aware of the fact that its employees and clients represent the most valuable resource of the Company and that all employees wish to be appreciated and esteemed. Furthermore, the success of the Company contributes to the desired identification of the individual with the collective and, at the same time, to the respect of the entire collective. These goals can only be achieved if all employees perform their work tasks impeccably.

The Company's Business Code and Communication Handbook clearly communicate to all employees the intent of developing a higher level of business culture. Furthermore, it tackles the most valuable and sensitive aspect of the insurance profession – business ethics, clients and customers, and employee relations. The Company believes these elements are key for the work quality of the Company. Knowing the rules of the Company's Business Code and Communication Handbook and adhering to them results in harmonious relationships and maximum satisfaction of both clients and business partners.

Staff Policy Results

On 31/12/2018, the Company had 1,179 permanent employees: 1,049 employees in the Republic of Croatia and 130 employees in the Republic of Austria. Of the total number of employees, around 71% work in Sales and 10% work in Claims departement.

The Company has 58.5% female employees. Ever since its establishment, it has been common practice of the Company to educate the managing staff in-house, training and promoting young staff members. The key criterion for advancing in the Company is achieving business targets and personally contributing to the Company's development. Training is of the highest importance in the Company; therefore, the Sales departement has an entire active team of internal trainers, who disseminate knowledge concerning products and sales skills, and techniques to all other Sales departement employees. Furthermore, the Company's other departements, in particular the Claims departement, have at their disposal expert and trained employees, legal staff and professional evaluators, which enables the Company to professionally manage indemnity claims of end-users.

Motivated and expert employees implement a clearly defined tailored insurance strategy. The Company's employees try to raise insured persons' awareness on the necessity of risk protection and insurance through their everyday communication. Therefore, the Company believes it is of utmost importance to invest in employees. The Company EUROHERC osiguranje PLC is a

Staff education level on 31/12/2018, source: the Company

	DEPARTEMENT	University degree - Dr.	University degree - Mr.	University degree	Vocational qualification	Medium skilled	Skilled	ALL
00	Joint services	2	7	29	10	68	22	138
01	Insurance sales	0	21	166	79	475	93	834
02	Assessment and liquidation of claims	0	10	53	21	30	0	114
03	Finance and accounting	0	3	25	10	20	0	58
04	IT	0	0	23	5	7	0	35
	TOTAL	**2**	**41**	**296**	**125**	**600**	**115**	**1,179**

great employer which provides opportunities for professional training and advancement and, in that way, achieving private and business satisfaction.

The share of higher-educated employees and employees with a university degree in the total number of employees is constant at 40%. This fact definitely encourages further and professional development of the Company. The number of employees significantly differs from branch to branch, depending on the size of the contracted premium and size of the territory the branch is in charge of.

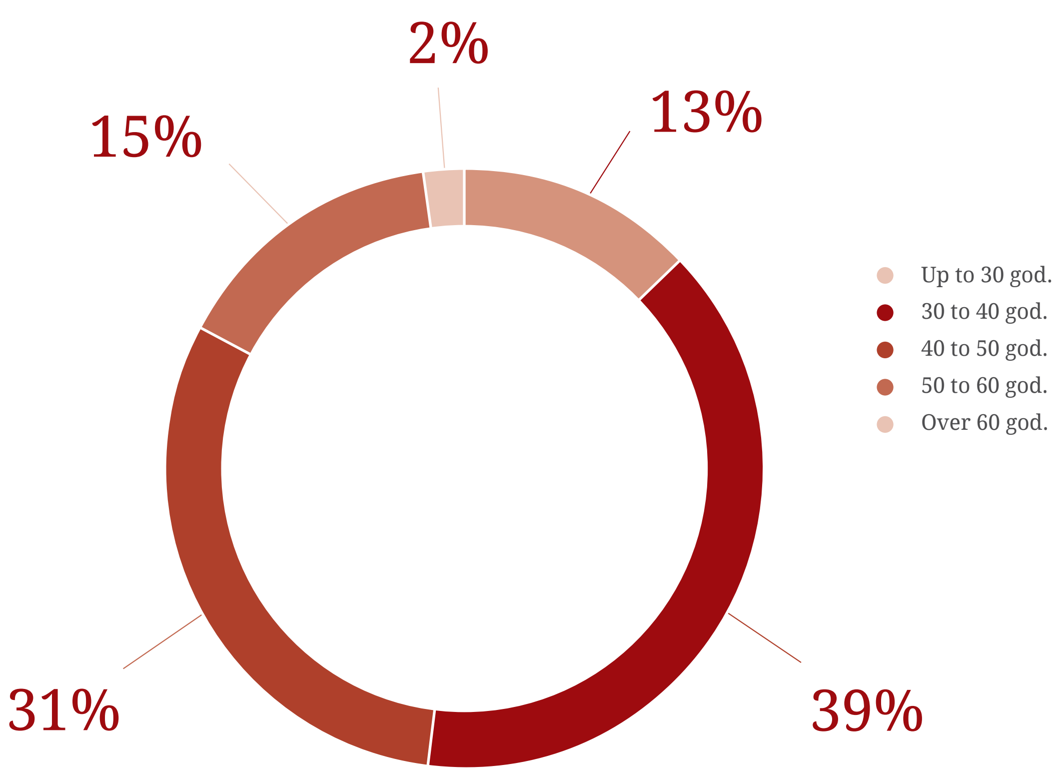
Occupational Age Structure

The Company is aware of the fact that its reputation relies on its employees' behaviour. All employees have an important role in maintaining the reputation of the Company in which they work and, therefore, must adhere to the highest ethical standards. The Company views its business as an integral part of the economic and social surrounding and, as a part of that surrounding, must protect the rights and interests of its insured persons, debtors, shareholders, as well as employees.

The Company expects its employees to use their capacity of impartial judgement to the maximum when performing their duties, in all aspects that concern the business operations of the Company. In order to preserve the judgement and action autonomy, employees must avoid conflicts of interest or possible conflicts on account of economic or personal interest,

Satisfied clients are the key to the Company's success. Their trust is gained through an honest relationship, providing them with the services they need, but which also surpass their expectations. The positive image of the Company is made at the entrance to the Company's premises. All inappropriate behaviour harms the Company's reputation. The Company's employees are expected to express their positive work attitude and respect of people who chose the Company as a business partner through their looks and impeccable behvaiour. The Company's employees are characterised by precision, accuracy, politeness and tidiness.The Company promotes the spirit of togetherness and long-term loyalty to the Company. The spirit of togetherness is promoted during the worker' games, the so-

The Company employees' age structure as at 31/12/2018, source: Company



called Agramijada, which gathers employees of all subsidiaries and gives them the chance to get to know each other in a casual setting, and strengthen the professional relationships they built through their work in the Company, while enjoying themselves and playing games. In 2018, a 3-day event called Agramijada took place in Banja Vrućica, with around 1,200 participants.

Human Rights

All employees of the Company are equal, regardless of their age, sex, religion, nationality or social status. The Company's Business Code and Communication Handbook insist on the fact that differences among employees should be accepted, and that the colleagues' privacy should not be invaded. Any type of harassment or violence shall not be tolerated. This implies sexual and psychological harassment, as well as all other types of harassment and hostile behaviour, disrespect, humiliation, threats et al.

The employees may settle all issues with their immediate supervisors, and if they are unable to do so, they may contact other superiors or relevant services.

How We Manage Risks

The Company and competent managers promote the desired behaviour and engagement of employees, opting for maximum productivity and new ideas that offer a break from the work routine and encourage the sales of new products. In this aspect, a timely feedback is relevant for the better engagement of employees. Supervisors and product supervisors attend training seminars with the aim to gain new management skills and achieve better sales results for all Company's products. The seminars provide for a series of examples of business practices and ensure the exchange of experience among colleagues from other subsidiaries and encourage concrete suggestions.

When excellent business results are achieved, Management of the Company decides on rewarding employees with the best results. All employees are entitled to high-level working conditions in terms of the aspect and quality of the business premises, and to the use of modern equipment for performing their tasks. Furthermore, exceptional attention is paid to the employees' well-being and their working conditions satisfaction, by making available and accessible preventive medical examinations, a cafeteria, transport allowance, reduced prices of medical services in various medical institutions et al.

The Company is cultivating its employees' awareness of the fact that the Company's reputation is important for all employees, as it forms the basis of the professional, social and personal reputation of every individual employee. Therfore, the reputation of the Company may depend on each individual. The Company's activity actually largely relies on client interaction and is subject to the harshest scrutiny.

The Company has in place an elaborate internal procedure which defines the Company's client relations and employees' rights and obligations, which then ensures a fair and equal position of all employees of the Company, as well as previously set rules concerning work compensation, conduct and behaviour in the working environment, and business communication with the Company's clients.

The aforementioned procedures refer to:

a. the appointment of a person authorised for responding to complaints pursuant to the Ordinance on handling complaints of insured persons, policy holders and users from the Insurance contract;

b. providing information on the ways to submit complaints to insured persons, policy holders and users from the Insurance contract before concluding the Insurance contract;

c. appointment of a Data Protection Officer pursuant to the Article 18.1 of the Personal Data Protection Act;

d. Rules of Operation, Articles 26 and 27 of the Labour Act and the Ordinance on Payment, Compensation and Other Material Workers' Rights pursuant to the Articles 26 and 27 of the Labour Act;

e. Decision on Workers' Working Hours pursuant to the Article 46 of the Labour Act and Article 28 of the Company's Rules of Operation and the Note on the Duration and Timetable of Annual Leave pursuant to Article 50 of the Company's Rules of Operation and the Survey for Compiling the Timetable of Annual Leave;

f. Note on the Application of Rules of Conduct in the Company's Business Premises;

g. the Company's Ordinance on the Adequate Use of the Information System, and the Company's Ordinance on the Safety of the Information System;

h. Ordinance on the Procurement and Use of Mobile Phones and Mobile Services;

i. the Note on the Use of the Company Vehicles;

j. the Risk Assessment of the Occupational Health and Safety in relation to the Risk Assessment Matrix, pursuant to the general risk level criteria;

k. the Communication Handbook and Business Code.

Key Non-financial Indicators

In 2018 ceased 104 employees' working relations: in 17 instances the employer terminated the work contract due to unsatisfactory performance during probationary period or due to reasons for extraordinary termination of employment or due to expiry of the fixed-term contract.

In the same period 113 new employees were hired, 85 of which are fixed-term employees. 66 new hires were employed in the Sales departement.

The average number of employees' annual leave days is 25.

The Company takes care of its customers and has, therefore, established a customer complaints processing unit within its organisation. In 2018, 9 complaints were filed in the Republic of Croatia, 4 of which were rejected, and 5 were well-founded. Considering the time dynamics of developing its own business model and adapting to business customs and existing business models in the Republic of Austria, as well as expecting a certain number of complaints, the Company also established a customer complaints processing unit in the Republic of Austria.

Since its establishment, the Company has not once been charged with mobbing or violating the workers' dignity.

Furthermore, the Company has never been a party to a dispute concerning competition protection. Moreover, the Croatian Competition Agency has never imposed a fine or any other measure on the Company.

The following table shows the trainings the Company's workers had in 2018, with regard to certain business areas of interest to the Company:

Organiser	Seminar
Tectus d.o.o.	Liability Insurance
Croatian Insurance Bureau	BASIC INSURANCE SEMINAR XIX
Faculty of Transport and Traffic Sciences	PC-CRASH WORKSHOP
Tectus d.o.o.	ICT & INSURANCE – ICTI 2018
Faculty of Transport and Traffic Sciences	Technical analysis of traffic accidents 2018
Croatian Transport Law Association	Impact of new Directive (EU) on package travel for entrepreneurs providing travel and transport insurance services
Croatian Insurance Bureau	Crops, plantations, and animals insurance
Croatian Insurance Bureau	Croatian Insurance Days Conference
Croatian Insurance Bureau	Underwriting risks
Baden - Baden	Reinsurance Meeting

The trainings take place all year long, in periods in which they do not hinder regular business process operations nor overlap with employees' annual leave.

Since the majority of Company's employees work in Sales (around 71%), a significant number of trainings held were Sales trainings.

Company's Environment Protection Policies

Training Seminar I	No. of attendees
Motor Third Party Liability Insurance	616
Motor Third Party Liability Insurance + Protection Products	
Motor Casco Insurance	
Property basics	
DOMOS	
DOMOS Rent	
Insurance Sales Presentation Skills	
Insurance Sales Telephone Communication	
Sales Communication Skills	
Training Seminar II	**No. of attendees**
Professional Seminar on Motor Third Party Liability Insurance Operations + Protection Products	279
Professional Seminar on Motor Casco Insurance Operations	
Property Insurance + DOMOS	
Telephone Communication	
DOMOS	
TOTAL:	**895**

The Company offers its employees German, English, and Italian language courses. The following table shows the number of classes and attendees per individual module in 2018:

Module – German	Number of classes in 2018	No. of attendees
A 1-1	140	10
A 2-1	140	10
B 1-2	140	4
B 2-1	140	7

Relevant Environmental issues and Social Community

EUROHERC PLC is constantly working on developing and improving business processes with the aim of reducing its negative environmental impact. It raises the employees' awareness of improvements in the area of waste reduction, primarily in the area of savings of stationary, as well as energy products.

The business premises are equipped with sensors that enable a significant reduction in electricity consumption, and with a central air conditioning system. Furthermore, their high-quality construction ensures low levels of energy consumption for business premises heating and cooling.

The users of the Company vehicles are constantly trained on eco-driving (moderate use of the accelerator pedal, driving in higher gears and at low engine speeds, staying in one gear and avoiding sudden acceleration and deceleration). Considering the great number of Company vehicles (over 400), the Company actively participates in environment protection by reducing fossil fuels consumption and CO2 emissions.

In 2018, 241 Volkswagen Euro 6 diesel vehicles and 11 Euro 6 Mercedes vehicles were purchased. Replacing older vehicles with new Euro 6 vehicles will lead to the decrease in NOX and CO2 emissions.

As a part of the project Business Process Optimisation and Document Digitisation, it is possible to scan documents annexed to the insurance policy and electronically discharge documents in all sales points of EUROHERC osiguranje PLC Scanning and electronically discharging documents accelerates the service provider discharge process and enables performing policy controls with scanned documents. The following phase of the project Business Process Optimisation and Document Digitisation relates to the improvement of the discharge and policy control processes, during which all paper documents will be replaced by digital documents. This will result in additional energy consumption and resources cuts in the Company's business operations.

The Company offers all carriers that have replaced their old vehicle with a new one that adheres to the new EURO 5 standard a 15% discount for the contracted Road Carrier's Liability for Transported Goods Insurance premium. With the so-called "green" discount, EUROHERC osiguranje PLC helps entrepreneurs improve their vehicles' eco-standards by decreasing their business insurance cost, which complements the Programme for the Reduction of the Environmental Impact of Transport of the Ministry of the Sea, Transport and Infrastructure and the Environmental Protection and the Energy Efficiency Fund. In this way, the Company actively participates in environment protection by reducing fossil fuels consumption and CO2 emissions.

Company's Social Community Policies

EUROHERC osiguranje PLC donates funds to the FOHS Foundation (Croatian Students Fund)[7], which gave scholarships to 14 students who fulfilled the conditions of the competition in 2018. The aim of the Foundation is to invest in young, promising students who are in an unfavourable financial situation, in order to enable them to continue their education and realise their full potential. Since it was established three decades ago, the Foundation helped a few hundred full-time undergraduate and postgraduate students, and many of them today are respectable members of the academic community, supporters of the Foundation and members of the FOHS Foundation Management Board. The Foundation's donors actively participate in the work and development of the Foundation so as to make the Foundation help the largest number of students possible.

Anti-Corruption Measures Description

The Company expects its employees to use their

[7] http://www.fohs.hr/rezultati-natjecaja-za-akademsku-godinu-2018-2019/

Anti-Corruption Policy

capacity of impartial judgement to the maximum when performing their duties, in all aspects that concern the business operations of the Company. In order to preserve the judgement and action autonomy, employees must avoid conflicts of interest or possible conflicts on account of economic or personal interest, Conflict of interest represents every situation in which Company employees are not neutral and objective in relation to the subject of their operation, i.e. when acting in their specific position they have professional or personal interests contrary to the Company's or insured person's interests, which may affect their impartiality when performing their tasks or damage the insured person's interest. The Company designed a Policy for the Prevention of Conflict of Interest, which further clarifies and regulates the conflict of interest issues. An occasional exchange of gifts and offering lunch or dinner is a common practice the aim of which is to create a pleasant atmosphere and establish trust among business partners.

Employees are required to treat fairly all persons they come into contact with, be they clients, competitors or colleagues. All relationships must be based on mutual respect and trust, respect of professional principles, good business practices and business morals. The principles of free and loyal competition must be respected.

All data concerning insured persons, suppliers, other clients and company partners, acquired while cooperating with them, are considered privileged information, even after the end of the contractual relationship (except for the data that the Company is legally obliged to disclose – bonus-malus et al.). Business decisions and actions of all Company employees must comply with positive law. It is forbidden to take advantage of clients by means of manipulation, withholding information, abuse of confidential information, misrepresentation of relevant facts or other dishonest acts. The Company employees are expected to give accurate and authentic information on the services and products of the Company. Furthermore, it is forbidden to use dishonest methods in order to "disqualify" the competition.

The procedures for detecting potential conflicts of interest are defined through the following steps:

- identification and reporting on potential conflicts of interest – obligations of all relevant Company personnel and compliance officer;
- assessment of the risk of a conflict of interests – the compliance officer is required to report such risks to Management of the Company;
- resolution (prevention) of conflict of interest – taking all relevant measures for preventing conflicts of interest, i.e. resolving existing conflicts of interest;
- recording conflicts of interest – the compliance officer is required to monitor the compliance of records of all conflicts of interest within the Company with relevant regulations.

In line with the Company's organisational structure, Management of the Company is in charge of implementing the Policy. Internal audit performs the audit of the implementation of the provisions of this Policy, i.e. regulations which refer to performing tasks concerning the prevention of conflict of interest in line with regulations and codes, and report to the Management Board and Supervisory Board.

Within the Annual Report, the compliance function submits to the Management Board of the Company reports on controls on conflicts of interests performed, i.e. measures undertaken for their prevention. According to the organisational structure of the Company, in case of potential conflicts of interest, directors or relevant staff are in charge of active supervision of provision of insurance services and are required to immediately notify the Compliance function on all circumstances representing or might lead to a conflict of interest. All Company employees are required to adhere to the provisions of this Policy.

All of the aforementioned has been clearly communicated to all Company employees in the document entitled "Business Code" and the "Communication Handbook", which are published on the Company intranet web page.

Management Board of the Company and Company Management Supervision

Diversity Policy Description

Ever since its establishment, it has been common practice of the Company to educate the managing staff in-house, by training and promoting young staff members. The key criterion for advancing in the Company is achieving business targets and personally contributing to the Company's development.

All employees of the Company are equal, regardless of their age, sex, religion, nationality or social status. The Company's Business Code and Communication Handbook insist on the fact that differences among employees should be accepted, and that the colleagues' privacy should not be invaded. Any type of harassment or violence shall not be tolerated. This implies sexual and psychological harassment, as well as all other types of harassment and hostile behaviour, disrespect, humiliation, threats et al.

The Company's Management is responsible for achieving business targets of the Company, including those that concern the Company's strategy, policies, quality and sustainability, as well as everyday operations. While performing its duties, the Management Board is guided by the interest of the Company and its shareholders.

On 31/12/2018, the Management Board of the Company comprised the following persons:

- **Mr. sc. Ivana Bratanić**
  President of the Management Board
- **Vjeran Zadro**
  Member of the Management Board
- **Željko Kordić**
  Member of the Management Board
- **Tomislav Čizmić**
  Member of the Management Board
- **Darinko Ivković**
  Member of the Management Board

while dr.sc. Damir Zorić acts as the Procurator.

The points of view and level of expertise in the Company's Management Board are very diversified and ensure a good understanding of the current situation and long-term risks and opportunities connected with the Company's activity. The members of the Supervisory Board vary in age, sex, education and work experience, i.e. level of expertise for different relevant issues. The composition of the Management Board indicates that all previously stated parameters have been satisfied.

The Supervisory Board of the Company supervises the total business operations of the Company, including the policies the Company adopted, as well as compliance with all applicable regulations, including regulations concerning anti-corruption measures. The Supervisory Board also supervises the results achieved by the Management Board of the Company by supervising the financial position of the Company, analysing financial statements and business strategy of the Company. Furthermore, the Supervisory Board approves important capital investments and relevant purchases and sales, and and analyses the yearly budget of the Company and long-term plans of the Company.

The Supervisory Board of the Company is appointed by the Audit Committee of the Company which supervises and monitors the work of the Management Board of the Company and gives recommendations to the Management Board of the Company concerning the implementation and improvement of internal system controls.

The Audit Committee of the Company advises the Supervisory Board on the performance of its supervisory-analytical functions and prepares the relevant background information for the Supervisory Board. The Audit Committee supervises the submission of the Company's financial statements to regulatory bodies and the compliance of business policies and processes of the Company with the recommendations made by the internal and external auditors. The Audit Committee helps the Supervisory Board monitor the ICT system of the Company. Furthermore, the Audit Committee maintains regular contact with the external auditor and decides on the proposal for appointment of an external auditor, which is submitted for decision of the General Assembly of the Company. The Audit Committee of the Company issues a recommendation to the

Supervisory Board concerning the acceptance of the yearly financial statements of the Company, the annual budget of the Company, and big capital investments. The Audit Committee meets at least four times a year.

On 31/12/2018, members of the Supervisory Board of the Company are the following:

- **Dr. sc. Mladenka Grgić**
  President of the Supervisory Board
- **Zlatko Lerota**
  Vice President of the Supervisory Board
- **Radoslav Pavlović**
  Member of the Supervisory Board
- **Hrvoje Planinić**
  Member of the Supervisory Board
- **Radoslav Lavrić**
  Member of the Supervisory Board
- **Niko Krivić**
  Member of the Supervisory Board
- **Miroslav Grbavac**
  Member of the Supervisory Board

The points of view and level of expertise in the Company's Supervisory Board are also very diversified and ensure a good understanding of the current situation and long-term risks and opportunities connected with the Company's activity. The members of the Supervisory Board vary in age, sex, education and work experience, i.e. level of expertise for different relevant issues. The composition of the Supervisory Board indicates that all previously stated parameters have been satisfied.

Zagreb, 30 April 2019

MANAGEMENT BOARD OF THE COMPANY

Mr. sc. Ivana Bratanić, *President*

Tomislav Čizmić, *Member*

Darinko Ivković, *Member*

Vjeran Zadro, *Member*

EUROHERC osiguranje d.d. 7 DIREKCIJA ZAGREB

EUROHERC OSIGURANJE PLC

Financial Statements for the Year Ended 31 December 2018 together with the Independent Auditor's Report

Contents

Responsibility of the Management Board

Pursuant to the Accounting Act of the Republic of Croatia, Management of the Company is responsible for ensuring that the annual consolidated and non-consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, to give a truthful and objective review of the financial position of the Group and Company, as well as their results of business operations for the given period.

On the basis of the review, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has drawn up financial statements under the assumption that the Company is a going concern.

In preparing these financial statements, the Management Board of the Company is responsible for:

- selecting and consistently applying suitable accounting policies;
- giving reasonable and prudent judgements and evaluations;
- applying valid accountancy standards and releasing and explaining in the financial statements any material departures and
- drawing up the financial statements on the going concern basis unless such an assumption is not appropriate.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Company and the Group and their compliance with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Company and the Group and their compliance with the Accounting Act. It is also responsible for safeguarding the assets of the Company and the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

Mr. sc. Ivana Bratanić, *President*

Tomislav Čizmić, *Member*

Darinko Ivković, *Member*

Vjeran Zadro, *Member*

EUROHERC osiguranje d.d. 7 DIREKCIJA ZAGREB

Euroherc osiguranje PLC
Ulica grada Vukovara 282
10000 Zagreb
Croatia
30 April 2019

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of the Company Euroherc osiguranje d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Company Euroherc osiguranje d.d. ("the Company") and its subsidiary (together "the Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2018, and statements of comprehensive income of the Company and the Group, statement of changes in equity of the Company and the Group, and statement of cash flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018, 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 (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the Audit Act and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the A*uditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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, but we do not provide a basis for a separate opinion on these matters.

