

**Allianz Zagreb d.d.**

**Consolidated and unconsolidated  
financial statements for 2015**

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## Annual report

Slight growth of real economic activities accompanied with minor positive movements in the labor market and real income growth are the key factors that have marked the year 2015 that had a moderately positive effect on the development of the insurance business.

I am pleased to report very good results for the year ended 31st December 2015.

For the first time since 2008, Croatia GDP grew positively, but it's still far from an economic environment that represents a basis for growing a business. With that, the Company's focus and expectations weren't set on achieving the growth rate it had in the past, but more focused profitability and the stability of its portfolio as well as maintaining a high capital adequacy ratio in order to secure a safe continuance of its business.

In 2015 we started with the transformation of entire organization where we created the preconditions for achieving a high degree of flexibility and customization options to adapt easier in the short term to the requirements of the insurance market.

The Company's organization and behavior were focused on principle based goals, rather than the ones based on strict rules which represent safety of policyholders, quality management of all risks and maintaining financial stability.

With that, I would like to point out that we will continue to work on keeping the Company's profitability, minimizing risks, maximizing life insurer's profit and gratifying our customer's needs as well as securing an active, constructive and fair participation of the Company in the insurance and financial market in Croatia.

Further on, with great attention and in accordance with rules and regulations of our profession we intend to take care of the whole business so that at any point the profitability and capital adequacy wouldn't come into question.

Our previous results are proof that we are on the right way to achieve our mid-term goals and strengthen Allianz's position in the Croatian insurance market in accordance with our global position.

When looking to the future, it is our desire to accomplish great business results, always focus on our clients, build and maintain mutual trust and assure that our employees make a difference. Through professional, moral and ethical behavior and business conduct, we want to be a financial institution that clients trust the most.

### **Growth and development of the Company**

Despite the slight economic growth visible in GDP growth (1.9%), increase in industrial production (2.6%) and in net exports as well as a lower unemployment rate (17.9%) the economic environment in Croatia is far away from ideal. However, the Group realized profit before tax amounting to HRK 126.6 million (Company: HRK 125.6 million), firstly as a result of stable claims ratio, prudent cost control and stable investment result.

The Company recorded total gross premium of HRK 1,186.8 million and retained 2<sup>nd</sup> position on the market with a share of 13.7%. In the life insurance market, the Company maintained its leader position with a market share of 18.3% (2014: 20.5%). In non-life insurance market, the Company's market share decreased slightly from 11.4% to 11.3% and retained the 3<sup>rd</sup> position. In addition, Company managed to maintain a high capital adequacy ratio at the level of 254.3% (2014: 247.5%), regardless of the insurance market's turbulences and the relatively risky macroeconomic environment.

In 2015 the Company started the process of transforming its sales network and had also continued with the optimization of business processes, focused on cost control and continued with conservative investment policy. Also, Company started the reorganisation of Company's structure and to confirm business optimization and the adequacy of the process, Company will engage McKinsey to review the whole process and support us in achieving proper organisational alignment. The process and collaboration with external expert is supported and approved by relevant person of Allianz SE.

## Income Statement

Gross written premium from direct insurance business amounted to HRK 1,186.8 which represents a decrease of 2.4% or HRK 28.6 million in comparison with 2014. This lower realization is a result of a decrease in both business segments. In the life segment the gross written premium declined by HRK 5.4 million, or 1.0% in relative terms and in the non-life segment the gross written premium was lower than last year's by HRK 23.3 million or 3.5%.

Net premium written in 2015 amounted to HRK 1,020.7 million which is a decrease of 5.9% compared to the previous year.

The net financial investment result before impairment of financial assets, foreign exchange differences and other investment expenses in 2015 amounts to HRK 188.4 million, reflecting a HRK 2.3 million increase compared to 2014 for the Group. Company result shows HRK 183.5 million in 2015, which is a HRK 1.7 million increase from 2014. This increase of investment result is mostly due to higher dividends revenues.

Total investment result after the impairment of financial assets, foreign exchange differences and other investment cost in year 2015 amounted to HRK 178.2 million for the Group (2014: HRK 191.2 million) and 174.1 million for the Company (2014: HRK 188.7 million).

Acquisition costs of the Group decreased by 14.51% in 2015 (Company: 14.53%) as a result of premium decline, while administration costs decreased by 3.3% (Company: 3.4%) compared to 2014 mostly because of savings.

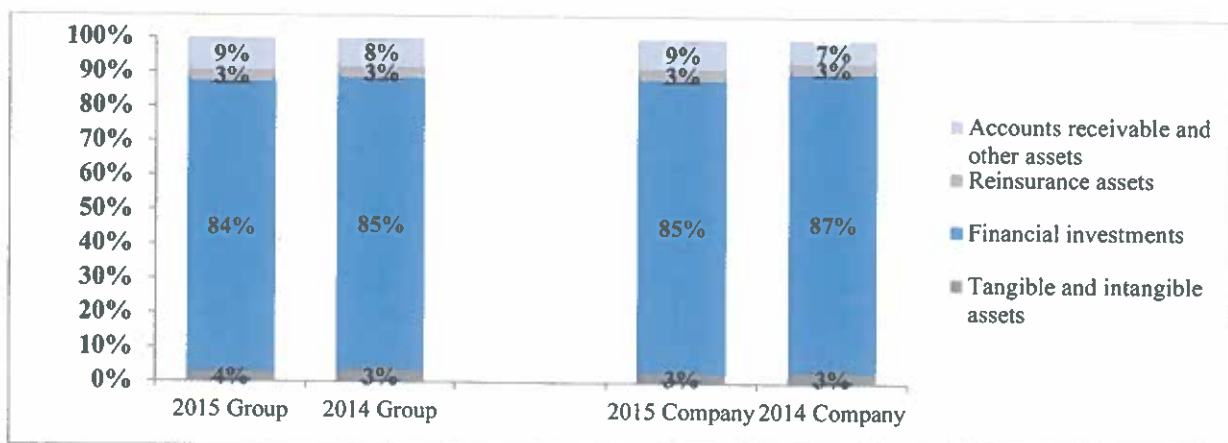
## Balance sheet

### Asset structure

Total assets of the Group on 31st December 2015 amounted to HRK 4,744.2 million (Company: HRK 4,637.2), representing an increase of HRK 262.8 million (Company: HRK 242.7) or 5.86% (Company: 5.52%), compared to 31st December 2014.

Better view of asset categories is represented in the graph below. It shows changes (in % of total assets) in asset structure on 31 December 2015 compared to previous year for the Group and the Company.

Graph no. 1: Analysis of total assets



Total investments in tangible assets at 31st December 2015 amounted to HRK 74.7 million (Company: HRK 71.2), representing a decrease of 7.1% (Company: 7.6%) compared to the previous year.

Intangible assets of the Group at 31st December 2015 amounted to HRK 61.9 million (consisting of deferred acquisition costs of HRK 44.5 million and software and licenses of HRK 17.5 million) which is 9.3% less than the year before. Company's intangible assets amounted to HRK 60,5 million, thereof deferred acquisition costs amounted to HRK 44.5 million (decrease of 12%) and software and licenses amounted to HRK 16 million (decrease of 2,6%).

Total financial assets of the Group at 31st December 2015 amounted to HRK 4,002.4 million (Company: HRK 3,942.6) representing 84.4% (Company: 85%) of total assets and increase of HRK 190.2 million (Company: HRK 137.5 million) or 5% (Company 3.6%) compared to the previous year. The majority of financial assets represent investments in bonds with fixed interest rate - up to 78.7% (Company 77%) of total financial investments. Republic of Croatia Government bonds are dominant within this asset class, representing 57.5% (Company 55.5 %) and investment in foreign corporate bonds represent 2.7% of the total financial investments while the remaining of investments comprise bonds of EU member states Governments and foreign and domestic bonds. Total of 21.5% of investments in debt securities are classified in held to maturity portfolio.

From other financial investments at 31st December 2015 investment funds are making 16.4% and loans and receivables 3%.

Total investments in subsidiaries in 2015 amounted to HRK 132.5 million representing a decrease of HRK 6.0 million compared to 2014 as a result of decrease of investments in investment fund Allianz Cash which together with Allianz Portfolio and Allianz Equity is controlled by Allianz Invest d.o.o. Other investments in subsidiaries remained unchanged: AZ Servisni Centar d.o.o. with investment of HRK 200 thousand and Autoelektro tehnički pregledi d.o.o. with investment of HRK 488 thousand.

Reinsurance share of technical reserves amounted to HRK 160 million representing an increase of HRK 13.2 million or 9% compared to 2014.

Total receivables of the Group at 31st December 2015 amounted to HRK 267.5 million (Company: HRK 267.2 million), representing an increase of HRK 3.5 million or 1.3% in comparison with the previous year.

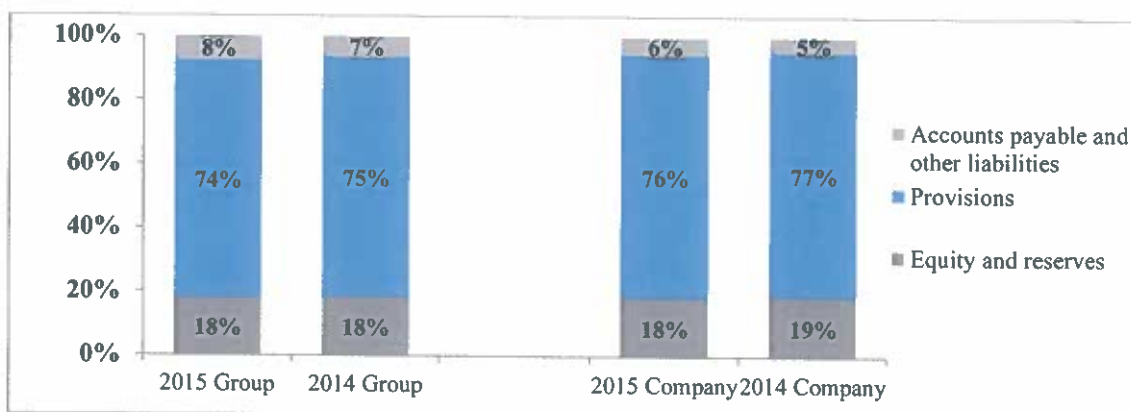
Receivables arising out of direct insurance business after provision amounted to HRK 127.6 million (2014: 88) and receivables arising out of reinsurance operations amounted to HRK 46.2 million (2014: 66.7).

Other receivables amounted to HRK 93.6 million (Company: HRK 93.4 million), representing a decrease of HRK 15.8 million or 14.4 % compared to 2014. Interest receivables decreased by 4.6% and amounted to HRK 52.5 million.

### Liability structure

Changes (in % of total assets) in liability structure on 31st December 2014 compared to 2013 for the Group and the Company are shown in the graph below.

Graph no .2: Analysis of liabilities



Capital and reserves of the Group on 31st December 2015 amounted to HRK 842.2 million (Company: HRK 843.6 million), representing an increase of HRK 26.4 million (Company HRK 25.8 million) or 3.2% (Company 3.1%) compared to 2014.

Gross insurance provisions of the Company in amount of HRK 3,532.8 million have grown compared to previous year by HRK 164.3 million or 4.9%. The most significant increase in the insurance provisions relates to life assurance provision of HRK 254.3 million.

At the end of 2015 liabilities for insurance and other payables and deferred income amounted to HRK 337.6 million (Company: HRK 229.4 million) and have increased by HRK 76.2 million (Company: HRK

57 million) compared to previous year. Deferred tax liability has decreased from HRK 35.7 million to HRK 29.2 million and current income tax liability amounted to HRK 2.3 million on 31st December 2015.

### Post balance sheet events

There were no significant post balance sheet events.

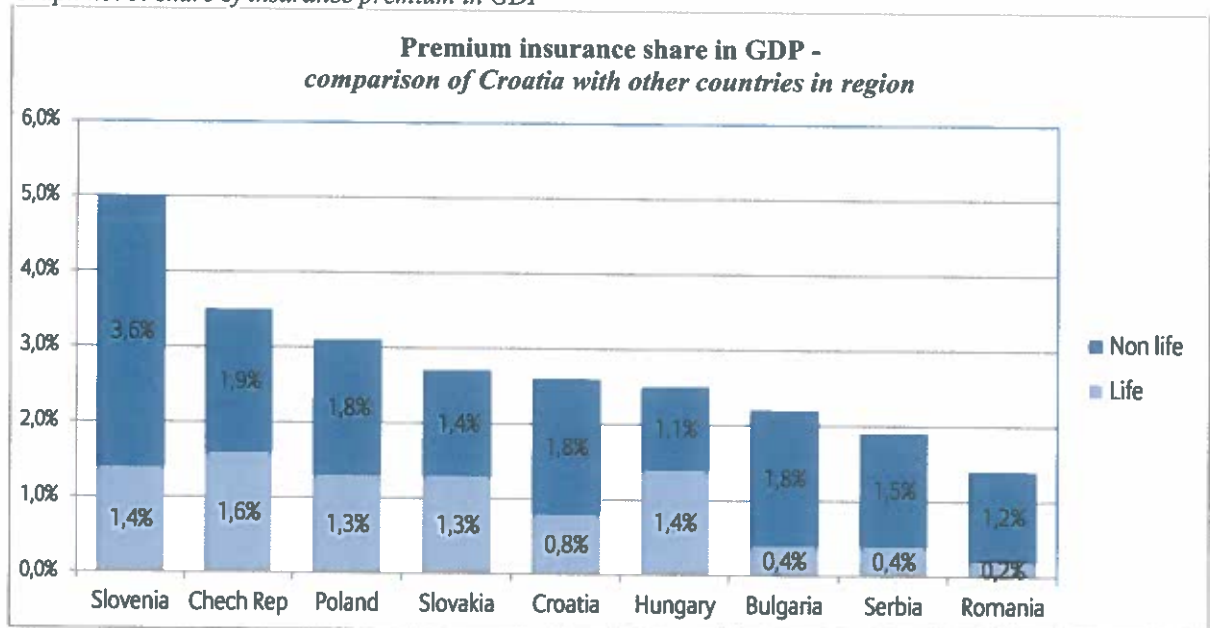
### Company's growth in the next period

The Company provided services in all main life and non-life segments since of its existence on the market. In the past couple of years the company strongly increased its market position in Republic of Croatia, and at the same time increased the profitability of the Company.

When we compare the Croatian market with the remaining market of Europe, we can freely say that Croatian insurance industry is still underdeveloped. This fact is even more evident at the life insurance segment (at the end of 2014 the share of insurance premium in GDP amounted only 0.8%). Furthermore, the average insurance premium per citizen amounts only 104\$ in Life and 243\$ in Non-life segment.

Based on the above mentioned facts, Croatian insurance market has significant potential which the Company plans to take advantage of in Life insurance segment, due to a lifetime growth and the need for greater care for pensions, presents one of the most important strategic products of the Company. The product is complement with the savings in voluntary pension funds and this is where the Company sees the biggest growth potential in long term period.

Graph no. 3: share of insurance premium in GDP



Source: Swiss Re Sigma, No 4/2015

Concerning current and expected market circumstances the Company has put forward the following goals in the next period:

- achieving sustainable profit to shareholders
- achieving satisfactory profit to life insurance contractors
- meeting the client's needs by taking over their risk, together with fast and high quality claims compensation management
- efficient cost control
- digital development
- maintain high capital adequacy ratio
- actively, constructively and fair participation in the insurance and finance market in Croatia



The above mentioned goals Company planes to achieve through adequate management and preserving of sales network, careful capital management through the permanent adjustment of the strategic allocation assets with respect to market trends, maintaining stable loss ratio, together with continuous cost optimizing, carried out through careful administrative cost management.

## **Financial risk management**

The Company invests its available resources matching of investments with liabilities maturity structure, foreign exchange structure and liquidity. The main financial instruments to which resources are invested are government and corporative bonds, treasury bills, shares, investment funds, bank deposits as well as loans to insurer and companies.

The Company has adopted investment policies and procedures in order to manage risks. They contain the protection measures from lager losses (stop loss scenario); such protection measures have defined strategic allocation of recourses which have a function of minimizing the risk having the satisfactory yield.

The fundamental risk of the company is the pricing risk of assets main classes to which the company invests (bonds, shares).

Increase in interest rates by 1% would result at 31st December 2015 in bond portfolio valuation decline by HRK 127 million (2014: 110.6 million). Decrease in interest rates by 1% would result at 31st December 2015 in bond portfolio valuation growth of HRK 151.4 million (2014: 132.9 million).

Credit risk of the company is mainly developed from the local credit risk in which the business is carried out (risk for Republic of Croatia is BB as per the S&P).

Liquidity of the company is more than satisfying and cash inflow is higher than cash outflow and therefore the company generates liquidity surplus conducive for investments.

Transactions with financial instruments result in the Group assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk.

## **Corporate governance**

Effective corporate governance is a necessary precondition for the success of the Company. The same is realized through setting strategic goals, providing infrastructure that allows their implementation, establishing clear lines of responsibility, personal integrity of the Board and employees. The Company applies the external and internal regulations and monitors the compatibility of the organizational structure.

### ***General Meeting***

The General Meeting is convened by the Management Board after the Supervisory Board approves the decisions that are to be adopted by the Meeting on the basis of the Statute and law.

The Meeting decides on the appointment and dismissal of the Supervisory Board members, profit distribution, gives an approval of conduct to members of Supervisory Board and members of Management Board, appointing of the company's auditor, changes the statute, increase and decrease of the share capital of the company, the appointment of auditors to examine the actions performed in the establishment of the company or management of the Company, membership in the insurance Associations, on the termination of the company and on all other matters as are prescribed by law and the Statute.

### ***Management Board of the Company***

In addition to its authority and obligations specified in Companies Act, members of the Management Board shall ensure the Company's compliance with the provisions of the Insurance Act and regulations adopted pursuant to the Insurance Act, or pursuant to other laws regulating the business of insurance companies and regulations adopted pursuant these laws.

Management Board is responsible to inform the Supervisory Board in writing and without delay, of threat to liquidity of an insurance company, if there is reason for expiry of the authorization to carry on insurance business or if there is a reason to revoke the authorization to carry on insurance business or to prohibit the carrying out of operations under all or individual lines of insurance, if the financial situation of insurance company changes to the extent that the insurance company is no longer aligned with the necessary Solvency Capital Requirement or it is not aligned with the Minimum Capital Requirement or when there is a risk that this incompatibility appears in next three months and of all measures of the Regulatory Agency and other supervisory authorities issued in the procedure of monitoring of the insurance company.

Members of the Management Board shall inform the Supervisory Board, in writing and without delay, on his or her appointment or revocation in the supervisory board or management board of other legal entities, on legal affairs on the basis of which Management board member or a member of his immediate family, directly or indirectly acquired stocks or business shares of legal persons on the basis of which member of the board along with members of his immediate family reaches or exceeds a qualifying holding in that legal person, or if their share falls below the qualifying holding, on termination of Management Board function, on termination of conditions for performing the function of Management Board Member and on the conflict of interest he or she is involved in, and of all others events and facts in accordance with the Insurance Act and other laws regulating the business of insurance companies and regulations adopted pursuant these laws.

### ***The Supervisory Board***

Members are appointed by the Assembly for a term of four years.

In addition to the competence of the Supervisory Board in accordance with the Companies Act, the Supervisory Board of the insurance company has the responsibilities to give approval to the Management Board on the business policy of the insurance company and strategic goals of the insurance company, to determine the financial plan of the insurance company, to determine strategies and policy of underwriting and risk management, to give approval on own risk and solvency assessment, to give approval on the internal control system, to give approval on the framework of the annual program of internal audit and to decide on other matters specified by this Act.