This document is a translation from the original, which was prepared in the 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 the report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	*The audit addressed the matter in the following manner*
Investment property valuation *Pay attention to Notes 3, 4, and 17 in the financial statements* The assessment of fair value of property represents a demanding process, considering the complexity of the value assessment method. The Group and the Company use the fair value model when subsequently measuring investment property. During subsequent measurements, gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Assessments are conducted annually, in line with the IAS 40: Investment Property. The Management of the Company assessed that the fair value of the investment property as at 31 December 2018 amounted to HRK 887 million for the Group and 853 million for the Company. In order to assess the investment property value, an independent assessor made a study of the complete portfolio owned by the Group and the Company. Investment property value assessments depend on certain key assumptions, level of rentals on the market, capitalisation rate and the property market value.	Our audit procedures which refer to investment property valuation by the Management Board of the Company entail: - Assessment of the ability, competence and objectivity of the independent assessor; - Assessment of methodologies used and the appropriateness of main assumptions used, in line with our knowledge of the industry; - Based on the sample, verification of accuracy and relevance of used data; and We reviewed the information disclosed in the financial statements concerning the additional information on property valuation.

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Impairment of given loans *Pay attention to Notes 3, 4, and 19 in the financial statements* In line with the International Accounting Standard 39 - Financial instruments: Recognition and Measurement (hereinafter: IAS 39), the Group and the Company have general reserves for the entire given loans portfolio and individual reserves for loans given to other companies. As at 31 December 2018, loans given to other companies amounted to 25% and 25% of the Group and the Company's total assets. The given loans portfolio predominantly comprises insurance companies and companies which own vehicle control stations. The given loans portfolio holds big individual loans, which then requires the Group and the Company to supervise the debtor's ability to pay the loan and the need to assess future cash flows based on the business operations of individual debtors and collaterals, for example, property. Impairment of given loans represents an extremely important process for the Group and the Company, as it requires the use of estimates and subjective judgements of the Management Board of the Company primarily concerning the assessment of future free cash flows of the borrower, business outlook of the borrower and valuation of collateral per given loans.	Our audit procedures as a response to the defined specific risk of the Company, which refer to the assessment of the Management of the Group and the Company on the reserve necessary for individual given loans, entail the following: - Understanding the policy of giving loans and assessing the procedure for identifying signs of impairment of loans; - We selected a sample of given loans for our review and done the following for the review: • For given loans without any payments, we assessed the expectations of the Management of the Company concerning future cash flows, collateral valuation, expected ability to pay the loan and other sources of payment. We estimated the consistency of main assumptions used; • In case of individual given loans, we examined the accuracy of data found in the accounting records; • In case of loans given and secured by property collateral, we examined the amount of the necessary reserve calculated based on expected future cash flows with regard to the fair value of the relevant property less sales costs, used impairment factor, and the expected collection period; • In case of unsecured given loans, we examined the debtor's free cash flow for loan repayment needs; • In case of given loans with instalments paid, we examined whether the debtor suffered losses or whether other circumstances which may put into question the ability to repay loans occurred. Furthermore, we examined the information disclosed in the Group and the Company's financial statements so as to assess whether they were sufficiently comprehensive.

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Key Audit Matters (continued)

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Valuation of illiquid financial instruments
Pay attention to Notes 3, 4, and 18 in the financial statements

Valuation of the Group and the Company's financial instruments (shares of limited liability companies and companies quoted on the stock exchange without significant trading) was the key focus of the audit, due to the complexity of valuation of individual instruments, carried out by the Management Board of the Company, and the relevance of judgements and estimates of the Management Board of the Company concerning the selection of key assumptions used in the estimates. In particular, determining prices for financial instruments for the calculation of which non-public inputs were used.

As at 31 December 2018, 10% and 11% (HRK 357 and 382 million) of total assets of the Group and the Company stated at fair value were classified as Level 3 assets. Level 3 financial instruments predominantly comprise unquoted and quoted shares, but without significant trading.

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Our audit procedures which refer to illiquid financial instruments valuation by the Management of the Company entail:

- In case of illiquid shares trading, we examined the appropriateness of used valuation methodologies;
- In case of the sample of financial instruments with significant values, for which the assessment parameters are not available, we used internal experts in order to critically assess the assumptions used during valuation and data used by the Management of the Company or to conduct independent value assessments, including the alternative methods used by other market participants and key factor sensitivity analysis.

Furthermore, we examined the information published in the Group and the Company's financial statements so as to assess whether they were sufficiently comprehensive and concluded that the information disclosed in the financial statements adequately indicates the exposure of the Group and the Company to the financial instrument valuation risk. We assessed the compliance of the fair value hierarchy policy with the requirements of the International Financial Reporting Standard 13 – Fair Value Measurement.

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Valuation of technical provisions *Pay attention to Notes 3, 4, and 28 in the financial statements* Technical provisions of the Group and the Company, which entail the provisions for declared, but unpaid claims and provisions for non-expired risks, reflect the uncertainty which forms a constituent part of the insurance industry. The calculation of technical provisions is demanding because it includes a high level of assessment and complex mathematical and statistical calculations. In case of provisions for declared, but unpaid claims, the Claims department sets the amount of the provision after processing all available information. The claims data is aggregated and observed on a group level in order to set the total amount of losses to be incurred for all policies per type of insurance. The provisions for claims outstanding models take into account experience, claims development, market conditions, as well as assumptions sensitive to legal, economic and other different insecurity factors in order to assess losses. The provision for non-expired risks is calculated by taking into account the recognised premiums, nature of risk and generally accepted valuation methods. The Management examines the claims and premiums, as well as model inputs, and is responsible for appointing an authorised independent actuary, whose task is to examine the estimated provisions in order to ensure their adequacy.	When auditing the technical provisions, we examined the controls design and implementation, details testing and analytical procedures for the Group and the Company’s technical provisions. In addition, we compared the actuary methods and assumptions used by the Management with the insurance market data and recognised actuary procedures. Our procedures include a review of assumptions used by the independent qualified authorised actuary, review of input data for the calculation of technical provisions and understanding the conclusions made, an assessment of the methodology consistency in comparison to the previous years, and determining whether the changes in actuarial models are in line with our expectations derived from the business and market development. We engaged an independent authorised actuary in order to analyse and critically examine the calculation of provisions which are subject to uncertainty the most and which have the highest amounts. We compared the independent analysis to the Management’s analysis and obtained explanations for material departures, if any. Furthermore, we examined the information disclosed in the Group and the Company's financial statements so as to assess whether the relevant transaction was sufficiently comprehensive to the users of financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Other Information

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

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

With respect to our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report includes required disclosures as set out in Articles 21 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1. Information included in the other information is, in all material respects, consistent with the accompanying annual financial statements for the year;
2. The Management Report of the Company for 2018 has been prepared, in all material respects, in accordance with Articles 21 and 24 of the Accounting Act.

Based on the knowledge and understanding of the Company and the Group and their environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information. In that sense, we have nothing to report.

Responsibilities of the Management Board and Those Charged with Governance for the Financial Statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as the Management Board 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, the Management Board is responsible for assessing the Company and Group'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 the Management Board either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Auditor’s Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 and the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- Conclude on the appropriateness of the Management Board'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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and/or Group 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;
- Obtain sufficient and appropriate audit evidence in connection with the financial information of the entities or activities performed within the Company and the Group in order to express our opinion on these financial statements. We are responsible for directing, overseeing and performing the audit of the Company and the Group. We remain solely responsible for our audit opinion.

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 are also required to 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Statement of Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 auditor's report unless a law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In line with the Ordinance on the structure and content of the financial statements and additional reports of insurance companies or reinsurance companies (OG No. 37/16, "the Ordinance"), the Management Board of the Company designed forms shown in the Appendix to these financial statements on pages 142 to 148, and contain the statement of comprehensive income, statement of financial position, statement of changes in capital and reserves, statement of cash flows, and notes on adjustments. These forms and relevant adjustments are the responsibility of the Management Board of the Company, and they do not form an inseparable part of these financial statements, which are shown on pages 52 to 141, but are required by the Ordinance.

Other Regulatory Requirements of Regulation (EU) No. 537/2014 of the European Parliament and the Council and Audit Act

We were appointed as the statutory auditor of the Company by the shareholders on 21 May 2018 to perform the audit of accompanying financial statements. Our total uninterrupted engagement has lasted 2 years and covers the period from 1 January 2017 to 31 December 2018.

We confirm that:

- our audit opinion on the accompanying financial statements is consistent with the additional report issued to the Audit Committee of the Company on 30 April 2019 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings.

Branislav Vrtačnik

Member of the Board

Deloitte d.o.o.

Vanja Vlak

Certified Auditor

Zagreb, 30 April 2019

Radnička cesta 80
10 000 Zagreb
Republic of Croatia

This document is a translation from the original, which was prepared in the 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 the report takes precedence over this translation.

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018
(all amounts in thousands of HRK)

	Notes	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Earned premium					
Written gross premium and premium written for co-insurance	5	1,118,862	1,118,862	915,180	915,180
Value adjustment and paid premium value adjustment	5	284	284	1,420	1,420
Outward reinsurance and co-insurance gross premiums	5	(26,061)	(26,061)	(19,869)	(19,869)
Net written premium		**1,093,085**	**1,093,085**	**896,731**	**896,731**
Changes in gross unearned premium provisions	5	(113,617)	(113,617)	(47,842)	(47,842)
Changes in gross unearned premium provisions, reinsurance and co-insurance share	5	3,091	3,091	2,687	2,687
Net earned premium	*5*	***982,559***	***982,559***	***851,576***	***851,576***
Income from fees and commissions	6	2,259	2,259	1,259	1,259
Investment income	7	126,853	127,875	90,521	90,521
Other operating income	8	59,446	55,398	40,322	38,938
Net income		**1,171,117**	**1,168,091**	**983,678**	**982,294**
Liquidated claims		(399,101)	(399,101)	(332,658)	(332,658)
Liquidated claims, reinsurance share		1,029	1,029	2,349	2,349
Changes in provisions for claims outstanding		130	130	37,997	37,997
Changes in other technical provisions for claims outstanding, net of reinsurance		(359)	(359)	(257)	(257)
Return of premium (bonuses and rebates), net of reinsurance		(7,068)	(7,068)	3,126	3,126
Changes in provisions for claims outstanding, reinsurance share		265	265	(990)	(990)
Claims incurred	9	**(405,104)**	**(405,104)**	**(290,433)**	**(290,433)**
Acquisition costs	10	(319,830)	(318,684)	(290,307)	(290,307)
Administrative costs	11	(157,167)	(157,167)	(146,968)	(146,968)
Investment costs	7	(59,556)	(59,556)	(90,105)	(90,105)
Other business costs	12	(53,251)	(53,251)	(46,811)	(46,811)
Profit before tax		**176,209**	**174,329**	**119,054**	**117,670**
Income tax	13	(32,183)	(32,183)	(24,306)	(24,306)
Profit after tax		**144,026**	**142,146**	**94,748**	**93,364**

The following notes form and inseparable part of these financial statements.

(all amounts in thousands of HRK)

	Notes	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Items that will not be reclassified in the Statement of Profit or Loss					
Net income from revaluation reserves for property and equipment		15,236	15,236	15,927	15,927
Items that can be subsequently reclassified in the Statement of Profit or Loss					
Net income from revaluation reserves for securities available for sale		4,936	4,936	7,686	7,686
Total other comprehensive income/(loss)		***20,172***	***20,172***	***23,613***	***23,613***
Total comprehensive income		**164,197**	**162,317**	**118,361**	**116,977**
Profit after tax attributable to:					
- Company’s owners		143,168	142,146	94,307	93,364
- owners of non-controlling interests		858	**-**	441	-
		144,026	**142,146**	**94,748**	**93,364**
Total comprehensive income attributable to:					
- Company’s owners		163,339	162,317	117,920	116,977
- owners of non-controlling interests		858	-	441	-
		164,197	**162,317**	**118,361**	**116,977**
Earnings per share (in HRK)	24	**472.20**	**466.03**	**310.63**	**306.10**

(all amounts in thousands of HRK)

	Notes	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Property					
Fixed assets					
Goodwill	14	4,307	-	4,307	-
Intangible assets	15	13,588	13,588	10,275	10,275
Property and equipment	16	445,135	444,805	316,150	316,150
Investment property	17	887,220	852,770	847,139	812,556
Financial assets available for sale	18	789,700	814,627	797,778	823,713
Loans and receivables	19	762,008	762,008	656,697	656,697
Bank deposits	20	11,288	11,288	19,387	19,387
Guarantee deposits for lease contracts		7,782	7,782	7,186	7,186
		2,921,027	**2,906,868**	**2,658,919**	**2,645,964**
Current assets					
Loans and receivables	19	134,450	134,450	127,559	127,559
Bank deposits	20	17,993	17,993	16,902	16,902
Premium receivables	21	298,748	298,748	159,697	159,697
Reinsurance share in technical provisions	28	20,739	20,739	17,384	17,384
Credit cards and checks receivables		41,206	41,206	42,300	42,300
Other receivables	22	71,815	70,782	85,928	83,231
Prepaid expenses		23,460	23,460	4,373	4,373
Cash at bank and in hand	23	18,022	17,987	17,796	17,796
		626,433	**625,365**	**471,939**	**469,242**
Total assets		**3,547,460**	**3,532,233**	**3,130,858**	**3,115,206**

The following notes form and inseparable part of these financial statements.

(all amounts in thousands of HRK)

	Notes	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Assets and liabilities					
Equity and reserves					
Share capital	24	61,002	61,002	61,002	61,002
Revaluation reserves for securities available for sale	25	25,397	25,397	20,461	20,461
Revaluation reserves for property	26	316,956	316,956	309,351	309,351
Legal reserves	27	172,585	172,585	172,585	172,585
Retained earnings		867,108	865,145	714,635	713,693
		1,443,048	**1,441,085**	**1,278,034**	**1,277,093**
Owners of non-controlling interests		11,421	**-**	10,563	**-**
Total equity		**1,454,469**	**1,441,085**	**1,288,597**	**1,277,093**
Technical provisions					
Unearned premiums, gross	28	616,771	616,771	503,154	503,154
Claims oustanding, gross	28	955,520	955,520	948,223	948,223
		1,572,291	**1,572,291**	**1,451,377**	**1,451,377**
Non-current liabilities					
Deferred tax liabilities	13	67,797	67,797	53,514	53,514
Long-term loans	29	180,742	179,535	82,193	79,065
		248,539	**247,332**	**135,707**	**132,579**
Current liabilities					
Short-term loans	29	63,658	63,658	42,558	42,558
Liabilities from direct insurance	30	33,025	33,025	35,170	35,170
Liabilities from reinsurance		9,692	9,692	5,826	5,826
Current tax liability	31	(6,122)	(6,122)	18,688	18,688
Other liabilities	31	171,907	171,271	152,935	151,915
		272,160	**271,524**	**255,177**	**254,157**
Total equity and liabilities		**3,547,460**	**3,532,233**	**3,130,858**	**3,115,206**

The following notes form an inseparable part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2018

(all amounts in thousands of HRK)

GROUP

	Share capital	Revaluation reserves for fair value available for sale	Revaluation reserves for property and equipment	Legal reserves	Retained profit	Shares of the parent's owners	Owners of non-controlling interests	Total
Balance at 1 January 2017	**61,002**	**12,775**	**300,456**	**172,585**	**662,081**	**1,208,899**	**-**	**1,208,899**
Revaluation, net	-	7,686	15,927	-	-	23,613	-	23,613
Profit after tax	-	-	-	-	94,307	94,307	441	94,748
Total comprehensive income	*-*	*7,686*	*15,927*	*-*	*94,307*	*117,920*	*441*	*118,361*
Additional non-controlling interests after the acquisition of MTT d.o.o.	-	-	-	-	-	-	10,122	**10,122**
Depreciation	-	-	(7,031)	-	8,574	1,543	-	**1,543**
Payment of dividends for 2017	-	-	-	-	(50,327)	(50,327)	-	(50,327)
Balance at 31 December 2017	**61,002**	**20,461**	**309,351**	**172,585**	**714,635**	**1,278,034**	**10,563**	**1,288,597**
Revaluation, net	-	4,936	15,236	-	-	20,172	-	20,172
Profit after tax	-	-	-	-	143,168	143,168	858	144,026
Total comprehensive income	*-*	*4,936*	*15,235*	*-*	*143,168*	*163,339*	*858*	*164,197*
Depreciation	-	-	*(7,630)*	-	*9,305*	*1,675*	-	**1,675**
Balance at 31 December 2018	**61,002**	**25,397**	**316,956**	**172,585**	**867,108**	**1,443,048**	**11,421**	**1,454,469**

(all amounts in thousands of HRK)

COMPANY

	Share capital	Revaluation reserves for fair value available for sale	Revaluation reserves for property and equipment	Legal reserves	Retained profit	Total
Balance at 1 January 2017	**61,002**	**12,775**	**300,456**	**172,585**	**662,081**	**1,208,899**
Revaluation	-	7,686	15,927	-	-	23,613
Profit after tax	-	-	-	-	93,364	93,364
Total comprehensive income	*-*	*7,686*	*15,927*	*-*	*93,364*	*116,977*
Depreciation	-	-	(7,031)	-	8,575	**1,543**
Payment of dividends for 2017	-	-	-	-	(50,327)	(50,327)
Balance at 31 December 2017	**61,002**	**20,461**	**309,351**	**172,585**	**713,693**	**1,277,093**
Revaluation	-	4,936	15,236	-	-	20,172
Profit after tax	-	-	-	-	142,146	142,146
Total comprehensive income	*-*	*4,936*	*15,235*	*-*	*142,146*	*162,317*
Depreciation	-	-	(7,630)	-	9,305	**1,675**
Balance at 31 December 2018	**61,002**	**25,397**	**316,956**	**172,585**	**865,145**	**1,441,085**

The following notes form and inseparable part of these financial statements.

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Cash flow before the change in assets and liabilities				
Profit before tax	**176,209**	**174,329**	**119,054**	**117,670**
Adjustments:				
Property and equipment depreciation	28,403	28,105	24,203	24,203
Intangible assets depreciation	4,388	4,388	2,345	2,345
Investment income	(93,752)	(93,752)	(90,521)	(90,521)
Investment cost	59,556	59,556	90,105	90,105
Changes in technical provisions	120,914	120,914	6,975	6,975
Changes in the reinsurance share in technical provisions	(3,355)	(3,355)	(1,698)	(1,698)
Changes in assets and liabilities:				
Income tax	(45,873)	(45,015)	(25,591)	(25,150)
Dividend income	13,261	13,261	6,314	6,314
Interest paid	(5,034)	(5,034)	(4,124)	(4,124)
Interest received	45,396	45,396	43,793	43,793
Decrease in investments available for sale	14,821	15,829	97,875	71,940
(Increase)/decrease in deposits, loans and receivables	(10,405)	(10,405)	28,305	28,305
Decrease in receivables and other assets	(195,346)	(197,010)	(95,036)	(92,339)
Increase in other liabilities	20,693	21,077	54,487	53,467
Other	389	-	6,256	-
CASH FLOW FROM OPERATING ACTIVITIES	**130,265**	**128,284**	**263,742**	**232,285**

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES (continued)	**Group in 2018**	**Company in 2018**	**Group in 2017**	**Company in 2017**
Property and equipment supply expenses	(138,336)	(138,179)	(80,638)	(80,638)
Intangible assets purchase expenses	(7,701)	(7,701)	(10,439)	(10,439)
Investment property purchase expenses	(8,861)	(8,994)	(59,189)	(24,606)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(154,898)**	**(154,874)**	**(150,266)**	**(115,683)**
Income from received loans	119,649	121,570	41,926	38,798
Payment of received loans	(94,789)	(94,789)	(151,747)	(151,747)
Cash expenses for the payment of dividend	-	-	(50,327)	(50,327)
CASH FLOW FROM FINANCIAL ACTIVITIES	**24,860**	**26,781**	**(160,148)**	**(163,276)**
Net increase/(decrease) in cash and cash equivalents	**227**	**191**	**(46,672)**	**(46,675)**
Cash and cash equivalents in the beginning of the year	**17,796**	**17,796**	**64,469**	**64,469**
Cash and cash equivalents in the end of the year	**18,022**	**17,987**	**17,796**	**17,796**

The following notes form and inseparable part of these financial statements.

1. GENERAL DATA

Euroherc osiguranje d.d., (hereinafter: “the Company”) and its subsidiary (together “the Group”) were established in October 1992 in Makarska. Since 2000, the address of the registered office of the Company is Ulica grada Vukovara 282, Zagreb.

On 30 June 2017, the Company bought a 68,12% share in the Company MTT d.o.o. for 25,9 million HRK.

The Group provides non-life insurance services, and specialises in Motor Vehicle Insurance. The Group provides services through 15 subsidiaries. The Croatian Agency for Supervision of Financial Services (HANFA) regulates the business operations of the Company.

On 31 December 2018, the Company had 1,179 employees, which is 90 employees more than in 2016.

Management and Supervisory Board

Management Board

Ivana Bratanić, President of the Management Board since 31 January 2017
Željko Kordić, Member of the Management Board since 27 April 2015
Tomislav Čizmić, Member of the Management Board since 11 May 2017
Vjeran Zadro, Member of the Management Board since 30 January 2017
Darinko Ivković, Member of the Management Board since 19 June 2017
Damir Zorić, Procurator of the Company since 12 September 2017

Supervisory Board

Mladenka Grgić, President of the Supervisory Board since 18 July 2017
Zlatko Lerota, Vice President of the Supervisory Board since 18 July 2017
Hrvoje Planinić, Member of the Supervisory Board since 18 July 2017
Niko Krivić, Member of the Supervisory Board since 8 July 2017
Miroslav Grbavac, Member of the Supervisory Board since 8 July 2017
Radoslav Lavrić, Member of the Supervisory Board since 18 July 2017
Radoslav Pavlović, Member of the Supervisory Board since 30 July 2014

2. ADOPTION OF NEW AND AMENDED STANDARDS

Application of new and revised International Financial Reporting Standards

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

- **IFRS 9 "Financial Instruments"**, adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15", adopted by the European Union on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** – "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** – "Applying IFRS 9 'Financial Instruments' with IFRS 4 "Insurance Contracts'", adopted by the European Union on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or for periods when an entity first applies IFRS 9 "Financial Instruments"),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers", adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 40 "Investment Property"** - "Transfers of Investment Property", adopted by the EU on 14 March 2017 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRSs (IFRS 1, IFRS 12, and IAS 28), primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRS 22 "Foreign Currency Transactions and Advance Consideration"**, adopted by the European Union on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018),

The adoption of these amendments to the existing standards has not led to any material changes in the Company and the Group's financial statements.

Considering the entry into force of IFRS 17 "Insurance Contracts", which enabled a later application of IFRS 9, the Company did not apply IFRS 9. The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

2. ADOPTION OF NEW AND AMENDED STANDARDS

Application of new and revised International Financial Reporting Standards (continued)

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to the existing standards were issued by IASB and adopted by the EU, but not yet effective:

- **IFRS 16 "Leases"**, adopted by the European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** – "Prepayment Features with Negative Compensation", adopted by the European Union on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the European Union on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company and the Group have decided not to adopt these new standards and amendments to existing standards in advance of their effective dates.

The Company anticipates that the adoption of the new standard IFRS 16 *Leases* will have a material impact on the financial statements in the period of the Initial application of the standard. The Company assesses that the impact on the statement of financial position amounted to HRK 24,248,630 thousand of recognised value of assets with the right to use and liabilities per lease for 52 lease contracts and 284 vehicle operating lease contracts. Furthermore, the Company believes that the new standard IFRS 16 will not have a significant impact on the statement of comprehensive income of the Company, and do not expect it to affect the Operating and other administrative expenses.

In addition, the Company and the Group anticipate that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements in the period of the initial application of the standard.

2. ADOPTION OF NEW AND AMENDED STANDARDS

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, the IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretations, which have still not been adopted by the EU by the date of issue of the financial statements (the effective dates stated below is for IFRSs in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to MFSI 3 "Business Combinations"** – Defining business operations (effective for business combinations with the acquisition date on or after the start of the first annual reporting period starting on or after 1 January 2020 and obtaining funds on or after the starting date of the relevant period).
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material (effective for annual periods starting on or after 1 January 2020),
- **Amendments to IFRS 19 "Employee Benefits"** - "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – "Long-term Interests in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards entitled "Improvements to IFRS Standards 2015-2017 Cycle"** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily aimed at eliminating inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to Conceptual Framework for IFRS** (effective for annual periods beginning on or after 1 January 2020).

When IFRS 17: "Insurance Contracts" and IFRS 9: "Financial Instruments" become effective, certain changes in the financial statements of the Company and the Group will take place. The Management Board of the Company is currently assessing the impact of IFRS 17. The Company believes that the implementation of IFRS 9 will have a significant impact on the financial statements of the Company and the Group.

2. ADOPTION OF NEW AND AMENDED STANDARDS

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

According to estimates, other than the aforementioned standards IFRS 17 and IFRS 9, the application of relevant new standards and amendments to the existing standards would have no significant material impact on the Company's financial statements.