The Supervisory Board members are obliged to monitor the adequacy of the procedures and the effectiveness of internal audit, fulfil their obligations taking into account the facts found by the Regulatory Agency, the tax authorities and other supervisory bodies during the supervision of the insurance company, monitor the implementation and effectiveness of the management system, monitor the enforcement the business policy of the insurance company, strategic goals and strategies and policy of underwriting and risk management, monitor procedure of publishing information, examine the financial statements of insurance companies and submit a written report to the general assembly on their findings, to explain to the General Meeting their opinion on annual internal audit report and annual Management Board report.

The Supervisory Board member is obliged to inform the Regulatory Agency on appointment or revocation of his or her function on the insurance company and on membership in Supervisory Board and Board of Management of other legal entities, to inform the Regulatory Agency of the legal affairs on the basis of which, directly or indirectly, a member of the Supervisory Board, or members of his immediate family acquired stocks and shares in a legal entity on the basis of which member of the Supervisory Board together with members of their family in that legal person reaches or exceed the qualifying holding, or if their share falls below the qualifying holding.

The Supervisory Board members are obliged, without delay, to notify in writing the Regulatory Agency of any information which may affect the revocation of the approval for the Management Board Member to carry out its function and on the termination and the reasons for termination of mandate of Member of the Management Board.

Members of the supervisory board of the insurance company are jointly and severally liable to the insurance company for the damage caused by the neglect of their obligations, unless they can prove that they are fairly and conscientiously fulfilling their duties.



### *The Audit Committee*

According to the Audit Law, the Company has an Audit Committee consisting of three members who are elected and recalled by the Supervisory Board. At least one member of the Supervisory Board shall be a member of the Audit Committee.

The Committee has the following obligations, to monitors the way of financial reporting and financial statements of the Company, to monitor the effectiveness of internal control systems, internal audit and risk management systems, to supervise the execution of the annual audit of financial statements conducted by an external auditor, to monitor the independence of independent auditors or companies that provide audit services with particular emphasis on contracts for additional services and consulting services, to make recommendations to the General Meeting and the Supervisory Board to appoint external independent auditors or companies that provide audit, to discuss plans and annual reporting on the activities of the internal audit and all items that could be related to the above.

### *Financial Committee*

Financial Committee considers relevant questions about the investment strategy of the Company, accompanied by investment process and provides guidance and recommendations related to the investment company's assets.

### *Conflict of interest*

Rules, internal acts of the organization and operations as well as the individual contracts of employment have clearly specified duties and responsibilities of each employee.

In addition, in accordance with the Companies Act, member of the Management Board may not, without the consent of the Supervisory Board participate in the decision or the conclusion of a legal transaction if he or she is:

- (1) A representative under law, legal representative, proxy or attorney of the counterparty,
- (2) If the counterparty or its representative under law, legal representative, proxy or attorney counterparty is blood relative of the Member of the Management board in a direct line to any degree, in the collateral line to the second degree or his spouse, common-law spouse or in-laws to the second degree, regardless of whether the marriage is ended or not, or the adoptive parent or adopted child of the other contracting party, its representative under law, legal representative, proxy or attorney,
- (3) Associated with the legal transaction to be decided upon or concluded which makes a conflict of interest between the members of the Management Board and Company. No matter how member of Management Board participates in the decision or conclusion of a legal transaction, a Management Board member shall immediately inform about the those circumstances other members of the Management Board and Supervisory Board and in the notification he or she shall state all relevant facts about the nature of his relationship with a counterparty and his or hers assessment of conflict of interest.

*President of the Management Board*  
Boris Galić

*Member of the Management Board*  
Kristijan Buk

**Allianz**   
Allianz Zagreb d.d.

## Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual financial statements and the annual report

The Management Board of the Company is required to prepare unconsolidated and consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and Group and of the results of their operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently, making judgements and estimates that are reasonable and prudent, and preparing the unconsolidated and consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Company and Group together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The consolidated and unconsolidated financial statements set out on pages 11 to 126 together with the schedules prepared in accordance with the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 132/10 and 39/12) ("the Schedules"), presented on pages 127 to 143, and the reconciliation, presented on pages 144 to 154, of the Schedules with the financial statements were authorised by the Management Board on 5 April 2016 for issue to the Supervisory Board and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the annual report, as required by Article 18 of the Accounting Act (Official Gazette no 109/07, 54/13, 121/14 of the Republic of Croatia). The annual report set out on pages 1 to 7 was authorised by the Management Board on 5 April 2016 and signed accordingly.

  
Boris Galic  
President of the Management Board

  
Kristijan Bulc  
Member of the Management Board

  
Allianz  
Allianz Zagreb d.d.



## **Independent auditor's report to the shareholders of Allianz Zagreb d.d.**

We have audited the accompanying consolidated financial statements of Allianz Zagreb Group ("the Group") and the accompanying unconsolidated financial statements of Allianz Zagreb d.d. ("the Company"), which comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management Board's Responsibility for the consolidated and unconsolidated financial statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated and unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated and unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated and unconsolidated financial statements.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Independent auditor's report to the shareholders of Allianz Zagreb d.d. (continued)

### *Other legal and regulatory requirements*

Pursuant to the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 132/10 and 39/12), the Management Board of the Company has prepared the unconsolidated schedules of the Company set out on pages 127 to 143 ("the Schedules"), which comprise an alternative presentation of the unconsolidated statement of financial position as of 31 December 2015, and of the unconsolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a reconciliation ("the Reconciliation"), as presented on pages 144 to 154, of the Schedules with the unconsolidated financial statements as presented on pages 11 to 126. The Management Board of the Company is responsible for the Schedules and the Reconciliation. The financial information in the Schedules is derived from the unconsolidated financial statements of the Company set out on pages 11 to 126 on which we have expressed an unmodified opinion as set out above

Further, pursuant to legal and regulatory requirements as applicable for reporting periods ending to 31 December 2015, the Management Board of the Company has prepared the annual report set out on pages 1 to 7. The Management Board of the Company is responsible for the preparation and content of the annual report in accordance with Article 18 of the Accounting Act (Official Gazette 109/07, 54/13, 121/14 of the Republic of Croatia). Our responsibility is to report on the consistency of the information in the annual report with the audited financial statements based on procedures we considered appropriate to perform in accordance with Article 17 of the Accounting Act (Official Gazette 109/07, 54/13, 121/14 of the Republic of Croatia). The information given in the accompanying annual report is consistent with the financial statements set out on pages 11 to 126.

**KPMG Croatia d.o.o. za reviziju**  
Croatian Certified Auditors  
Eurotower, 17th floor  
Ivana Lučića 2a  
10000 Zagreb  
Croatia

Zagreb, 5 April 2016

For and on behalf of KPMG Croatia d.o.o. za reviziju:

  
Goran Horvat  
Director, Croatian Certified Auditor

**KPMG Croatia**  
d.o.o. za reviziju  
Eurotower, 17. kat  
Ivana Lučića 2a, 10000 Zagreb, Croatia

# Statement of financial position

As at 31 December

	Note	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<b>Assets</b>					
Property and equipment	1.11	44,390	48,879	40,806	45,443
Investment property	1.12	30,352	31,602	30,352	31,602
Intangible assets					
- Deferred acquisition costs	1.13	44,452	50,516	44,452	50,516
- Other intangible assets	1.14	17,470	17,768	16,020	16,452
Investments in subsidiaries	1.15	-	-	132,523	138,518
Held-to-maturity investments	1.16	675,483	676,431	670,247	671,153
Available-for-sale financial assets	1.16	2,776,366	2,487,413	2,670,496	2,420,748
Financial assets at fair value through profit or loss	1.16	429,887	409,205	404,048	390,030
Loans and receivables	1.16	120,679	239,176	65,297	184,703
Reinsurers' share of insurance contract provisions	1.17	160,016	146,734	160,016	146,734
Current income tax prepayment		-	3,384	-	3,384
Insurance and other receivables	1.19	267,477	264,166	267,236	264,027
Cash and cash equivalents	1.20	177,581	106,119	135,756	31,206
<b>Total assets</b>		<b>4,744,153</b>	<b>4,481,393</b>	<b>4,637,249</b>	<b>4,394,516</b>
<b>Liabilities</b>					
Insurance contract provisions	1.21	3,532,788	3,368,494	3,532,788	3,368,494
Insurance and other payables and deferred income	1.22	337,580	261,403	229,425	172,474
Deferred tax liability	1.18	29,234	35,731	29,234	35,731
Current income tax liability		2,351	-	2,208	-
<b>Total liabilities</b>		<b>3,901,953</b>	<b>3,665,628</b>	<b>3,793,655</b>	<b>3,576,699</b>
<b>Equity attributable to owners of the Company</b>					
Issued share capital	1.23 (a)	101,722	101,722	101,722	101,722
Share premium	1.23 (b)	112,001	112,001	112,001	112,001
Fair value reserve	1.23 (c)	144,475	170,152	144,451	170,128
Legal reserve	1.23 (d)	25,053	25,053	25,053	25,053
Retained earnings		458,598	406,390	460,367	408,913
		841,849	815,318	843,594	817,817
<b>Non-controlling interests</b>		<b>351</b>	<b>447</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>842,200</b>	<b>815,765</b>	<b>843,594</b>	<b>817,817</b>
<b>Total liabilities and equity</b>		<b>4,744,153</b>	<b>4,481,393</b>	<b>4,637,249</b>	<b>4,394,516</b>

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.

# Statement of comprehensive income

For the year ended 31 December

	Note	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Gross premiums written	1.26	1,186,782	1,215,440	1,186,782	1,215,440
Written premiums ceded to reinsurers	1.26	(166,049)	(130,150)	(166,049)	(130,150)
Net premiums written	1.26	1,020,733	1,085,290	1,020,733	1,085,290
Change in the gross provision for unearned premiums	1.26	(10,064)	21,897	(10,064)	21,897
Reinsurers' share of change in the provision for unearned premiums	1.26	38,410	(3,286)	38,410	(3,286)
Net earned premiums	1.26	1,049,079	1,103,901	1,049,079	1,103,901
Fee and commission income	1.27	23,872	22,368	23,872	22,368
Financial income	1.28	186,578	197,762	181,158	193,000
Other operating income	1.29	11,255	12,677	7,968	8,865
Operating income		1,270,784	1,336,708	1,262,077	1,328,134
Claims and benefits incurred	1.30	(769,081)	(898,716)	(769,081)	(898,716)
Reinsurers' share of claims and benefits incurred	1.30	31,076	129,071	31,076	129,071
Net policyholder claims and benefits incurred	1.30	(738,005)	(769,645)	(738,005)	(769,645)
Acquisition costs	1.31	(198,487)	(232,179)	(198,361)	(232,090)
Administrative expenses	1.32	(192,666)	(199,218)	(184,773)	(191,317)
Other operating expenses	1.33	(6,691)	(15,024)	(8,263)	(17,115)
Financial expenses	1.34	(8,374)	(6,544)	(7,044)	(4,296)
Profit before income tax		126,561	114,098	125,631	113,671
Income tax expense	1.35	(22,449)	(26,442)	(22,177)	(26,290)
Profit for the year		104,112	87,656	103,454	87,381
Profit attributable to:					
- Equity holders of the Company		104,208	87,639	103,454	87,381
- Non-controlling interests		(96)	17	-	-
		104,112	87,656	103,454	87,381
Earnings per share attributable to the equity holders of the Company		HRK	HRK	HRK	HRK
Basic and diluted earnings per share	1.24	409.77	344.62	406.81	343.61

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.



## Statement of comprehensive income (continued)

For the year ended 31 December

	<b>Group 2015</b>	Group 2014	<b>Company 2015</b>	Company 2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
<b>Profit for the year</b>	<b>104,112</b>	87,656	<b>103,454</b>	87,381
<b>Other comprehensive income for the year</b>				
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax (Note 1.23c)	<b>(25,677)</b>	109,494	<b>(25,677)</b>	109,494
<b>Total comprehensive income for the year</b>	<b>78,435</b>	197,150	<b>77,777</b>	196,875
<b>Attributable to:</b>				
- Equity holders of the parent	78,531	197,133	<b>77,777</b>	196,875
- Non-controlling interests	(96)	17	-	-
	<b>78,435</b>	197,150	<b>77,777</b>	196,875

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.

# Statement of changes in equity

## Group

	Attributable to owners of the parent						Non controlling interests HRK'000	Total equity HRK'000
	Issued share capital	Share premium	Fair value reserve	Legal reserve	Retained earnings	Total		
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000		
<b>At 1 January 2014</b>	<b>101,722</b>	<b>112,001</b>	<b>60,658</b>	<b>25,053</b>	<b>360,749</b>	<b>660,183</b>	<b>430</b>	<b>660,613</b>
<b>Total comprehensive income for the year</b>								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.23c)	-	-	136,868	-	-	136,868	-	136,868
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.18; 1.23c)	-	-	(27,374)	-	-	(27,374)	-	(27,374)
<i>Other comprehensive income</i>	-	-	109,494	-	-	109,494	-	109,494
<i>Profit for the year</i>	-	-	-	-	87,639	87,639	17	87,656
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>109,494</b>	<b>-</b>	<b>87,639</b>	<b>197,133</b>	<b>17</b>	<b>197,150</b>
<b>Transactions with owners recognised directly in equity</b>								
Dividend for 2013 paid (Note 1.25)	-	-	-	-	(41,998)	(41,998)	-	(41,998)
<b>At 31 December 2014</b>	<b>101,722</b>	<b>112,001</b>	<b>170,152</b>	<b>25,053</b>	<b>406,390</b>	<b>815,318</b>	<b>447</b>	<b>815,765</b>
<b>At 1 January 2015</b>	<b>101,722</b>	<b>112,001</b>	<b>170,152</b>	<b>25,053</b>	<b>406,390</b>	<b>815,318</b>	<b>447</b>	<b>815,765</b>
<b>Total comprehensive income for the year</b>								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.23c)	-	-	(32,097)	-	-	(32,097)	-	(32,097)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.18; 1.23c)	-	-	6,420	-	-	6,420	-	6,420
<i>Other comprehensive income</i>	-	-	(25,677)	-	-	(25,677)	-	(25,677)
<i>Profit for the year</i>	-	-	-	-	104,208	104,208	(96)	104,112
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(25,677)</b>	<b>-</b>	<b>104,208</b>	<b>78,531</b>	<b>(96)</b>	<b>78,435</b>
<b>Transactions with owners recognised directly in equity</b>								
Dividend for 2014 paid (Note 1.25)	-	-	-	-	(52,000)	(52,000)	-	(52,000)
<b>At 31 December 2015</b>	<b>101,722</b>	<b>112,001</b>	<b>144,475</b>	<b>25,053</b>	<b>458,598</b>	<b>841,849</b>	<b>351</b>	<b>842,200</b>

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.

# Statement of changes in equity

## Company

	Issued share capital	Share premium	Fair value reserve	Legal reserve	Retained earnings	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>At 1 January 2014</b>	<b>101,722</b>	<b>112,001</b>	<b>60,634</b>	<b>25,053</b>	<b>363,530</b>	<b>662,940</b>
<b>Total comprehensive income for the year</b>						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.23c)	-	-	136,868	-	-	136,868
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.18; 1.23c)	-	-	(27,374)	-	-	(27,374)
<i>Total other comprehensive income</i>	-	-	109,494	-	-	109,494
<i>Profit for the year</i>	-	-	-	-	87,381	87,381
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>109,494</b>	<b>-</b>	<b>87,381</b>	<b>196,875</b>
<b>Transactions with owners recognised directly in equity</b>						
Dividends for 2013 paid (Note 1.25)	-	-	-	-	(41,998)	(41,998)
<b>At 31 December 2014</b>	<b>101,722</b>	<b>112,001</b>	<b>170,128</b>	<b>25,053</b>	<b>408,913</b>	<b>817,817</b>
<b>At 1 January 2015</b>	<b>101,722</b>	<b>112,001</b>	<b>170,128</b>	<b>25,053</b>	<b>408,913</b>	<b>817,817</b>
<b>Total comprehensive income for the year</b>						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.23c)	-	-	(32,097)	-	-	(32,097)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.18; 1.23c)	-	-	6,420	-	-	6,420
<i>Total other comprehensive income</i>	-	-	(25,677)	-	-	(25,677)
<i>Profit for the year</i>	-	-	-	-	103,454	103,454
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(25,677)</b>	<b>-</b>	<b>103,454</b>	<b>77,777</b>
<b>Transactions with owners recognised directly in equity</b>						
Dividend for 2014 paid (Note 1.25)	-	-	-	-	(52,000)	(52,000)
<b>At 31 December 2015</b>	<b>101,722</b>	<b>112,001</b>	<b>144,451</b>	<b>25,053</b>	<b>460,367</b>	<b>843,594</b>

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.

## Cash flow statement

For the year ended 31 December

	Notes	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
<b>Cash flow from operating activities</b>					
Profit after tax		104,112	87,656	103,454	87,381
<i>Adjustments for:</i>					
- Tax	1.35	22,449	26,442	22,177	26,290
- Depreciation of property and equipment	1.32	6,951	8,568	6,785	8,310
- Depreciation of investment property	1.34	1,250	1,291	1,250	1,291
- Change in deferred acquisition costs	1.31	6,064	1,058	6,064	1,058
- Amortisation of other intangible assets	1.32	7,419	10,259	6,812	9,418
- Net foreign exchange gains on financial assets	1.28	1,783	(11,634)	2,385	(11,077)
- Loss on disposal of property and equipment		1,072	2,003	1,073	1,994
- Unrealised gains from financial assets at fair value through profit or loss		(16,105)	(14,037)	(8,743)	(14,831)
- Impairment losses on financial assets		2,722	1,551	2,722	1,529
- Impairment losses on insurance and other receivables		4,097	3,103	4,097	3,103
- Interest income	1.28	(141,589)	(145,761)	(138,203)	(142,525)
- Interest received		140,307	133,638	138,115	131,734
		<u>140,532</u>	<u>104,137</u>	<u>147,988</u>	<u>103,675</u>
<b>Changes in operating assets and liabilities</b>					
Net decrease in held-to-maturity investments		123	55,909	193	61,218
Net increase in available-for-sale financial assets		(322,704)	(437,253)	(285,392)	(425,138)
Net (increase)/decrease in financial assets at fair value through profit or loss		(4,599)	62,081	(7,102)	63,683
Net decrease/(increase) in loans and receivables		116,834	(28,657)	117,743	(62,872)
Net increase in reinsurance share in technical provisions		(13,282)	(49,470)	(13,282)	(49,470)
Net increase in insurance and other receivables		(6,467)	(4,427)	(6,380)	(4,524)
Net increase in insurance contract provisions		164,294	309,640	164,294	309,640
Net increase/(decrease) in insurance and other payables		76,177	(12,528)	56,951	1,290
<b>Net cash from operating activities before income tax paid</b>		<u>150,908</u>	<u>(568)</u>	<u>175,013</u>	<u>(2,498)</u>
Income tax paid		(16,791)	(29,072)	(16,662)	(28,918)
<b>Net cash from operating activities</b>		<u>134,117</u>	<u>(29,640)</u>	<u>158,351</u>	<u>(31,416)</u>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	1.11	(3,534)	(7,096)	(3,221)	(7,067)
Purchase of other intangible assets	1.14	(7,121)	(8,268)	(6,380)	(7,798)
Decrease in investment in subsidiaries carried at fair value		-	-	7,800	-
<b>Cash flows from investing activities</b>		<u>(10,655)</u>	<u>(15,364)</u>	<u>(1,801)</u>	<u>(14,865)</u>
<b>Cash flows from financing activities</b>					
Dividend paid	1.25	(52,000)	(41,998)	(52,000)	(41,998)
<b>Net cash from financing activities</b>		<u>(52,000)</u>	<u>(41,998)</u>	<u>(52,000)</u>	<u>(41,998)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>71,462</u>	<u>(87,002)</u>	<u>104,550</u>	<u>(88,279)</u>
Cash and cash equivalents at 1 January		106,119	193,121	31,206	119,485
<b>Cash and cash equivalents at 31 December</b>	1.20	<u>177,581</u>	<u>106,119</u>	<u>135,756</u>	<u>31,206</u>

The accounting policies and other explanatory notes on pages 17 to 126 form an integral part of these financial statements.