Hedge accounting in the portfolio of financial assets and liabilities whose principles were not adopted in the EU is still unregulated.

3. ACCOUNTANCY POLICIES

Statement of compliance

Financial statements comprise consolidated and non-consolidated financial statements of the Company, and are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Basis of preparation

Financial statements are prepared in accordance with the historical cost principle, except for certain financial instruments which are classified as financial assets available for sale, as well as investment property and property classified as tangible assets at fair value. Financial statements are prepared on the going concern basis.

The financial statements are given in HRK.

The accompanying financial statements are prepared based on the accounting records of the Group and entail adjustments and reclassifications necessary for a truthful and objective overview in compliance with International financial reporting standards, as adopted in the European Union.

Preparing financial statements pursuant to IFRS requires the use of certain accountancy presumptions. Furthermore, it requires the Management Board to use its presumptions and assessments when applying the Group's accountancy policies. The areas that require a higher assessment level are more complex. The areas in which assessments and presumptions relevant for financial statements are given in Note 4.

Accountancy policies have been applied consistently, if not stated otherwise.

The Group's accountancy policies have been applied consistently in the Company, if not stated otherwise.

Basis for Consolidation

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Negative goodwill that arises in case of a bargain purchase is recognised immediately in the profit and loss account. Transaction costs are recognised in the statement of profit or loss in the moment when they arise, unless they refer to the issuance of debt securities or equity securities. The transferred fee does not include amounts connected to settlement of relationships that existed prior to the acquisition date. Those amounts are, as a rule, recognised in the statement of profit or loss.

All potential fees are measured at fair value at the acquisition date. If the obligation to pay the potential fee, which complies with the definition of a financial instrument, is classified as an equity instrument, then it is not remeasured and the settlement is recognised in the equity. Conversely, the subsequent changes in fair value of the potential fee is recognised in the profit or loss.

3. ACCOUNTANCY POLICIES (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another company, when exposed to, or when entitled to, variable return on its investment and can influence the return through the control of the other company. The financial statements of subsidiaries are included in the consolidated financial statements through the total consolidation method since the date when the control was transferred to the Group and excluded from the date of the end of control.

In the separate financial statement of the Company, investments in subsidiaries were reported at cost less the relevant impairment, if necessary.

Loss of control

When the Group loses control, the Group stops recognising assets and liabilities of the subsidiary, minority shareholders' shares and other elements of equity and reserves which refer to the subsidiary. Potential surplus or deficit that derives from the end of control is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value as at the day control ceases. Afterwords, the share is stated as an investment valued pursuant to the equity method or pursuant to the Group's Financial Instrument Accountancy Policy, depending on the level of retained influence.

Investment in entities stated in accordance with the equity method

The Group's shares in entities stated in accordance with the equity method refer to the shares in subsidiaries.

Subsidiaries represent entities in which the Group exercises significant influence, but not control or join control over the financial and business policies of that entity.

The shares in subsidiaries are calculated in accordance with the equity method. Initially, they are measured in accordance with the cost method, which entails transaction costs. After the first recognition, the Group's share in profit and loss and other comprehensive income of subject calculated in accordance with the equity method is stated in consolidated financial statements until the date of end of significant influence, i.e. joint control.

In separate financial statements of the Company, where relevant, the investment in the subsidiary is stated as cost less relevant impairment losses.

Transactions eliminated during consolidation

Balances and transactions among Group's members and all unrealised gains and losses that relate to the transactions of the Group's members are eliminated during the preparation of consolidated financial statements. Unrealised gains that relate to the transactions of the Group and its subsidiaries are eliminated in accordance with the proportion of the Group's share in the subsidiary. Unrealised losses are also eliminated, same as unrealised gains, but only if there are no impairment indicators.

3. ACCOUNTANCY POLICIES (continued)

Premiums

The written gross premium entails all premium amounts contracted by the end of the accounting period for policies issued by the end of the accounting period, regardless whether these amounts refer entirely or partially to later accounting periods. The earned premiums include the written gross premium (including the outward reinsurance premium), outward reinsurance and co-insurance premium, value adjustment and paid premium value adjustment, and changes in unearned premium provisions. Reinsurance premiums ceded for non-insurance operations are calculated for the same accounting period as the premiums that refer to related direct insurance operations.

Unearned premium provisions

Unearned premium provisions are formed for contracts in accordance with which insurance coverage lasts even after the accounting period expires, since the insurance and accounting period do not match. The written gross premium is calculated by using the Method II 1 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) and Method II 2 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) given in the section II Methods for calculating gross unearned premium provisions of the Minimum standards, method of calculation and criteria for the calculation of unearned premium provisions. The method of separate calculation for non-life insurance with an unequal distribution of risk in time is applied to the types of insurance for which risks decrease or increase with time. In case of other types of insurance, the method of separate calculation for non-life insurance with an equal distribution of risk in time was applied.

Unearned premium provisions, net of reinsurance represents the gross unearned premium less the contracted re-insurance part, pursuant to the reinsurance contracts in force. The changes in unearned premium provisions in relation to the previous period is stated in the earned premium.

Acquisition costs

The acquisition costs entail costs incurred by concluding the insurance contract, which entails all direct insurance costs. Direct acquisition costs are commission costs for insurance contract conclusion calculated pursuant to the agency contract. The commission costs for non-insurance operations are acknowledged based on the way these costs were incurred. Other underwriting costs refer to costs of insurance documents submission or including the insurance contract into the portfolio, as well as indirect costs such as advertising costs or administrative costs related to offer processing and policy issuance, and operating lease costs. These underwriting costs are period costs and are not delimited.

3. ACCOUNTANCY POLICIES (continued)

Claims

Claims incurred entail all liquidated claims amounts in the accounting period, no matter the accounting period the claims incurred in, less the reinsurer's share in claims, and reduced or augmented by the changes in provisions for claims outstanding (net of reinsurance) in relation to the previous period. Non-life insurance claims are augmented by claims handling costs. Provisions for open (non-liquidated) claims, based on the assessment of the claim and application of statistics method, are determined for estimated liquidation costs of all claims incurred and unpaid until the date of reporting, no matter whether they have been declared or not, together with the related internal and external claims liquidation costs. Where applicable, the provisions are stated less the amount of the real estimated return based on salvage and subrogation.

The Management Board believes that the claims provisions have been realistically and objectively reported considering the currently available information, and the final amount of the liability depends on future information and events, which may lead to the adjustments of the provision amounts, which will be reported in the financial statements for the period they were performed in. The methods and assessments are regularly examined.

Provisions for claims outstanding, net of reinsurance, are gross provisions for claims outstanding less the reinsurance part, pursuant to the provisions of the reinsurance contract and depending on the provisions for claims outstanding calculation method applied.

Gross operating expenses

Gross operating expenses comprise administrative costs such as staff costs, intangible assets depreciation, energy costs, advertising costs, operating lease costs, services costs and other costs.

Payments of the operating lease are recognised in the statement of profit or loss linearly during the lease period.

Reinsurance

The Group has ceded reinsurance premiums as a part of the regular business operations with the aim to limit their potential net losses through risk diversification. Reinsurance contracts do not relieve the Group of the direct liabilities towards policy holders.

Ceded premiums and recoverable amounts are presented as profit or loss based on the gross principle. Only contracts a significant transfer of insurance risk derives from are recorded as insurance. The amounts recoverable from such contracts are recognised in the same year as related claims. Contracts that do not transfer a significant insurance risk (i.e. financial reinsurance), are recognises as deposits. The Group has no such contracts.

The assets based on reinsurance entail the amounts receivable from the reinsurance company for ceded insurance liabilities. The amounts recoverable from the reinsurance company are determined in a way analogous to the way of determining provisions for claims outstanding or claims paid based on reinsured policies. The assets based on reinsurance comprise real or estimated amounts which are, pursuant to the reinsurance contract, recoverable from the reinsurer in relation to the technical provisions.

3. ACCOUNTANCY POLICIES (continued)

Reinsurance (continued)

The impairment of amounts recoverable based on the reinsurance contract is determined for every reporting date by applying the same methodology as for loans and receivables. The value of the relevant assets is considered to be impaired if there is objective proof, as a result of events that arose after the initial recognition, that the Group shall not recover all amounts after they are due and that the event in question has a measurable effect on the amounts the Group will recover from the reinsurer.

Reinsurers' commissions

Reinsurers' commissions for non-life insurance are recognised in the statement of profit or loss, based on the incurrence principle.

Investment income allocation

Interest income is recognised in the statement of profit or loss on the accrual basis, considering the effective yield on the financial asset concerned. Income from land lease, building leases and other operational leases are recognised in the statement of profit or loss is calculated by using the straight-line method throughout the lease period.

Foreign currencies

Business events not reported in HRK are initially recorded by converting the amount into HRK pursuant to the exchange rate on the date of transaction. Monetary assets and liabilities that are denominated in foreign currency are recalculated on the reporting date by applying the exchange rate on the date. Non-monetary assets and liabilities that are denominated in foreign currency at fair value are converted pursuant to the exchange rate on the date of fair value assessment. Gains and losses arising from the conversion are included in the net profit or loss of the period.

Taxation

Corporate income tax expense is the sum of the current tax liability and deferred taxes.

Current tax liability

Current tax liability is based on the taxable profit for the year. Taxable income differs from the net income of the period reported in the statement of profit or loss as it does not entail income and expenses items which can be taxable or non-taxable in other years, nor items that are never taxable or deductible. The Group's current tax liability is calculated by applying the tax rates in force, i.e. being adopted on the reporting date.

3. ACCOUNTANCY POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred taxes are recognised based on the difference between the carrying amount of assets and liabilities reported in financial statements and related tax bases used for the calculation of taxable income and are calculated using the liability method. Deferred tax assets is generally recognised in accordance with all taxable temporary differences, and deferred tax liabilities are generally recognised for all taxable temporary differences up to the taxable profit amount which will probably be available and enable the use of deductible temporary differences. Deferred tax liabilities and deferred tax assets are not recognised if the temporary difference derives from the goodwill or the initial recognition (except in case of business mergers) of other assets and liabilities in a transaction which has no bearing on the taxable or accounting profit.

Deferred tax liabilities are also recognised based on taxable temporary differences connected with investments into subsidiaries and associates, as well as shares in joint ventures, except when the Group is able to influence the cancellation of the temporary difference even when the cancellation of the temporary difference is not probable in the near future. Deferred tax assets which derive from deductible temporary differences connected to the aforementioned type of investments and shares is recognised up to the taxable profit amount which will probably become available and enable the use of relief based on temporary differences, and if their cancellation is expected in the nearby future.

The carrying amount of deferred tax assets is reviewed on every reporting date and reduced if it is no longer probable that a sufficient taxable profit amount for the return of all tax assets or a part of tax assets will be available.

Deferred tax assets and deferred tax liabilities are calculated at tax rates which are expected to be applicable in the period for the settlement of liabilities or realisation of assets based on tax rates and acts which are in force or being adopted on the reporting date. The calculation of deferred tax liabilities and deferred tax assets reflects tax consequences which would result from the way in which the Group expects to realise the return of the carrying amount of its assets, i.e. settle the carrying amount of its liabilities, on the reporting day.

Deferred tax assets and deferred tax liabilities are to be offset if there exists a legal right to offset current tax assets and current tax liabilities, and if they refer to taxes imposed by the same tax authority and if the Group intends to settle its current net tax assets and current tax liabilities.

3. ACCOUNTANCY POLICIES (continued)

Taxation (continued)

Current and deferred tax periods

Current and deferred taxes are recognised as income and expenses in the statement of profit or loss, except for taxes which refer to items directly stated in the principal or other comprehensive income, in which case taxes are also stated in the principal or other comprehensive income, or if taxes result from the first statement of the business merger, in which case the tax effect is taken into consideration when calculating goodwill or determining the surplus of the acquiring company's share in the net fair value of determinable assets, liabilities and potential liabilities of the acquired company which supersede the business merger cost.

Property and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment and accumulated impairment losses. Revaluation is done regularly; therefore, the carrying amounts do not significantly differ from the amounts that would be determined by using the fair value on the reporting date.

Every increase resulting from land and building revaluation is credited to property revaluation provisions, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. The decrease in the carrying amount resulting from the land and buildings revaluation is recorded in the statement of profit or loss as the difference in the revaluation reserve, which refers to the previous revaluation of the same asset.

The depreciation of revalued buildings is recorded in the statement of profit or loss. In case of a later sale or disposal of revalued property, the surplus resulting from the revaluation and stated in the revaluation reserve is transferred directly to the retained profit. Transfer of the revaluation reserve to the retained profit is done only if an asset shall no longer be recognised. Buildings are depreciated during a period of 20 years.

Property built for the purposes of production and lease or administrative or not yet established purposes are stated at purchase cost less recognised impairment losses. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Group's accountancy policy. Depreciation of this asset, which is calculated on the same grounds as other property, begins when the asset is ready to be used for the intended purpose.

The furniture and equipment are stated as cost less depreciation and accumulated impairment.

The depreciation is calculated in the following manner: the purchase or estimated property value, other than owned land and property under construction, is written-off during the estimated useful lives, by using the linear depreciation method. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

3. ACCOUNTANCY POLICIES (continued)

Property and equipment (continued)

The estimated useful lives is shown below:

	2018	2017
Buildings	20 years	20 years
Furniture, tools and equipment	2 years	2 years
Vehicles	4 years	4 years
Other	10 years	10 years

Land is not depreciated. The property held based on a financial lease is depreciated during the expected useful life on the same basis as property owned or during the period of the lease, if it is shorter. The property, plants and equipment sale or disposal profit and loss are determined as the difference between the inflows made through sale and the carrying amount of the asset concerned, which is recognised in the statement of profit or loss.

Intangible assets

Individually acquired intangible assets are stated based on their purchase value less the value adjustment and accumulated impairment losses. Depreciation is calculated by using the linear depreciation method during the estimated useful life. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

Investment property

Investment property, which is property held in order to earn rentals and/or for capital appreciation (including property under construction for such purposes), is initially valued at purchase cost, including transaction costs, and is subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Goodwill

Goodwill represents the surplus of the acquisition cost of the Group's share in the net fair value of determinable assets, as well as determinable liabilities incurred and unforeseeable liabilities of the subsidiary. Goodwill is initially recognised as a cost and is subsequently measured at cost less the accumulated impairment losses. In the moment of the merger of the subsidiary and the acquiring company, the goodwill value established in the moment of the merger is recorded in the financial statement of the acquiring company. During goodwill impairment testing, goodwill is allocated to all cash-generating units of the Group which are expected to benefit from the merger synergy. These cash-generating units goodwill was allocated to are subject to impairment testing once a year or more often if there are signs of potential impairment of the cash-generating unit. If the recoverable amount of the cash-generating unit is smaller than its carrying amount, the impairment loss is initially allocated through the impairment of the carrying amount of goodwill allocated to the unit and, successively, proportionately allocated to other assets of the cash-generating unit based on the carrying amount of all assets of the cash-generating unit. Once recognised goodwill impairment loss will no longer be cancelled in the following periods.

3. ACCOUNTANCY POLICIES (continued)

Impairment of tangible and intangible assets, excluding goodwill

For each reporting day, the Group will examine the carrying amount of its fixed tangible and intangible assets so as to ascertain whether signs of impairment losses exist. If there are signs of impairment losses, the recoverable asset amount is assessed in order to determine potential impairment losses. If it is impossible to assess the recoverable amount of the asset, the Group will asses the recoverable amount of the cash-generating unit the asset belongs to.

If it is possible to establish a real and consistent basis for allocation, the Company's assets are also allocated to individual cash-generating units or, if this is not the case, to the smallest group of cash-generating units for which a real and consistent basis for distribution can be established.

Intangible assets of undetermined useful life and intangible assets not yet available for use are subject to impairment testing once a year and every time there are signs of potential impairment of assets.

When comparing the fair value less sale costs and value of property in use, the recoverable amount is the higher amount of those two. For the purpose of estimating the value in use, the estimated future cash flows are discounted to the present value by applying the discount rate before taxation, which reflects the current market estimate of the time value of money and the risks specific for the asset, for which the assessments of future cash flows were not harmonised.

If the estimated value of a recoverable amount of an asset (or cash-generating unit) is lower than the carrying amount, the carrying amount of that asset is reduced to the recoverable amount. Impairment losses are immediately recognised as expenses, unless the asset is stated as a revalued amount, in which case the impairment loss is stated as an impairment loss resulting from asset revaluation.

In case of subsequent cancellation of the impairment loss, the carrying amount of the asset (of the cash-generating unit) increases up to the reviewed estimated recoverable amount of that asset in a way that the increased carrying amount does not exceed the carrying amount which would have been established had there previously been no recognised impairment losses of that asset (of the cash-generating unit). Cancellation of the impairment loss is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the cancelled impairment loss is stated as an increase due to revaluation.

3. ACCOUNTANCY POLICIES (continued)

Leases

Leases are considered financial leases whenever almost all risks and rewards associated with the ownership of the financial asset are transferred to the lessee throughout the duration of the lease. All other leases are considered business leases.

The Group as a lessee

The property that is the subject of financial lease is recognised as the Group's property measured at fair value in the beginning of the lease or at current value of minimum lease payments if it is lower. The related liability towards the lessor is stated in the statement of financial position as a financial lease liability.

The lease payments are allocated to financial costs and impairment of lease liability in order to achieve a constant interest rate on the outstanding amount of the liability. Financial costs are directly recorded in the statement of profit or loss, unless they can be directly attributed to a qualifying asset, in which case they are capitalised pursuant to the general policy of the Group which regulates the capitalisation of borrowing costs. Unforeseen lease payments are recognised as expenses for the period they incurred in.

Lease fees paid as a part of operating leases are recognised as linear expenses during the lease period, unless some other system basis would not better reflect the time dynamic of enjoying economic benefits from the leased asset. Unforeseen lease payments due to an operating lease are recognised as expenses for the period they incurred in.

In case of incentives obtained for concluding a business lease, the incentive is recognised as a liability. The total use of the incentive is recognised as a linear impairment cost, unless some other system basis would not better reflect the time dynamic of enjoying economic benefits from the leased asset.

The Group as a lessor

The Group leases certain property classified as property investment. The property is subject to operational leases and the property is included in the statement of financial position of the Group based on the nature of property. Interest income is calculated by using the straight-line method throughout the lease period.

3. ACCOUNTANCY POLICIES (continued)

Fair Value Measurement Principles

The fair value of financial assets available for sale is their quoted market price on the reporting date, sales cost not included. If the financial assets market is not active (even for unquoted securities) or if, due to other reasons, the fair value cannot be determined with certainty based on the market price, the Group shall establish the fair value based on the perceived price (the price of similar or same positions), and when neither that is possible, the Group will apply different assessment techniques combining all relevant information and input which may help assess the fair value. This entails the use of prices achieved in recent transactions between informed and willing parties, reference to other similar instruments, analysis of discounted cash flows and option pricing models, using market data to the maximum and relying on subject specifics to the minimum.

When applying the discounted cash flow method, the estimated future cash flows are based on the best management assessment, and the discount rate is the market rate for financial instruments with similar conditions on the reporting date. When using the price model, connected market values on the reporting date are used.

Financial assets

Investments are recognised or stop being recognised on their trading date, i.e. a date when an investment is bought or sold pursuant to a contract whose conditions stipulate the delivery of investment in a deadline set on the relevant market, and are initially measured at fair value increased by transaction costs, other than financial assets classified in the category of assets whose changes in fair value are stated in the statement of profit or loss, which is initially measured at fair value.

Financial assets are classified into the following categories: „financial assets measured at fair value in the statement of profit or loss", „financial assets available for sale" and „given loans and receivables". Classification depends on the type and purpose of the financial asset and is determined during the first recognition.

Effective interest rate method

The effective interest rate method represents a method used for calculating the depreciated cost of the financial asset and distributing the interest income throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows, including all fees for paid or received points which form a constituent part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted during the expected lifetime of the financial asset or, where applicable, during a shorter period.

Income from debt instruments, other than financial assets set at fair value in the statement of profit and loss, are recognised based on the effective interest rate.

3. ACCOUNTANCY POLICIES (continued)

Financial assets (continued)

Financial assets available for sale

Securities available for sale are recorded at fair value. Gains and losses resulting from the changes in fair value are recognised directly in other comprehensive income as a part of the revaluation reserve for investment, other than losses due to impairment value, interest rates calculated by using the effective interest rate method and exchange differences for monetary assets, which are all directly recognised in the statement of profit or loss. When it comes to the sale or established investment impairment losses, the accumulated profit or accumulated loss previously recognised in the revaluation reserve for investment is included in the statement of profit and loss of the period.

Dividends of equity instruments classified in the portfolio of assets available for sale are recognised in the statement of profit or loss, after the Group's right to receive dividends has been determined.

The fair value of monetary assets available for sale denominated in a foreign currency is given in a currency the asset was denominated in and then recalculated pursuant to the spot exchange rate on the reporting date. The changes in fair value connected to the exchange rate differences resulting from the changes in the depreciated asset cost is stated in the statement of profit or loss, and other changes are stated in the other comprehensive income.

Given loans and receivables

Trade receivables, receivables on given loans and other receivables with fixed or determinable payments, which are not quoted at active market, are stated in the given loans and receivables. Loans and receivables are measured at depreciated cost using the effective interest method, less any impairment losses. Interest income is stated by applying the effective interest rate method.

Impairment of financial assets

Financial assets, other than fair value assets with changes in fair value stated in the statement of profit or loss, are reviewed at the end of each reporting period in order to establish the existence of indicators of any impairment. Financial assets are impaired if there is objective proof that estimated future cash flows of the investment have been affected by one or more events after the initial recognition.

In case of shares classified as assets available for sale, a significant or long-term fall in securities value below the purchase price is considered an objective proof of impairment.

As regards of all other financial assets, including items classified as assets available for sale and receivables based on a financial lease, the objective proof may entail:

- significant financial difficulties of the issuer or other contracting party or
- delayed payments or non-payment of interest rates or the principal or
- the prospects that the bankruptcy procedure will be filed against the debtor or that the debtor would file for bankruptcy, or that the debtor would undergo financial restructuring.

3. ACCOUNTANCY POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

In case of certain categories of financial assets, such as trade receivables, the assets for which it was established that they have not been individually impaired is later on reviewed to establish the collective impairment.

For financial assets carried at depreciated cost, the amount of impairment is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted using the original effective interest rate for the financial asset concerned.

The carrying amount of the financial asset is directly reduced by the impairment losses of all financial assets, except for trade receivables, in case of which the carrying amount is reduced through the value provision classification of accounts. Trade receivables believed to be unrecoverable are written off the value provision classification of accounts, and a later payment of the previously written off amounts is credited in the value provision classification of accounts. The changes in the carrying amount in value provision classification of accounts are stated in the statement of profit or loss.

Except for equity instruments held at fair value through the presentation of fair value changes in the statement of profit or loss, if the impairment loss is reduced in the following periods and this can be objectively linked to the event after the impairment recognition, the previously recognised impairment losses are cancelled in the statement of profit or loss to the carrying amount of the investment on the date of cancellation, which would not exceed the depreciated cost had the impairment not been recognised.

As far as equity shares (shares) held at fair value through the presentation of fair value changes in the statement of profit or loss are concerned, the impairment losses previously recognised in the statement of profit or loss are not cancelled in the statement of profit or loss. Every increase in fair value after the impairment loss is recognised directly in the other comprehensive income.

End of financial asset recognition

The Group will stop recognising the financial asset only if the contract right to cash flows expired based on the asset, if the financial asset is transferred and if all risks and rewards associated with the ownership of the financial asset are to mainly transferred to another entity. If the Group does not transfer or retain almost all risks and rewards associated with ownership and, if it still has control over the transferred asset, it recognizes its retained interest in the asset and the related liability in the amounts it may have to pay. If the Group maintains most of the risks and rewards associated with ownership of the transferred financial asset, the asset continues to be recognized, together with the recognition of collateralised borrowing, and which was given for the received income.

Financial assets netting

Financial assets and liabilities are netted and reported in the net amount in the statement of financial position, in case there is a legal right to offset recognised amounts and a plan to settle on a net principle; otherwise, the asset acquisition and liability settlement is done simultaneously.

3. ACCOUNTANCY POLICIES (continued)

Financial Guarantees

Financial guarantee contracts are contracts which require specific payments from the issuer in order to compensate the holder's loss incurred when the debtor does not settle payments due pursuant to the debt instrument conditions.

The financial guarantees are initially recognised in financial statements at fair value on the date the guarantee was issued. After the initial recognition, the Group's liabilities pursuant to such guarantees are measured at initial value, less the depreciated value calculated in order to recognise the income from fees made by applying the linear depreciation method during the period of guarantee in the statement of profit and loss, as well as the best estimate of cost necessary to settle all financial liabilities on the Balance Sheet date, depending which value is higher. These estimates are determined based on experience with different transactions and historical losses, taking into consideration the Management's judgements.

Provisions for Liabilities and Costs

A provision is recognised when the Group, due to a prior event, has a legal or derivative liability which can be estimated with certainty and will probably require the outflow of economic resources in order to settle that liability. Provisions are established by discounting expected future cash flows using the pre-tax rate which reflects the current market estimate of the time value of money and the risks specific for the asset

Dividends

Dividends of regular shares are recognised as liabilities in the period they were voted in.

Premium and other receivables

Premium and other receivables are stated at cost, less the potential impairment losses. The assessment procedure entails judgements based on the last available reliable information. If it is estimated that the receivable cannot be recoverable, a definite write-off will take place. Write-offs are done only if so decided by the Management Board. Value adjustment by means of value provision is conducted when there are objective reasons for the Group being unable to recover receivables pursuant to agreed conditions. The Management Board adopts a decision on adjustments of suspicious receivables based on the review of the total structure of receivables per groups of insured persons based on the review of significant individual amounts and insights into the financial state of individual insured persons. Amounts of value provisions of receivables are stated in the statement of profit or loss as other costs.

Cash and cash equivalents

Cash and cash equivalents refer to funds in accounts in HRK and foreign currencies of commercial banks, in cashiers and checks. Amounts in foreign currencies are recalculated on the reporting date pursuant to the middle exchange rate of the Croatian National Bank.

3. ACCOUNTANCY POLICIES (continued)

Staff costs

Staff contributions

The Group is obliged to pay contributions to state pension funds and health insurance funds pursuant to applicable regulations. The Group's liability ends when the contributions are settled. The contributions are recognised as costs in the statement of profit or loss as they incur.

Short-term employee rewards

The liabilities based on the system of short-term employee rewards are stated on a non-discounted basis, and are recognised as a cost in the moment of provision of the relevant service. The liability is recognised in the amount which is expected to be paid pursuant to the short-term bonus payment system or profit participation when the Group has a current legal obligation to pay the relevant amount as a fee for the service the employee provided, and the relevant liability can be estimated with certainty.

Other employee compensations

Liabilities based on long-term employee benefits, such as service awards and severance payments are shown in net amounts of current liability value for defined benefits on the reporting date. The projected unit credit method is used for calculating the current liability value.

Financial liabilities and equity instruments the Group issued

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Equity instruments

An equity instrument is a contract which proves the rest of the share in the entity's assets after all its liabilities have deducted. The equity instruments issued by the Group are recorded in the amount of income, less direct issuance costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities measured at fair value through the presentation of fair value changes in the statement of profit or loss or as other financial liabilities.

3. ACCOUNTANCY POLICIES (continued)

Financial liabilities and equity instruments the Group issued (continued)

Other financial liabilities

Other financial liabilities, including borrowings and loans, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective interest rate. The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Group will stop recognising the financial asset when and only if the Group's liabilities have been settled, cancelled, expired or significantly amended.

Liabilities and related assets based on the liability adequacy test

The insurance contracts are tested in order to ascertain the liability value adequacy by discounting current estimates of all future cash flows and comparing the amount to the net carrying liability value and other related assets and liabilities. If a deficit is determined, an additional provision is formed and the Group recognises the deficit through the year income or loss.

IFRS 4 requires insurance contract liabilities adequacy test. The Group assess on a yearly basis whether their stated insurance liabilities are adequate, by using current estimates of future cash flows pursuant to all their insurance contracts. If the relevant assessment indicates that the carrying amount of its insurance liabilities insufficient in relation to the estimated future cash flows, the total deficit is recognised in the statement of profit or loss. The estimates of future cash flows are based on real actuarial assumptions, with regard to the experience on the damages, return on investment, costs and inflation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES

The critical judgements in the application of accountancy policies

The Group estimates and makes presumptions which affect the value of assets and liabilities for the next financial year. The estimates and presumptions are continuously re-assessed and are based on the principle of experience and other factors, including the real expectations of future events.

Provisions

The Group has a reasonably careful approach to forming provisions pursuant to the regulations of the Croatian Agency for Supervision of Financial Services. The Group employs authorised actuaries. Its policy is to form a provision for risks which have not expired, and refer to non-life insurance operations when there is a chance that the amount of claims and administrative costs incurred after the end of the financial year, and which refer to contracts concluded by the end of the year, exceeds the amount of unearned premiums and premiums based on those contracts. The reserve for non-expired risks are calculated by conducting a liability adequacy test, based on individual insurance groups. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2018. Therefore, the recognition of such provisions is not necessary on the reporting date.

Calculation of unearned premiums

The calculation of unearned premiums and other technical provisions are based on static methods considering the relative presumptions. The inputs used for calculating the unearned premiums are exact (beginning and expiry date of the policy, risk type, amount of the written premium). The Group did not change its presumptions when calculating the unearned premium. We believe that, for this part, an analysis of sensitivity, is not necessary as the calculation is automated and exact.

Fair value of financial instruments

The Group will use an adequate valuation of financial instruments, which are not quoted at active market, based on its own judgement, using standard valuation methods. Other financial instruments are valued based on the analysis of discounted cash flows or by using a comparative procedure based on the market prices or rates presumptions, if they exist. When assessing the fair value of shares which are not listed on the market, certain presumptions not based on real prices or market rates are used. The presumptions used and the results of the sensitivity to presumptions analysis are provided in notes 18 and 34.

Property fair value

The Group revalued its land and buildings classified as property and equipment, as well as investment in property based on the independent assessment. The assessments are done through on-spot checks of property, as well as controls and reviews/measurements of the property location and dimensions, and subsequently of submitted and available documentation.

Goodwill impairment

Future establishment of goodwill impairment requires the assessment of value in use of the cash-generating units the goodwill is allocated to. When calculating the value in use, the Management Board assesses future cash flows expected from the cash-generating units, as well as the relevant discount rate for calculating the current value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES (continued)

The critical judgements in the application of accountancy policies (continued)

Property value assessment

Property value assessments were done by using one or more recognised methods, and every property is analysed individually, and the method or methods are chosen according to available data and the real state of the property. The presumptions used in the fair value assessment are provided in notes 16 and 17.

Useful life of property and equipment

The Group checks the estimated useful life of property and equipment in the end of each annual reporting period. The useful life of property and equipment remained unchanged in this year.

(all amounts in thousands of HRK)

5. NET EARNED PREMIUM

The premium analysis according to the business structure is described below. All contracts have been concluded in the Republic of Croatia.

for the year ended 31 December 2018

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Changes in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premium
Motor Third Party Liability Insurance	598,932	(2,088)	(59,946)	-	(284)	537,182
Road Vehicle Insurance – Casco	223,639	(6)	(41,966)	2	-	181,669
Property	99,059	(12,508)	(4,567)	1,117	-	83,101
Accident Insurance and Health Insurance	104,355	(5,800)	(5,777)	1,274	-	94,052
Other	92,876	(5,659)	(1,361)	699	-	86,555
	1,118,862	**(26,061)**	**(113,617)**	**3,091**	**(284)**	**982,559**

for the year ended 31 December 2017

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Changes in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premium
Motor Third Party Liability Insurance	491,938	(1,142)	(24,391)	(1)	498	466,902
Road Vehicle Insurance – Casco	150,017	-	(18,762)	-	(38)	131,217
Property	87,738	(10,935)	(2,456)	882	1,936	77,165
Accident Insurance and Health Insurance	95,072	(3,023)	(177)	2,177	(99)	93,950
Other	90,415	(4,769)	(2,056)	(371)	(877)	82,342
	915,180	**(19,869)**	**(47,842)**	**2,687**	**1,420**	**851,576**

(all amounts in thousands of HRK)

6. INCOME FROM FEES AND COMMISSIONS

THE GROUP AND THE COMPANY

	2018	2017
Income from fees for re-insurance	2,259	1,259
	2,259	**1,259**

7. INVESTMENT INCOME AND INVESTMENT COSTS

Investment income	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Lease income	28,251	28,251	26,071	26,071
Interest income	45,396	45,396	43,793	43,793
Financial investment sale income	6,822	6,822	12,748	12,748
Dividend income	12,239	13,261	6,314	6,314
Foreign exchange gains	1,822	1,822	1,595	1,595
Other income (reversal of provisions)	32,323	32,323	-	-
	126,853	**127,875**	**90,521**	**90,521**

Interest income	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Interest income – assets available for sale	11,677	11,677	13,211	13,211
Bank deposits interest income	757	757	944	944
Loans interest income	32,957	32,957	29,620	29,620
Other (assets on accounts, default interest, vehicles)	5	5	18	18
	45,396	**45,396**	**43,793**	**43,793**

Loan interest rates with impaired value amounted to HRK 4,361 thousand in 2018, and HRK 935 thousands in 2017.

Financial investment sale income

GROUP AND COMPANY

2018	Costs	Sales	Realised income
Bonds	55,586	62,004	6,419
Commercial papers	13,500	13,828	328
Shares	1,710	1,785	75
			6,822

2017	Costs	Selling price	Realised income
Bonds	67,675	68,439	764
Investment funds	35,466	35,471	5
Shares	181,389	193,368	11,979
			12,748

(all amounts in thousands of HRK)

7. INVESTMENT INCOME AND INVESTMENT COSTS (continued)

Dividend income	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Dividend income	13,261	13,261	6,314	6,314
	13,261	13,261	**6,314**	**6,314**

Investment costs	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Interest cost (i)	5,034	5,034	4,124	4,124
Losses on sale of financial assets	4,578	4,578	1,640	1,640
Impairment – loans and receivables (ii)	-	-	31,073	31,073
Impairment – assets available for sale	-	-	35,801	35,801
Losses due to fair valuation of investment properties	(2,969)	(2,969)	(732)	(732)
Other investment costs (iii)	51,819	51,819	16,326	16,326
Foreign exchange losses	1,094	1,094	1,873	1,873
	59,556	**59,556**	**90,105**	**90,105**

(i) Interest cost	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Interest cost for bank loans	2,400	2,400	1,408	1,408
Interest cost for loans of other companies	2,435	2,435	2,593	2,593
Default interest	200	200	123	123
	5,034	**5,034**	**4,124**	**4,124**

(ii) Impairment of loans refers to undue loans. However, considering the financial position of the debtor, the Group and the Company have recognised the impairment.

(Iii) Other investment costs refer to overhead costs of investment properties and the compensation finance sector employees involved in investment.

Other investment costs	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Loan reserves 1.25%	1,801	1,801	-	-
Staff costs – investment finances	3,047	3,047	2,968	2,968
Investment property costs	15,504	15,504	7,979	7,979
Investment property insurance	31,467	31,467	5,379	5,379
	51,819	51,819	16,326	16,326

(all amounts in thousands of HRK)

8. OTHER BUSINESS INCOME

	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Income from reversal of provisions	3,679	3,679	12,740	12,740
Gain from sale of tangible assets	1,752	1,752	2,001	2,001
Other income – border insurance and handling fee	927	927	1,042	1,042
Surrender value of life insurance	30,742	30,742	17,064	17,064
Operating income (Vehicle registration office – *Zulassungstelle*)	11,107	11,107	154	154
Other income	11,239	7,191	7,321	5,937
	59,446	**55,398**	**40,322**	**38,938**

(all amounts in thousands of HRK)

9. CLAIMS INCURRED

for the year ended 31 December 2018

GROUP AND COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated claims	Changes in gross provisions for claims outstanding	Changes in other technical provisions for claims outstanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims outstanding, reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	(233,505)	48	15,123	-	-	(217)	(218,551)
Road Vehicle Insurance – Casco	(115,723)	-	(12,200)	-	-	3	(127,920)
Assets	(22,528)	958	(7,057)	-	-	460	(28,167)
Accident Insurance and Health Insurance	(9,869)	-	2,752	-	-	-	(7,117)
Other	(17,476)	23	1,512	(359)	(7,068)	19	(23,348)
	(399,101)	**1,029**	**130**	**(359)**	**(7,068)**	**265**	**(405,104)**

(all amounts in thousands of HRK)

9. CLAIMS INCURRED (continued)

for the year ended 31 December 2017

THE GROUP AND THE COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated claims	Changes in gross provisions for claims outstanding	Changes in other technical provisions for claims outstanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims outstanding, reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	(209,565)	-	38,547	-	-	414	(170,604)
Road Vehicle Insurance – Casco	(79,797)	19	11,942	-	-	(12)	(67,848)
Assets	(21,214)	1,426	992	-	-	(1,302)	(20,098)
Accident Insurance and Health Insurance	(9,972)	-	(6,068)	-	-	-	(16,040)
Other	(12,110)	904	(7,416)	(257)	3,126	(90)	(15,843)
	(332,658)	**2,349**	**37,997**	**(257)**	**3,126**	**(990)**	**(290,433)**

The Group and the Company liquidated a total of 192,578 payment claims in 2018 (2017: 171,350), while 21,476 payment claims are in the reserve on 31 December 2018 (2017: 18,738).

(all amounts in thousands of HRK)

9. CLAIMS INCURRED (continued)

Analysis of the damage quota, costs quota and combined costs quota

The damage quota, costs quota and combined costs quota for types of insurance calculated pursuant to the Instruction for filling in financial statements of the Insurance company or reinsurance companies.

GROUP AND COMPANY

2018	**Claims quota**	**Costs quota**	**Combined quota**
Accident Insurance	6.08%	82.10%	88.17%
Health Insurance	73.51%	0.00%	73.51%
Road Vehicle Insurance	70.38%	27.40%	97.79%
Railroad Vehicle Insurance	-	-	-
Aircraft Insurance	78.53%	4.00%	82.53%
Vessel Insurance	38.54%	2.61%	41.15%
Goods in Transit Insurance	30.07%	3.48%	33.55%
Fire and Special Perils Insurance	22.93%	61.25%	84.17%
Other Property Insurance	44.73%	52.76%	97.49%
Motor Vehicle Liability Insurance	40.46%	58.61%	99.07%
Aircraft Liability Insurance	20.42%	2.09%	22.51%
Vessel Liability Insurance	6.64%	1.18%	7.82%
Other Liability Insurance	7.41%	24.45%	31.86%
Loan Insurance	-133.30%	0.00%	-133.30%
Guarantee Insurance	54.94%	1.28%	56.22%
Financial Losses Insurance	3.92%	36.43%	40.35%
Legal Protection Insurance	43.34%	0.25%	43.59%
Travel Insurance	42.56%	23.85%	66.41%

GROUP AND COMPANY

2017	**Claims quota**	**Costs quota**	**Combined quota**
Accident Insurance	1.44%	83.21%	84.64%
Health Insurance	68.74%	1.79%	70.53%
Road Vehicle Insurance	69.91%	26.31%	96.22%
Aircraft Insurance	215.91%	8.07%	223.98%
Vessel Insurance	29.47%	1.01%	30.48%
Goods in Transit Insurance	(13.92%)	8.09%	(5.83%)
Fire and Special Perils Insurance	17.48%	62.46%	79.94%
Other Property Insurance	37.58%	52.18%	89.77%
Motor Vehicle Liability Insurance	36.54%	62.20%	98.74%
Aircraft Liability Insurance	(32.91%)	6.16%	(26.75%)
Vessel Liability Insurance	1.89%	1.34%	3.23%
Other Liability Insurance	4.52%	23.07%	27.59%
Loan Insurance	(142.48%)	0.00%	(142.48%)
Guarantee Insurance	40.32%	0.49%	40.81%
Financial Losses Insurance	1.10%	26.43%	27.53%
Legal Protection Insurance	-	-	-
Travel Insurance	23.81%	22.65%	46.46%

(all amounts in thousands of HRK)

10. ACQUISITION COSTS

GROUP AND COMPANY

	Group 2018	Company 2018	Group and Company 2017
Taxes and contributions from and on salaries	129,761	129,761	92,421
Promotions	38,694	38,694	37,231
Commissions	27,075	27,075	18,918
Media	3,451	3,451	3,938
Policy issuance costs	1,668	1,668	1,820
Donations	1,335	1,335	1,735
Sponsorships	627	627	631
Other underwriting costs	481	481	427
Other administrative costs	116,738	115,592	133,186
	319,830	**318,684**	**290,307**

The greatest part of acquisition costs refers to Motor Third Party Liability Insurance and Road Vehicle Insurance, and the rest of insurance has no material relevance.

Other administrative costs	**Group 2018**	**Company 2018**	**Group and Company 2017**
Materials	18,164	18,164	11,641
Energy consumption	7,465	7,465	7,252
Services costs	61,710	61,710	62,076
Other tangible and intangible costs	29,119	27,973	52,217
Other	280	280	-
TOTAL	**116,738**	**115,592**	**133,186**

(all amounts in thousands of HRK)

10. ACQUISITION COSTS (continued)

Underwriting costs based on type of insurance for 2018 are shown below:

COMPANY

Types of insurance	Commission	Other underwriting costs	Total underwriting costs
Accident Insurance	2,576	27,280	29,856
Road Vehicle Insurance	4,994	27,030	32,024
Aircraft Insurance	3	-	3
Vessel Insurance	26	-	26
Goods in Transit Insurance	41	-	41
Fire and Special Perils Insurance	3,293	13,039	16,332
Other Property Insurance	1,258	12,827	14,085
Motor Vehicle Liability Insurance	11,980	201,205	213,185
Aircraft Liability Insurance	3	-	3
Vessel Liability Insurance	21	-	21
Other Liability Insurance	1,416	4,594	6,010
Guarantee Insurance	9	-	9
Financial Losses Insurance	869	1,834	2,703
Assistance Insurance	578	3,808	4,386
	27,067	**291,617**	**318,684**

Acquisition costs based on type of insurance for 2017 are shown below:

GROUP AND COMPANY

Types of insurance	Commission	Other underwriting costs	Total underwriting costs
Accident Insurance	2,271	26,408	28,679
Road Vehicle Insurance	3,850	19,368	23,218
Aircraft Insurance	3	-	3
Vessel Insurance	30	-	30
Goods in Transit Insurance	43	-	43
Fire and Special Perils Insurance	1,311	12,407	13,718
Other Property Insurance	1,018	12,189	13,207
Motor Vehicle Liability Insurance	7,688	192,464	200,152
Aircraft Liability Insurance	4	-	4
Vessel Liability Insurance	22	-	22
Other Liability Insurance	1,502	3,823	5,325
Guarantee Insurance	7	-	7
Financial Losses Insurance	573	1,346	1,919
Travel Insurance	596	3,384	3,980
	18,918	**271,389**	**290,307**

(all amounts in thousands of HRK)

11. ADMINISTRATIVE COSTS

GROUP AND COMPANY

	2018	2017
Taxes and contributions from and on salaries	47,798	47,729
Tangible assets depreciation	32,494	27,523
Other management costs	76,875	71,716
	157,167	**146,968**

Taxes and contributions from and on salaries:	2018	2017
Net salaries	106,661	86,936
Pension contributions	23,648	23,016
Taxes	17,436	11,299
Contributions on salaries (healthcare, employment, occupational injuries)	32,861	21,867
	180,606	**143,118**

Salaries, taxes and contributions from and on salaries:	2018	2017
In administrative costs	47,798	47,729
In underwriting costs	129,761	92,421
In investment costs	3,047	2,968
	180,606	**143,118**

Other administrative costs:

	2018	2017
Services costs	36,471	31,222
Insurance premiums	5,267	13,375
Material expenses	12,109	6,268
Operations fee pursuant to contracts	5,524	5,102
Bank fees and transaction fees	5,043	4,414
Entertainment	2,707	3,572
Energy costs	3,771	3,340
Business trips costs and reimbursement of costs	4,747	3,325
Other costs	1,236	1,097
	76,875	**71,716**

With regard to salaries, other administrative costs are divided into administrative and acquisition costs.

(all amounts in thousands of HRK)

11. ADMINISTRATIVE COSTS (continued)

The Management Board costs for 2018 are as follows:

Types of insurance	GROUP AND COMPANY Depreciation (without buildings)	GROUP AND COMPANY Salaries, taxes and contributions from and on salaries	GROUP AND COMPANY Other Management Board costs	GROUP AND COMPANY Total Management Board costs
Accident Insurance	3,044	4,464	41,049	48,557
Road Vehicle Insurance	1,995	6,296	4,544	12,835
Fire and Special Perils Insurance	1,360	2,307	1,489	5,156
Other Property Insurance	1,514	1,946	1,658	5,118
Motor Vehicle Liability Insurance	23,804	30,440	26,061	80,305
Other Liability Insurance	305	1,134	1,471	2,910
Financial Losses Insurance	109	475	120	704
Travel Insurance	363	736	483	1,582
	32,494	**47,798**	**76,875**	**157,167**

The Management Board costs for 2017 are as follows:

Types of insurance	GROUP AND COMPANY Depreciation (without buildings)	GROUP AND COMPANY Salaries, taxes and contributions from and on salaries	GROUP AND COMPANY Other Management Board costs	GROUP AND COMPANY Total Management Board costs
Accident Insurance	2,654	4,725	39,509	46,888
Road Vehicle Insurance	1,427	5,210	3,378	10,015
Fire and Special Perils Insurance	1,185	2,427	1,412	5,024
Other Property Insurance	1,271	2,027	1,514	4,812
Motor Vehicle Liability Insurance	20,441	30,752	25,127	76,321
Other Liability Insurance	232	1,196	280	1,709
Financial Losses Insurance	59	498	70	627
Travel Insurance	254	893	425	1,572
	27,523	**47,730**	**71,715**	**146,968**

(all amounts in thousands of HRK)

12. OTHER BUSINESS COSTS

GROUP AND COMPANY

	2018	2017
Premium returns	14,024	16,102
Value adjustment of other receivables	88	15
Prevention activities costs (firefighting contributions)	343	205
Guarantee Fund of the Croatian Insurance Bureau	1,139	3,594
Provisions (Note 30)	321	2,977
Regulatory bodies fees	2,125	1,769
Croatian Health Insurance Fund contributions	11,425	11,145
Other insurance-technical expenses	23,786	11,004
	53,251	**46,811**

Insurance companies in the Republic of Croatia pay a monthly contribution for compensating damages caused by non-insured and unknown vehicles into the Guarantee Fund of the Croatian Insurance Bureau. The monthly contribution is set pursuant to the premium share in the market of every insurance company, expressed as a percentage. The funds of the Guarantee Fund of the Croatian Insurance Bureau are used to pay for damages caused by non-insured and unknown vehicles.

(all amounts in thousands of HRK)

13. CORPORATE INCOME TAX

Corporate income tax is calculated pursuant to Croatian regulations. The corporate tax income rate amounts to 18%. The total corporate tax income cost is compliant with the accounting income as follows:

	Group in 2018 HRK'000	Group in 2017 HRK'000	Company in 2018 HRK'000	Company in 2017 HRK'000
Total tax expense				
Current income tax	(20,654)	(35,610)	(20,654)	(35,610)
Deferred tax expense	(11,529)	11,304	(11,529)	11,304
Tax expense recognised in P&L	**(32,183)**	**(24,306)**	**(32,183)**	**(24,306)**
Profit before tax	**174,329**	**117,670**	**174,329**	**117,670**
Tax calculated at 18% (2017: 18%)	(31,379)	(21,181)	(31,379)	(21,181)
Non-deductible tax expenses at a rate of 18% (2017: 18%).				
70% of representation costs	*(1,613)*	*(1,833)*	*(1,613)*	*(1,833)*
Depreciation over prescribed rates	*(1,675)*	*(1,543)*	*(1,675)*	*(1,543)*
Receivables write-off	*(410)*	*(56)*	*(410)*	*(56)*
Other increases	*(289)*	*(12,193)*	*(289)*	*(12,193)*
Income decrease at a rate of 18% (2017: 18%)				
Dividend income	*2,387*	*1,136*	*2,387*	*1,136*
Other	*12,325*	*60*	*12,325*	*60*
Current income tax	**(20,654)**	**(35,610)**	**(20,654)**	**(35,610)**

Tax expenses of the subsidiary amounted to HRK 527 thousand, which does not represent a significant amount for the Group.