# 1 Notes to the financial statements

## 1.1 Reporting entity

Allianz Zagreb d.d. (the “Company”) whose registered address is at Heinzelova 70, Zagreb is a joint stock company incorporated and domiciled in Croatia. The Company is the parent of Allianz Zagreb Group (“the Group”).

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

The Company’s major shareholder (83.2% of voting rights) is Allianz New Europe Holding GmbH, Wien, Austria and ultimate parent company is Allianz SE, which is a joint stock company, incorporated and domiciled in Germany.

## 1.2 Basis of preparation

### (a) Statement of compliance

These financial statements comprise both the consolidated and separate financial statements of the Company.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS as adopted by EU”).

The financial statements were authorised for issue by the Management Board on 5 April 2016 for approval by the Supervisory Board. These financial statements are a translation based on consolidated and separate statutory financial statements issued separately in Croatian.

### (b) Basis of measurement

These financial statements are prepared on a historical or amortised cost basis, except for the following assets which are measured at their fair value: financial assets held for trading, financial assets designated upon initial recognition as valued at fair value through profit or loss, available-for-sale financial assets and some investments in subsidiaries measured at fair value.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information about judgments made by management in the application of IFRS as adopted by EU that have significant effect on the financial statements and information about estimates that have a significant risk of resulting in a material adjustment within the next year are included in Note 1.4.

## 1.2 Basis of preparation (continued)

### (e) Consolidation

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

#### *Accounting policy applicable from 1 January 2014 (retrospectively)*

##### *Business combinations*

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards), then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to pre-combination service.

##### *Subsidiaries*

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

The Company has investments in investment funds managed by the Company’s subsidiary Allianz Invest d.o.o., where the Company holds substantive percentage of the units and majority of benefits. Additionally, given that the Company controls relevant activities of Allianz Invest, the Company consolidates these funds as subsidiaries. In its separate financial statements, the Company accounts for its investments in investment funds at fair value and classifies them as financial assets designated by management as at fair value through profit or loss at inception or as available-for-sale investments. The accounting policies applicable to subsidiaries measured at fair value are disclosed in Note 1.3 d). Other subsidiaries are carried at cost less any impairment.

##### *Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests in subsidiaries are included in the total equity of the Group except for those non-controlling interests which represent the share of the net assets of investment funds attributable to unitholders in those funds, which are classified as a liability.

##### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Transactions eliminated on consolidation*

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

##### *Investment in investment funds managed by Allianz Invest d.o.o.*

The Company reassessed its previous conclusion to consolidate funds managed by the daughter company Allianz Invest. Based on the fact that the Company in terms of IFRS 10 has control over these funds through ownership of Allianz Invest and majority of investment stakes, the Company continues to consolidate these funds.



## 1.2 Basis of preparation (continued)

### (e) Consolidation (continued)

#### *Accounting policy applicable until 31 December 2013*

##### *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The financial statements of all subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company has investments in investment funds managed by the Company's subsidiary Allianz Invest d.o.o., where the Company holds substantive percentage of the units and majority of benefits, on which basis the Company consolidates these funds as subsidiaries. In its separate financial statements, the Company accounts for its investments in investment funds at fair value and classifies them as financial assets designated by management as at fair value through profit or loss at inception or as available-for-sale investments. The accounting policies applicable to subsidiaries measured at fair value are disclosed in Note 1.3 d). Other subsidiaries are carried at cost less any impairment.

##### *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### *Non-controlling interest*

Non-controlling interests in subsidiaries are included in the total equity of the Group except for those non-controlling interests which represent the share of the net assets of investment funds attributable to unitholders in those funds, which are classified as a liability.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

Adjustments to non-controlling interest are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

##### *Loss of control*

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 1.2 Basis of preparation (continued)

### (f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction and are not retranslated. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available for sale equity instruments, which are recognised in other comprehensive income (refer below).

Changes in the fair value of monetary (debt) securities denominated in or linked to foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences are recognised in income as a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within financial income or financial expense in the profit or loss. Other changes in the carrying amounts are recognised in other comprehensive income. The translation differences on revaluation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income, along with other changes in their fair value.

The most significant currency in which the Group holds assets and liabilities is Euro. The exchange rates used for translation at 31 December 2015 was EUR 1 = HRK 7.635047 (31 December 2014 was EUR 1 = HRK 7.661471), and USD 1 = HRK 6.991801 (31 December 2014: USD 1 = HRK 6.302107).

### (g) Makroeconomics impact

#### Croatian economy outlook

After six years of recession, Croatia finally emerged from a drop in economic activity. Namely, GDP grew at a rate of 1.9% in 2015 backed by a significant rise in net exports, investments in fixed assets and personal consumption. Tailwinds include economic recovery in Eurozone backed by expansionary monetary policy as well as domestic recovery. Eurozone stands for Croatia as its largest trading partner. Also, highly successful tourist season is also worthy of mentioning whose positive contribution spilled over to economy taken as a whole. New parliamentary elections were held in November and new government was formed in the meantime. Targets of the new government include sustainable long-term growth rate, structural reforms and reduction of public debt to sustainable levels. Unemployment is still above 17% but declining on a yearly basis. Credit rating still on hold - rated 'junk' by all three major rating agencies. Inflation slightly below zero due to negative impact from energy and commodity related products. Interest rates at historical low levels due to abundant liquidity in banking sector and expansionary monetary policy.

The Group continues to duly monitor the changes and potential risks from the capital market, and is ready to react, in order to minimise the market effects on the business activities. Although market brings a lot of challenges especially in low interest rate environment the Group continues with activities for keeping the adequate liquidity position through all available money market instruments and maximizing life insurer's profit order to protect shareholders', policyholders' assets and gratifying our customer's expectations.

As the low interest rate environment is likely to succeed, mitigation actions from new investments in asset classes to new products with no traditional guarantees has been in place.

Group started to build up more internationally diversified portfolio in order to reduce concentration risk to Croatian Government that was present due to historical regulatory reasons. International investments are made in countries with at least investment grade ratings, taking into account macroeconomic and all other specific risks that are related to each investment, with the aim of improving the risk and return profile of the portfolio.

#### Impact on customers

Furthermore, the Group has recognised that a decrease in the client's purchasing power may adversely impact prospective premium income and cash flow. Consequently the Group took measures in order to prevent potential future impacts, which could occur during the following periods.

These measures are directed towards keeping the existing clients of the Group and improving the collection of receivables.

## 1.3 Significant accounting policies

### (a) Property and equipment

Property and equipment are tangible assets that are held for use in the provision of services or administrative purposes.

#### *Recognition and measurement*

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

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

#### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property.

#### *Subsequent costs*

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

#### *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and assets acquired but not brought into use are not depreciated.

The estimated useful lives are as follows:

	<b>2015</b>	2014
• Buildings	40 years	40 years
• Motor vehicles	5 years	5 years
• Equipment and furniture	4 years	4 years
• Fixtures and fittings	5 years	5 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date.

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

## 1.3 Significant accounting policies (continued)

### (b) Intangible assets

#### *Deferred acquisition costs – insurance contracts*

Acquisition costs comprise all direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of the existing contracts.

Deferred acquisition costs for non-life business comprise commissions paid to the external sales force and salaries of the internal sales force incurred in concluding insurance policies during a financial year but which relate to a subsequent financial year, and other variable underwriting and policy issue costs. General selling expenses are not deferred.

For non-life insurance business the deferred acquisition cost asset at the reporting date has been calculated by comparing the provision for unearned premiums at the reporting date with gross premiums written during the year and deferring a comparable proportion of deferrable acquisition costs, subject to their recoverability.

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

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

#### *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

The Group capitalises only development expenditure related to software. Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses, if any, same as for the purchased software.

#### *Goodwill*

Goodwill arising on acquisitions represents the excess of the costs of acquisition over the fair value of the Group's share or the underlying net identifiable assets including intangible assets, at the date of acquisition. Goodwill on acquisition of subsidiary is included in intangible assets. Goodwill is tested for impairment at least annually. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

#### *Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Assets acquired but not brought into use are not depreciated. The estimated useful lives are as follows:

	<b>2015</b>	2014
• Internally developed software	5 years	5 years
• Computer software	5 years	5 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount of the related asset, and are included in profit or loss.

## 1.3 Significant accounting policies (continued)

### (c) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation.

Investment property is carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is provided on all investment property, except for investment property not yet brought into use and land forming part of the investment property, on a straight-line basis over the estimated useful life of the asset as follows:

	<b>2015</b>	<b>2014</b>
• Investment property	40 years	40 years

### (d) Financial instruments

#### Classification

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

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

Financial assets and financial liabilities at fair value through profit or loss are financial assets which are classified as held for trading or on initial recognition designated by the Group as at fair value through profit or loss. Derivatives are classified as held for trading. The Group does not apply hedge accounting.

As stated above this category have two sub-categories: financial instruments held for trading, and those designated by management as at fair value through profit or loss at inception. Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

#### *Loans and receivables*

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

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

Loans and receivables arise when the Group provides money to a debtor with no intention of trading with the receivable and include deposits with banks, mortgage loans and advances to policyholders from the life assurance provision.

Receivables for non-life arising from insurance contracts are accounted for under IFRS 4 *Insurance Contracts*, however having due regard to the requirements of IAS 39 related to impairment.

## 1.3 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments include debt securities.

#### *Available-for-sale financial assets*

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

#### *Other financial liabilities*

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. The Group does not have financial liabilities designated at fair value through profit or loss except those related to the index-linked products described in accounting policy 1.3 (x). Payables arising from insurance contracts are accounted for under IFRS 4 *Insurance Contracts*. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables and deferred income".

#### **Reclassification**

During 2015, there was no reclassification of debt securities from available for sale to held to maturity. In previous years the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments. On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss only when the financial asset is disposed of or impaired. The impact of this reclassification is shown in Note 1.16 (b).

#### **Recognition and derecognition**

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

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

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



## 1.3 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### Initial and subsequent measurement

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

After initial recognition, the Group measures financial instruments at fair value through profit or loss and available for sale at their fair value, without any deduction for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reasons, the fair value cannot be reliably measured by market price, the Group establishes fair value by using valuation techniques. These include the use of prices achieved in recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis. Equity instruments classified as available for sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment.

Loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. Other financial liabilities are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

#### Gains and losses

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

Gains and losses from a change in the fair value of available-for-sale monetary assets are recognised directly in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method, on available-for-sale monetary assets are recognised in the profit or loss.

For non-monetary financial assets available for sale all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of available-for-sale financial assets, all cumulative gains or losses are transferred from other comprehensive income to profit or loss.

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

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

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

#### Fair value measurement

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

In accordance with the Agency valuation rules the following prices are used:

- average weighted mid prices for domestic debt and equity securities
- closing bid prices for securities of foreign issuers
- prices quoted per unit by investment management companies for units in investment funds.

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

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

## 1.3 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### Fair value measurement (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### Impairment of financial assets

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

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

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

Impairment losses on available-for-sale debt securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income decreased by previously recognised impairment losses to profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

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

#### Specific instruments

##### *Embedded derivatives within insurance contracts*

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

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

## 1.3 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### Specific instruments (continued)

##### *Embedded derivatives within insurance contracts (continued)*

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

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

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

##### *Debt securities*

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

##### *Deposits with banks*

Deposits with banks (with original maturity over 3 months) are classified as loans and receivables and are carried at amortised cost less any impairment.

##### *Loans to customers*

Loans to customers are classified as loans and receivables and are carried at amortised cost less impairment allowances to reflect the estimated recoverable amounts.

##### *Loans and receivables from policyholders*

Loans to and receivables from policyholders are classified as loans and receivables and are presented net of impairment allowances to reflect the estimated recoverable amounts.

##### *Equity securities*

Equity securities classified as available-for-sale financial assets and financial assets at fair value through profit or loss and carried at fair value, unless if for available-for-sale equity securities there is no reliable measure of the fair value, in which case they are stated at cost, less impairment.

##### *Investments in funds*

Investments in open and close ended funds (other than investments funds which represent subsidiaries of the Company) are classified as financial assets at fair value through profit or loss or available-for-sale financial assets and are carried at current fair value.

##### *Investments held for the account and at risk of life assurance policyholders*

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

## 1.3 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### Specific instruments (continued)

##### *Trade and other receivables*

Trade and other receivables are stated at their amortised cost less any impairment.

##### *Investments in subsidiaries*

Investment in subsidiaries that relate to investment funds are classified at fair value through profit or loss and as available for sale, while all other subsidiaries are stated at their cost less any impairment in the separate financial statements.

All investments in subsidiaries are fully consolidated in the consolidated financial statements.

##### *Trade and other payables*

Trade and other payables are initially recognised at fair value and subsequently at amortised cost

#### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### (e) Leased assets

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

Other leases are operating leases where leased assets are not recognised on the Group's statement of financial position. The accounting policy for recognising leasing costs is described in accounting policy 1.3 (n) under *Operating lease payments*.

### (f) Cash and cash equivalents

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits with banks, and other short-term highly liquid investments with original maturities of three months or less.

### (g) Employee benefits

#### *Pension obligations*

For defined contribution plans, the Group pays contributions to State-owned management companies, in accordance with legal requirements or individual choice. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense in profit or loss as they accrue.

#### *Share-based payment transactions*

Restricted stock units ("RSU") and share appreciation rights ("SAR") of the parent company Allianz SE are granted to the Management Board. The fair value of the amount payable to employees in respect of these cash-settled share based transactions is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date to its fair value, with all changes recognised immediately in the profit or loss as Administrative expenses (cash settled share-based payment related personnel expenses).

#### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## 1.3 Significant accounting policies (continued)

### (g) Employee benefits (continued)

#### *Other employee benefits*

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as the net present value of the liability for defined benefits at the balance sheet date. The projected credit unit method is used for the calculation of the present value of the liability

### (h) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

### (i) Provisions

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

#### *Restructuring*

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

#### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. Accounting policy for insurance contracts is disclosed under accounting policy Note 1.3 (r) *Unexpired risk reserve*.

### (j) Equity

#### *Issued share capital*

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

#### *Share premium*

Share premium represents the excess of the paid-in amount over the nominal value of the issued shares.

## 1.3 Significant accounting policies (continued)

### (j) Equity (continued)

#### *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

#### *Dividends*

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

#### *Legal reserve*

The legal reserve represents accumulated appropriations from retained earnings in compliance with the Insurance Law, which was effective until 31 December 2005, and required at least one third of the net profit for the year to be transferred to non-distributable legal reserves, until they reach half of the average gross written premium in the preceding two years. Those requirements no longer exist in the revised Insurance Law, effective from 1 January 2006. However, as required by the Companies Act, a company is required to appropriate 5% of its annual net profit into legal reserves until they, together with capital reserves, reach 5% of issued share capital. Legal and capital reserves formed under the Companies Act can be used for covering prior period losses up to 5% of issued capital, if they are not covered by profit in the current period or if other reserves are not available.

#### *Fair value reserve*

The fair value reserve represents unrealised net gains and losses arising from a change in the fair value of available-for-sale financial assets, net of impairment and related deferred tax.

#### *Retained earnings*

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

### (k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred acquisition costs (see accounting policy 1.3 (b)), financial assets (see accounting policy 1.3 (d)) and deferred tax assets (see accounting policy 1.3 (h)), are tested for impairment at each reporting date.

If any indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date. At the reporting date the Group did not have such assets, other than goodwill.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from the Group's other assets and liabilities. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 1.3 Significant accounting policies (continued)

### (l) Segment reporting

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

#### *Allocation of income and expense between the life assurance and non-life insurance segments*

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

Investment income, realised and unrealised gains and losses, expenses and charges arising on life assurance business are directly included to the life assurance business segment.

Investment income, realised and unrealised gains and losses, expenses and charges arising on investments from equity are allocated to the life and non-life insurance segments depending on the allocation of the underlying assets.

During the year, direct administration costs are directly charged to the life or non-life segments. For administrative expenses that cannot be directly allocated, a key (based on gross written premium) is used to allocate the expense between life and non-life insurance.

Advertising and marketing costs are directly allocated to the life and non-life segments based on the insurance product being advertised or marketed.

Commissions are recorded separately in the life and non-life accounts. A significant part of personnel expenses is directly allocated to the life and non-life segments. Where personnel expenses cannot be directly allocated, an allocation is made based on the percentage of hours spent directly on life and non-life insurance business. Other acquisition costs are allocated directly to the non-life and life segments or based on gross written premium.

#### *Allocation of equity and assets*

All property and equipment as well as intangible assets are allocated to non-life segment. Financial investments are allocated according to the source of funding. Equity is allocated according to minimal regulatory capital requirements for issued share capital, while any excess is allocated to the non-life segment. Fair value reserve is allocated according to the source of the related financial assets, while the legal reserves were allocated to each segment according to the results of the related segment up to 2006 (see accounting policy Note 1.3 (j) under *Legal reserve*). Other receivables and payables are allocated to segments which they were originated.

### (m) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in accounting policy 1.3 (p).

#### *Financial income*

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

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

Dividend income is recognised in the profit or loss on the date when the dividend is declared. The accounting policy in relation to financial income recognition is disclosed in Note 1.3 (d) under "*Gains and losses*".

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

## 1.3 Significant accounting policies (continued)

### (m) Revenue (continued)

#### *Fee and commission income*

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

### (n) Expenses

#### *Operating expenses*

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

#### *Acquisition costs*

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, salaries of sales personnel and marketing and advertising expenses.

Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related income recognition criteria as described in accounting policy 1.3 (p).

The Group's accounting policy for deferred acquisition costs is disclosed in to accounting policy 1.3 (b).

#### *Administrative expenses*

Administrative expenses include personnel expenses, depreciation of property and equipment, electricity costs and other costs. Other costs consist mainly of costs of premium collection, policy termination costs, portfolio management costs and administrative expenses related to reinsurance.

#### *Operating lease payments*

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

#### *Financial expenses*

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

Financial expenses also include net losses from changes in the fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale. The accounting policy in relation to financial expense recognition is disclosed in accounting policy Note 1.3 (d) under "Gains and losses".

### (o) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified variable: interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts. At the reporting date the Group did not have any such investment contracts.



## 1.3 Significant accounting policies (continued)

### (o) Classification of contracts (continued)

#### *Contracts with discretionary participation features*

Both insurance and investment contracts may contain discretionary participation features. A contract with a discretionary participation feature is a contractual right held by a policyholder to receive as a supplement to guaranteed minimum payments, additional payments that are likely to be a significant portion of the total contractual payments, and whose amount or timing is contractually at the discretion of the issuer and that are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract,
- realised and/or unrealised investment returns on a specified pool of assets held by the issuer or
- the profit or loss of the company that issues the contracts.

The discretionary element of those contracts is accounted for as a liability within the life assurance provision. The provision for discretionary bonus within the life assurance provision may comprise amounts arising in relation to participating policies, for which the allocation of funds has not been determined at the reporting date. When the allocation of funds is determined, appropriate transfers are made out of this fund.

At the reporting date the Group accounted for HRK 82.88 million of provision for discretionary profit participation bonuses (2014: HRK 69.90 million) which is included within the life assurance provision. From this amount HRK 27.95 million (2014: HRK 11.96 million) is not allocated to individual policyholders. During 2015, the Group allocated HRK 18.46 million to policyholders (2014: HRK 8.65 million), and appropriated further HRK 15.99 million (2014: HRK 2.33 million decrease) against profit for the year.

### (p) Premiums

Non-life business written premiums are recognised as premium from the inception of the insurance coverage except for prolonged warranty insurance (other liability) which is recognised as premium from inception of the insurance contract. Receipts for other insurance products before that date are treated as a liability for an advance payment. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums.

Premiums written include adjustments to reflect write-offs of amounts due from policyholders e.g.: change of the premium amount in the following year and the movement in impairment allowances for premiums due from policyholders.

The earned portion of premiums received, including policies not yet closed, is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outwards reinsurance premiums are treated as prepayments.

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

### (q) Unearned premium reserve

Unearned premium reserve comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method (“pro rata temporis”), adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premium reserve in respect of life assurance is included within the life assurance provision.

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

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

## 1.3 Significant accounting policies (continued)

### (r) Unexpired risk reserve

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisitions costs and administrative expenses likely to arise after the end of the financial year) attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, before taking into account relevant investment returns. Liability adequacy testing for both life and non-life and related assets is disclosed in more details in accounting policy Note 1.3 (w) and in Note 1.7.

### (s) Claims provisions

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

Other non-life insurance provisions include provisions for bonuses and discounts. The provision for bonuses and discounts is formed in the amount to which the insurers are entitled based on their participation in profit as a result of their insurance contract or as a future partial reduction of the premium based on the insurance contract.

### (t) Life assurance provisions

The life assurance provision has been computed by the Group's actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by HANFA. The life assurance provision has been computed on an in-force premium basis, applying a Zillmer type valuation method, and taking into account actual acquisition, collection and administrative costs as well as all guaranteed benefits and bonuses already declared and proposed. A prospective net premium valuation method has been adopted with exception of unit-linked products where provision is based on the fair value of the underlying assets.

The Group uses Zillmer factor range from 0% to 3.5% of sum insured or annual amount of annuities dependent upon the product and distribution channel. The applied Zillmer rate is within the limits prescribed by HANFA.

The life assurance provision for unit-linked products is stated at the fair value of the related investment.

The provision is initially measured using the assumptions used for calculating the corresponding premiums and remain unchanged except where liability inadequacy occurs, or if otherwise prescribed by HANFA.

A liability adequacy test ("LAT") is performed at each reporting date by the Group's actuaries using current estimates of future cash flows under its insurance contracts (refer to accounting policy 1.3 (w) and Notes 1.7 and 1.8). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the profit or loss with a corresponding increase to the life assurance provision.

The amount of bonus to be allocated to policyholders has been irrevocably fixed at the reporting date and is presented within the life assurance provision. The Group does not have a policy to decrease the provision for discretionary bonuses, in favour of the Group, once the provision has been formed. The amount of bonus to be allocated to policyholders is determined at the reporting date and is presented within the life assurance provision.

### (u) Claims

#### *Claims arising from non-life business*

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

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

## 1.3 Significant accounting policies (continued)

### (u) Claims (continued)

Claims outstanding based on case estimates and statistical methods comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the reporting date whether reported or not, together with related internal and external claims handling expenses and an appropriate prudential margin. The provision for reported but not settled claims is determined based on the individual assessment of each reported claim. The provision for incurred but not reported claims is determined based on the statistical data and actuarial methods, taking into account the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

In respect of Motor Third Party Liability ("MTPL") insurance, a part of the claims payment is in the form of an annuity. The provision for such claims is established at the present value of the expected payments over the whole period of entitlement of the claimants using wage index on each and every payment and amount reserved. With the exception of annuities, the Group does not discount provisions for outstanding claims.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are adequately stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately, if significant. The methods used, and the estimates made, are reviewed regularly, which is further discussed in Note 1.6.

#### *Claims and benefits arising from life assurance business*

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

### (v) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in the profit and loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are recorded using the deposit method of accounting. During 2015 and 2014 the Group had no such contracts. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date applying the same methodology as applied for loans and receivables as described in accounting policy 1.3 (d). The Group records an allowance for estimated irrecoverable reinsurance assets, if any. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

#### *Reinsurance commissions and profit participations*

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

## 1.3 Significant accounting policies (continued)

### (w) Liabilities and related assets under the liability adequacy test

Insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in the profit or loss.

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

### (x) Measurement of liabilities in respect of unit-linked and index-linked insurance contracts

Liabilities in relation to unit-linked and index-linked contracts are insurance contracts and those contracts are held at fair value through profit and loss. Transaction costs and front-end fees in respect of financial liabilities measured at fair value are not included in the initial measurement amount and are recognised in profit or loss as incurred. The related financial liability is measured based on the carrying value of the assets that are held to back the contract.

### (y) Insurance receivables and payables

Insurance receivables and payables are accounted for in accordance with IFRS 4. Insurance receivables and payables include receivables and payables arising from insurance and reinsurance contracts entered by the Group. An impairment allowance is established for premium receivables that are overdue more than 120 days.

### (z) New standards, amendments and interpretations

Several new and altered Standards and Interpretations issued by the International Accounting Standards Board and its International Financial Reporting Interpretations Committee, have been authorised for issue but are not yet mandatory to entities reporting under IFRS for period ended 31 December 2015 and/or have not been adopted by the European Union, and have not been applied in preparation of these financial statements. Most new and altered Standards and Interpretations adopted by the European Union are not relevant to the Group and will not have a significant effect on the financial statements of the Group.

IFRS 9 *Financial Instruments* which will have significant impact on the Group's financial statements was completed and issued in full by IASB in 2014, with mandatory application date 1 January 2018 outside European Union. The EU is in the process of endorsement of IFRS 9.

IASB also made further progress in 2015 regarding the development of the new standard for insurance contracts.

## 1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 1.39) and insurance risk management (Note 1.5).

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgements relating to insurance contract provisions represent the major source of uncertainty and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 1.4.1 Key sources of estimation uncertainty

#### *Losses from impairment of loans and receivables*

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 1.3 (d) on impairment of financial assets.

The need for impairment is assessed individually for each exposure based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

#### *Estimation of uncertainty in relation to reserving*

The most significant estimates in relation to the Group's financial statements relate to insurance contracts reserving. The Group takes a reasonably prudent approach to reserving and applies HANFA regulations. The Group employs certified actuaries.

The Group's policy is to make provision for unexpired risks arising from non-life insurance business where the claims, deferred acquisition costs and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums available under those contracts. The management believes that at the reporting date such provisions have been adequately valued and accounted for.

Major assumptions in calculating the life assurance provision are set out in Note 1.6. Insurance risk management is discussed in detail in Note 1.5, whilst insurance contract provisions are analysed in Note 1.21.

#### *Determining fair values*

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1.3(d). For financial assets that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

#### *Estimation of uncertainty in relation to court claims*

A significant source of estimation uncertainty stems from court claims. At 31 December 2015, the Group was involved in 1,319 (2014: 1,319) court cases for which HRK 134,003 thousand (2014: HRK 125,308 thousand) was provided as part of the claims reserve for reported but not yet settled claims, excluding Dunav claims which are discussed in Note 1.6. The management believes that the related provisions are sufficient.

#### *Estimation of uncertainty in relation to court cases against the Company (non-claims related)*

The Group and the Company recognised a provision of HRK 3,587 thousand (2014: HRK 2,294 thousand) in respect of other court cases against the Group and the Company. The Management Board believes that the provision for court cases has been set up at an adequate level. In light of the small balance, detailed numerical disclosures have not been provided.

#### *Tax*

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

## **1.4 Accounting estimates and judgements (continued)**

### **1.4.1 Key sources of estimation uncertainty (continued)**

#### ***Regulatory requirements***

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

#### ***Joint liability***

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

The Company also has a joint liability in relation to green card claims for damages from unknown vehicles. These claims are paid through Croatia insurance office and all Croatian insurance companies finance this institution according to the market share in MTPL insurance segment. The Croatian Insurance Bureau provides the Group with the amount of reported claims provision and with the lower limit for IBNR calculation. In addition, the Group's authorised actuary assesses an additional amount for IBNR, which relates to a certain liability which will be settled from the Guarantee fund and which was not initially included in the recommended minimum IBNR amount.

#### ***Useful economic life of equipment and intangible assets***

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

#### ***Valuation of investment in subsidiaries carried at cost***

Valuation of investments in subsidiaries carried at cost less impairment in the separate financial statements is based on the management's best estimate of the recoverable amount of subsidiaries. Recoverable amount is the higher of fair value less cost to sell and the value in use. The Management Board believes that investment in subsidiaries carried at cost is stated at its recoverable value at the reporting date.

#### ***Valuation of investment property***

Valuation of investment property carried at cost is based on management's best estimate of the recoverable amount of investment property. Recoverable amount is the higher of fair value less cost to sell and the value in use and is periodically reassessed by chartered surveyors. The Management Board believes that investment property carried at cost less impairment is stated at its recoverable value at the reporting date.

### **1.4.2 Critical accounting judgements in applying the Group's accounting policies**

#### ***Financial asset and liability classification***

The Group's accounting policies provide the scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 1.3 (d).

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (d).

Reclassification of financial assets and liabilities at fair value through profit or loss is allowed in certain rare circumstances and is explained in accounting policy 1.3 (d) under paragraph "Reclassification".

Held-to-maturity investments can be classified as such only if the Group has the positive intention and ability to hold these investments to maturity.

## **1.4 Accounting estimates and judgements (continued)**

### **1.4.2 Critical accounting judgements in applying the Group's accounting policies (continued)**

#### *Valuation of financial instruments*

The Company's accounting policy on fair value measurements is discussed in accounting policy 1.3 (d). The Company measures fair values using the fair value hierarchy as discussed in Note 1.39 on financial risk management.

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

#### *Classification of products*

For the Group's accounting policy on classification of contracts as insurance or investment contracts please refer to accounting policy 1.3 (o). At the reporting date, the Company had no insurance products which should be classified as investment contracts.

#### *Classification of property between investment property and owner-occupied property*

The Group classifies as investment property all property that is not used in the performance of its own activities but is held to earn rental income

#### *Dual-use property*

The Group has property that has dual purpose (part of the property is used for own activities and part of the property is used as investment property).

A portion of a dual-used property is classified as investment property only if the portion could be sold or leased out separately under finance lease contract.

When a portion of the property could not be sold or leased out under a finance lease separately, the entire property is classified as investment property only if the portion of the property held for own use is insignificant.

As the "insignificant" is not defined by the IFRS, it is assessed on a property-by-property basis by reference to value and/or usable floor space.

The Group believes that the own use portion of 9% of usable floor space is insignificant therefore continues to account for all property as investment property.

#### *Allocation of indirect expenses between life and non-life segment*

The allocation of expenses to life and non-life insurance segments is described in accounting policy 1.3 (l).

#### *Control over debtors in financial difficulties*

In accordance with requirements of IFRS 10 Consolidated Financial Statements, the Group regularly reassess whether they have control over significant activities of debtors in financial difficulties. For 2015, the Group concluded that there are no debtors which should be consolidated, which is consistent with 2014.

## 1.5 Insurance risk management

The Group is exposed to actuarial and underwriting risk arising from a wide range of life and non-life products offered to customers: participating traditional life products, annuities, unit-linked, index linked and all lines of non-life products (property, accident and health, motor vehicle- MTPL and motor hull, third party liability, marine, aviation and transport).

Insurance risk relates to the uncertainty of the insurance business. The most significant components of insurance risk are premium risk and reserve risk. These concern the adequacy of insurance premium rate levels and the adequacy of overall technical provisions with respect to insurance liabilities and the capital base.

Premium risk is present when the policy is issued before any insured event has happened. The risk is that overall expenses and incurred losses will be higher than the overall premium received. Reserve risk represents the risk that the absolute level of the technical provisions is misstated or that the actual claims will fluctuate around the statistical mean value.

Non-life underwriting risk includes also catastrophe risk, which streams from irregular events that are not sufficiently covered by premium and reserve. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid up status (cessation of premium payment) and surrenders.

### ***Risk management***

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance.

The Group underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years which reduces the variability of the outcome. Non-life contracts are annual in nature and the underwriter have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Group contracts a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk or event, depending on line of business, but with a maximum net exposure of EUR 0.8 million. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 85.5 million (2014: EUR 85.5 million) of losses exceeding the first EUR 1.5 million (2014: EUR 1.5 million).

Ceded reinsurance contains credit risk and such reinsurance recoverable are reported after deductions for known uncollectible items. The Group monitors the financial condition of reinsurers and enters into reinsurance agreements with minimum A- rated reinsurers by Standard & Poor's.

The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test refer to accounting policy 1.3 (w) and Note 1.7.



## 1.5 Insurance risk management (continued)

### Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes.

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

The risks underwritten by Group is primarily located in the Republic of Croatia.

The concentration of insurance risk before and after reinsurance in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of the claims and benefits incurred (gross and net of reinsurance) arising from insurance contracts:

	2015 Group and Company			2014 Group and Company		
	Gross claims incurred HRK'000	Reinsurers' share of claims and benefits incurred HRK'000	Net claims incurred HRK'000	Gross claims incurred HRK'000	Reinsurers' share of claims and benefits incurred HRK'000	Net claims incurred HRK'000
<i>Non-life insurance business</i>						
Motor (third party)	(82,740)	1,197	(81,543)	(78,428)	5,356	(73,072)
Motor (other classes)	(71,598)	-	(71,598)	(100,930)	-	(100,930)
Property	(87,428)	15,109	(72,319)	(185,384)	106,838	(78,546)
Personal lines	(16,784)	743	(16,041)	(9,919)	(128)	(10,047)
Other	(28,165)	12,907	(15,258)	(28,862)	16,178	(12,684)
<b>Total non-life</b>	<b>(286,715)</b>	<b>29,956</b>	<b>(256,759)</b>	<b>(403,523)</b>	<b>128,244</b>	<b>(275,279)</b>
<i>Life assurance business</i>						
Periodic premiums	(355,783)	1,120	(354,663)	(276,066)	827	(275,239)
Single premiums	(126,583)	-	(126,583)	(219,127)	-	(219,127)
<b>Total life</b>	<b>(482,366)</b>	<b>1,120</b>	<b>(481,246)</b>	<b>(495,193)</b>	<b>827</b>	<b>(494,366)</b>
<i>Thereof unit linked and index linked</i>	(14,519)	-	(14,519)	(30,169)	-	(30,169)
<b>Grand total</b>	<b>(769,081)</b>	<b>31,076</b>	<b>(738,005)</b>	<b>(898,716)</b>	<b>129,071</b>	<b>(769,645)</b>

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

The greatest likelihood of significant losses to the Group arises from catastrophe events, such as flood, hail, storm or earthquake damage. The techniques and assumptions that the Group uses to calculate these risks are as follows:

- Measurement of geographical accumulations,
- Assessment of probable maximum losses,
- Excess of loss reinsurance.

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

### *Non-life insurance*

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The liability for reported claims (“RBNS” or “NOCR”) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Claims reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Group’s certified actuaries.

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

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- Bornhuetter-Ferguson method, which combines the estimated ratio of losses and the projection method. It therefore improves on the crude use of a loss ratio by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern;
- expected loss ratio methods, which use the Group’s expectation of the loss ratio for a class of business.

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

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

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

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

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

### *Expected claims ratio*

The expected claims ratio represents the ratio of expected claims incurred to premiums earned. The assumptions in respect of expected claims ratios for the most recent accident year, per class of business, have a significant influence on the level of provisions.

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

### *Non-life insurance (continued)*

#### *Tail factors*

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

#### *Discounting*

With the exception of annuities, non-life claims provisions are not discounted.

#### *Annuities*

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of 2.5% per annum. Annuities are calculated using the Republic of Croatia mortality tables from 2000-12. Annuity claims are fixed at their nominal value over the length of the period of payment.

#### *Claims handling provisions*

The provision for claims handling expenses is computed as a certain percentage (percentage is based on information on the ratio of claims handling expenses and settled claims) of the NOCR provision and the IBNR provision. For computing the provision for claims handling expenses as at 31 December 2015 a percentage of 6% was used for both provisions except for claims greater than HRK 6.50 million, which are provided for individually.

#### *Dunav osiguranje claims*

The Company, formerly known as Adriatic osiguranje, was founded in 1991, upon the secession of the Croatian Republic from the Yugoslav Federation, with the Company taking over (or continuing) the business operations of Dunav osiguranje (a Belgrade based state insurer) at its branches in Zagreb, Rijeka, Sisak and Karlovac.

The Company maintained and occupied part of the Dunav osiguranje owned business premises in Zagreb, Rijeka and Karlovac. The Company's initial headquarters were registered at the former Dunav osiguranje address at "Kneza Mislava" street in Zagreb, and after finalisation of the privatisation process, ownership of part of the Dunav osiguranje owned business premises was transferred to Adriatic osiguranje.

During the initial stages of the Company's business operations (1991-92), the Company accepted Dunav osiguranje insurance contracts, and settled claims arising out of Dunav osiguranje policies. The Company accepted premiums written on Dunav osiguranje policies, issued policies on Dunav osiguranje letterhead (stamped with the Adriatic stamp), and replaced active Dunav osiguranje policies with policies printed on Adriatic osiguranje letterhead.

On 1 November 1992, when the Government declared the first Privatisation Act for the insurance industry, the Company initiated a privatisation process that was completed in March 1993. The state-owned Privatisation Fund took control of 43% of the share capital, whilst the remaining 57% was distributed among small shareholders and employees.

From 1991 to the reporting date, Allianz accumulated 117 such claims (or court cases) that originate from the aforementioned transitional period.

Since 1996, there have been a number of inconsistent court rulings as to whether or not Allianz Zagreb is the legal successor of Dunav osiguranje.

At the reporting date, however, management has provided HRK 1.95 million (2014: HRK 5.1 million) in respect of Dunav osiguranje related claims as a part of claims reserves based on court experience up to date. Exposure to cases with potential liability has been estimated taking into consideration the possible settlement value of the case and the probability of this outcome.

During 2015, the Company paid out HRK 1,492 thousand (2014: 3 thousand) in respect to these claims either per court rulings or through out-of-court settlement.

In 2015, there have been no major changes in assumptions used to measure non-life insurance assets and liabilities.

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

### Life assurance

The life assurance provision is calculated by a prospective net premium method. In accordance with guidelines issued by HANFA, the newest mortality tables are used unless other mortality tables give higher mathematical provision.

For MZ4, MZ4-J tariffs the Group elects to use Republic of Croatia mortality tables which are used in calculation of premiums (MT RH 1989-91), not the latest official mortality tables (MT RH 2010-12). Using of older mortality tables results in a larger life assurance provision than it would be calculated if the 2010-12 mortality tables were utilised in the calculation. For the same reason in case of annuity tariffs RM1, RND-150, for mathematical reserve calculation are also used mortality tables which are used in calculation of premiums.