(all amounts in thousands of HRK)

13. CORPORATE INCOME TAX (continued)

GROUP AND COMPANY

2018	**Opening balance**	**Realised through other comprehensive income**	**Realised through the profit and loss statement**	**Final balance**
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(7,720)	(635)	-	(8,355)
Revaluation reserves for property	(67,949)	(1,670)	-	(69,619)
	(75,669)	**(2,305)**	**-**	**(77,974)**
Deferred tax assets				
Value adjustment for loans and receivables	10,888	-	(5,085)	5,803
Value adjustment for securities available for sale	11,267	(449)	(6,444)	4,374
Net deferred tax liabilities	**(53,514)**	**(2,754)**	**(11,529)**	**(67,797)**

GROUP AND COMPANY

2017	**Opening balance**	**Realised through other comprehensive income**	**Realised through the profit and loss statement**	**Final balance**
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(6,412)	(1,308)	-	(7,720)
Revaluation reserves for property	(65,997)	(1,952)	-	(67,949)
	(72,409)	**(3,260)**	**-**	**(75,669)**
Deferred tax assets				
Value adjustment for loans and receivables	4,050	-	4,860	8,910
Value adjustment for securities available for sale	7,190	(389)	6,444	13,245
Net deferred tax liabilities	**(61,169)**	**(3,649)**	**11,304**	**(53,514)**

The tax authority may at any time conduct a review of business books and records within the period of 3 years after the expiration of the year the tax liability for the reporting year was set, and may calculate additional taxes and penalties. The Management Board of the Group has no knowledge of any circumstances which may lead to a material potential liability in the relevant sense.

(all amounts in thousands of HRK)

14. GOODWILL

	Group on 31/12/2018 HRK'000	Group on 31/12/2017 HRK'000	Company on 31/12/2018 HRK'000	Company on 31/12/2017 HRK'000
Costs				
Opening balance	**4,307**	**-**	**-**	**-**
Increase	**-**	**4,307**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**
Accumulated impairment				
Opening balance	**-**	**-**	**-**	**-**
Impairment	**-**	**-**	**-**	**-**
Closing balance	**-**	**-**	**-**	**-**
Carrying amount				
Opening balance	**4,307**	**-**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**

In 2017, the Group recognised the goodwill after the acquisition of the company MTT d.o.o. Rijeka, in the amount of 4.307.000 HRK. On 29 June 2017, the Company bought a 68,12% share in the Company MTT d.o.o. for 25.935.000 HRK. The difference between net assets of the acquired Company and the consideration is stated as goodwill.

(all amounts in thousands of HRK)

15. INTANGIBLE ASSETS

GROUP AND COMPANY

	Investment in third-party assets	Software	Ukupno
Cost			
Balance at 1 January 2017	**953**	**5,027**	**5,980**
Additions	10,405	34	10,439
Balance at 1 January 2018	**11,358**	**5,061**	**16,419**
Additions	7,627	74	7,701
Balance at 31 December 2018	**18,985**	**5,135**	**24,120**
Accumulated depreciation			
Balance at 1 January 2017	**295**	**3,505**	**3,799**
Charge for the year	2,302	42	2,345
Balance at 1 January 2018	**2,597**	**3,547**	**6,144**
Charge for the year	3,603	785	4,388
Balance at 31 December 2018	**6,200**	**4,332**	**10,532**
Net current value			
Balance at 31 December 2017	**8,761**	**1,514**	**10,275**
Balance at 31 December 2018	**12,785**	**803**	**13,588**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT

GROUP

	Land	Buildings	Equipment	Other tangible assets	Current investments	Total
Cost or revaluation						
Balance at 1 January 2018	**45,604**	**382,835**	**128,318**	**17,979**	**49,007**	**623,743**
Additions	792	58,321	7,234	-	145,921	212,268
Revaluation	(563)	19,143	-	-	-	18,580
Decreases	-	(105)	(2,468)	-	(73,873)	(76,446)
Balance at 31 December 2018	**45,833**	**460,194**	**133,084**	**17,979**	**121,055**	**778,146**
Accumulated depreciation						
Balance at 1 January 2018	**-**	**178,209**	**110,934**	**17,979**	**-**	**307,122**
Charge for the year	-	18,952	9,451	-	-	28,403
Decreases	-	(33)	(2,481)	-	-	(2,514)
Balance at 31 December 2018	**-**	**197,128**	**117,904**	**17,979**	**-**	**333,011**
Net carrying amount						
Balance at 31 December 2018	**45,833**	**263,066**	**15,180**	**-**	**121,055**	**445,135**
Balance at 31 December 2017	**45,604**	**204,626**	**17,384**	**-**	**49,007**	**316,621**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Current investments	Total
Cost or valuation						
Balance at 1 January 2018	**45,604**	**382,835**	**125,709**	**17,979**	**49,007**	**621,134**
Additions	792	58,321	7,204	-	145,921	212,238
Revaluation	(563)	19,143	-	-	-	18,580
Decreases	-	(105)	(2,468)	-	(73,873)	(76,446)
Balance at 31 December 2018	**45,833**	**460,194**	**130,445**	**17,979**	**121,055**	**775,507**
Accumulated depreciation						
Balance at 1 January 2018	**-**	**178,209**	**108,796**	**17,979**	**-**	**304,984**
Charge for the year	-	18,952	9,153	-	-	28,105
Decreases	-	(33)	(2,354)	-	-	(2,387)
Balance at 31 December 2018	**-**	**197,128**	**115,595**	**17,979**	**-**	**330,702**
Net carrying amount						
Balance at 31 December 2018	**45,833**	**263,066**	**14,850**	**-**	**121,055**	**444,805**
Balance at 31 December 2017	**45,604**	**204,626**	**16,913**	**-**	**49,007**	**316,150**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Land	Buildings	Equipment	Other tangible assets	Current investments	Total
Cost or valuation						
Balance at 1 January 2017	**25,775**	**364,837**	**114,220**	**17,979**	**1,003**	**523,814**
Additions	18,959	74	13,892	-	58,459	91,384
Revaluation	922	18,111	-	-	-	19,033
Decreases	(52)	(187)	(2,403)	-	(10,455)	(13,097)
Balance at 31 December 2017	**45,604**	**382,835**	**125,709**	**17,979**	**49,007**	**621,134**
Accumulated depreciation						
Balance at 1 January 2017	**-**	**160,816**	**103,337**	**17,979**	**-**	**282,132**
Charge for the year	-	17,918	7,285	-	-	25,203
Decreases	-	(525)	(1,826)	-	-	(2,351)
Balance at 31 December 2017	**-**	**178,209**	**108,796**	**17,979**	**-**	**304,984**
Net carrying amount						
Balance at 31 December 2017	**45,604**	**204,626**	**16,913**	**-**	**49,007**	**316,150**
Balance at 31 December 2016	**25,775**	**204,021**	**10,883**	**-**	**1,003**	**241,682**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Current investments	Total
Cost or valuation						
Balance at 1 January 2017	**25,775**	**364,837**	**114,220**	**17,979**	**1,003**	**523,814**
Additions	18,959	74	13,892	-	58,459	91,384
Revaluation	922	18,111	-	-	-	19,033
Decreases	(52)	(187)	(2,403)	-	(10,455)	(13,097)
Balance at 31 December 2017	**45,604**	**382,835**	**125,709**	**17,979**	**49,007**	**621,134**
Accumulated depreciation						
Balance at 1 January 2017	**-**	**160,816**	**103,337**	**17,979**	**-**	**282,132**
Charge for the year	-	17,918	7,285	-	-	25,203
Decreases	-	(525)	(1,826)	-	-	(2,351)
Balance at 31 December 2017	**-**	**178,209**	**108,796**	**17,979**	**-**	**304,984**
Net carrying amount						
Balance at 31 December 2017	**45,604**	**204,626**	**16,913**	**-**	**49,007**	**316,150**
Balance at 31 December 2016	**25,775**	**204,021**	**10,883**	**-**	**1,003**	**241,682**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

Had the land and property been valued pursuant to the method of cost less accumulated depreciation, the values would be as follows:

GROUP AND COMPANY

	31/12/2018	**31/12/2017**
Cost	285,298	226,289
Accumulated depreciation	(101,539)	(91,924)
Net carrying amount	**183,759**	**134,365**

On 31 December 2018, the revaluation reserves for property and equipment amounted to HRK 316,956 thousand. The amount of HRK 235,107 thousand refers to revaluation reserves for investment property which have previously been reclassified from property and equipment.

In order to calculate the market value of property, the assessor used the income, cost, and comparative method. Data published by relevant institutions, data on current value movements of property in the relevant location and equivalent buildings, and personal experiences were used during the calculation. The property value assessment method did not change during the year. However, the estimated fair values do not necessarily have to refer to amounts that the Group might realise in a real transaction.

Please below find information on the fair value hierarchy on 31 December 2018 and 2017 below:

	Level 1	**Level 2**	**Level 3**	**Fair value 2018**
Business premises	-	-	308,899	308,899

	Level 1	**Level 2**	**Level 3**	**Fair value 2017**
Business premises	-	-	250,230	250,230

During the year there were no items which had to be reclassified pursuant to the fair value hierarchy.

Please below find information on the fair value based on relevant parameters which are not available on the market:

Description	**Fair value**	**Assessment method**	**Relevant parameters not available on the market**	**Relevant parameter scope**	**Relationship of relevant paremeter to fair value**
Business premises	192,354	Income method	Risk of loss of lease payments	0%-5%	The higher the parameter, the lower the fair value
			Investment maintenance costs	0%-11.85%	The higher the parameter, the lower the fair value
			Supposed lease payments	7,85-26,69 EUR/m2	The higher the parameter, the lower the fair value
			Supposed yield	5%-8%	The higher the parameter, the lower the fair value
Business premises	45,572	Comparative method	Supposed price	761 – 2.676 EUR/m2	The higher the parameter, the lower the fair value
Business premises	70,974	Cost			

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY

	Group 31/12/2018	Company 31/12/2018	Group 31/12/2017	Company 31/12/2017
Fair value of investment property – land	121,357	106,992	118,749	104,299
Fair value of investment property – buildings	765,863	745,778	728,390	708,257
	887,220	**852,770**	**847,139**	**812,556**

	Group 2018	Company 2018	Group 2017	Company 2017
Opening balance	**812,556**	**812,556**	**761,147**	**783,854**
Acquisition	71,695	37,245	85,260	1,759
Changes in fair value	2,969	2,969	732	(24,466)
Closing balance	**887,220**	**852,770**	**847,139**	**761,147**

Fair value of land and buildings on 31 December 2018 and 2017 is established pursuant to the assessment carried out on that day by an independent assessor Proventus Nekretnine and Borić vještačenja. Fair value was established by using an income method which, based on the current value of cash flows, indicates the property market value expected to be reached in the future through property lease. A part of property was assessed using the comparative method which uses prices reached by comparable property. Please below find information on the Group's property investment, and on the fair value hierarchy on 31 December 2018 and 31 December 2017 below:

COMPANY:

	Level 1	Level 2	Level 3	Fair value 2018
Business premises	-	-	852,770	852,770

	Level 1	Level 2	Level 3	Fair value 2017
Business premises	-	-	812,556	812,556

During the year there were no items which had to be reclassified pursuant to the fair value hierarchy.

GROUP:

	Level 1	Level 2	Level 3	Fair value 2018
Business premises	-	-	887,220	887,220

	Level 1	Level 2	Level 3	Fair value 2017
Business premises	-	-	847,139	847,139

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY (CONTINUED)

Please find below information on the fair value based on relevant parameters which are not available on the market:

Description	Fair value GROUP	Fair value COMPANY	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant paremeter to fair value
Business premises	504,767	504,767	Income method	Risk of loss of lease payments	0%-5%	The higher the parameter, the lower the fair value
				Investment maintenance costs	0%-25.69%	The higher the parameter, the lower the fair value
				Supposed lease payments	4-18 EUR/m2	The higher the parameter, the lower the fair value
				Supposed yield	6%-7%	The higher the parameter, the lower the fair value
Business premises	91,847	91,847	Comparative method	Supposed price	1,463-4,029 EUR/m2	The higher the parameter, the lower the fair value
Vehicle control stations	266,704	232,254	Income method	Risk of loss of lease payments	0%-5%	The higher the parameter, the lower the fair value
				Investment maintenance costs	2.07%-15.10%	The higher the parameter, the lower the fair value
				According to number of control	6-10 EUR/m2	The higher the parameter, the lower the fair value
				Supposed yield	5%-7%	The higher the parameter, the lower the fair value
Business premises	23,902	23,902	Cost			

Group's lease income for 2018 amounts to HRK 28,251 thousand (2017: HRK 26,071 thousand) and is recognised in the Investment income (Note 7). Operating expenses (including repairs and maintenance) resulting from property investment amounted to HRK 15,504 thousand in 2018, and HRK 7,979 thousand in 2017.

On 31 December 2018, the Company recognised the losses due to fair valuation of investment properties in the amount of HRK 2,969 thousand (2017: HRK 732 thousand) recognised in the Statement of Profit or Loss within the Investment costs (Note 7).

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE

	Group 31/12/2018	Company 31/12/2018	Group 31/12/2017	Company 31/12/2017
Equity securities	475,998	500,925	413,717	439,652
Bonds	286,634	286,634	307,125	307,125
Commercial papers	-	-	35,559	35,559
Investment funds	27,068	27,068	41,376	41,376
	789,700	**814,627**	**797,778**	**823,713**

Equity securities

	Group 31/12/2018	Company 31/12/2018	Group 31/12/2017	Company 31/12/2017
Per cost	173,773	198,700	138,765	164,700
Per fair value	302,225	302,225	274,952	274,952
	475,998	**500,925**	**413,717**	**439,652**

	Group 31/12/2018	Company 31/12/2018	Group 31/12/2017	Company 31/12/2017
Listed	348,836	348,836	236,514	236,514
Non-listed	127,162	152,089	177,203	203,138
	475,998	**500,925**	**413,717**	**439,652**

The Group's total portfolio for the acquisition includes companies whose price is not quoted on the active market. There are two groups of the aforementioned instruments. The first group is equity instruments of the BiH company. The group believes that these equity instruments, due to the specifics of the BiH market, are best kept at acquisition costs and trace indicators for potential impairment. The second group entails equity instruments which are, in essence, holding companies which do not have a dominant activity, but a high share of property and financial assets. Therefore, the Group believes that these equity instruments are best kept at acquisition cost and monitor indicators for potential impairment. The Group monitors market circumstances and operations of relevant companies and will adopt decisions on reversal of relevant property with the aim to maximise positive effects on the Group's activities.

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

GROUP AND COMPANY

	31/12/2018	**31/12/2017**
Government bonds	226,481	256,658
Corporate bonds	60,153	50,467
Commercial papers	-	35,559
	286,634	**342,684**

On 31 December 2018, the Group's investment in bonds amounted to HRK 69,231 thousand, which were given as a loan for the received repurchase loan (Note 38).

	No of shares on 31/12/2018	**No of shares on 31/12/2017**	**31/12/2018**	**31/12/2017**
Investment funds	8.51%-21.10%	6.05%-13.25%	27,068	41,376
			27,068	**41,376**

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES

GROUP AND COMPANY

Credits and receivables	**31/12/2018**	**31/12/2017**
Given long-term credits	931,339	846,566
Interest receivables	5,728	8,821
	937,067	**855,387**
Provisions for suspicious receivables	(40,609)	(71,132)
	896,458	**784,255**
Long-term part of long-term credits	762,008	656,697
Short-term part of long-term credits	134,450	127,559
Given long-term credits	**896,458**	**784,255**

Credits are mainly secured with pledges on business premises. The unsecured part of the portfolio amounts to 35,3%.
Overview of loans and receivables on 31 December 2018

GROUP AND COMPANY

Long-term loans	**Currency**	**Date of contract**	**Interest rate**	**Maturity date**	**2018**
Long-term loans with pledge, total	HRK	25/09/2006 - 25/01/2018	4.05%-7.5%	24/08/2018- 01/07/2037	579,991
Long-term loans with no pledge, total	HRK	25/09/2006 - 07/12/2018	1.5%-9%	30/04/2018 - 31/12/1937	284,631
Long-term loans with no pledge, total	€	14/11/2017- 30/11/2017	4%	Until 30/11/2023	31,836

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES (CONTINUED)

Overview of loans and receivables on 31 December 2017

GROUP AND COMPANY

Long-term loans	**Currency**	**Date of contract**	**Interest rate**	**Maturity date**	**2017**
Long-term loans with pledge, total	HRK	25/09/2006-01/07/2017	4.05%-7.5%	24/08/2018-01/07/2037	520,443
Long-term loans with no pledge, total	HRK	25/09/2006-29/12/2017	1.5%-9%	30/04/2018-31/12/2030	256,694
Long-term loans with no pledge, total	EUR	14/11/2017-30/11/2017	4%	Until 30/11/2023	7,118

Impairments were the following:	**2018**	**2017**
Opening balance	71,131	38,087
Reversal of provisions	(32,323)	-
New individual provisions	-	31,073
Provisions on a group basis	1,801	1,971
Closing balance	**40,609**	**71,131**

20. BANK DEPOSITS

	GROUP AND COMPANY	**GROUP AND COMPANY**
	31/12/2018	**31/12/2017**
Bank deposits in HRK	16,327	22,317
Bank deposits in EUR	12,954	13,972
	29,281	**36,289**

Overview of deposits on 31 December 2018 and 31 December 2017:

	GROUP AND COMPANY	**GROUP AND COMPANY**
	31/12/2018	**31/12/2017**
Short-term bank deposits	11,288	16,902
Long-term bank deposits	17,993	19,387
	29,281	**36,289**

(all amounts in thousands of HRK)

21. PREMIUM RECEIVABLES

	GROUP AND COMPANY 31/12/2018	GROUP AND COMPANY 31/12/2018
Gross amount		
Premium receivables in the Republic of Croatia	315,721	181,201
Enforceable premium receivables	30,576	30,176
	346,297	**211,377**
Value adjustments		
Adjustments for more than 1-year-old unpaid premiums	(16,975)	(21,504)
Adjustments for enforceable premiums	(30,571)	(30,176)
	(47,549)	(51,680)
	298,748	**159,697**

Overview of non-enforceable premium receivables, 31 December maturity date category

GROUP AND COMPANY

	Not yet due	30 days	30-60 days	60-90 days	90-180 days	180-365 days	Over 365 days	Total
2018								
Premium receivables	237,421	29,798	8,674	3,888	18,966	5,456	11,518	**315,721**

	Not yet due	30 days	30-60 days	60-90 days	90-180 days	180-365 days	Over 365 days	Total
2017								
Premium receivables	127,585	16,434	5,083	3,093	7,502	6,309	15,195	**181,201**

Pursuant to the Group's policy, value of all receivables more than 180 days old are adjusted.

Value adjustment movement during the year:

	GROUP AND COMPANY 2018	GROUP AND COMPANY 2017
Opening balance	51,680	56,006
Write-off	(3,095)	-
Value adjustment during the year	(1,434)	(2,208)
Write-offs	1,681	1,679
Amounts paid	(1,283)	(3,797)
Closing balance	**47,549**	**51,680**

(all amounts in thousands of HRK)

22. OTHER RECEIVABLES

	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Lease receivables	11,916	11,916	29,074	29,074
Administrative receivables	8,027	8,027	9,549	9,549
Advances paid to supplier	1,791	1,791	8,431	8,431
Receivables with recourse	7,999	7,999	7,986	7,986
Receivables from the State and other institutions	1,155	1,155	200	200
Other receivables	40,927	39,894	30,688	27,991
	71,815	**70,782**	**85,928**	**83,231**

23. CASH AND CASH EQUIVALENTS

	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Bank accounts	17,833	17,798	17,386	17,386
Cash in hand	189	189	410	410
	18,022	**17,987**	**17,796**	**17,796**

24. EQUITY

The equity of the Company amounted to HRK 61,002,000 in 2017 and 2018 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total.

Shareholders' structure according to the number of shares and equity participation on 31 December:

	2018		2017	
	Number of shares	**Equity share %**	**Number of shares**	**Equity share %**
Grgić Dubravko	45,750	15.00	45,750	15.00
Jadransko osiguranje d.d.	30,192	9.90	30,192	9.90
Kordić Ante	18,300	6.00	18,300	6.00
Agram life osiguranje d.d.	14,334	4.70	13,070	4.29
Grgić Mladenka	13,070	4.29	11,254	3.69
Rubić Josip	10,130	3.32	10,130	3.32
Erkapić Mate	10,130	3.32	10,130	3.32
Kordić Zlatko	10,130	3.32	10,130	3.32
Galić Drago	8,232	2.70	9,067	2.97
Kurtović Husnija	7,576	2.48	7,576	2.48
Zlatko Lerota	7,576	2.48	7,576	2.48
Pavlović Radoslav	7,576	2.48	7,576	2.48
	182,996	**59.99**	**180,751**	**59.25**
Other	122,014	40.01	124,259	40.75
Total	**305,010**	**100.00**	**305,010**	**100.00**

	Group on 31/12/2018	**Company on 31/12/2018**	**Group on 31/12/2017**	**Company on 31/12/2017**
Profit after tax (in thousands of HRK)	144,026	142,146	94,748	93,364
Profit attributable to the shareholders (in thousands of HRK)	144,026	142,146	94,748	93,364
Number of ordinary shares used in the calculation of basic earnings per share	305,010	305,010	305,010	305,010
Earnings per share (in HRK and lipa)	**472.20**	**466.04**	**310.64**	**306.10**

(all amounts in thousands of HRK)

25. REVALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE

	GROUP AND COMPANY 2018	**GROUP AND COMPANY 2017**
Opening balance	20,461	12,775
Revaluation of securities available for sale, net	*4,936*	*7,686*
Revaluation of securities available for sale	6,021	9,353
Recognised deferred tax in comprehensive income	(1,085)	(1,667)
Closing balance	**25,397**	**20,461**

26. REVALUATION RESERVES FOR PROPERTY

	GROUP AND COMPANY 2018	**GROUP AND COMPANY 2017**
Opening balance	309,351	300,456
Revaluation of property, net	*15,235*	*15,926*
Revaluation of property	16,905	17,878
Recognised deferred tax in comprehensive income	(1,669)	(1,952)
Reversal of the revaluation reserve	(7,630)	(7,031)
Closing balance	**316,956**	**309,351**

(all amounts in thousands of HRK)

27. LEGAL RESERVES

	GROUP AND COMPANY 31/12/2018	GROUP AND COMPANY 31/12/2017
Legal reserves	172,585	172,585
	172,585	**172,585**

Statutory reserves refer to reserves established by the Insurance Act, formed before 1 January 2006. These reserves entailed the allocation of 1/3 of net income of every business year, until 31 December 2005. The Company established the statutory reserves pursuant to the Companies Act, and can use them to pay out dividends or cover losses pursuant to the Companies Act.

28. TECHNICAL PROVISIONS

	GROUP AND COMPANY on 31/12/2018	GROUP AND COMPANY on 31/12/2017
Unearned premium provisions		
Gross amount	616,771	503,154
Reinsurance/co-insurance	(12,567)	(9,475)
Unearned premium provisions, less reinsurance	***604,204***	***493,679***
Claims incurred		
Gross amount	945,046	945,176
Reinsurance	(8,173)	(7,907)
Other technical provisions	2,254	1,895
Return of premium expenses	8,220	1,152
Claims incurred, less reinsurance	***947,347***	***940,316***
Total technical provisions, net of reinsurance	**1,551,551**	**1,433,995**
Total technical provisions, gross	**1,572,291**	**1,451,377**

	GROUP AND COMPANY 2018	GROUP AND COMPANY 2017
Opening balance	503,154	455,312
Annual written premium	1,118,862	915,180
Annual earned premium	(1,005,245)	(867,339)
Closing balance	**616,771**	**503,154**

Reinsurer's assets movement during the year:

	GROUP AND COMPANY 2018	GROUP AND COMPANY 2017
Opening balance	17,383	15,687
Additions	3,356	1,696
Closing balance	**20,739**	**17,383**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

2018	Gross claims outstanding on 31/12/2017	Liquidated claims, gross amount	Reinsurance share in damages	Changes in provisions for claims, reinsurance	Claims incurred	Gross claims outstanding on 31/12/2018
Accident Insurance	18,257	(8,304)	-	-	5,840	15,793
Health Insurance	829	(1,565)	-	-	1,278	542
Casco Insurance	49,597	(117,476)	-	3	129,482	61,606
Property Insurance	18,050	(22,528)	958	460	28,167	25,107
Motor Vehicle Liability Insurance	835,121	(233,505)	48	(217)	218,551	819,998
Liability Insurance	17,099	(4,578)	22	9	2,988	15,540
Transport and Credit Insurance	6,026	(315)	-	10	542	6,263
Travel Insurance	197	(10,830)	-	-	10,830	197
	945,176	**(399,101)**	**1,028**	**265**	**397,678**	**945,046**

GROUP AND COMPANY

2017	Gross claims outstanding on 31/12/2016	Liquidated claims, gross amount	Reinsurance share in damages	Changes in provisions for claims, reinsurance	Claims incurred	Gross claims outstanding on 31/12/2017
Accident Insurance	24,719	(7,757)	-	(12)	1,307	18,257
Health Insurance	447	(2,215)	-	-	2,597	829
Casco Insurance	37,245	(80,722)	705	-	92,369	49,597
Property Insurance	17,059	(21,214)	1,426	(1,302)	22,081	18,050
Motor Vehicle Liability Insurance	873,668	(209,565)	-	414	170,604	835,121
Liability Insurance	19,496	(3,988)	218	(90)	1,463	17,099
Transport and Credit Insurance	7,417	1,582	-	-	(2,973)	6,026
Travel Insurance	3,123	(8,779)	-	-	5,853	197
	983,174	**(332,658)**	**2,349**	**(990)**	**293,301**	**945,176**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2018	Gross	Net of reinsurance
Provisions for declared, unpaid damages, augmented by claims handling costs	456,243	448,070
Provisions for incurred, non-declared damages, augmented by claims handling costs	488,803	488,803

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2017	Gross	Net of reinsurance
Provisions for declared, unpaid damages, augmented by claims handling costs	417,067	409,159
Provisions for incurred, non-declared damages, augmented by claims handling costs	528,109	528,109

(all amounts in thousands of HRK)

29. SHORT-TERM AND LONG-TERM CREDITS

	GROUP 31/12/2018	COMPANY 31/12/2018	GROUP 31/12/2017	COMPANY 31/12/2017
Long-term loans	180,743	179,535	82,193	79,065
	180,743	**179,535**	**82,193**	**79,065**

On 13 December 2018, the Company concluded a loan contract with AGRAM banka Zagreb d.d. The contracted interest rate amounts to 1.6%. The loan purpose; probability of affordable borrowing with the aim to realise higher yield investments. The loan contract is denominated in HRK, with the maturity date on 13/12/2023, with collateral in state bonds of the Republic of Croatia, ISIN code HRRHMFO26CA5; 9,500,000 bonds; HRRHMFO257A4 7,200,000 bonds and HRRHMFO23BA4 30,000,000 bonds.