According to the same guidelines issued by HANFA, maximum interest rate for insurance reserve calculation is 3.3% for portfolio issued before 2010, 3% for policies issued in 2010 and 2.75% for policies issued after 2010. For tariffs in which technical rate used in determining the premium is lower than 3.3%, 3% or 2.75%, those lower rate is used for provision calculation.

Technical rates used in determining the premium rates vary from 0% to 5%.

The principal assumptions underlying the calculation of the significant components of the life assurance provision are presented below:

Description	Product	Interest rates for calculation of reserve at 31 December 2015	Mortality tables used in 2015	Interest rates for calculation of reserve at 31 December 2014	Mortality tables used in 2014
Endowment	M1, M2, M2-J	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Endowment	M1-J	3.30%	MT RH 2010-12	3.30%	MT RH 2000-02
Joint Life	MZ1, MZ1-J	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Term	S1, S1-J, S2, S2-J	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Term (beginning in 2010)	S1, S1-J, S2, S2-J	3.00%	MT RH 2000-02	3.00%	MT RH 2000-02
Term	S3, S3-J, SDJ03	2.50%	MT RH 2000-02	2.50%	MT RH 2000-02
Endowment	M3, M3-J	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Joint Life	MZ2	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Joint Life	MZ2-J	3.30%	MT RH 2010-12	3.30%	MT RH 2000-02
Endowment	M4, M4-J, M6J	2.75%	MT RH 2000-02	2.75%	MT RH 2000-02
Joint Life	MZ4, MZ4-J	2.75%	MT RH 1989-91 (less 30% smoothed)	2.75%	MT RH 1989-91 (less 30% smoothed)
Endowment	M5	2.75%	MT RH 2000-02	2.75%	MT RH 2000-02
Endowment	M5-50	2.75%	MT RH 2010-12	2.75%	MT RH 2000-02
Joint Life	MZ5	2.75%	MT RH 2000-02	2.75%	MT RH 2000-02
Joint Life	MZ5-50	2.75%	MT RH 2010-12	2.75%	MT RH 2000-02
Endowment	MB1-J	2.50%	MT RH 2000-02	2.50%	MT RH 2000-02
Endowment (unisex)	M5U, M4U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex

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

### Life assurance (continued)

Description	Product	Interest rates for calculation of reserve at 31 December 2015	Mortality tables used in 2015	Interest rates for calculation of reserve at 31 December 2014	Mortality tables used in 2014
Endowment	M5U-50	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2000-02, unisex
Joint Life (unisex)	MZ5U, MZ4U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
Joint Life (unisex)	MZ5U-50	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2000-02, unisex
Endowment (unisex)	M7U-J	2.50%	MT RH 2000-02, unisex	-	-
Endowment (unisex)	M6U, M8U-J	0.00%	MT RH 2010-12, unisex	-	-
Joint Life (unisex)	MZ6U, MZ8U-J	0.00%	MT RH 2010-12, unisex	-	-
Endowment (unisex)	MB1U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
Endowment (unisex)	MB2U-J	0.00%	MT RH 2010-12, unisex	-	-
Endowment (unisex)	M5U-J, MZ5U-J, M6UJ, M6DUJ	2.75%	MT RH 2000-02, unisex	2.75%	MT RH 2000-02, unisex
Pure endowment (old policy)	D1	3.30%	MT RH 2000-02	3.30%	MT RH 2000-02
Pure endowment (beginning in 2010)	D1	3.00%	MT RH 2000-02	3.00%	MT RH 2000-02
Pure endowment	DJ01, DJ01-J	2.75%	MT RH 2010-12	2.75%	MT RH 2000-02
Pure endowment	DJ02, DJ02-J	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2000-02, unisex
Pure endowment	DJ03, DJ03-J	0.00%	MT RH 2010-12, unisex	-	-
Annuity	RM1	3.30%	Mix of German tables DAV1994R and MT RH 1989-91	3.30%	Mix of German tables DAV1994R and MT RH 1989-91
Annuity	RND-100, RND-150	2.50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2.50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
Annuity	RNP-150	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
Annuity	RND1-100, RND1-150	0.00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	-	-
Annuity	RNP1-150	0.00%	MT RH 2000-02, unisex	-	-
Critical Illness	TB1, DJTB01, DJTB01-J	2.75%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.75%	MT RH 2000-02, incidence rates from Republic of Slovakia
Critical Illness – joint life	TBZ1	2.75%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.75%	MT RH 2000-02, incidence rates from Republic of Slovakia
Critical Illness	TB5, TB5-U	2.75%	MT RH 2010-12, incidence rates from GenRe	2.75%	MT RH 2000-02, incidence rates from GenRe
Critical Illness – joint life	TBZ5, TBZ5-U	2.75%	MT RH 2010-12, incidence rates from GenRe, unisex	2.75%	MT RH 2000-02, incidence rates from GenRe
Critical Illness	DJTB02, DJTB02-J	2.50%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.50%	MT RH 2000-02, incidence rates from Republic of Slovakia

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

### Life assurance (continued)

Description	Product	Interest rates for calculation of reserve at 31 December 2015	Mortality tables used in 2015	Interest rates for calculation of reserve at 31 December 2014	Mortality tables used in 2014
Critical Illness (unisex)	TB5U, TB5U-U	2.50%	MT RH 2010-12, incidence rates from GenRe, unisex	2.50%	MT RH 2000-02, incidence rates from GenRe, unisex
Critical Illness – joint life	TBZ5, TBZ5-U	2.50%	MT RH 2010-12, incidence rates from GenRe, unisex	2.50%	MT RH 2000-02, incidence rates from GenRe, unisex
Critical Illness	TB6UJ-U, IL, CP1-J, CP2-J, SPI-01	0.00%	MT RH 2010-12, incidence rates from GenRe, unisex	-	-
Unit linked	ULNZ,	2.75%	MT RH 2000-02	2.75%	MT RH 2000-02
Unit linked	ULR	0.00%	MT RH 2010-12, unisex	-	-
Hospital days due to illness	BD1	2.75%	MT RH 2000-02, incidence rates derived from data given by Croatian Institute of Public Health	2.75%	MT RH 2000-02, incidence rates derived from data given by Croatian Institute of Public Health
Hospital days due to illness	BD1U	2.50%	MT RH 2000-02, incidence rates derived from data given by Croatian Institute of Public Health, unisex	2.50%	MT RH 2000-02, incidence rates derived from data given by Croatian Institute of Public Health, unisex

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

### *Policyholder bonuses*

#### *Discretionary bonuses*

Policyholders or beneficiaries of endowment policies (M1, M1-J, M2, M2-J, M3, M3-J, M4, M4-J, MZ1, MZ1-J, MZ2, MZ2-J, MZ4, MZ4-J, M5-50, M5-100, M5-200, M5-300, MZ5-50, MZ5-100, MZ5-200, MZ5-300, M6J-100, M6J-150, M6DJ-100, M6DJ-150, M5U-50, M5U-100, M5U-200, M5U-300, MZ5U-50, MZ5U-100, MZ5U-200, MZ5U-300, M6U-50, M6U-100, M6U-200, M6U-300, MZ6U-50, MZ6U-100, MZ6U-200, MZ6U-300, M6UJ-100, M6UJ-150, M6DUJ-100, M6DUJ-150, M4U-J, MZ4U-J, M5U-J, MZ5U-J, M7U-J, M8U-J), pure endowment policies (D1, DJ01, DJ01-J, DJ02, DJ02-J, DJ03, DJ03-J) and annuity policies (RM1, RND-100, RND-150, RNP-150, RND1-100, RND1-150, RNP1-150) are entitled to a share in the profits of the Group reported in the management of life assurance funds. The entitlement is calculated on 31 December each year following the expiry of the second year of insurance, and may not exceed 90% or 80% (depending on the contract) of reported profits (in the management of life assurance funds). In the event of maturity, the share in profits is paid along with the sum insured. In the case of death, the Group pays the sum insured and the share in the profits accounted for by that time. The Group provides for bonuses allocated to policyholders within the life assurance provision.

#### *Guaranteed bonus*

The Group is liable to pay a guaranteed profit to each policyholder or beneficiary of endowment policies under old tariffs (M1, M1-J, M2, M2-J, M3, M3-J, MZ2, MZ2-J, M4-J and MZ4-J in Sve 5 Paket, M5U-J, MZ5U-J, M6J-100, M6J-150, M6DJ-100, M6DJ-150, M6UJ-100, M6UJ-150, M6DUJ-100, M6DUJ-150). The guaranteed profit at policy maturity is determined to be equal to a certain percentage of the sum assured dependent upon the tariff and the policy duration. In case of M6J-100, M6J-150, M6DJ-100, M6DJ-150, M6UJ-100, M6UJ-150, M6DUJ-100, M6DUJ-150 tariffs total amount of guaranteed profit will be paid also in case of death. All guaranteed benefits are included within the calculation of the life assurance provision.

## 1.7 Liability adequacy test

### *Life assurance*

Life assurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of relevant factors: future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. The Group made certain changes in the methodology, aligned with the parent company instructions and guidelines, and from 2015 uses the Best Estimate Liabilities (“BEL”) calculation from the cash flow model, which is signed off and approved by the parent company. In the previous years, the Group used the present value of future profits (“PVFP”) calculation from the cash flow model.

Where reliable market data is available, assumptions are derived from observable market prices.

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

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

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

The methodology of testing considers current estimates of all future contractual cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of the correlation between all risks factors.

The principal assumptions used are:

### *Segmentation*

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

The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each product group separately. If that comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss, by establishing an additional provision.

### *Mortality and morbidity*

Mortality and morbidity are usually based on data supplied by the Croatian Statistical Bureau and adjusted by the Group based on a statistical analysis of the Group’s own mortality experience.

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

### *Persistency*

Future contractual premiums are included without any allowance for premium indexation. Lapses and surrenders are estimated based on the Group’s past experience (split by type of product and policy durations). The Group regularly analyses its actual persistency rates by product type and duration and adjusts its assumptions accordingly.

The assumptions as derived above are adjusted by a margin for risk and uncertainty.

### *Expenses*

Estimations of future renewal and maintenance expenses included in the liability adequacy test are derived from the Group’s current experience. For future periods cash flows for expenses have been increased by a factor equal to the Group’s estimate of annual inflation (2.5%).

### *Expected investment return and discount rate*

Future investment returns are determined using the yield curve derived from return on Croatian government bonds denominated in EUR.

The same curve is used for discounting using Market Consistent Embedded Value (“MCEV”) methodology.



## 1.7 Liability adequacy test (continued)

### *Life assurance (continued)*

#### *Interest rate guarantee*

The Group makes an additional allowance for the potential volatility of actual investment returns compared to the guaranteed technical interest rate and the risk free rate. The interest rate guarantee is mainly influenced by the volatility of investment returns.

#### *Profit sharing*

Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the credited rate over the guaranteed technical interest rate on individual policies. According to past experience credited rate is difference of risk-free rate and fixed margin (2.16%) and cannot be higher than 4.50%.

The percentage applied is consistent with the Group's current business practice for bonus allocation.

### *Non-life insurance*

Insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions.

The liability adequacy test for non-life insurance is therefore limited to the unexpired portion of existing contracts. The Group performs LAT by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur. Investment return was estimated as 0% due to the current market situation.

The test is performed by product groups which comprise insurance contracts with a similar risk profile.

For annuities, the assumptions used to establish the provision include all future cash flows with changes being recognised immediately in the profit or loss. As such no separate liability adequacy test is required to be performed.

At year end HRK 2,480 thousand (2014: HRK 6,700 thousand) have been recognized as a result of liability adequacy test and presented as unexpired risk reserve.

## 1.8 The sensitivity of best estimate liabilities to change in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate and discount rates used in the liability adequacy testing.

In 2015 the Group has estimated the impact on the Best Estimate Liabilities (“BEL”) at the end of the year of changes in key variables that may have a material effect, aligned with the parent company instructions and guidelines. For each time in projection period cash flows are calculated and BEL were calculated as best estimate liabilities.

### *Life assurance*

	<b>2015 BEL HRK'000</b>
Base run	1,937,284
Risk free rate +100bp	1,832,648
Risk free rate –100bp	2,158,540
Mortality (for products with death risk) +15%	1,945,758
Policy maintenance expenses +10%	1,973,393
Expense inflation +1%	1,962,557

The Group uses BEL calculation to manage sensitivity of insurance risk to market conditions.

Base run means calculation with best estimate assumptions. Base run represents BEL calculated using the assumptions described under Note 1.7 during liability adequacy testing. For each policy income is calculated from premium while expenses are calculated from both administration expenses and claims.

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

The analysis has been prepared for a change in a single variable with all other assumptions remaining unchanged and excludes changes in values of the related assets.

Sensitivity to changes in mortality was calculated by estimating the effect on BEL of an increase in mortality for for products with death risk, while sensitivity to changes in expense rate was calculated by estimating the effect on BEL of a 10% increase in policy maintenance expenses.

The profit or loss and insurance liabilities (as evidenced by BEL above) are highly influenced by a change in the risk free rate in both directions. Hence, changes in risk free rate are stated in 100 basis points for both directions.

### *Non-life insurance*

In non-life the insurance variables which would have the greatest impact on insurance liabilities relate to expense changes as per the policy and MTPL court claims. Court claims related liabilities are sensitive to legal, judicial, political, economic and social trends. Management believes it is not practicable to quantify the sensitivity of non-life reserves to changes in these variables.

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

### *Non-life insurance contracts*

The Group offers many types of non-life insurances, including motor, property, liability, marine, aviation, transport, health and accident insurance. Non-life insurance contracts may be concluded for a fixed term of one year or on a long-term basis for a term of several years or up to cancellation. Regardless of the agreed insurance term, either party has the option to cancel the contract at 3 months notice. Given the stated conditions, the Group retains the option of analysis and reassessment of all conditions under which an insurance contract is concluded, including the evaluation of the adequacy of risk prices in intervals not longer than one year. In addition to potential adjustments of the insurance price, there is a possibility of introducing franchises as well as introducing other restrictive measures, if such approach is required by the nature of the risk.

The main source of uncertainty affecting the amount and the timing of future cash flows arises from the uncertainty of future claims and the uncertainty related to their amounts.

Other significant sources of uncertainty connected with non-life insurance arise from legislative regulations which entitle the policyholders to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence. This provision is particularly significant with respect to claims with a longer time period from the moment of occurrence of the claim, through the moment of claim report up to the moment of exactly establishing the intensity of claim (this feature is particularly significant in case of permanent disability arising from accident insurance or in case of serious physical injuries arising from liability insurance etc.).

The portfolio of non-life insurance does not include products, which guarantee unlimited coverage and the maximum amount for which the insurer can be liable under an individual insurance policy arising from a claim is always limited by the contractual insurance amount. An exception to this rule is the motor third party liability insurance ("MTPL") in member countries of the Green Card system, which have unlimited coverage. Based on legal regulations, which prescribe the usage of sum insured of the country in which the claim occurred (with respect to MTPL), this risk cannot be avoided altogether, but it can be transferred through adequate reinsurance contracts.

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

### *Motor insurance*

The Group motor portfolio comprises both MTPL and motor hull (casco) insurance. MTPL covers the liability of the owner, i.e. the user of the motor vehicle for claims caused to third parties in case the use of a motor vehicle resulted in bodily injury claims and property claims. MTPL is valid in the European Union and countries within the Green Card system.

Property damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The amount of claims relating to bodily injury and related losses of earnings are influenced by directives set by the Supreme Court which influences court practice. With respect to MTPL, there is an additional impact on the uncertainty of future liabilities of the insurer in case of a potential change in the existing court practice.

MTPL is regulated by the Act on Compulsory Insurance within the Transport Sector. Until the 1st of January 2008 MTPL Tariff was regulated by the law and all insurance companies on the market had been obliged to apply unique Tariff for MTPL business. Liberalization of MTPL started from the 1st of January 2008, meaning that each and every company on the market have possibility to introduce their own Tariff after approval of the Croatian Financial Services Supervisory Agency. Despite this possibility, in the previous years all companies on the market, including Allianz Zagreb, were using the same (old) Tariff. After the 1st of July 2013 when Croatia entered EU, the law was changed allowing companies to apply new tariffs with no previous approval of Croatian Financial Services Supervisory Agency any more. This change of legal framework practically initiate liberalization in MTPL and introduction of new tariffs on the market starting from in the second half of 2013. MTPL liberalization process led to a decrease of average MTPL premium until the reporting date compared to pre-liberalisation values in the next year(s). Minimum sums insured (for domestic cover) are prescribed by law.

Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured.

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

### *Non-life insurance contracts (continued)*

#### *Property insurance*

This is broadly split into industrial, commercial and personal lines. For industrial lines and large commercial risks the Group uses risk management techniques to identify risks and analyse losses and hazards and also cooperates with reinsurers. Personal property insurance consists of standard buildings and contents insurance.

Claims are normally notified promptly and can be settled without delay.

#### *Liability insurance*

These covers all types of liability and include public liability, liability towards employees, liability for the use of products and a number of professional liabilities, which are mostly required by law. Claims with respect to all types of liability insurance are paid on a claims-occurrence basis, i.e. the Group is responsible for all claims arising during the term of the insurance contract, regardless of whether they are reported after the expiry of the contract. The Group undertakes all adequate measures for securing all necessary information relating to claim exposure. However, there is still an uncertainty with respect to the assessment of the final claim amount, particularly with respect to court claims.

#### *Accident insurance*

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

### *Life assurance contracts*

#### *Bonuses*

About 87,6% (2014: 87,5%) of the Group's life assurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders bonuses are guaranteed.

#### *Premiums*

Premiums for all life products are linked to EUR or to USD and may be payable in regular instalments or as a single premium at inception of the policy. Some endowment and pure endowment - type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums and sum assured are not increased with inflation.

#### *Term life insurance products*

Traditional term life insurance products comprise risks of death, accident rider and critical illness rider. Premium is paid regularly or as single premium. Policies offer a fixed sum assured for death, and the riders offer short to long-term protection. Death benefits are paid only if the policyholder dies during the term of insurance.

#### *Endowment products*

These are also traditional life insurance products providing life-long financial protection. Many long-term policies give to the insured the option to finance their needs in retirement. Capital life insurance products for regular or single premium offer cover for risks of death, endowment and the waiver of premium in case of permanent disability. Accident or critical illness insurance can be added as a rider to the main endowment coverage. Insurance benefits are usually paid as a lump-sum.

#### *Pure endowments*

These are also traditional life insurance products providing life-long financial protection at maturity. These products give to insured person possibility to finance their needs in retirement or some life events (in the case of child insurance). The premium under this product is paid as single or as regular and it covers risk of endowment.

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

### *Life assurance contracts (continued)*

#### *Unit-linked and index-linked life assurance*

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

Equity index linked life assurance is linked to the average performance of Euro Stoxx 50, S&P 500 and the Nikkei 225 index with maturity benefit guarantee and minimum death benefit guarantee.

#### *Annuity insurance*

The Group has active annuity products, immediate temporary risk annuity and immediate lifelong annuity. Policies are paid by single premium. After payment monthly annuity should be paid.

The Group also have not active lifelong annuity products. Policyholders can pay premiums regularly under the existing contracts.