The Austrian bank Anadi Bank AG, FN 245157 a, Domgasse 5, A - 9020 Klagenfurt am Wörthersee approved a loan on 19 June 2018 in the amount of EUR 11,334,000, with a 2% interest rate, for the purchase of the business building in Klagenfurt, Austria. Installments maturity: quarterly, start of loan payment on 1 January 2019.
Contract duration: until 1 April 2021.

Vorarlberger Landes und Hypothekenbank AG Austria approved dedicated long-term loans for the purchase of property in the Republic of Austria in May 2017 (loan repayment in May 2032 with a 2.125% interest rate) and in January 2018 (contract valid by December 2024, with an interest rate of 1.25%).

	GROUP AND COMPANY 31/12/2018	GROUP AND COMPANY 31/12/2017
Short-term loans	63,658	42,558
	63,658	**42,558**

On 18 November 2003, the Company and Agram life osiguranje d.d. signed a lease contract, together with a statement of securing claims of surrender value of life insurance, for the amount of EUR 5,662 thousand, pursuant to the middle exchange rate of the Croatian National Bank on the day of the use of the credit. The contract entails the surrender value of life insurance, with all pertaining policy rights. The contracted interest rate amounts to 5,90% and is calculated on a monthly basis and attributed to the loan principle. The Annex to the Contract approved the extension of the loan use deadline to 31 December 2019.

(all amounts in thousands of HRK)

29. SHORT-TERM AND LONG-TERM CREDITS (CONTINUED)

	Currency	Maturity date	Interest rate %	GROUP 31/12/ 2018	COMPANY 31/12/2018
Long-term loans	EUR	2032	2.125	24,809	23,601
Long-term loans	EUR	2032	2.125	11,126	11,126
Long-term loans	HRK	2023	1.6	40,000	40,000
Long-term loans	HRK	2022	6.69-6.99	1,172	1,172
Long-term loans	EUR	2022	6.99	712	712
Long-term loans	EUR	2021	2.00	82,155	82,155
Long-term loans	EUR	2024	1.25	20,769	20,769
				180,742	**179,535**
Short-term loans	EUR	2019	5.90	-	40,158
Short-term loans	HRK	2019	0.4-3.5	-	23,500
					63,658

	Currency	Maturity date	Interest rate %	GROUP 31/12/2017	COMPANY 31/12/2017
Long-term loans	EUR	2032	2.13	39,826	36,698
Long-term loans	EUR	2022	6.99	917	917
Long-term loans	HRK	2020	2.20	40,000	40,000
Long-term loans	HRK	2022	6.99	1,450	1,450
				82,193	**79,065**
Short-term loans	EUR	2018	5.90	42,539	42,539
Short-term loans	HRK	2018	6.99	19	19
				42,558	**42,558**

(all amounts in thousands of HRK)

30. LIABILITIES FROM DIRECT INSURANCE

	GROUP AND COMPANY 31/12/2018	GROUP AND COMPANY 31/12/2017
Liabilities to the Croatian Insurance Bureau	30,671	33,255
Liabilities for accepted prepayments	1,095	1,015
Liabilities for payment of damages	1,259	900
	33,025	**35,170**

31. OTHER LIABILITIES

	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Liabilities based on shares in result	4,780	4,780	52,119	52,119
Premium tax	104,090	104,090	35,088	35,088
Payables to suppliers	31,561	31,466	33,252	33,252
Current tax liability	(6,122)	6,122	18,688	18,688
Liabilities to employees	12,788	12,788	11,648	11,648
Deferred income	7,192	7,192	7,236	7,236
Liabilities for commissions	2,541	2,541	2,227	2,227
Other liabilities	541	-	1,020	-
Provisions for liabilities	8,414	8,414	10,345	10,345
	165,785	**165,149**	**171,623**	**170,603**

Movement of provisions for costs is as follows:

	Group in 2018	Company in 2018	Group in 2017	Company in 2017
Opening balance	10,345	10,345	22,080	22,080
Income	(2,251)	(2,251)	(12,740)	(12,740)
New provisions	320	320	1,005	1,005
Closing balance	**8,414**	**8,414**	**10,345**	**10,345**

32. BUSINESS LEASES

The Group as a lessee:

	31/12/2018	31/12/2017
Minimum lease payments based on operational lease recognised in the statement of profit and loss of the current year	4,079	4,080

On the date of the statement of financial position, the Group had outstanding liabilities pursuant to the operating lease contracts with maturity dates as follows:

	31/12/2018
1 year	4,691
2-5 years (inclusive)	11,293

The payments based on operating leases refer to contributions the Group pays for business vehicle leases. The average duration of leases amounts to 5 years.

33. CAPITAL ADEQUACY

Solvency II, legislative and regulatory framework of the total business operations of the insurance and reinsurance companies in the European Union entered into force on 1 January 2017. The new system, Solvency II, has thoroughly changed the way solvency capital is calculated, and assets and liabilities valued, as well as introduced a series of new risk management requirements. In order to manage risks in a systematic manner, the Company devised and adopted risk management policies, own risk and solvency assessment (ORSA) and risk management for all risk categories.

Capital management aims, policies and approach

The main aims of Solvency II are the protection of policy holders, setting solvency margins which would represent total risk exposure, anticipating market changes, solvency based on principles, not strict rules, and maintaining financial stability. Achieving the Solvency II aims is possible through the risk management process. The risk management process entails precise identification, assessment, measurement and control of risks the Group is exposed to or could be exposed to in the future in order to efficiently manage them, all in order to protect the policy holders, achieve the planned financial results and increase the economic and market value of the Group's assets and equity.

The main traits of the organisation's risk management system also constitute its advantages:

- better understanding of key risks and implications,
- better resource management,
- higher probability of achieving targets,
- faster reaction to internal and external changes,
- increase in the Company's profitability,
- comprehensive and more concise reporting on risk management.

The Company's operations are subject to regulatory requirements stipulated by the Croatian Agency for Supervision of Financial Services, which also supervises the implementation of those requirements. Such regulations not only stipulate the approval of activities and their monitoring, but also impose restrictive provisions in order to minimise the insurance companies' insolvency risk in terms of meeting contingent liabilities once they incur. Based on preliminary calculations, on 31 December 2018, the Company complied with requirements concerning the calculation of capital adequacy, pursuant to the Solvency II regulations. The Company complied with requirements concerning the calculation of capital adequacy, pursuant to the Solvency II regulation.

Solvency is calculated pursuant to rules stipulated by the European Insurance and Occupational Pensions Authority (EIOPA). Solvency II introduced economic/market assets and liabilities valuation based on the total balance sheet approach, meaning that it is necessary to establish the market value all risks balance sheet positions are exposed to.

33. CAPITAL ADEQUACY (CONTINUED)

Capital management aims, policies and approach (continued)

Own risk and solvency assessment (ORSA) is one of the Solvency II requirements. ORSA is defined as a series of processes which form a decision making and strategic analyses tool. Its aim and task is to identify, assess, monitor, manage and report on short-term and long-term risks the insurance company is exposed to or might be exposed to in the future, as well as to assess own funds necessary for the company's constant solvency, i.e. for it to be able to cover all needs and liabilities.

Pursuant to applicable laws, ORSA entails the following three elements:

- own assessment of the total solvency need;
- uninterrupted assessment of compliance with capital requirements and technical provisions requirements;
- assessment of the significance of deviation of the insurance company's risk profile from the assumptions for the calculation of the necessary solvency capital pursuant to the standard formula.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Significant Accounting Policies

Significant accounting policies and adopted methods, including the recognition criteria, valuation basis, and the basis for recognising profit and losses for all classes of financial assets, financial liabilities and equity instruments are stated in detail in Note 3 of the financial statements.

Financial instruments and risk management are analysed on the level of the Company, which represents the Group's exposure to financial instruments and relevant risks, since the subsidiary is not exposed to them.

Categories of financial instruments

	Group on 31/12/2018	Company on 31/12/2018	Group on 31/12/2017	Company on 31/12/2017
Financial assets				
Securities available for sale	789,700	814,627	823,713	823,713
Loans and receivables				
Loans	896,458	896,458	784,256	784,256
Guarantee deposit for lease contracts	7,782	7,782	7,186	7,186
Bank deposits	29,281	29,281	36,289	36,289
Reinsurance share in technical provisions	20,739	20,739	17,384	17,384
Premium and other receivables	411,286	410,736	285,228	285,228
Cash at bank and in hand	18,022	17,987	17,796	17,796
Financial liabilities				
Short-term loans	63,558	63,658	42,558	42,558
Long-term loans	180,742	179,535	79,065	79,065
Liabilities from direct insurance	33,025	33,025	35,170	35,170
Other liabilities	171,907	172,214	170,592	170,592

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

The Company's exposure to market risks, including the currency and interest rate risk, is limited due to the assets and liabilities structure.

In order to actively manage assets, the Company uses approaches the aim of which is to balance quality, diversify and harmonise assets and liabilities, liquidity and return on assets. The aim of the investment process is to optimise income and total return on investment, risk-adjusted and after taxation, ensuring that the assets and liabilities are managed based on cash flows and duration. The management periodically reviews and approves target portfolios, sets guidelines for investment and investement limits, and monitors the asset management process. Due consideration is given to compliance with rules stipulated in the Insurance Act.

Currency risk management

The Company holds no significant amount of assets and liabilities in foreign currency. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Assets		**Liabilities**	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
EUR	310,316	89,651	216,667	80,172
HRK	3,221,917	3,039,207	3,315,566	3,048,686

The value of assets denominated in a foreign currency accounts for 8.79% of total assets, while the value of liabilities denominated in a foreign currency accounts for 6.13% of total assets. The Company believes that changes in the foreign exchange rate cannot significantly affect the Company's operations. For the year ending on 31 December 2018, the Company recognised negative exchange rate differences in the amount of HRK 1,094 thousand (2017: HRK 1,873 thousand), which accounts for 0.77% of total net income for the year ending on 31 December 2018, and shows that changes in exchange rates have a limited influence on the Company's operations. The Management Board concluded that a 10% change would have no material effect on the Company's operations.

Interest rate risk management

The Company is not significantly exposed to interest rate risk. It owns no assets with variable rates, and the variable rate is used only for one loan of the Company (Note 28). The changes in interest rates cannot significantly affect the Company's operations, since the total interest rate cost per loan (Note 7) in the amount of HRK 5,034 thousand (2017: HRK 4,124 thousand) account for 3.45% of the total net income for the year ending on 31 December 2018 (2017: 3.43%). The Management Board concluded that a 50 base point change would have no material effect on the Company's operations.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

The Company is exposed to risks of principal price change, since equity instruments account for a significant part of the Company's assets. A certain number of equity instruments classified in the "available for sale" category is not quoted on the market. The Company assessed the influence of the price change of securities which are actively traded on the stock market, and it is not relevant considering that the total share of these securities is not relevant.

Credit risk management

Credit risk refers to the default risk of the other contracting party, which would lead to substantial financial losses of the Company. The Company adopted the policy of doing business with only creditworthy parties and obtaining sufficient insurance instruments in order to mitigate the financial loss risk due to default. The Company's exposure and the credit rating of the parties it cooperates with is continuously monitored, and the total value of concluded transactions is allocated to approved clients. An assessment of creditworthiness for claims is carried out continuously and, where appropriate, insurance coverage for credit guarantees is obtained.

The Company assesses the debtor's creditworthiness based on the debtor's capital, debtor's assets, including his ability to achieve future cash flows for the payment of debt, the debtor's liquidity and profitability, the debtor's cash flows from the past period and expected future cash flows, general operating conditions and the debtor's prospective and position on the market of the debtor's activities.

Maximum credit risk exposure

	31/12/2018	**31/12/2017**
Bonds	286,634	307,125
Commercial papers	-	35,559
Credits and receivables	896,458	784,255
Guarantee deposit for lease contracts	7,783	7,186
Bank deposits	29,281	36,289
Premium receivables	298,748	159,697
Reinsurance share in technical provisions	20,739	17,384
Credit cards and checks receivables	41,204	42,300
Other receivables	70,782	83,231
Cash at bank and in hand	17,987	17,796
	1,669,616	**1,490,822**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Credit quality of financial assets

The credit quality of undue or not impaired financial assets may be assessed by referring to external credit rating (if available) or historical information on the credit quality of the other contracting party. The historical data may be divided into the following groups:

Group 1 – new partners / subsidiaries (less than 6 months)

Group 2 – existing partners (over 6 months) with no past payment delays

Group 3 – existing partners (over 6 months) with slight past payment delays. All delays have been fully paid.

	31/12/2018	**31/12/2017**
BB – government bonds and treasury bills	226,481	256,658
Group 1 – corporate bonds	60,153	50,467
Group 1 – corporate bills	-	35,559
Group 2 – investment funds	27,068	41,376
Securities available for sale, total	**313,702**	**384,060**
Group 2	661,584	425,797
Group 3	234,874	358,458
Credits and receivables, total	**896,458**	**784,255**
Group 2	7,783	7,186
Guarantee deposits for lease contracts, total	**7,783**	**7,186**
Group 2	29,281	36,289
Bank deposits, total	**29,281**	**36,289**
Group 1	237,421	61,865
Group 2	49,809	88,427
Group 3	11,518	9,405
Total premium receivables	**298,748**	**159,697**
Group 2	17,987	17,796
Cash and cash equivalents, total	**17,987**	**17,796**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Management Board is responsible for risk management and has set a high-quality framework for management of liquidity risk for short, medium and long positions of the Company and defined the requisites which refer to liquidity management. The Company manages its liquidity by maintaining adequate provisions, which it calculates pursuant to the Insurance Act (Note 3) in order to cover its potential claims liabilities. Furthermore, the Company has significant amounts of short-term loans which ensure the Company has sufficient funds in the short and long term. The actuarial calculation of technical provisions is done on a quarterly basis, in order to ensure the existence of sufficient amounts of provisions. The Company also needs to ensure additional investment funds in order to cover its provisions pursuant to the Insurance Act. On 31 December 2018 and 31 December 2017, the Company was operating pursuant to those requirements.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturities of assets and liabilities

	Less than 1 year	1 to 5 years	5 years to 10 years	10 years to 15 years	15 years to 20 years	More than 20 years	Total
Securities available for sale	542,503	213,612	51,244	7,268	-	-	814,627
Loans and receivables	134,450	298,241	148,198	268,603	46,966	-	896,458
Guarantee deposit for lease contracts	7,782	-	-	-	-	-	7,782
Bank deposits	11,288	7,056	10,937	-	-	-	29,281
Premium receivables	298,748	-	-	-	-	-	298,748
Reinsurance share in technical provisions	14,507	3,309	1,289	758	428	448	20,739
Credit cards and checks receivables	41,206	-	-	-	-	-	41,206
Other receivables	94,242	-	-	-	-	-	94,242
Cash at bank and in hand	17,987	-	-	-	-	-	17,987
	1,162,713	**522,218**	**211,668**	**276,629**	**47,394**	**448**	**2,221,070**
Technical provisions	849,270	288,629	178,865	109,485	62,885	83,157	1,572,291
Deferred current and tax liability	60,733	-	-	-	-	-	60,733
Loans and receivables	70,063	147,118	16,476	9,535	-	-	243,192
Liabilities from direct insurance	33,025	-	-	-	-	-	33,025
Liabilities from reinsurance	9,692	-	-	-	-	-	9,692
Other liabilities	172,214	-	-	-	-	-	172,214
	1,194,997	**435,747**	**195,341**	**119,020**	**62,885**	**83,157**	**2,091,147**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturities of assets and liabilities

2017	Less than 1 year	1 to 5 years	5 years to 10 years	10 years to 15 years	15 years to 20 years	More than 20 years	Total
Securities available for sale	600,005	50,110	83,061	56,061	34,476	-	823,713
Credits and receivables	127,559	129,584	187,925	235,542	103,646	-	784,256
Guarantee deposit for lease contracts	1,387	5,799	-	-	-	-	7,186
Bank deposits	16,902	7,786	11,601	-	-	-	36,289
Premium receivables	159,697	-	-	-	-	-	159,697
Reinsurance share in technical provisions	11,609	2,597	1,172	724	426	856	17,384
Credit cards and checks receivables	42,300	-	-	-	-	-	42,300
Other receivables	87,604	-	-	-	-	-	87,604
Cash at bank and in hand	17,796	-	-	-	-	-	17,796
	1,064,859	**195,876**	**283,759**	**292,327**	**138,548**	**856**	**1,976,225**
Technical provisions	708,656	276,187	166,094	103,941	61,662	134,837	1,451,377
Deferred current and tax liability	53,514	-	-	-	-	-	53,514
Credits	44,518	48,334	8,828	19,943	-	-	121,623
Liabilities from direct insurance operations	35,170	-	-	-	-	-	35,170
Liabilities from reinsurance operations	5,826	-	-	-	-	-	5,826
Other liabilities	164,913	-	-	-	-	-	164,913
	1,012,597	**324,521**	**174,922**	**123,884**	**61,662**	**134,837**	**1,832,423**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair value of financial instruments is determined based on prices of securities quoted in the market (Note 17) or comparative valuation methods (Note 17) if relevant and reliable market prices are not available. The assumption used when determining the fair value is explained in Note 4. The Management Board believes that the Company's assets and liabilities reflect the fair value of the relevant securities.

The following table provides an analysis of financial instruments which have been stated at fair value after their first recognition and classified into three groups depending on the availability of fair value indicators:

- Indicator level 1 – fair value indicators have been derived from (unaligned) prices quoted in active markets for identical assets and liabilities;
- Indicator level 2 – fair value indicators have been derived from other assets and liabilities data which are not quoted Level 1 prices and are obtained directly (i.e. from their prices) or indirectly (i.e. derived from their prices); and
- Indicator level 3 – indicators established through the application of valuation methods whose input is asset or liabilities data which is not based on available market data (unavailable input).

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

31/12/2018	Level 1	Level 2	Level 3	Total
Equity securities	1,130	-	382,008	383,138
Bonds	238,049	-	48,585	286,634
Investment funds	27,068	-	-	27,068
Securities available for sale, total	**266,247**	**-**	**430,593**	**696,840**

31/12/2017	Level 1	Level 2	Level 3	Total
Equity securities	6,255	-	433,397	439,652
Bonds	268,336	-	38,789	307,125
Commercial papers	35,559	-	-	35,559
Investment funds	41,376	-	-	41,376
Securities available for sale, total	**351,526**	**-**	**472,186**	**823,712**

No level reclassification occurred during the period.

Assessments of the value of equity securities not actively traded on the markets used models and value assessment techniques primarily based on market inputs founded on market method concepts where comparable companies (peer groups) were used for calculating multipliers.

The Company’s estimated value, i.e. the Company’s shares, represent the fair value with the going concern presumption, i.e. comparison with companies of similar business activities through beta coefficients monitoring.

In 2018, the PEER comparable companies method and DDM were used for a part of the value assessments. The value assessment method according to the value of the group of comparable companies is conducted by choosing comparable companies grouped pursuant to multiple criteria – activity, business territory, size et sim. The aforementioned methods are used as we believe that they best depict the companies’ fair value. Equity securities valued by this method amount to a total of 289,477 thousands HRK.

The Management Board of the Company believes that the estimated value of the Company represents their fair and objective values.

Both the Group and the Company have investments in Level 3 securities, amounting to HRK 218 million as at 31 December 2018 (2017: HRK 233 million), measured using the discounted cash flow method. If the used discount rate were 1% lower, total comprehensive income would be HRK 12 million higher (2017: HRK 12 million). If the used discount rate were 1% higher, total comprehensive income would be HRK 9 million lower (2017: HRK 9 million).

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

Please below find information on the fair value based on relevant parameters which are not available on the market:

Description	**Fair value 2018**	**Assessment method**	**Relevant parameters not available on the market**	**Relevant parameter scope**	**Relationship of relevant parameters to fair value**
Equity securities	287,854	Comparable companies method	*Non-liquidity discount*	10.9%	The higher the parameter, the lower the fair value
			Discount rate	7.81%-9.03%	*The higher the parameter, the lower the fair value*
			Residual growth rate	1.62%	*The higher the parameter, the lower the fair value*
			Beta	0.86-1.03	*The higher the parameter, the lower the fair value*

35. INSURANCE RISK MANAGEMENT

The Company is exposed to actuarial risk and underwriting risk which derive from a vast offer of products of all types of non-life insurance (Motor Vehicle Insurance, Accident Insurance, Property insurance, Liability Insurance, Vessel Insurance, Aircraft Insurance, and Transport Insurance).

Insurance risk refers to insurance uncertainty. The most relevant insurance risk components are premium risk and provision risk. They refer to the adequacy of premium tariffs and adequacy of provisions in relation to insurance liabilities and the capital basis.

The premium risk is present in the moment of the policy issuance before the claim is incurred. There is the risk that costs and claims incurred exceed the received premiums. The provision risk is the risk of mis-estimation of the absolute level of technical provisions or risk of the value of real claims varying around the statistical medium value.

The underwriting risk also entails the disaster risk, which derives from outstanding events which have not been sufficiently covered by the premium risk or the provision risk.

Risk Management

The Company manages the insurance risk through underwriting limits, transaction approval procedures which entail new products or exceed the set limits, tariffing, product design and reinsurance management.

The aim of the underwriting strategy is to achieve a variety which will ensure a balanced portfolio, based on a large portfolio of similar risks during several years, which will lead to a decrease in result variability. Considering the nature of non-life insurance, the underwriters have the right to refuse a contract extension or change the contract conditions upon its renewal.

The Company reinsures a part of the risk it underwrites in order to control the exposure to losses and protect the capital basis. The Company purchases a proportional property insurance contract (property surplus treaty) and disproportionate XL Green Card and earthquake reinsurance contracts (Green Card reinsurance and CAT XL reinsurance).

The ceded reinsurance contains a credit risk and such insurance receivables are stated after the impairment of non-recoverable amounts. The Company monitors the reinsurer’s financial situation and cautiously enters into reinsurance contracts. The Company controls and limits the relevant risk by selecting and maintaining the best possible business relations with European reinsurers of high credit rating. The Company decreases this risk by dispersing the reinsurance coverage on several partners. This brings the reinsurer’s credit risk to the minimum.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance Concentration Risk

The key aspect of the reinsurance risk the Company is exposed to is the level of the insurance concentration risk which sets the level by which a certain event or a series of events may affect the Company's liabilities. Such concentration may derive from an individual insurance contract or multiple contracts. An important aspect of insurance concentration risk is that it may derive from the accumulation of risk through different types of insurance.

Concentration risk may derive from rare events with great consequences such as natural disasters, in situations when the Company is exposed to unexpected trend changes; for example, when significant court or regulatory risks provoke great individual losses or substantially impact a great number of contracts.

Risks the Company underwrites are primarily located in the Republic of Croatia.

The Company has no significant concentration exposures to any group of policy holders according to social, professional, generational and similar criteria.

Significant losses are most likely to arise from disastrous events, such as storms or earthquake damages. Techniques and presumptions the Company uses to calculate these risks entail:

- geographical accumulation measurements,
- assessment of the largest potential losses,
- reinsurance of excess earthquake claims.

Insurance concentration risk before and after reinsurance in relation to the type of accepted insurance risk is shown bellow, with reference to the carrying amount of fees and claims (gross and net of reinsurance) incurred based on the insurance contract:

for the year ended 31 December 2018

GROUP AND COMPANY

	Gross incurred claims	**Reinsurance share**	**Net incurred claims**
Motor Third Party Liability Insurance	(233,505)	48	(233,457)
Road Vehicle Insurance (Casco)	(115,723)	-	(115,723)
Assets	(22,529)	958	(21,571)
Personal Insurance	(9,869)	-	(9,869)
Other	(17,475)	23	(17,452)
Total	**(399,101)**	**1,029**	**(398,072)**

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance Concentration Risk (continued)

for the year ended 31 December 2017

GROUP AND COMPANY

	Gross incurred claims	Reinsurance share	Net incurred claims
Motor Third Party Liability Insurance	(209,565)	-	(209,565)
Road Vehicle Insurance (Casco)	(79,797)	20	(79,777)
Assets	(21,214)	1,426	(19,788)
Personal Insurance	(9,972)	-	(9,972)
Other	(12,110)	903	(11,207)
Total	**(332,658)**	**2,349**	**(330,309)**

Claims development

When estimating provisions for claims outstanding, to the extent in which calculation methods use the historical claims development, it is presumed that the historical sample of the claims development will recur. In case of “long-tail” claims, the claims provisions level greatly depends on the claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical methods which project the observed growth factors or are based on the actuarial judgements.

For materially relevant types in the Company’s portfolio, as well as types of insurance with long-tail claims, a run-off analysis which was carried out on 31 December 2018 with regard to liquidations in 2018 and provisions of claims outstanding on 31 December 2018 for claims incurred before 31 December 2018 showed that the amount of gross claims outstanding was sufficient.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Claims development

Analysis of provisions of claims outstanding trends:

	Before 2009 HRK '000	**2009** HRK '000	**2010** HRK	**2011** HRK '000	**2012** HRK '000	**2013** HRK '000	**2014** HRK '000	**2015** HRK '000	**2016** HRK '000	**2017** HRK '000	**2018** HRK '000	**Total** HRK '000
Estimates of accumulated claims at the end of year they incurred in	227,972	228,914	229,697	230,446	231,143	231,802	232,426	233,017	233,580	234,116	355,090	2,668,203
1 year later	222,972	223,731	224,460	225,136	225,775	226,379	226,953	227,498	228,017	229,279		2,260,200
2 years later	188,135	188,762	189,343	189,892	190,411	190,903	191,370	191,815	192,239			1,712,870
3 years later	185,368	185,936	186,471	186,977	187,457	187,913	188,347	188,785				1,497,254
4 years later	172,410	172,900	173,364	173,805	174,224	174,623	176,442					1,217,768
5 years later	187,149	187,654	188,133	188,588	189,021	190,888						1,131,433
6 years later	184,441	184,914	185,364	185,792	187,418							927,929
7 years later	223,913	224,456	224,973	227,271								900,613
8 years later	246,053	246,616	247,984									740,653
9 years later	317,826	319,441										637,267
10 years later	2,094,276											2,094,276
Assessment of accumulated claims	**2,094,276**	**319,441**	**247,984**	**227,271**	**187,418**	**190,888**	**176,442**	**188,785**	**192,239**	**229,279**	**355,090**	**4,409,112**
Accumulated payments	1,855,182	274,973	212,833	192,674	155,757	153,671	138,396	140,578	136,070	145,122	94,903	**3,500,160**
Provisions for previous years	239,093	44,467	35,151	34,597	31,661	37,217	38,046	48,208	56,169	84,157	260,187	**908,953**
Claims handling costs	9,810	1,821	1,439	1,406	1,292	1,519	1,544	1,961	2,278	3,423	9,599	**36,093**
Value recognised in the statement of financial position of the current year	**248,904**	**46,288**	**36,590**	**36,003**	**32,954**	**38,736**	**39,591**	**50,168**	**58,447**	**87,580**	**269,786**	**945,046**

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty

The main source of insurance uncertainty derives from the uncertainty of occurrence of harmful events and uncertainty connected to their amounts.

Insurance amount

Considering the fact that there is no product which guarantees an unlimited guarantee when it comes to non-life insurance, the maximum amount the insured person may be liable for per individual policy if a harmful event occurs is always limited to the contracted insurance amount. The exception is the Motor Vehicle Liability Insurance in countries with an established Green Card system with an unlimited cover. The Company transfers this risk through reinsuring the claims surplus over 1 million EUR.

Provisions of claims outstanding

The provisions for the estimated final settlement cost of all claims incurred by the reporting date, resulting from a reported or unreported event, together with the relevant claims handling costs, less the amounts already paid.

Reported but not settled (RBNS) claims liability is estimated for every claim individually, considering the claims circumstances, available evaluators' information and historical proof of similar claims amounts. Individual claims are regularly examined and the provision is regularly updated when new information appear.

Incurred But Not Reported (IBNR) claims estimates are, in general, subject to a greater level of uncertainty than the provisions for claims reported. IBNR provisions are estimated by an authorised actuary using statistical and actuarial methods such as the Chain-Ladder Method (CLM), which extrapolates historical data in order to estimate the final claims costs.

The Chain-Ladder Method (CLM) is an essential method, which uses historical data in order to estimate the share of so-far incurred and unreported claims in the final claims costs.

The real flat rate or actuarial method or a combination of methods used depends on the year the relevant claim incurred, type of insurance and the noted historical development of claims.

Considering the extent in which calculation methods use the historical claims development, it is presumed that the historical sample of the claims development will recur. There are reasons why this may not be the case, which can be established and considered by method adjustment. These reasons entail:

- economic, legal, political and social trends (which cause different levels of inflation in relation to the expected inflation level);
- changes in the combination of insurance contracts type which are being underwritten;
- random variations, including the influence of great claims.

Provisions for claims outstanding are initially estimated in gross amounts and a special calculation is performed in order to estimate the reinsurance share.

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty (continued)

The presumptions which have the greatest effect on the evaluation of non-life insurance provisions amounts are the following:

Remaining claims development factors

In case of “long-tail” claims, the claims provisions level greatly depends on the claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical curve methods which project the observed growth factors or are based on the actuarial judgements.

Discounting

Except for annuity claims, non-life insurance provisions are not discounted.

Provision for annuity liabilities from Motor Third Party Liability Insurance was set with actuarial methods pursuant to the Mortality tables of the Republic of Croatia for the period 2000-2002, for males and females separately, aligned by linear approximation for the 26-34 male age group and 21-29 female age group, discounted by a 3% annual rate, with an assumed 1.5% increase in annuity amount.

Liability adequacy test

The liability adequacy test is limited to the non-expired part of the existing insurance contracts. The expected value of claims and costs which can be attributed to non-expired contracts valid on the reporting date is compared to the unearned premiums for those policies (unearned premiums). The expected amounts connected to claims and costs are estimated based on the experience form the previous period and, where applicable, adjusted for significant individual losses which are not expected to recur. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2018.

(all amounts in thousands of HRK)

36. TRANSACTIONS WITH RELATED PARTIES

Related parties are parties able to control the other party or parties which significantly affect the other party when making financial or business decisions.

Transactions and outstanding balances among related parties within a group are published in the subject's financial statement. Pursuant to the definition of IAS 24 and IFRS 10, a group consists of a parent company and subsidiary.

Since a parent company does not exist, the Company may not publish the name of the parent company or the ultimate entity with control over the Company, i.e. there are no transactions which could be considered intra-group transactions.

The fees paid to key managers:

GROUP AND COMPANY

	2018	**2017**
Payments and compensations	2,985	2,973

The Croatian Financial Services Supervisory Agency, in its Decision CLASS: UP/I 974-08/17-01/07 REG. NO.: 326-01-660-662-17-47 of 15 December 2017, determined the interconnectedness of 20 companies. The Administrative Court's Decision Usl-162/18-2 of 26 January 2018 suspends the execution of the disputed Agency's Decision until the end of the dispute.

An overview of assets, receivables, liabilities, income and expenses, pursuant to the Agency's Resolution is as follows:

	2018		**2017**	
	Income	**Expenses**	**Income**	**Expenses**
Other related companies	153,202	162,687	118,340	177,574
Other related companies	**153,202**	**162,687**	**118,340**	**177,574**

	31/12/2018		**31/12/2017**	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Other related companies	926,683	114,118	865,146	106,397
	926,683	**114,118**	**865,146**	**106,397**

On 31 December 2018, the shares in related companies amounted to HRK 483,047 thousand (2017: HRK 344,727 thousand).

(all amounts in thousands of HRK)

36. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company	31/12/2018			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	-	7,319	26,849	32,464
Agram life d.d.	30	47,175	40,670	17,557
Agram banka Zagreb d.d.	37,291	40,410	7,446	9,993
Euroagram TIS d.o.o.	358,636	3,563	35,741	44,535
Auto-Dubrovnik d.d.	15,582	47	996	1,108
Autoslavonija d.d.	2,688	53	685	794
Euro daus d.d.	234,696	79	19,554	12,045
Agram invest d.d.	50,736	209	882	-
Euroleasing d.o.o.	178,227	1,897	4,812	8,097
Agram brokeri d.d.	-	-	-	-
Specijalna bolnica Zagreb	16	-	5,710	1
Automehanika servisi d.d.	14,749	504	653	1,270
Agram Yachting d.o.o.	1	-	1,405	1,584
Autoservisni centar d.d.	9,568	149	702	529
Strukturiranja d.o.o. Zagreb	14,113	269	217	129
OD Grgić & partneri	21	6,488	718	21,357
MTT d.o.o. Rijeka	128	-	1,035	125
MEDORA hoteli i ljetov. d.d.	9,506	172	880	192
AGRAM d.d. Ljubuški	-	-	1,463	-
Agram nekretnine d.d. Mostar	565	-	167	-
Agram Invest d.o.o. Mostar	130	-	115	-
Adriatic osiguranje d.d. Sarajevo	-	1,732	-	3,164
EUROHERC osiguranje d.d. Sarajevo	-	4,052	2,502	7,743
TOTAL	**926,683**	**114,118**	**153,202**	**162,687**

(all amounts in thousands of HRK)

36. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Company	31/12/2017			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	7,028	9,091	24,712	33,533
Agram life d.d.	16,478	42,745	13,146	26,909
Agram banka Zagreb d.d.	41,445	40,442	5,224	8,954
Euroagram TIS d.o.o.	344,839	200	35,017	58,666
Auto-Dubrovnik d.d.	19,054	34	1,350	1,245
Autoslavonija d.d.	3,112	150	280	792
Euro daus d.d.	241,160	111	20,256	6,764
Agram invest d.d.	58,757	350	917	-
Euroleasing d.o.o.	79,765	2,374	2,111	5,310
Agram brokeri d.d.	629	1	10	4
Specijalna bolnica Zagreb	-	-	5,790	22
Automehanika servisi d.d.	9,695	6	852	616
Agram Yachting d.o.o.	21,856	-	2,083	1,512
Autoservisni centar d.d.	11,752	10	649	519
Strukturiranja d.o.o. Zagreb	-	17	3	128
OD Grgić & partneri	24	6,026	759	21,408
MTT d.o.o. Rijeka	1	18	23	126
MEDORA hoteli i ljetov. d.d.	9,354	170	397	1,253
AGRAM d.d. Ljubuški	-	-	390	-
Agram nekretnine d.d. Mostar	-	-	-	-
Agram Invest d.o.o. Mostar	-	-	36	-
Adriatic osiguranje d.d. Sarajevo	145	1,226	900	1,999
EUROHERC osiguranje d.d. Sarajevo	52	3,426	3,435	7,814
TOTAL	**865,146**	**106,397**	**118,340**	**177,574**

37. CONTINGENT LIABILITIES

There are several pending legal disputes against the Group and the Company, with legal claims for which the Group, on 31 December 2018, has reserved assets in the total amount of 1,914 thousands HRK.

On 31 December 2018, the contingent liabilities of the Group and and Company for approved unused loans amounted to EUR 161 thousand (Austrian Anadi Bank) or HRK 1,194 thousand.

(all amounts in thousands of HRK)

38. OFF-BALANCE SHEET RECORDS

	31/12/2018	31/12/2017
Guarantees received	77,219	26,998
Guarantees given	139,844	126,489
	217,062	**153,487**

39. EVENTS AFTER THE REPORTING DATE

By 27 March 2019, all relevant repurchase agreements were closed.
Until 27 March 2019, the Company's accrued interest from the relevant contracts amounted to HRK 171,987, and was fully paid. The accrued interest represents the Company’s income for 2019.
Other than the aforementioned, there were no significant events after the reporting date.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 30 April 2019.

Signed on behalf of and for the Management Board:

Ivana Bratanić, *President of the Management Board*

Tomislav Čizmić, *Member of the Management Board*

Darinko Ivković, *Member of the Management Board*

Vjeran Zadro, *Member of the Management Board*

Statement of Comprehensive Income

No.	Sum elements	Position	Position description	Previous accounting period			Current accounting period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	**I**	**Earned premium**	**,000**	**851.575.870,930**	**851.575.870,930**	**,000**	**982.559.361,640**	**982.559.361,640**
002		1	Written gross premium	,000	915.180.435,470	915.180.435,470	,000	1.118.861.694,720	1.118.861.694,720
003		2	Value adjustment and paid premium value adjustment	,000	1.419.615,750	1.419.615,750	,000	284.438,710	284.438,710
004		3	Outward reinsurance (-)	,000	-19.869.009,560	-19.869.009,560	,000	-26.060.872,450	-26.060.872,450
005		4	Changes in gross unearned premium provisions (+/-)	,000	-47.841.872,110	-47.841.872,110	,000	-113.616.940,630	-113.616.940,630
006		5	Changes in unearned premium provisions, reinsurer's share (+/-)	,000	2.686.701,380	2.686.701,380	,000	3.091.041,290	3.091.041,290
007	008+009+010+011+012+013+014	**II**	**Investment income**	**,000**	**99.604.912,980**	**99.604.912,980**	**,000**	**136.042.991,980**	**136.042.991,980**
008		1	Income from subsidiaries, associates and joint ventures	,000	,000	,000	,000	,000	,000
009		2	Income from investment in land and buildings	,000	35.154.998,400	35.154.998,400	,000	36.418.821,640	36.418.821,640
010		3	Interest income	,000	43.793.159,740	43.793.159,740	,000	45.396.235,640	45.396.235,640
011		4	Unrealised investment gains	,000	,000	,000	,000	,000	,000
012		5	Realised investment gains	,000	12.748.408,680	12.748.408,680	,000	6.821.957,980	6.821.957,980
013		6	Net positive exchange rate differences	,000	1.594.786,260	1.594.786,260	,000	1.821.640,980	1.821.640,980
014		7	Other investment income	,000	6.313.559,900	6.313.559,900	,000	45.584.335,740	45.584.335,740
015		**III**	**Income from fees and commissions**	**,000**	**1.259.206,380**	**1.259.206,380**	**,000**	**2.258.720,260**	**2.258.720,260**
016		**IV**	**Other insurance-technical income, net of reinsurance**	**,000**	**2.951.644,880**	**2.951.644,880**	**,000**	**2.763.519,620**	**2.763.519,620**
017		**V**	**Other income**	**,000**	**35.986.034,520**	**35.986.034,520**	**,000**	**52.634.674,870**	**52.634.674,870**
018	019+022	**VI**	**Claims incurred, net**	**,000**	**-293.302.186,450**	**-293.302.186,450**	**,000**	**-397.677.631,420**	**-397.677.631,420**
019	020+021	1	Liquidated claims	,000	-330.309.087,550	-330.309.087,550	,000	-398.072.495,800	-398.072.495,800
020		1.1	Gross amount (-)	,000	-332.657.995,500	-332.657.995,500	,000	-399.101.362,720	-399.101.362,720
021		1.2	Reinsurance share (+)	,000	2.348.907,950	2.348.907,950	,000	1.028.866,920	1.028.866,920
022	023+024	2	Changes in claims outstanding (+/-)	,000	37.006.901,100	37.006.901,100	,000	394.864,380	394.864,380
023		2.1	Gross amount (-)	,000	37.997.164,870	37.997.164,870	,000	130.157,720	130.157,720
024		2.2	Reinsurance share (+)	,000	-990.263,770	-990.263,770	,000	264.706,660	264.706,660
025	026+029	**VII**	**Changes in mathematical and other technical provisions, net of reinsurance**	**,000**	**-256.973,500**	**-256.973,500**	**,000**	**-359.167,910**	**-359.167,910**
026	027+028	1	Changes in mathematical provision (+/-)	,000	,000	,000	,000	,000	,000
027		1.1	Gross amount (-)	,000	,000	,000	,000	,000	,000
028		1.2	Reinsurance share (+)	,000	,000	,000	,000	,000	,000
029	030+031	2	Changes in other technical provisions for claims outstanding, net of reinsurance (+/-)	,000	-256.973,500	-256.973,500	,000	-359.167,910	-359.167,910
030		1.1	Gross amount (-)	,000	-256.973,500	-256.973,500	,000	-359.167,910	-359.167,910
031		1.3	Reinsurance share (+)	,000	,000	,000	,000	,000	,000
032	033+034	**VIII**	**Changes in provisions for special life insurance for which the insured person bears the investment risk**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
033		1	Gross amount (-)	,000	,000	,000	,000	,000	,000
034		2	Reinsurance share (+)	,000	,000	,000	,000	,000	,000
035	036+037	**IX**	**Return of premium (bonuses and rebates) expenses, net of reinsurance**	**,000**	**3.126.259,820**	**3.126.259,820**	**,000**	**-7.067.900,950**	**-7.067.900,950**
036		1	Result-related (bonuses)	,000	3.126.259,820	3.126.259,820	,000	-7.067.900,950	-7.067.900,950
037		2	Result-unrelated (rebates)	,000	,000	,000	,000	,000	,000
038	039+043	**X**	**Operating expenses (activity performance expenses), net**	**,000**	**-437.274.681,700**	**-437.274.681,700**	**,000**	**-475.850.442,210**	**-475.850.442,210**
039	040+041+042	1	Acquisition costs	,000	-290.306.617,140	-290.306.617,140	,000	-318.683.541,480	-318.683.541,480
040		1.1	Commission	,000	-18.917.776,120	-18.917.776,120	,000	-27.066.680,100	-27.066.680,100
041		1.2	Other underwriting costs	,000	-271.388.841,020	-271.388.841,020	,000	-291.616.861,380	-291.616.861,380
042		1.3	Changes in deferred acquisition costs (+/-)	,000	,000	,000	,000	,000	,000
043	044+045+046	2	Management costs (administrative costs)	,000	-146.968.064,560	-146.968.064,560	,000	-157.166.900,730	-157.166.900,730
044		2.1	Depreciation and amortisation	,000	-27.523.146,650	-27.523.146,650	,000	-32.494.090,460	-32.494.090,460
045		2.3	Taxes and contributions from and on salaries	,000	-47.729.439,670	-47.729.439,670	,000	-47.797.809,530	-47.797.809,530
046		2.4	Other management costs	,000	-71.715.478,240	-71.715.478,240	,000	-76.875.000,740	-76.875.000,740
047	048+049+050+051+052+053+054	**XI**	**Investment costs**	**,000**	**-99.189.710,370**	**-99.189.710,370**	**,000**	**-67.724.337,850**	**-67.724.337,850**
048		1	Depreciation of land and buildings not used by the Company for its activities	,000	,000	,000	,000	,000	,000
049		2	Interests	,000	-4.123.739,410	-4.123.739,410	,000	-5.033.924,870	-5.033.924,870
050		3	Investment impairment	,000	-75.226.744,540	-75.226.744,540	,000	-8.644.165,330	-8.644.165,330
051		4	Realised investment losses	,000	-1.640.470,530	-1.640.470,530	,000	-1.132.650,690	-1.132.650,690
052		5	Unrealised investment losses	,000	,000	,000	,000	,000	,000
053		6	Net negative exchange rate differences	,000	-1.872.548,840	-1.872.548,840	,000	-1.094.355,600	-1.094.355,600
054		7	Other investment costs	,000	-16.326.207,050	-16.326.207,050	,000	-51.819.241,360	-51.819.241,360

Statement of Comprehensive Income (continued)

055	056+057	**XII**	**Other technical costs, net of reinsurance**	**,000**	**-36.471.020,780**	**-36.471.020,780**	**,000**	**-48.667.465,390**	**-48.667.465,390**
056		1	Prevention activities costs	,000	,000	,000	,000	,000	,000
057		2	Other technical insurance costs	,000	-36.471.020,780	-36.471.020,780	,000	-48.667.465,390	-48.667.465,390
058		**XIII**	**Other costs, including value adjustments**	**,000**	**-10.338.913,420**	**-10.338.913,420**	**,000**	**-4.583.121,220**	**-4.583.121,220**
059	001+007+015+016+017+018+025+032+035+038+047+055+058	**XIV**	**Profit or loss for the accounting period, before taxes (+/-)**	**,000**	**117.670.443,290**	**117.670.443,290**	**,000**	**174.329.201,420**	**174.329.201,420**
060	061+062	**XV**	**Income or loss tax**	**,000**	**-24.305.952,620**	**-24.305.952,620**	**,000**	**-32.183.355,880**	**-32.183.355,880**
061		1	Current tax expense	,000	-35.609.750,760	-35.609.750,760	,000	-20.654.557,740	-20.654.557,740
062		2	Deferred tax expense/(income)	,000	11.303.798,140	11.303.798,140	,000	-11.528.798,140	-11.528.798,140
063	059+060	**XVI**	**Profit or loss for the accounting period, after taxes (+/-)**	**,000**	**93.364.490,670**	**93.364.490,670**	**,000**	**142.145.845,540**	**142.145.845,540**
064		1	Attributed to equity holders of the parent	,000	,000	,000	,000	,000	,000
065		2	Attributed to the non-controlling interest	,000	,000	,000	,000	,000	,000
066	001+007+015+016+017+062	**XVII**	**TOTAL INCOME**	**,000**	**1.002.681.467,830**	**1.002.681.467,830**	**,000**	**1.164.730.470,230**	**1.164.730.470,230**
067	018+025+032+035+038+047+055+058+061	**XVIII**	**TOTAL EXPENSES**	**,000**	**-909.316.977,160**	**-909.316.977,160**	**,000**	**-1.022.584.624,690**	**-1.022.584.624,690**
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**,000**	**16.581.357,720**	**16.581.357,720**	**,000**	**20.171.407,900**	**20.171.407,900**
069		1	Gains/losses derived from the recalculation of foreign operations' financial statements	,000	,000	,000	,000	,000	,000
070		2	Gains/losses derived from the revaluation of financial assets available for sale	,000	7.686.049,800	7.686.049,800	,000	4.935.869,030	4.935.869,030
071		3	Gains/losses derived from the revaluation of land and buildings used by the Company for its activities	,000	8.895.307,920	8.895.307,920	,000	15.235.538,870	15.235.538,870
072		4	Gains/losses derived from the revaluation of other tangible (other than land and buildings) and intangible assets	,000	,000	,000	,000	,000	,000
073		5	Effects of cash flow hedging instruments	,000	,000	,000	,000	,000	,000
074		6	Actuarial gains/losses per pension plans with defined pensions	,000	,000	,000	,000	,000	,000
075		7	Share in other comprehensive income of associated companies	,000	,000	,000	,000	,000	,000
076		8	Corporate income tax for other comprehensive income	,000	,000	,000	,000	,000	,000
077	063+068	**XX**	**Total comprehensive income**	**,000**	**109.945.848,390**	**109.945.848,390**	**,000**	**162.317.253,440**	**162.317.253,440**
078		1	Attributed to equity holders of the parent	,000	,000	,000	,000	,000	,000
079		2	Attributed to the non-controlling interest	,000	,000	,000	,000	,000	,000
080		**XXI**	**Reclassification adjustments**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**