## 1.10 Segment reporting

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

The main business segments of the Group are Non-life insurance, Life assurance and Other. Segment Other consists of investment fund management, car evaluation and IT services. Note 1.9 of these financial statements provides further information about significant terms and conditions of insurance products.

Segment results, assets and liabilities include items directly attributable to the segment as well as those which have been allocated on a reasonable basis.

The main products offered by the reported business segments include:

Non-life:

- Property and liability
- Motor third part liability
- Motor casco
- Accident and health
- Marine, aviation and cargo

Life:

- Traditional life
- Endowment
- Pure risk
- Pure endowment
- Unit linked

Other:

- Investment fund management
- IT services
- Car evaluation services

In the remaining consolidated notes in the financial statements, amounts related to segment other are divided between life and non-life.

### Geographical segment

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

## 1.10 Segment reporting (continued)

### Consolidated statement of financial position by business segment as at 31 December 2015

	Non-life HRK'000	Life HRK'000	Other HRK'000	Total HRK'000
<b>Assets</b>				
Property and equipment	40,806	-	3,584	44,390
Investment property	30,352	-	-	30,352
Intangible assets				
- Deferred acquisition costs	43,307	1,145	-	44,452
- Other intangible assets	16,020	-	1,450	17,470
Held-to-maturity investments	157,611	512,636	5,236	675,483
Available-for-sale financial assets	686,688	1,983,808	105,870	2,776,366
Financial assets at fair value through profit or loss	5,218	398,830	25,839	429,887
Loans and receivables	30,442	34,855	55,382	120,679
Reinsurers' share of insurance contract provisions	158,993	1,023	-	160,016
Current income tax prepayment	3,744	-	(3,744)	-
Insurance and other receivables	223,963	43,273	241	267,477
Cash and cash equivalents	7,123	128,633	41,825	177,581
<b>Total assets</b>	<b>1,404,267</b>	<b>3,104,203</b>	<b>235,683</b>	<b>4,744,153</b>
<b>Liabilities</b>				
Insurance contract provisions	810,876	2,721,912	-	3,532,788
Insurance and other payables and deferred income	175,204	54,221	108,155	337,580
Deferred tax liabilities	3,692	25,542	(3,601)	25,633
Current income tax liability	-	5,952	-	5,952
<b>Total liabilities</b>	<b>989,772</b>	<b>2,807,627</b>	<b>104,554</b>	<b>3,901,953</b>
<b>Equity</b>				
Issued share capital	71,722	30,000	-	101,722
Share premium	31,501	80,500	-	112,001
Fair value reserve	30,722	113,729	24	144,475
Legal reserve	22,655	2,398	-	25,053
Retained earnings	299,930	160,437	(1,769)	458,598
<b>Total equity attributable to equity holders of the Company</b>	<b>456,530</b>	<b>387,064</b>	<b>(1,745)</b>	<b>841,849</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>351</b>
<b>Total equity</b>	<b>456,530</b>	<b>387,064</b>	<b>(1,394)</b>	<b>842,200</b>
<b>Total liabilities and equity</b>	<b>1,446,302</b>	<b>3,194,691</b>	<b>103,160</b>	<b>4,744,153</b>

## 1.10 Segment reporting (continued)

### Consolidated statement of financial position by business segment as at 31 December 2014

	Non-life HRK'000	Life HRK'000	Other HRK'000	Total HRK'000
<b>Assets</b>				
Property and equipment	45,443	-	3,436	48,879
Investment property	31,602	-	-	31,602
Intangible assets				
- Deferred acquisition costs	49,285	1,231	-	50,516
- Other intangible assets	16,452	-	1,316	17,768
Held-to-maturity investments	156,793	514,360	5,278	676,431
Available-for-sale financial assets	639,108	1,781,640	66,665	2,487,413
Financial assets at fair value through profit or loss	8,794	381,236	19,175	409,205
Loans and receivables	39,426	145,277	54,473	239,176
Reinsurers' share of insurance contract provisions	145,608	1,126	-	146,734
Deferred tax asset	4,676	(1,292)	-	3,384
Insurance and other receivables	218,047	45,980	139	264,166
Cash and cash equivalents	8,500	22,706	74,913	106,119
<b>Total assets</b>	<b>1,363,734</b>	<b>2,892,264</b>	<b>225,395</b>	<b>4,481,393</b>
<b>Liabilities</b>				
Insurance contract provisions	827,735	2,540,759	-	3,368,494
Insurance and other payables and deferred income	141,850	30,624	88,929	261,403
Deferred tax liabilities	4,951	30,780	-	35,731
Current income tax liability				
<b>Total liabilities</b>	<b>974,536</b>	<b>2,602,163</b>	<b>88,929</b>	<b>3,665,628</b>
<b>Equity</b>				
Issued share capital	71,722	30,000	-	101,722
Share premium	31,501	80,500	-	112,001
Fair value reserve	36,436	133,692	24	170,152
Legal reserve	22,655	2,398	-	25,053
Retained earnings	280,624	128,289	(2,523)	406,390
<b>Total equity attributable to equity holders of the Company</b>	<b>442,938</b>	<b>374,879</b>	<b>(2,499)</b>	<b>815,318</b>
<b>Non controlling interests</b>	<b>-</b>	<b>-</b>	<b>447</b>	<b>447</b>
<b>Total equity</b>	<b>442,938</b>	<b>374,879</b>	<b>(2,052)</b>	<b>815,765</b>
<b>Total liabilities and equity</b>	<b>1,417,474</b>	<b>2,977,042</b>	<b>86,877</b>	<b>4,481,393</b>



## 1.10 Segment reporting (continued)

### Consolidated statement of comprehensive income by business segment for the year ended 31 December 2015

	Non-life HRK'000	Life HRK'000	Other HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	651,043	535,739	-	-	1,186,782
Written premiums ceded to reinsurers	(162,226)	(3,823)	-	-	(166,049)
<b>Net premiums written</b>	<b>488,817</b>	<b>531,916</b>	-	-	<b>1,020,733</b>
Change in the gross provision for unearned premiums	(10,540)	476	-	-	(10,064)
Reinsurers' share of change in the provision for unearned premiums	38,418	(8)	-	-	38,410
<b>Net earned premiums</b>	<b>516,695</b>	<b>532,384</b>	-	-	<b>1,049,079</b>
Fees and commission income	21,084	2,788	4,086	(4,086)	23,872
Financial income	51,288	129,870	6,792	(1,372)	186,578
Other operating income	7,643	325	5,987	(2,700)	11,255
<b>Operating income</b>	<b>596,710</b>	<b>665,367</b>	<b>16,865</b>	<b>(8,158)</b>	<b>1,270,784</b>
Claims and benefits incurred	(286,715)	(482,366)	-	-	(769,081)
Reinsurers' share of claims and benefits incurred	29,956	1,120	-	-	31,076
<b>Net policyholder claims and benefits incurred</b>	<b>(256,759)</b>	<b>(481,246)</b>	-	-	<b>(738,005)</b>
Acquisition costs	(134,064)	(64,297)	(2,943)	2,817	(198,487)
Administrative expenses	(128,964)	(55,809)	(9,021)	1,128	(192,666)
Other operating expenses	(7,117)	(1,146)	-	1,572	(6,691)
Financial expenses	(3,343)	(3,701)	(2,764)	1,434	(8,374)
<b>Profit before income tax</b>	<b>66,463</b>	<b>59,168</b>	<b>2,137</b>	<b>(1,207)</b>	<b>126,561</b>
Income tax expense	(12,317)	(9,860)	(272)	-	(22,449)
<b>Profit for the year</b>	<b>54,146</b>	<b>49,308</b>	<b>1,865</b>	<b>(1,207)</b>	<b>104,112</b>
<b>Profit attributable to</b>					
-Equity holders of the Company	54,146	49,308	1,961	(1,207)	104,208
-Non-controlling interests	-	-	(96)	-	(96)
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(5,713)	(19,964)	-	-	(25,677)
<b>Total comprehensive income for the year</b>	<b>48,433</b>	<b>29,344</b>	<b>1,865</b>	<b>(1,207)</b>	<b>78,435</b>
<b>Attributable to</b>					
-Equity holders of the Company	48,433	29,344	1,961	(1,207)	78,531
-Non-controlling interests	-	-	(96)	-	(96)
	<b>48,433</b>	<b>29,344</b>	<b>1,865</b>	<b>(1,207)</b>	<b>78,435</b>

## 1.10 Segment reporting (continued)

### Consolidated statement of comprehensive income by business segment for the year ended 31 December 2014

	Non-life HRK'000	Life HRK'000	Other HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	674,342	541,098	-	-	1,215,440
Written premiums ceded to reinsurers	(125,834)	(4,316)	-	-	(130,150)
<b>Net premiums written</b>	<b>548,508</b>	<b>536,782</b>	<b>-</b>	<b>-</b>	<b>1,085,290</b>
Change in the gross provision for unearned premiums	23,238	(1,341)	-	-	21,897
Reinsurers' share of change in the provision for unearned premiums	(3,297)	11	-	-	(3,286)
<b>Net earned premiums</b>	<b>568,449</b>	<b>535,452</b>	<b>-</b>	<b>-</b>	<b>1,103,901</b>
Fees and commission income	19,265	3,103	2,325	(2,325)	22,368
Financial income	51,030	141,970	7,110	(2,348)	197,762
Other operating income	8,344	521	6,217	(2,405)	12,677
<b>Operating income</b>	<b>647,088</b>	<b>681,046</b>	<b>15,652</b>	<b>(7,078)</b>	<b>1,336,708</b>
Claims and benefits incurred	(403,523)	(495,193)	-	-	(898,716)
Reinsurers' share of claims and benefits incurred	128,244	827	-	-	129,071
<b>Net policyholder claims and benefits incurred</b>	<b>(275,279)</b>	<b>(494,366)</b>	<b>-</b>	<b>-</b>	<b>(769,645)</b>
Acquisition costs	(145,984)	(86,106)	(2,356)	2,267	(232,179)
Administrative expenses	(131,040)	(60,277)	(8,273)	372	(199,218)
Other operating expenses	(15,417)	(1,698)	-	2,091	(15,024)
Financial expenses	(1,622)	(2,674)	(2,391)	143	(6,544)
<b>Profit before income tax</b>	<b>77,746</b>	<b>35,925</b>	<b>2,632</b>	<b>(2,205)</b>	<b>114,098</b>
Income tax expense	(18,613)	(7,677)	(152)	-	(26,442)
<b>Profit for the year</b>	<b>59,133</b>	<b>28,248</b>	<b>2,480</b>	<b>(2,205)</b>	<b>87,656</b>
<b>Profit attributable to</b>					
-Equity holders of the Company	59,133	28,248	258	-	87,639
-Non-controlling interests	-	-	17	-	17
<b>Other comprehensive income</b>					
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	16,148	93,346	-	-	109,494
<b>Total comprehensive income for the year</b>	<b>75,281</b>	<b>121,594</b>	<b>275</b>	<b>-</b>	<b>197,150</b>
<b>Attributable to</b>					
- Equity holders of the Company	75,281	121,594	258	-	197,133
-Non-controlling interests	-	-	17	-	17
	<b>75,281</b>	<b>121,594</b>	<b>275</b>	<b>-</b>	<b>197,150</b>

## 1.11 Property and equipment

### Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Acquired but not brought into use HRK'000	Total HRK'000
<b>Cost</b>					
At 1 January 2014	32,115	13,886	56,877	575	103,453
Additions	213	191	1,768	4,924	7,096
Transfer into use	-	-	480	(480)	-
Disposals	-	(5,339)	(6,743)	-	(12,082)
<b>At 31 December 2014</b>	<b>32,328</b>	<b>8,738</b>	<b>52,382</b>	<b>5,019</b>	<b>98,467</b>
At 1 January 2015	32,328	8,738	52,382	5,019	98,467
Additions	422	180	2,990	(64)	3,528
Transfer into use	4,815	-	137	(4,952)	-
Transfer from intangible asset	-	-	6	-	6
Disposals	-	(2,734)	(2,492)	-	(5,226)
<b>At 31 December 2015</b>	<b>37,565</b>	<b>6,184</b>	<b>53,023</b>	<b>3</b>	<b>96,775</b>
<b>Depreciation and impairment losses</b>					
At 1 January 2014	3,794	5,748	41,557	-	51,099
Depreciation charge for the year (Note 1.32)	721	2,342	5,505	-	8,568
Disposals	-	(3,683)	(6,396)	-	(10,079)
<b>At 31 December 2014</b>	<b>4,515</b>	<b>4,407</b>	<b>40,666</b>	<b>-</b>	<b>49,588</b>
At 1 January 2015	4,515	4,407	40,666	-	49,588
Depreciation charge for the year (Note 1.32)	803	1,380	4,768	-	6,951
Disposals	-	(2,264)	(1,890)	-	(4,154)
<b>At 31 December 2015</b>	<b>5,318</b>	<b>3,523</b>	<b>43,544</b>	<b>-</b>	<b>52,385</b>
<b>Carrying amounts</b>					
At 1 January 2014	28,321	8,138	15,320	575	52,354
At 31 December 2014	<b>27,813</b>	<b>4,331</b>	<b>11,716</b>	<b>5,019</b>	<b>48,879</b>
At 1 January 2015	27,813	4,331	11,716	5,019	48,879
<b>At 31 December 2015</b>	<b>32,247</b>	<b>2,661</b>	<b>9,479</b>	<b>3</b>	<b>44,390</b>

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,386 thousand (2014: HRK 3,431 thousand). Management believes that the fair value of land and buildings is not significantly different from their carrying value.

During 2015 and 2014 there were no capitalised borrowing costs related to the acquisition of property and equipment.

Property and equipment of the Group are not pledged as collateral for any purpose.

The depreciation charge is recognised in profit or loss under "Administrative expenses" (Note 1.32).

## 1.11 Property and equipment (continued)

### Company

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Acquired but not brought into use HRK'000	Total HRK'000
<b>Cost</b>					
At 1 January 2014	28,358	13,508	56,223	575	98,664
Additions	213	191	1,739	4,924	7,067
Transfer into use	-	-	480	(480)	-
Disposals	-	(5,184)	(6,734)	-	(11,918)
<b>At 31 December 2014</b>	<b>28,571</b>	<b>8,515</b>	<b>51,708</b>	<b>5,019</b>	<b>93,813</b>
At 1 January 2015	28,571	8,515	51,708	5,019	93,813
Additions	422	-	2,857	(64)	3,215
Transfer into use	4,815	-	137	(4,952)	-
Transfer from intangible assets	-	-	6	-	6
Disposals	-	(2,514)	(2,492)	-	(5,006)
<b>At 31 December 2015</b>	<b>33,808</b>	<b>6,001</b>	<b>52,216</b>	<b>3</b>	<b>92,028</b>
<b>Depreciation and impairment losses</b>					
At 1 January 2014	3,424	5,433	41,127	-	49,984
Depreciation charge for the year (Note 1.32)	642	2,289	5,379	-	8,310
Disposals	-	(3,528)	(6,396)	-	(9,924)
<b>At 31 December 2014</b>	<b>4,066</b>	<b>4,194</b>	<b>40,110</b>	<b>-</b>	<b>48,370</b>
At 1 January 2015	4,066	4,194	40,110	-	48,370
Depreciation charge for the year (Note 1.32)	723	1,354	4,708	-	6,785
Disposals	-	(2,043)	(1,890)	-	(3,933)
<b>At 31 December 2015</b>	<b>4,789</b>	<b>3,505</b>	<b>42,928</b>	<b>-</b>	<b>51,222</b>
<b>Carrying amounts</b>					
At 1 January 2014	24,934	8,075	15,096	575	48,680
At 31 December 2014	<b>24,505</b>	<b>4,321</b>	<b>11,598</b>	<b>5,019</b>	<b>45,443</b>
At 1 January 2015	24,505	4,321	11,598	5,019	45,443
<b>At 31 December 2015</b>	<b>29,019</b>	<b>2,496</b>	<b>9,288</b>	<b>3</b>	<b>40,806</b>

Included within land and buildings is non-depreciable land with a carrying value of HRK 3,800 thousand (2014: HRK 2,845 thousand). Management believes that the fair value of land and buildings is not materially different from their carrying value.

During 2015 and 2014 there were no capitalised borrowing costs related to the acquisition of property and equipment.

Property and equipment of the Company are not pledged as collateral for any purpose.

The depreciation charge is recognised in profit or loss under "Administrative expenses" (Note 1.32).

## 1.12 Investment property

	<b>Group and Company HRK'000</b>
<b>Cost</b>	
At 1 January 2014	52,229
	<hr/>
<b>At 31 December 2014</b>	<b>52,229</b>
	<hr/>
At 1 January 2015	52,229
	<hr/>
<b>At 31 December 2015</b>	<b>52,229</b>
	<hr/>
<b>Depreciation</b>	
At 1 January 2014	19,336
Depreciation charge for the year (Note 1.34)	1,291
	<hr/>
<b>At 31 December 2014</b>	<b>20,627</b>
	<hr/>
At 1 January 2015	20,627
Depreciation charge for the year (Note 1.34)	1,250
	<hr/>
<b>At 31 December 2015</b>	<b>21,877</b>
	<hr/>
<b>Carrying amounts</b>	
At 1 January 2014	32,893
At 31 December 2014	31,602
	<hr/> <hr/>
At 1 January 2015	<b>31,602</b>
<b>At 31 December 2015</b>	<b>30,352</b>
	<hr/> <hr/>

The rental income arising during the year amounted to HRK 1,396 thousand (2014: HRK 1,174 thousand), which is recognised in “Financial income” (Note 1.28). Direct operating expenses (including repairs and maintenance) arising from investment property during the year are invoiced to lessee. Total maintenance cost of investment property in 2015 amounted to HRK 486 thousand (2014: 459 thousand) and is recognised in other costs under „Administrative expenses“ (Note 1.32). Management believes that the fair value is not significantly different from their carrying value.

The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.34).

### 1.13 Deferred acquisition costs

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

An analysis of these deferred costs is set out below:

#### Group and Company

	Non-life		Life rider		Total	
	2015 HRK'000	2014 HRK'000	2015 HRK'000	2014 HRK'000	2015 HRK'000	2014 HRK'000
At 1 January	<b>49,285</b>	50,512	<b>1,231</b>	1,062	<b>50,516</b>	51,574
Net change recognised in profit or loss (Note 1.31)	<b>(5,978)</b>	(1,227)	<b>(86)</b>	169	<b>(6,064)</b>	(1,058)
<b>At 31 December</b>	<b>43,307</b>	49,285	<b>1,145</b>	1,231	<b>44,452</b>	50,516

## 1.14 Other intangible assets

### Group

	Goodwill HRK'000	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Total HRK'000
<b>Cost</b>					
At 1 January 2014	24	34,632	32,983	984	68,623
Additions	-	4,430	3,440	302	8,172
Transfer into use	-	1,052	-	(956)	96
Write off	-	-	-	-	-
	24	40,114	36,423	330	76,891
At 31 December 2014					
At 1 January 2015	24	40,114	36,423	330	76,891
Additions	-	3,640	1,849	1,638	7,127
Transfer into use	-	125	-	(125)	-
Transfer to equipment and furniture	-	-	-	(6)	(6)
	24	43,879	38,272	1,837	84,012
<b>At 31 December 2015</b>					
<b>Amortisation and impairment losses</b>					
At 1 January 2014	-	23,799	25,065	-	48,864
Amortisation charge for the year (Note 1.32)	-	6,853	3,406	-	10,259
	-	30,652	28,471	-	59,123
At 31 December 2014					
At 1 January 2015	-	30,652	28,471	-	59,123
Amortisation charge for the year (Note 1.32)	-	4,188	3,231	-	7,419
	-	34,840	31,702	-	66,542
<b>At 31 December 2015</b>					
<b>Carrying amounts</b>					
At 1 January 2014	24	10,833	7,918	984	19,759
At 31 December 2014	24	9,462	7,952	330	17,768
At 1 January 2015	24	9,462	7,952	330	17,768
<b>At 31 December 2015</b>	<b>24</b>	<b>9,039</b>	<b>6,570</b>	<b>1,837</b>	<b>17,470</b>

During 2015 and 2014 there were no capitalised borrowing costs related to the acquisition of software.