Statement of Financial Position

ASSETS *in HRK*

No.	Sum elements	Position	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**		**1.513.542**	**1.513.542**		**803.043**	**803.043**
002		1	Goodwill	,000	,000	,000	,000	,000	,000
003		2	Other intangible assets	,000	1.513.542,400	1.513.542,400	,000	803.043,370	803.043,370
004	005+006+007	**II**	**TANGIBLE ASSETS**	**,000**	**324.912.466,720**	**324.912.466,720**	**,000**	**457.589.780,980**	**457.589.780,980**
005		1	Land and buildings used by the Company for its activities	,000	250.230.507,460	250.230.507,460	,000	429.954.868,840	429.954.868,840
006		2	Equipment	,000	22.275.303,550	22.275.303,550	,000	4.768.905,000	4.768.905,000
007		3	Other tangible assets and inventories	,000	52.406.655,710	52.406.655,710	,000	22.866.007,140	22.866.007,140
008	009+010+014+033	**III**	**INVESTMENT**	**,000**	**2.466.286.947,740**	**2.466.286.947,740**	**,000**	**2.604.410.586,230**	**2.604.410.586,230**
009		**A**	**Investment in land and buildings not used by the Company for its activities**	**,000**	**812.555.857,180**	**812.555.857,180**	**,000**	**852.770.311,670**	**852.770.311,670**
010	011+012+013	**B**	**Investment in subsidiaries, associates and joint ventures**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
011		1	Stocks and shares in subsidiaries	,000	,000	,000	,000	,000	,000
012		2	Stocks and shares in associates	,000	,000	,000	,000	,000	,000
013		3	Stocks and shares in joint ventures	,000	,000	,000	,000	,000	,000
014	015+018+023+029	**C**	**Financial assets**	**,000**	**1.653.731.090,560**	**1.653.731.090,560**	**,000**	**1.751.640.274,560**	**1.751.640.274,560**
015	016+017	**1**	**Financial assets held to maturity**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
016		1.1	Debt financial instruments	,000	,000	,000	,000	,000	,000
017		1.2	Other	,000	,000	,000	,000	,000	,000
018	019+020+021+022	**2**	**Financial assets available for sale**	**,000**	**823.712.998,200**	**823.712.998,200**	**,000**	**814.626.997,000**	**814.626.997,000**
019		2.1	Equity financial instruments	,000	439.652.376,690	439.652.376,690	,000	500.924.570,510	500.924.570,510
020		2.2	Debt financial instruments	,000	342.684.484,560	342.684.484,560	,000	286.633.951,510	286.633.951,510
021		2.3	Shares in investment funds	,000	41.376.136,950	41.376.136,950	,000	27.068.474,980	27.068.474,980
022		2.4	Other	,000	,000	,000	,000	,000	,000
023	024+025+026+027+028	**3**	**Financial assets at fair value in the Profit and Loss Account**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
024		3.1	Equity financial instruments	,000	,000	,000	,000	,000	,000
025		3.2	Debt financial instruments	,000	,000	,000	,000	,000	,000
026		3.3	Derivative financial instruments	,000	,000	,000	,000	,000	,000
027		3.4	Shares in investment funds	,000	,000	,000	,000	,000	,000
028		3.5	Other	,000	,000	,000	,000	,000	,000
029	030+031+032	**4**	**Loans and receivables**	**,000**	**830.018.092,360**	**830.018.092,360**	**,000**	**937.013.277,560**	**937.013.277,560**
030		4.1	Deposits with credit institutions	,000	36.288.760,540	36.288.760,540	,000	29.280.567,680	29.280.567,680
031		4.2	Loans	,000	793.729.331,820	793.729.331,820	,000	907.732.709,880	907.732.709,880
032		4.3	Other	,000	,000	,000	,000	,000	,000
033		**D**	**Deposits with the ceding company**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
034		**IV**	**INVESTMENT FOR THE ACCOUNT AND RISK OF THE PERSON WITH LIFE INSURANCE**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
035	036+037+038+039 +043+044+045	**V**	**SHARE OF REINSURANCE IN TECHNICAL PROVISIONS**	**,000**	**17.383.402,100**	**17.383.402,100**	**,000**	**20.739.150,050**	**20.739.150,050**
036		1	Unearned premium provisions, reinsurance share	,000	9.475.310,400	9.475.310,400	,000	12.566.351,690	12.566.351,690
037		2	Mathematical provisions, reinsurance share	,000	,000	,000	,000	,000	,000
038		3	Provisions for claims outstanding, reinsurance share	,000	7.908.091,700	7.908.091,700	,000	8.172.798,360	8.172.798,360
039		4	Provisions for bonuses and rebates, reinsurance share	,000	,000	,000	,000	,000	,000
040		5	Equalisation provisions, reinsurance share	,000	,000	,000	,000	,000	,000
041		6	Other technical provisions, reinsurance share	,000	,000	,000	,000	,000	,000
042		7	Special provisions for life insurance for which the insured person bears the investment risk, reinsurance	,000	,000	,000	,000	,000	,000
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSETS**	**,000**	**22.154.551,260**	**22.154.551,260**	**,000**	**10.176.361,220**	**10.176.361,220**
044		1	Deferred tax assets	,000	22.154.551,260	22.154.551,260	,000	10.176.361,220	10.176.361,220
045		2	Current tax assets	,000	,000	,000	,000	,000	,000
046	047+050+051	**VII**	**RECEIVABLES**	**,000**	**250.037.116,260**	**250.037.116,260**	**,000**	**377.364.956,120**	**377.364.956,120**
047	048+049	**1**	**Claims from insurance operations**	**,000**	**159.696.916,550**	**159.696.916,550**	**,000**	**298.748.375,470**	**298.748.375,470**
048		1.1	From insured persons	,000	159.696.916,550	159.696.916,550	,000	298.748.375,470	298.748.375,470
049		1.2	From agents, i.e. insurance intermediaries	,000	,000	,000	,000	,000	,000
050		**2**	**Claims from reinsurance operations**	**,000**	,000	**,000**	**,000**	,000	**,000**
051	052+053+054	**3**	**Other receivables**	**,000**	**90.340.199,710**	**90.340.199,710**	**,000**	**78.616.580,650**	**78.616.580,650**
052		3.1	Claims from other insurance operations	,000	8.097.657,920	8.097.657,920	,000	7.998.961,520	7.998.961,520
053		3.1	Receivables for investment income	,000	,000	,000	,000	,000	,000
054		3.2	Other receivables	,000	82.242.541,790	82.242.541,790	,000	70.617.619,130	70.617.619,130
055	056+060+061	**VIII**	**OTHER ASSETS**	**,000**	**60.174.043,180**	**60.174.043,180**	**,000**	**59.139.625,330**	**59.139.625,330**
056	060+061+062	**1**	**Cash at bank and in hand**	**,000**	**17.878.620,420**	**17.878.620,420**	**,000**	**17.940.855,110**	**17.940.855,110**
057		1.1	Funds on business account	,000	17.468.397,020	17.468.397,020	,000	17.752.027,920	17.752.027,920
058		1.2	Funds on account for assets covering mathematical provisions	,000	,000	,000	,000	,000	,000
059		1.3	Cash in hand	,000	410.223,400	410.223,400	,000	188.827,190	188.827,190
060		**2**	**Non-current assets held for sale and discontinued operations**	,000	,000	**,000**	,000	,000	**,000**
061		**3**	**Other**	,000	**42.295.422,760**	**42.295.422,760**	,000	**41.198.770,220**	**41.198.770,220**
062	063+064+065	**IX**	**PAID EXPENSES OF THE FUTURE PERIOD AND UNDUE INCOME PAYMENTS**	**,000**	**4.372.899,650**	**4.372.899,650**	**,000**	**23.459.879,600**	**23.459.879,600**
063		1	Deferred interests and lease payments	,000	143.055,780	143.055,780	,000	19.003.980,140	19.003.980,140
064		2	Deferred underwriting costs	,000	,000	,000	,000	,000	,000
065		3	Other paid expenses of the future periods and undue income payments	,000	4.229.843,870	4.229.843,870	,000	4.455.899,460	4.455.899,460
066	001+004+008 +034+035+043 +046+055+062	**X**	**TOTAL ASSETS**	**,000**	**3.146.834.969,310**	**3.146.834.969,310**	**,000**	**3.553.683.382,900**	**3.553.683.382,900**
067		**XI**	**OFF-BALANCE SHEET ITEMS**	**,000**	**153.486.976,430**	**153.486.976,430**	**,000**	**217.062.459,900**	**217.062.459,900**

Statement of Financial Position (continued)

Broj pozicije	Elementi zbroja	Oznaka pozicije	Opis pozicije	Prethodna godina Život	Prethodna godina Neživot	Prethodna godina Ukupno	Tekuća godina Život	Tekuća godina Neživot	Tekuća godina Ukupno
PASIVA									*u kunama*
068	069+072+073+077+081+084	**XII**	**KAPITAL I REZERVE**	**,000**	**1.277.092.583,630**	**1.277.092.583,630**	**,000**	**1.441.084.756,560**	**1.441.084.756,560**
069	070+071	**1**	**Upisani kapital**	**,000**	**61.002.000,000**	**61.002.000,000**	**,000**	**61.002.000,000**	**61.002.000,000**
070		1.1	Uplaćeni kapital - redovne dionice	,000	61.002.000,000	61.002.000,000	,000	61.002.000,000	61.002.000,000
071		1.2	Uplaćeni kapital - povlaštene dionice	,000	,000	,000	,000	,000	,000
072		**2**	**Premije na emitirane dionice (rezerve kapitala)**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
073	074+075+076	**3**	**Revalorizacijske rezerve**	**,000**	**329.811.939,130**	**329.811.939,130**	**,000**	**342.353.158,240**	**342.353.158,240**
074		3.1	Zemljišta i građevinskih objekata	,000	309.351.015,440	309.351.015,440	,000	316.956.365,520	316.956.365,520
075		3.2	Financijske imovine raspoložive za prodaju	,000	20.460.923,690	20.460.923,690	,000	25.396.792,720	25.396.792,720
076		3.3	Ostale revalorizacijske rezerve	,000	,000	,000	,000	,000	,000
077	078+079+080	**4**	**Rezerve**	**,000**	**172.585.301,620**	**172.585.301,620**	**,000**	**172.585.301,620**	**172.585.301,620**
078		4.1	Zakonske rezerve	,000	133.541.826,740	133.541.826,740	,000	133.541.826,740	133.541.826,740
079		4.2	Statutarna rezerva	,000	39.043.474,880	39.043.474,880	,000	39.043.474,880	39.043.474,880
080		4.3.	Ostale rezerve	,000	,000	,000	,000	,000	,000
081	082+083	**5**	**Zadržana dobit ili preneseni gubitak**	**,000**	**620.328.852,210**	**620.328.852,210**	**,000**	**722.998.451,160**	**722.998.451,160**
082		5.1	Zadržana dobit	,000	620.328.852,210	620.328.852,210	,000	722.998.451,160	722.998.451,160
083		5.2	Preneseni gubitak (-)	,000	,000	,000	,000	,000	,000
084	085+086	**6**	**Dobit ili gubitak tekućeg obračunskog razdoblja**	**,000**	**93.364.490,670**	**93.364.490,670**	**,000**	**142.145.845,540**	**142.145.845,540**
085		6.1	Dobit tekućeg obračunskog razdoblja	,000	93.364.490,670	93.364.490,670	,000	142.145.845,540	142.145.845,540
086		6.2	Gubitak tekućeg obračunskog razdoblja (-)	,000	,000	,000	,000	,000	,000
087		**XIII**	**OBVEZE DRUGOG REDA (PODREĐENE OBVEZE)**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
088		**XIV**	**MANJINSKI INTERES**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
089	090+091+092+093+094+095	**XV**	**TEHNIČKE PRIČUVE**	**,000**	**1.451.376.927,730**	**1.451.376.927,730**	**,000**	**1.572.290.779,500**	**1.572.290.779,500**
090		1	Pričuve za prijenosne premije, bruto iznos	,000	503.153.739,110	503.153.739,110	,000	616.770.679,740	616.770.679,740
091		2	Matematičke pričuve, bruto iznos	,000	,000	,000	,000	,000	,000
092		3	Pričuve šteta, bruto iznos	,000	945.176.379,820	945.176.379,820	,000	945.046.222,100	945.046.222,100
093		4	Pričuve za bonuse i popuste, bruto iznos	,000	1.152.466,860	1.152.466,860	,000	8.220.367,810	8.220.367,810
094		5	Pričuve za kolebanje šteta, bruto iznos	,000	1.894.341,940	1.894.341,940	,000	2.253.509,850	2.253.509,850
095		6	Druge tehničke pričuve, bruto iznos	,000	,000	,000	,000	,000	,000
096		**XVI**	**POSEBNE PRIČUVE ZA ŽIVOTNA OSIGURANJA KOD KOJIH UGOVARATELJ OSIGURANJA SNOSI RIZIK ULAGANJA, bruto i**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
097	098+099	**XVII**	**OSTALE PRIČUVE**	**,000**	**19.819.280,010**	**19.819.280,010**	**,000**	**19.688.749,620**	**19.688.749,620**
098		1	Pričuve za mirovine i slične obveze	,000	19.819.280,010	19.819.280,010	,000	19.688.749,620	19.688.749,620
099		2	Ostale pričuve	,000	,000	,000	,000	,000	,000
100	101+102	**XVIII**	**ODGOĐENA I TEKUĆA POREZNA OBVEZA**	**,000**	**75.668.957,430**	**75.668.957,430**	**,000**	**77.973.885,410**	**77.973.885,410**
101		1	Odgođena porezna obveza	,000	75.668.957,430	75.668.957,430	,000	77.973.885,410	77.973.885,410
102		2	Tekuća porezna obveza	,000	,000	,000	,000	,000	,000
103		**XIX**	**DEPOZITI ZADRŽANI IZ POSLA PREDANOG U REOSIGURANJE**	**,000**	**,000**	**,000**	**,000**	**,000**	**,000**
104	105+106+107	**XX**	**FINANCIJSKE OBVEZE**	**,000**	**121.622.949,240**	**121.622.949,240**	**,000**	**243.192.313,370**	**243.192.313,370**
105		1	Obveze po zajmovima	,000	121.622.949,240	121.622.949,240	,000	243.192.313,370	243.192.313,370
106		2	Obveze po izdanim financijskim instrumentima	,000	,000	,000	,000	,000	,000
107		3	Ostale financijske obveze	,000	,000	,000	,000	,000	,000
108	109+110+111+112	**XXI**	**OSTALE OBVEZE**	**,000**	**194.017.806,830**	**194.017.806,830**	**,000**	**192.260.489,680**	**192.260.489,680**
109		1	Obveze proizašle iz poslova izravnog osiguranja	,000	35.170.517,130	35.170.517,130	,000	33.024.866,390	33.024.866,390
110		2	Obveze proizašle iz poslova suosiguranja i reosiguranja	,000	5.826.151,220	5.826.151,220	,000	9.692.580,450	9.692.580,450
111		3	Obveze za otuđenje i prekinuto poslovanje	,000	,000	,000	,000	,000	,000
112		4	Ostale obveze	,000	153.021.138,480	153.021.138,480	,000	149.543.042,840	149.543.042,840
113	114+115	**XXII**	**ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEG RAZDOBLJA**	**,000**	**7.236.464,440**	**7.236.464,440**	**,000**	**7.192.408,760**	**7.192.408,760**
114		1	Razgraničena provizija reosiguranja	,000	,000	,000	,000	,000	,000
115		2	Ostalo odgođeno plaćanje troškova i prihod budućeg razdoblja	,000	7.236.464,440	7.236.464,440	,000	7.192.408,760	7.192.408,760
116	068+087+088+089+096+097+100+103+104+108+113	**XXIII**	**UKUPNA PASIVA**	**,000**	**3.146.834.969,310**	**3.146.834.969,310**	**,000**	**3.553.683.382,900**	**3.553.683.382,900**
117		**XXIV**	**IZVANBILANČNI ZAPISI**	**,000**	**153.486.976,430**	**153.486.976,430**	**,000**	**217.062.459,900**	**217.062.459,900**

Statement of Cash Flows

No.	Sum elements	Position	Position description	Current business period	Same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**71.822.837,650**	**320.225.425,560**
002	003+004	**1**	**Cash flow before the change in assets and liabilities**	**134.613.974,340**	**140.138.261,550**
003		1.1	Profit/loss before taxes	174.329.201,420	117.670.443,290
004	005+006+007 +008+009+010 +011+012	**1.2**	**Adjustments:**	**-39.715.227,080**	**22.467.818,260**
005		1.2.1	Depreciation of property and equipment	31.709.226,250	27.505.303,000
006		1.2.2	Depreciation of intangible assets	784.864,210	42.266,000
007		1.2.3	Impairment and gains/losses from reduction to fair value	-31.847.006,770	34.589.670,000
008		1.2.4	Interest costs	5.033.924,870	4.123.739,000
009		1.2.5	Interest income	-45.396.235,640	-43.793.159,740
010		1.2.6	Shares in profit of associated companies	,000	,000
011		1.2.7	Gains/(losses) from sale of tangible assets (including land and buildings)	,000	,000
012		1.2.8	Other adjustments	,000	,000
013	014+015+...+030	**2**	**Increase/decrease in assets and liabilities**	**-17.079.242,790**	**203.941.745,440**
014		2.1	Increase/decrease in investments available for sale	9.086.001,200	87.917.204,700
015		2.2	Increase/decrease in investments valued at fair value in the Profit and Loss Account	,000	,000
016		2.3	Increase/decrease in deposits, loans and receivables	7.008.192,860	60.657.443,140
017		2.4	Increase/decrease in deposits received from reinsurers	,000	,000
018		2.5	Increase/decrease in investments for the account and risk of the life insurance policy holder	,000	,000
019		2.6	Increase/decrease in the reinsurance share in technical provisions	,000	,000
020		2.7	Increase/decrease in tax assets	,000	,000
021		2.8	Increase/decrease in receivables	-127.327.839,860	77.151.221,380
022		2.9	Increase/decrease in other assets	1.034.417,850	46.307.420,830
023		2.10	Increase/decrease in paid costs for the future period and undue income payments	-19.086.979,950	1.502.022,300
024		2.11	Increase/decrease in technical provisions	117.558.103,820	5.278.983,310
025		2.12	Increase/decrease in technical provisions of life insurance when the insured person bears the investment risk	,000	,000
026		2.13	Increase/decrease in tax liabilities	,000	,000
027		2.14	Increase/decrease in deposits received from reinsurers	,000	,000
028		2.15	Increase/decrease in financial liabilities	,000	,000
029		2.16	Increase/decrease in other liabilities	-5.307.083,030	-74.883.859,360
030		2.17	Increase/decrease in deferred expenses and future income	-44.055,680	11.309,140
031		3	Income tax paid	-45.711.893,900	-23.854.581,430
032	033+034+...+046	**II**	**CASH FLOW FROM INVESTMENT ACTIVITIES**	**-172.681.618,530**	**-226.551.564,240**
033		1	Gains from sale of tangible assets	2.467.570,190	,000
034		2	Tangible assets purchase expenses	-66.316.990,610	-30.282.364,250
035		3	Gains from sale of intangible assets	,000	,000
036		4	Intangible assets purchase expenses	-74.365,180	-33.687,500
037		5	Gains from sale of land and buildings not used by the Company for its activities	,000	,000
038		6	Expenses for the purchase of land and buildings not used by the Company for its activities	-37.245.504,850	-50.677.000,000
039		7	Increase/decrease in investment in subsidiaries, associates and joint ventures	,000	,000
040		8	Gains from investments held to maturity	,000	,000
041		9	Losses from investments held to maturity	,000	,000
042		10	Gains from the sale of securities and shares	,000	,000
043		11	Expenses for the investment in securities and shares	,000	,000
044		12	Gains from dividends and shares in profit	13.260.912,630	6.188.463,760
045		13	Gains from payment of given short-term and long-term loans	,000	,000
046		14	Expenses of given short-term and long-term loans	-84.773.240,710	-151.746.976,250
047	048+049+050 +051+052	**III**	**CASH FLOW FROM FINANCIAL ACTIVITIES**	**121.569.364,130**	**38.797.624,170**
048		1	Cash received from increase in share capital	,000	,000
049		2	Cash received from approved short-term and long-term loans	121.569.364,130	38.797.624,170
050		3	Cash paid for the payment of short-term and long-term loans	,000	,000
051		4	Cash paid for the purchase of own shares	,000	,000
052		5	Cash paid for the payment of shares in profit (dividends)	,000	,000
053	001+032+047		**PURE CASH FLOW**	**20.710.583,250**	**132.471.485,490**
054		**IV**	**EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS**	**,000**	**,000**
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**20.710.583,250**	**132.471.485,490**
056		1	Cash and cash equivalents at the beginning of the period	,000	,000
057	055+056	**2**	**Cash and cash equivalents at end of year**	**20.710.583,250**	**132.471.485,490**

Statement of Changes in Equity

No.	Position description	Attributable to the parent's owners							Attributable to the non-controlling interest	Total capital and reserves
		Paid capital (regular and preferential shares)	Share premium account	Revaluation reserves	Reserves (legal, statutory, others)	Retained profit or transferred loss	Profit/loss for the year	Total capital and reserves		
I	**Balance at 1 January of the previous year**	**61.002.000**		**313.230.581**	**172.585.302**	**555.482.662**	**106.598.093**	**1.208.898.638**		**1.208.898.638**
1.	Change in accounting policies									
2.	Prior period adjustment									
II.	**Balance at 1 January of the previous year (adjusted)**	**61.002.000**		**313.230.581**	**172.585.302**	**555.482.662**	**106.598.093**	**1.208.898.638**		**1.208.898.638**
III	**Comprehensive income or loss for the previous year**			**16.581.358**			**93.364.491**	**109.945.848**		**109.945.848**
1.	Profit or loss for the period						93.364.491	93.364.491		93.364.491
2.	**Other comprehensive income or loss for the previous year**			**16.581.358**				**16.581.358**		**16.581.358**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			8.895.308				8.895.308		8.895.308
2.2.	Unrealised gains or losses from financial assets available for sale			7.686.050				7.686.050		7.686.050
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)**					**64.846.191**	**-106.598.093**	**-41.751.903**		**-41.751.903**
1.	Increase/decrease in shared capital									
2.	Other owners' payments									
3.	Payment of shares in profit/dividends					-50.326.650		-50.326.650		-50.326.650
4.	Other allocations to owners					115.172.841	-106.598.093	8.574.747		8.574.747
V	**Balance at the last day of the reporting period in the previous year**	**61.002.000**		**329.811.939**	**172.585.302**	**620.328.852**	**93.364.491**	**1.277.092.584**		**1.277.092.584**
VI	**Balance at 1 January of the current year**	**61.002.000**		**329.811.939**	**172.585.302**	**620.328.852**	**93.364.491**	**1.277.092.584**		**1.277.092.584**
1.	Change in accounting policies									
2.	Prior period adjustment									
VII	**Balance at 1 January of the current year (adjusted)**	**61.002.000**		**329.811.939**	**172.585.302**	**620.328.852**	**93.364.491**	**1.277.092.584**		**1.277.092.584**
VIII	**Comprehensive income or loss for the current period**			**12.541.219**		**102.669.599**	**48.781.355**	**163.992.173**		**163.992.173**
1.	Profit or loss for the period						142.145.846	142.145.846		142.145.846
2.	**Other comprehensive income or loss for the current year**			**12.541.219**		**102.669.599**	**-93.364.491**	**21.846.327**		**21.846.327**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			7.605.350				7.605.350		7.605.350
2.2.	Unrealised gains or losses from financial assets available for sale			4.935.869				4.935.869		4.935.869
2.3.	Realised gains or losses from financial assets available for sale					102.669.599	-93.364.491	9.305.108		9.305.108
2.4.	Other non-owner changes in equity									
IX	**Transactions with owners (current period)**									
1.	Increase/decrease in shared capital									
2.	Other owners' payments									
3.	Payment of shares in profit/dividends									
4.	Other transactions with owners									
X	**Balance at the last day of the reporting period in the current year**	**61.002.000**		**342.353.158**	**172.585.302**	**722.998.451**	**142.145.846**	**1.441.084.756,56**		**1.441.084.757**

Differences between the financial statements prepared in accordance with the International Financial Reporting Standards refer to the following business events:

Statement of Financial Position

The guarantee deposits for leasing contracts, premium receivables, credit cards and checks receivables, other receivables, and cash and cash equivalents given in the financial statement prepared in accordance with the IFRS are recorded in the financial statement in the 049 (Receivables) and 064 (Other assets) positions.
Investments in other assets are recorded in the financial statement in the non-tangible assets position, and in the tangible assets positions in special financial statements.
Liabilities from direct insurance and liabilities from reinsurance recorded in the financial statement prepared in accordance with the IFRS are given in the following positions of the financial statement:

- 103 – Deferred tax liabilities
- 110 – Other financial liabilities
- 111 – Other liabilities.

Interests for loans in a financial statement prepared in accordance with the IFRS are classified as credits and receivables, whereas in the report for HANFA's use, they are classified as other receivables. Provisions on a group basis for loans in a financial statement prepared in accordance with the IFRS are classified as impairment of loss, whereas in the report for HANFA's use, they are classified as other receivables.
Deferred tax liabilities in financial statements prepared in accordance with the IFRS are given in the net amount.

Statement of Comprehensive Income

The Underwriting costs and Administrative costs positions stated in the financial statements prepared in accordance with the IFRS are given in the 051 position of the financial statement (Business expenses (Activity performance expenses), net).
Other business expenses in financial statements prepared in accordance with the IFRS are given in the 068 position (Other technical expenses, net of reinsurance) and 023 (Other investment income).