As at 31 December 2015 Computer software included HRK 9,039 thousand of capitalised development costs (2014: HRK 9,462 thousand).

The amortisation charge is recognised in profit or loss under "Administrative expenses" (Note 1.32).

## 1.14 Other intangible assets (continued)

### Company

	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Total HRK'000
<b>Cost</b>				
At 1 January 2014	34,632	28,974	984	64,590
Additions	4,430	2,970	302	7,702
Transfer into use	1,052	-	(956)	96
At 31 December 2014	40,114	31,944	330	72,388
At 1 January 2015	40,114	31,944	330	72,388
Additions	3,640	1,108	1,638	6,386
Transfer into use	125	-	(125)	-
Transfer to equipment and furniture	-	-	(6)	(6)
<b>At 31 December 2015</b>	<b>43,879</b>	<b>33,052</b>	<b>1,837</b>	<b>78,768</b>
<b>Amortisation and impairment losses</b>				
At 1 January 2014	23,799	22,719	-	46,518
Amortisation charge for the year (Note 1.32)	6,853	2,565	-	9,418
At 31 December 2014	30,652	25,284	-	55,936
At 1 January 2015	30,652	25,284	-	55,936
Amortisation charge for the year (Note 1.32)	4,188	2,624	-	6,812
<b>At 31 December 2015</b>	<b>34,840</b>	<b>27,908</b>	<b>-</b>	<b>62,748</b>
<b>Carrying amounts</b>				
At 1 January 2014	10,833	6,255	984	18,072
At 31 December 2014	9,462	6,660	330	16,452
At 1 January 2015	9,462	6,660	330	16,452
<b>At 31 December 2015</b>	<b>9,039</b>	<b>5,144</b>	<b>1,837</b>	<b>16,020</b>

During 2015 and 2014 there were no capitalised borrowing costs related to the acquisition of software.

As at 31 December 2015 Computer software included HRK 9,039 thousand of capitalised development costs (2014: HRK 9,462 thousand).

The amortisation charge is recognised in profit or loss under "Administrative expenses" (Note 1.32).



## 1.15 Investments in subsidiaries

### a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2015	Group ownership at 31 December 2014
<i>Investments in subsidiaries - held at cost</i>				
Allianz Invest d.o.o.	Investment	Croatia	100%	100%
AZ Servisni centar d.o.o.	Claim evaluation and IT services	Croatia	100%	100%
Autoelektro tehnički pregledi d.o.o.	Car evaluation services	Croatia	49%	49%
<i>Investments in subsidiaries - held at fair value through profit or loss</i>				
Allianz Cash, open-ended investment fund	Investment	Croatia	60.4%	61.5%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	27.6%	53.3%
<i>Investments in subsidiaries – available for sale</i>				
Allianz Equity, open-ended investment fund	Investment	Croatia	45.6%	56.4%

All consolidation conclusions prior to 2014 remain valid after the adoption of the new consolidation set of standards in 2014. Also there were no changes in 2015.

The subsidiaries are fully consolidated in the Group financial statements. The Company has a control over Autoelektro tehnički pregledi d.o.o. through voting rights and recognises this investment as subsidiary and not as associate despite ownership stake below 50%.

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in two open-ended funds at 31 December 2015, the management believes it is appropriate to conclude these are subsidiaries as the Company controls the asset manager and is by far the biggest single investor. Also, the Company had additional investment in Allianz Portfolio of 12%, through its unit linked investments (which have been disclosed as such in accordance with the good practice, rather than as investments in subsidiaries).

### b) Investments in subsidiaries are as follows:

	Company 2015 HRK'000	Company 2014 HRK'000
<i>Investments in subsidiaries - held at cost</i>		
Allianz Invest d.o.o.	5,000	5,000
AZ Servisni centar d.o.o.	200	200
Autoelektro tehnički pregledi d.o.o.	488	488
<b>Total subsidiaries at cost</b>	<b>5,688</b>	<b>5,688</b>
<i>Investments in subsidiaries - held at fair value through profit or loss</i>		
Allianz Cash, open-ended investment fund	109,114	116,190
Allianz Portfolio, open-ended investment fund	9,188	8,626
<b>Total subsidiaries at fair value through profit or loss</b>	<b>118,302</b>	<b>124,816</b>
<i>Investments in subsidiaries - available for sale</i>		
Allianz Equity, open-ended investment fund	8,533	8,014
<b>Total subsidiaries available for sale</b>	<b>8,533</b>	<b>8,014</b>
	<b>132,523</b>	<b>138,518</b>

## 1.15 Investments in subsidiaries (continued)

### c) Movements in investments in subsidiaries was as follows:

	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
<b>At 1 January</b>	138,518	135,338
Acquisition of units in Allianz Cash, open-ended investment fund	5,200	-
Disposal of units in Allianz Cash, open-ended investment fund	(13,000)	-
Fair value gains on investment in Allianz Cash, open-ended investment fund	724	866
Fair value gains on investment in Allianz Portfolio, open-ended investment fund	562	1,339
Fair value gains on investment in Allianz Equity, open-ended investment fund	519	975
<b>At 31 December</b>	<b><u>132,523</u></b>	<b><u>138,518</u></b>

### d) Non-controlling interest

The following is summarised financial information for the Autoelektro tehnički pregledi d.o.o. The information is before inter-company eliminations with other companies in the Group:

	<b>2015 HRK'000</b>	2014 HRK'000
Revenue	491	278
Profit / (loss)	196	(35)
<b>Profit attributable to NCI</b>	<b><u>96</u></b>	<b><u>(18)</u></b>
Current assets	88	76
Non-current assets	3,236	3,308
Current liabilities	(100)	(978)
Non-current liabilities	(2,943)	(2,322)
<b>Net assets</b>	<b><u>281</u></b>	<b><u>84</u></b>
<b>Net assets attributable to NCI</b>	<b><u>143</u></b>	<b><u>43</u></b>

The rest of non-controlling interest is related to open-ended investment funds managed by Allianz Invest.

## 1.16 Financial investments

	<b>Group 2015</b>	Group 2014	<b>Company 2015</b>	Company 2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Held-to-maturity investments (Note 1.16c)	<b>675,483</b>	676,431	<b>670,247</b>	671,153
Available-for-sale financial assets (Note 1.16c)	<b>2,776,366</b>	2,487,413	<b>2,670,496</b>	2,420,748
Financial assets held for trading	<b>199,300</b>	101,175	<b>199,300</b>	101,175
Financial assets designated at fair value through profit or loss	<b>230,587</b>	308,030	<b>204,748</b>	288,855
Financial assets at fair value through profit or loss (Note 1.16c)	<b>429,887</b>	409,205	<b>404,048</b>	390,030
Loans and receivables (Note 1.16a; 1.16c)	<b>120,679</b>	239,176	<b>65,297</b>	184,703
	<b>4,002,415</b>	3,812,225	<b>3,810,088</b>	3,666,634

Table below analyses financial investments exposed to credit risk:

	Group 2015				Group 2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Held-to-maturity investments	675,483	-	-	675,483	676,431	-	-	676,431
Available-for-sale debt securities	2,366,620	-	-	2,366,620	2,228,258	-	-	2,228,258
Debt securities at fair value through profit or loss	106,337	-	-	106,337	173,573	-	-	173,573
Loans and receivables	118,845	779	1,055	120,679	236,948	1,301	927	239,176
	<b>3,267,285</b>	<b>779</b>	<b>1,055</b>	<b>3,269,119</b>	<b>3,315,210</b>	<b>1,301</b>	<b>927</b>	<b>3,317,438</b>
Interest income generated from impaired financial assets	n/a	n/a	-	-	n/a	n/a	-	-
	<b>3,267,285</b>	<b>779</b>	<b>1,055</b>	<b>3,269,119</b>	<b>3,315,210</b>	<b>1,301</b>	<b>927</b>	<b>3,317,438</b>
	Company 2015				Company 2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Held-to-maturity investments	670,247	-	-	<b>670,247</b>	671,153	-	-	671,153
Available-for-sale debt securities	2,260,750	-	-	<b>2,260,750</b>	2,161,593	-	-	2,161,593
Debt securities at fair value through profit or loss	106,337	-	-	<b>106,337</b>	172,807	-	-	172,807
Loans and receivables	63,299	779	1,219	<b>65,297</b>	182,311	1,301	1,091	184,703
	<b>3,100,633</b>	<b>779</b>	<b>1,219</b>	<b>3,102,631</b>	<b>3,187,864</b>	<b>1,301</b>	<b>1,091</b>	<b>3,190,256</b>
Interest income generated from impaired financial assets	n/a	n/a	-	-	n/a	n/a	-	-
	<b>3,100,633</b>	<b>779</b>	<b>1,219</b>	<b>3,102,631</b>	<b>3,187,864</b>	<b>1,301</b>	<b>1,091</b>	<b>3,190,256</b>

## 1.16 Financial investments (continued)

### a) Loans and receivables

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

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Deposits with banks	<b>64,927</b>	213,726	<b>6,541</b>	156,252
Loans to customers	<b>56,807</b>	26,377	<b>59,487</b>	29,542
Subordinated loan to subsidiary	-	-	<b>488</b>	-
Impairment allowance on loans to customers	<b>(1,055)</b>	(927)	<b>(1,219)</b>	(1,091)
	<u><b>120,679</b></u>	<u>239,176</u>	<u><b>65,297</b></u>	<u>184,703</u>

Loans to customers are predominantly collateralised by the redemption value of life assurance policies or by real estate.

Subordinated loan to subsidiary has been granted to Allianz Invest with maturity date on 30 September 2021 and fixed interest rate of 6%. The repayment of this loan is subordinated to all other liabilities of Allianz Invest.

Movement in impairment allowance for loans and receivables during the year was as follows:

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
<b>At 1 January</b>	<b>927</b>	1,005	<b>1,091</b>	1,005
Impairment losses on loans	<b>877</b>	110	<b>877</b>	110
Collection of amounts previously provided	<b>(581)</b>	(188)	<b>(581)</b>	(188)
	<u><b>296</b></u>	<u>(78)</u>	<u><b>296</b></u>	<u>(78)</u>
<b>Net impairment losses/(reversal of impairment losses) recognised in profit or loss (Notes 1.34 and 1.28)</b>	<b>296</b>	(78)	<b>296</b>	(78)
Amounts written off	<b>(168)</b>	-	<b>(168)</b>	-
Transfer from insurance and other receivables (note 1.19)	-	-	-	164
	<u><b>1,055</b></u>	<u>927</u>	<u><b>1,219</b></u>	<u>1,091</u>
<b>At 31 December</b>	<b>1,055</b>	927	<b>1,219</b>	1,091

### b) Reclassifications

From 2008 to 2013 upon decision of the Company's Management Board, the Company reclassified available-for-sale financial assets to held-to-maturity investments. The Company has the intent and ability to hold the reclassified assets to maturity. The following table shows the amount of the remaining balance of reclassified assets (that have not yet matured) in the Company's portfolio:

<b>Reclassification date</b>	<b>Net book value at the reclassification date</b>	<b>Effective interest rate at the reclassification date</b>	<b>Other comprehensive income up to the reclassification date</b>
	<b>HRK'000</b>	<b>%</b>	<b>HRK'000</b>
21 August 2008	127,607	5.66	(9,173)
6 October 2008	177,632	5.72	(4,763)
26 March 2010	156,691	6.06	8,518
4 July 2011	77,387	6.06	4,047
10 October 2011	57,926	6.96	(356)
<b>Total</b>	<u><b>597,243</b></u>	<u><b>5.87</b></u>	<u><b>(1,727)</b></u>

## 1.16 Financial investments (continued)

### b) Reclassification (continued)

	At the reclassification date		31 December 2015		31 December 2014	
	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000
<b>Assets reclassified in 2008:</b>						
Debt securities	305,239	305,239	329,276	361,657	328,691	358,502
<b>Assets reclassified in 2010:</b>						
Debt securities	156,691	156,691	159,282	180,097	160,348	179,726
<b>Assets reclassified in 2011:</b>						
Debt securities	135,313	135,313	137,142	158,680	137,688	159,544
	<u>597,243</u>	<u>597,243</u>	<u>625,700</u>	<u>700,434</u>	<u>626,727</u>	<u>697,772</u>

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

	2015		2014	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
<b>Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2015</b>				
Interest income	36,410	-	36,798	-
Amortisation of premium	594	-	529	-
Amortisation of fair value reserve to profit or loss	(64)	-	5	-
Fair value reserve balance, net of income tax	-	(51)	-	(4)
	<u>36,940</u>	<u>(51)</u>	<u>37,332</u>	<u>(4)</u>

The following table shows the amounts that would have been recognised in profit or loss and other comprehensive income from reclassified assets in 2015 and 2014 had there been no reclassification:

	2015		2014	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
<b>Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2015</b>				
Interest income	36,410	-	36,798	-
Amortisation of premium	594	-	529	-
Change in fair value reserve, net of income tax	-	2,662	-	42,265
	<u>37,004</u>	<u>2,662</u>	<u>37,327</u>	<u>(42,265)</u>

## 1.16 Financial investments (continued)

### c) Breakdown

Group	Held-to-maturity investments HRK '000	Available-for-sale financial assets HRK '000	Fair value through profit or loss HRK'000	Loans and receivables HRK '000	Total HRK '000
<b>31 December 2015</b>					
Shares	-	50,109	21,762	-	71,871
Shares relating to share-based payments	-	-	5,219	-	5,219
<b>Bonds – fixed interest rate - listed</b>					
Debt securities issued by Government of the Republic of Croatia and local authorities- listed	675,483	1,624,834	-	-	2,300,317
Bonds – Governments of EU member states – listed	-	735,770	-	-	735,770
Foreign and domestic corporate bonds – listed	-	6,016	-	-	6,016
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	106,337	-	106,337
	<b>675,483</b>	<b>2,366,620</b>	<b>106,337</b>	-	<b>3,148,440</b>
<b>Investment funds - quoted</b>					
Open – ended investment funds	-	280,975	201,201	-	482,176
Open – ended investment funds – assets backing unit-linked products - quoted	-	-	93,192	-	93,192
Close – ended investment funds - quoted	-	78,662	2,176	-	80,838
	-	<b>359,637</b>	<b>296,569</b>	-	<b>656,206</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	64,927	64,927
Loans to policyholders	-	-	-	15,890	15,890
Mortgage loans	-	-	-	33,998	33,998
Other loans	-	-	-	5,864	5,864
	-	-	-	<b>120,679</b>	<b>120,679</b>
	<b>675,483</b>	<b>2,776,366</b>	<b>429,887</b>	<b>120,679</b>	<b>4,002,415</b>
<b>31 December 2014</b>					
Shares	-	38,253	16,782	-	55,035
Shares relating to share-based payments	-	-	5,808	-	5,808
<b>Bonds – fixed interest rate - listed</b>					
Debt securities issued by Government of the Republic of Croatia and local authorities- listed	676,431	1,802,553	766	-	2,479,750
Bonds – Governments of EU member states – listed	-	417,502	-	-	417,502
Foreign and domestic corporate bonds – listed	-	8,203	-	-	8,203
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	172,807	-	172,807
	<b>676,431</b>	<b>2,228,258</b>	<b>173,573</b>	-	<b>3,078,262</b>
<b>Investment funds - quoted</b>					
Open – ended investment funds	-	159,264	102,802	-	262,066
Open – ended investment funds – assets backing unit-linked products - quoted	-	-	110,240	-	110,240
Close – ended investment funds – quoted	-	61,638	-	-	61,638
	-	<b>220,902</b>	<b>213,042</b>	-	<b>433,944</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	213,726	213,726
Loans to policyholders	-	-	-	16,939	16,939
Mortgage loans	-	-	-	3,973	3,973
Other loans	-	-	-	4,538	4,538
	-	-	-	<b>239,176</b>	<b>239,176</b>
	<b>676,431</b>	<b>2,487,413</b>	<b>409,205</b>	<b>239,176</b>	<b>3,812,225</b>

## 1.16 Financial investments (continued)

### c) Breakdown (continued)

Company	Investments in subsidiaries HRK '000	Held-to-maturity investments HRK '000	Available-for-sale financial assets HRK '000	Financial assets at fair value through profit or loss HRK '000	Loans and receivables HRK '000	Total HRK '000
<b>31 December 2015</b>						
Shares	-	-	50,109	-	-	50,109
Shares relating to share-based payments	-	-	-	5,219	-	5,219
Investments in subsidiaries	132,523	-	-	-	-	132,523
<b>Bonds – fixed interest rate - listed</b>						
Debt securities issued by Government of the Republic of Croatia and local authorities- listed	-	670,247	1,519,004	-	-	2,189,251
Bonds – Governments of EU member states – listed	-	-	735,770	-	-	735,770
Foreign and domestic corporate bonds – listed	-	-	5,976	-	-	5,976
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	106,337	-	106,337
	-	670,247	2,260,750	106,337	-	3,037,334
<b>Investment funds - quoted</b>						
Open – ended investment funds	-	-	280,975	199,300	-	480,275
Open – ended investment funds – assets backing unit-linked products - quoted	-	-	-	93,192	-	93,192
Close – ended investment funds - quoted	-	-	78,662	-	-	78,662
	-	-	359,637	292,492	-	652,129
<b>Loans and receivables</b>						
Deposits with credit institutions	-	-	-	-	6,541	6,541
Loans to policyholders	-	-	-	-	15,890	15,890
Mortgage loans	-	-	-	-	37,026	37,026
Subordinated loan to subsidiary	-	-	-	-	488	488
Other loans	-	-	-	-	5,352	5,352
	-	-	-	-	65,297	65,297
	132,523	670,247	2,670,496	404,048	65,297	3,942,611
<b>31 December 2014</b>						
Shares	-	-	38,253	-	-	38,253
Shares relating to share-based payments	-	-	-	5,808	-	5,808
Investments in subsidiaries	138,518	-	-	-	-	138,518
<b>Bonds – fixed interest rate - listed</b>						
Debt securities issued by Government of the Republic of Croatia and local authorities- listed	-	671,153	1,735,921	-	-	2,407,074
Bonds – Governments of EU member states – listed	-	-	417,502	-	-	417,502
Foreign and domestic corporate bonds – listed	-	-	8,170	-	-	8,170
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	172,807	-	172,807
	-	671,153	2,161,593	172,807	-	3,005,553
<b>Investment funds - quoted</b>						
Open – ended investment funds	-	-	159,264	101,175	-	260,439
Open – ended investment funds – assets backing unit-linked products - quoted	-	-	-	110,240	-	110,240
Close – ended investment funds - quoted	-	-	61,638	-	-	61,638
	-	-	220,902	211,415	-	432,317
<b>Loans and receivables</b>						
Deposits with credit institutions	-	-	-	-	156,252	156,252
Loans to policyholders	-	-	-	-	16,939	16,939
Mortgage loans	-	-	-	-	6,998	6,998
Other loans	-	-	-	-	4,514	4,514
	-	-	-	-	184,703	184,703
	138,518	671,153	2,420,748	390,030	184,703	3,805,152

Bonds issued by governments of EU member states include bonds of the Republic of Germany of HRK 467,599 thousand (2014: HRK 232,518 thousand), Republic of Poland of HRK 76,005 thousand (2014: 61,057 thousand), Slovak Republic of HRK 105,879 thousand (2014: 101,853 thousand), and the Kingdom of Spain of 86,287 thousand (2014: 22,075 thousand).

## 1.16 Financial investments (continued)

### d) Matching of assets used for backing life assurance provision with the related insurance liabilities

The table below presents matching of assets used for backing life assurance provision with the related insurance contract liabilities.

	31 December 2015					31 December 2014	
	EURO HRK '000	EURO linked HRK '000	EURO and EURO linked HRK '000	USD HRK '000	HRK HRK '000	TOTAL HRK '000	TOTAL HRK '000
<b>Assets used for backing life assurance provision</b>							
Securities issued by Republic of Croatia	11,133	1,234,199	1,245,332	32,426	55,732	1,333,490	1,580,900
Securities issued by Croatian Bank for Reconstruction and Development	-	-	-	-	-	-	-
Bonds and other debt securities issued by local entity in Croatia	-	1,542	1,542	-	-	1,542	3,052
Bonds and other debt securities traded on regulated stock exchange in Croatia	-	-	-	-	-	-	-
Shares traded on regulated stock exchange in Croatia	-	-	-	-	31,098	31,098	20,003
Shares and units of investment funds registered in Croatia	-	-	-	-	170,874	170,874	68,795
Advances and loans in the amount of surrender value based on life assurance contracts	-	15,837	15,837	10	12	15,859	16,835
Deposits with banks domiciled in Croatia	56,652	-	56,652	2,755	-	59,407	80,120
Balances on giro account of the Company	140	-	140	-	942	1,082	16,895
Long-term bonds and long-term other debt securities issued by EU member state or OECD member state	717,402	-	717,402	18,366	-	735,768	390,394
Shares issued by foreign joint stock company traded on stock exchange for EU member state or OECD member state	157	-	157	-	-	157	138
Units of investment funds traded on regulated stock exchange of EU member state or OECD member state	318,136	-	318,136	-	-	318,136	205,116
<b>Total assets used for backing life assurance provision (Note 1.16d)</b>	<b>1,103,620</b>	<b>1,251,578</b>	<b>2,355,198</b>	<b>53,557</b>	<b>258,658</b>	<b>2,667,413</b>	<b>2,382,248</b>
Life assurance provision	-	(2,499,670)	(2,499,670)	-	-	(2,499,670)	(2,245,525)
Claims provision for risks for which it is necessary to create life assurance provision	-	(23,981)	(23,981)	-	-	(23,981)	(17,971)
<b>Requested coverage of life assurance provision</b>	<b>-</b>	<b>(2,523,651)</b>	<b>(2,523,651)</b>	<b>-</b>	<b>-</b>	<b>(2,523,651)</b>	<b>(2,263,496)</b>
<b>Excess/(shortage) of coverage</b>	<b>1,103,620</b>	<b>(1,272,073)</b>	<b>(168,453)</b>	<b>53,557</b>	<b>258,658</b>	<b>143,762</b>	<b>118,752</b>

The structure and amounts of assets backing life assurance provision as at 31 December 2015 in the opinion of the Management Board are in line with regulatory requirements (31 December 2014: also compliant).



## 1.16 Financial investments (continued)

### d) Matching of assets used for backing life assurance provision with the related insurance liabilities (continued)

The following table analyses matching of assets used for backing life assurance provision with the related insurance liabilities within relevant maturity groupings based on the remaining contractual maturity for investments and endowment dates for life assurance provision. Available-for-sale financial assets could be, if necessary readily disposed of based on their high secondary liquidity.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
<b>2015</b>					
Assets backing life assurance provision					
Held-to-maturity investments	-	453,005	59,630	-	512,635
Available-for-sale financial assets	1,542	586,845	941,715	377,454	1,907,556
Financial assets at fair value through profit or loss	170,874	-	-	-	170,874
Loans and receivables	71,683	3,583	-	-	75,266
Cash and cash equivalents	1,082	-	-	-	1,082
	<u>245,181</u>	<u>1,043,433</u>	<u>1,001,345</u>	<u>377,454</u>	<u>2,667,413</u>
Total assets backing life assurance provision	245,181	1,043,433	1,001,345	377,454	2,667,413
Life assurance provision	(133,979)	(797,266)	(589,838)	(978,587)	(2,499,670)
Claims provision for risks for which it is necessary to create life assurance provision	(21,189)	(2,788)	(4)	-	(23,981)
	<u>(155,168)</u>	<u>(800,054)</u>	<u>(593,842)</u>	<u>(978,587)</u>	<u>(2,527,651)</u>
<b>Maturity gap</b>	<b>90,013</b>	<b>243,379</b>	<b>411,503</b>	<b>(601,133)</b>	<b>143,762</b>
	<u>90,013</u>	<u>243,379</u>	<u>411,503</u>	<u>(601,133)</u>	<u>143,762</u>
<b>2014</b>					
Total assets backing life assurance provision	322,304	709,317	994,599	356,028	2,382,248
Life assurance provision	(112,467)	(672,371)	(542,095)	(918,592)	(2,245,525)
Claims provision for risks for which it is necessary to create life assurance provision	(16,027)	(1,898)	(46)	-	(17,971)
	<u>(128,494)</u>	<u>(674,269)</u>	<u>(542,141)</u>	<u>(918,592)</u>	<u>(2,245,525)</u>
<b>Maturity gap</b>	<b>193,810</b>	<b>35,048</b>	<b>452,458</b>	<b>(562,564)</b>	<b>118,752</b>
	<u>193,810</u>	<u>35,048</u>	<u>452,458</u>	<u>(562,564)</u>	<u>118,752</u>

In 2015 the Company achieved an annual return on investments from the life assurance provision of 4.43% (2014: 5.38%; 2013: 6.53%). Weighted average yield for the three-year period from 2013 to 2015 was 5.41% (2014: three-year weighted average yield of 6.11%).

Assets used for backing the life assurance provision include loans and receivables, financial assets held to maturity, available-for-sale financial assets and financial assets at fair value through profit or loss.

Valuation of financial assets is described in accounting policy 1.3 (d).

## 1.16 Financial investments (continued)

### e) Matching of assets used for backing insurance contract provisions other than life assurance provision with the related insurance liabilities

The table below presents matching of assets used for backing insurance contract provision other than life assurance provision with the related insurance contract liabilities.

	31 December 2015					31 December 2014	
	EURO HRK '000	EURO linked HRK '000	EURO and EURO linked total HRK '000	HRK HRK '000	Other currencies HRK '000	Total HRK '000	Total HRK '000
<b>Assets used for backing technical assurance provision</b>							
Securities issued by Republic of Croatia	47,463	-	47,463	798,204	-	845,667	817,743
Bonds and other debt securities traded on regulated stock exchange in Croatia	-	3,963	3,963	-	-	3,963	3,942
Bonds and other debt securities not traded on regulated stock exchange in Croatia	-	-	-	-	-	-	-
Shares traded on regulated stock exchange in Croatia	-	-	-	16,144	-	16,144	14,910
Shares and units of investment funds registered in Croatia	-	-	-	50,817	-	50,817	62,378
Loans secured by mortgage on real estate or transfer of ownership, if registered in land register in Croatia or OECD member state	-	3,824	3,824	-	-	3,824	4,172
Deposits with banks domiciled in Croatia	-	10,307	10,307	28,000	-	38,307	79,095
Long-term bonds and long-term other debt securities issued by EU member state or OECD member state	-	-	-	-	-	-	27,108
Units of investment funds traded in EU member state or OECD member state	41,501	-	41,501	-	-	41,501	15,786
<b>Total assets used for backing insurance contract provision</b>	<b>88,964</b>	<b>18,094</b>	<b>107,058</b>	<b>893,165</b>	<b>-</b>	<b>1,000,223</b>	<b>1,025,134</b>
Unearned premium provision	(2,153)	(30,347)	(32,500)	(193,904)	(1,046)	(227,450)	(255,797)
Claims provision	(32,485)	(5,586)	(38,071)	(374,366)	(23,468)	(435,905)	(433,718)
Other provision	-	(270)	(270)	(2,481)	-	(2,751)	(7,025)
<b>Requested coverage of other than life assurance provision</b>	<b>(34,638)</b>	<b>(36,203)</b>	<b>(70,841)</b>	<b>(570,751)</b>	<b>(24,514)</b>	<b>(666,106)</b>	<b>(696,540)</b>
<b>Excess/(shortage) of coverage</b>	<b>54,326</b>	<b>(18,109)</b>	<b>36,217</b>	<b>322,414</b>	<b>(24,514)</b>	<b>334,117</b>	<b>328,594</b>

The structure and amounts of assets backing insurance contract provision other than life assurance provision as at 31 December 2015 in the opinion of the Management Board are in line with regulatory requirements (31 December 2014: also compliant).

## 1.16 Financial investments (continued)

### e) Matching of assets used for backing insurance contract provisions other than life assurance provision with the related insurance liabilities (continued)

The following table analyses matching of assets used for backing insurance contract provisions other than life assurance provision with the related insurance liabilities within relevant maturity groupings based on the remaining maturity for both assets and liabilities. Available-for-sale financial assets could be readily disposed of if necessary based on their high secondary liquidity.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
<b>2015</b>					
Assets used for backing insurance contract provisions other than life assurance provision					
Held-to-maturity investments	-	151,604	-	-	151,604
Available-for-sale financial assets	148,273	549,010	31,985	26,403	755,671
Financial assets at fair value through profit or loss	50,817	-	-	-	50,817
Loans and deposits	38,307	-	3,824	-	42,131
<b>Total assets used for backing insurance contract provisions other than life assurance provision</b>	<b>237,397</b>	<b>700,614</b>	<b>35,809</b>	<b>26,403</b>	<b>1,000,223</b>
Unearned premium provision	(210,695)	(15,992)	(505)	(258)	(227,450)
Claims provision	(169,764)	(175,072)	(44,274)	(46,795)	(435,905)
Other provision	(2,511)	(240)	-	-	(2,751)
<b>Maturity gap</b>	<b>(145,573)</b>	<b>509,310</b>	<b>(8,970)</b>	<b>(20,650)</b>	<b>334,117</b>
<b>2014</b>					
Assets used for backing insurance contract provisions except life assurance provision					
	151,778	659,752	213,604	-	1,025,134
Unearned premium provision	(251,022)	(3,929)	(552)	(294)	(255,797)
Claims provision	(164,189)	(184,453)	(43,531)	(41,545)	(433,718)
Other provision	(6,701)	(114)	(210)	-	(7,025)
<b>Maturity gap</b>	<b>(270,134)</b>	<b>471,256</b>	<b>169,311</b>	<b>(41,839)</b>	<b>328,594</b>

Assets used for backing insurance contract provisions other than the life assurance provision include loans and receivables, financial assets held to maturity, available-for-sale financial assets and financial assets at fair value through profit or loss.

Valuation of financial assets is described in accounting policy Note 1.3 (d).

## 1.17 Reinsurers' share of insurance contract provisions

### Group and Company

	<i>Note</i>	<b>2015</b>	2014
		<b>HRK'000</b>	HRK'000
<b>Non-life</b>			
Reinsurance share in unearned premium reserve	1.21 a)	<b>65,024</b>	26,606
Reinsurance share in notified outstanding claims reserve	1.21 b)	<b>89,216</b>	111,694
Reinsurance share in incurred but not reported claims reserve	1.21 c)	<b>4,738</b>	5,896
Reinsurance share in other reserves		<b>15</b>	1,412
<b>Total non-life</b>		<b>158,993</b>	145,608
<b>Life</b>			
Reinsurance share in unearned premium reserve	1.21 a)	<b>156</b>	164
Reinsurance share incurred but not reported claims reserve	1.21 c)	<b>503</b>	581
Reinsurance share in life assurance provision	1.21 d)	<b>364</b>	381
<b>Total life</b>		<b>1,023</b>	1,126
<b>Total reinsurance share of insurance</b>		<b>160,016</b>	146,734

## 1.18 Deferred tax asset /(liability)

### Group

	Temporary differences							Deferred tax asset on tax losses
	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	Impairment losses on financial assets HTM HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000	Tax losses HRK'000
<b>Balance as at 1 January 2014</b>	<b>(5,501)</b>	<b>(149)</b>	<b>2,269</b>	<b>12</b>	<b>(15,158)</b>	<b>2,985</b>	<b>4,540</b>	<b>20</b>
Recognised in profit or loss (Note 1.35)	(2,856)	149	(906)	(12)	-	-	(2,087)	(20)
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.23c)	(27,374)	-	-	-	(27,374)	-	-	-
<b>Balance as at 31 December 2014</b>	<b>(35,731)</b>	<b>-</b>	<b>1,363</b>	<b>-</b>	<b>(42,532)</b>	<b>2,985</b>	<b>2,453</b>	<b>-</b>
<b>Balance as at 1 January 2015</b>	<b>(35,731)</b>	<b>-</b>	<b>1,363</b>	<b>-</b>	<b>(42,532)</b>	<b>2,985</b>	<b>2,453</b>	<b>-</b>
Recognised in profit or loss (Note 1.35)	77	303	174	-	-	-	(400)	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.23c)	6,420	-	-	-	6,420	-	-	-
<b>Balance as at 31 December 2015</b>	<b>(29,234)</b>	<b>303</b>	<b>1,537</b>	<b>-</b>	<b>(36,112)</b>	<b>2,985</b>	<b>2,053</b>	<b>-</b>

### Company

	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	Impairment losses on financial assets HTM HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000
	<b>Balance as at 1 January 2014</b>	<b>(5,501)</b>	<b>(149)</b>	<b>2,269</b>	<b>12</b>	<b>(15,158)</b>	<b>2,985</b>
Recognised in profit or loss (Note 1.35)	(2,856)	149	(906)	(12)	-	-	(2,087)
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.23c)	(27,374)	-	-	-	(27,374)	-	-
<b>Balance as at 31 December 2014</b>	<b>(35,731)</b>	<b>-</b>	<b>1,363</b>	<b>-</b>	<b>(42,532)</b>	<b>2,985</b>	<b>2,453</b>
<b>Balance as at 1 January 2015</b>	<b>(35,731)</b>	<b>-</b>	<b>1,363</b>	<b>-</b>	<b>(42,532)</b>	<b>2,985</b>	<b>2,453</b>
Recognised in profit or loss (Note 1.35)	77	303	174	-	-	-	(400)
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.23c)	6,420	-	-	-	6,420	-	-
<b>Balance as at 31 December 2015</b>	<b>(29,234)</b>	<b>303</b>	<b>1,537</b>	<b>-</b>	<b>(36,112)</b>	<b>2,985</b>	<b>2,053</b>

## 1.19 Insurance and other receivables

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Receivables arising from insurance contracts				
- From contract holders (from policyholders)	<b>192,445</b>	153,175	<b>192,445</b>	153,175
Receivables from reinsurance				
- for claims recoveries	<b>9,945</b>	35,558	<b>9,945</b>	35,558
- for reinsurance commission	<b>3,302</b>	1,257	<b>3,302</b>	1,257
- for reinsurance premium paid in advance	<b>32,958</b>	29,934	<b>32,958</b>	29,934
Undue interest receivable	<b>52,457</b>	54,989	<b>52,457</b>	54,989
Other receivables and prepayments	<b>53,766</b>	70,265	<b>53,525</b>	70,126
Impairment allowance				
- for insurance receivables	<b>(64,813)</b>	(65,206)	<b>(64,813)</b>	(65,206)
- for other receivables	<b>(12,583)</b>	(15,806)	<b>(12,583)</b>	(15,806)
	<u><b>267,477</b></u>	<u>264,166</u>	<u><b>267,236</b></u>	<u>264,027</u>

The analysis of insurance receivables and other receivables is given below

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Neither past due nor impaired	<b>206,469</b>	172,205	<b>206,469</b>	172,205
Past due (up to 120 days) but not impaired	<b>61,008</b>	91,961	<b>60,767</b>	91,822
Past due and impaired	<b>77,396</b>	81,012	<b>77,396</b>	81,012
Impairment allowance	<b>(77,396)</b>	(81,012)	<b>(77,396)</b>	(81,012)
	<u><b>267,477</b></u>	<u>264,166</u>	<u><b>267,236</b></u>	<u>264,027</u>

## 1.19 Insurance and other receivables (continued)

Movement in impairment allowance for insurance receivables during the year was as follows:

	<b>Group and Company 2015 HRK'000</b>	Group and Company 2014 HRK'000
At 1 January	65,206	68,048
Increase in impairment losses	14,855	15,902
Collection of amounts previously provided	(10,758)	(13,251)
<b>Impairment losses recognised in profit or loss (Note 1.26)</b>	<b>4,097</b>	<b>2,651</b>
Amounts written off	(4,490)	(5,493)
<b>At 31 December</b>	<b>64,813</b>	<b>65,206</b>

Impairment losses for insurance receivables are netted against gross premiums written presented in Note 1.26.

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

	<b>Group and Company 2015 HRK'000</b>	Group and Company 2014 HRK'000
<b>At 1 January</b>	<b>15,806</b>	26,773
Transfer from financial investments on maturity	-	-
Transfer to financial investments	-	(3,539)
Increase in provisions for other receivables	1,158	1,706
Collection of amounts previously provided	(1,368)	(1,090)
Transfer to loans and receivables	-	(164)
<b>Impairment losses recognised in profit or loss (Note 1.33)</b>	<b>(210)</b>	<b>452</b>
Amounts written off	(3,013)	(7,880)
<b>At 31 December</b>	<b>12,583</b>	<b>15,806</b>

## 1.20 Cash and cash equivalents

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
Cash at bank	54,810	36,178	44,042	27,615
Deposits in banks with original maturity up to three months	122,771	69,941	91,714	3,591
	<b>177,581</b>	<b>106,119</b>	<b>135,756</b>	<b>31,206</b>

## 1.21 Insurance contract provisions

### Group and Company

	2015 HRK'000	2014 HRK'000
<b>Non-life insurance</b>		
Provision for unearned premiums (Note 1.21a)	284,110	273,569
Notified outstanding claims reserve (Note 1.21b)	289,535	316,453
Incurred but not reported claims reserve (Note 1.21c)	232,995	227,363
Other provisions	4,236	10,350
<b>Total non-life</b>	<b>810,876</b>	<b>827,735</b>
<b>Life assurance</b>		
Provision for unearned premiums (Note 1.21a)	8,521	8,998
Life assurance provision (Note 1.21d)	2,498,743	2,244,486
Provision arising from liability adequacy test (Note 1.21d)	1,291	1,420
	<b>2,500,034</b>	<b>2,245,906</b>
Life assurance provision for unit-linked and index-linked products (Note 1.21e)	183,016	261,726
Notified outstanding claims reserve (Note 1.21b)	27,172	20,777
Incurred but not reported claims reserve (Note 1.21c)	2,899	3,028
Other provisions	270	324
<b>Total life</b>	<b>2,721,912</b>	<b>2,540,759</b>
<b>Total insurance contract provision</b>	<b>3,532,788</b>	<b>3,368,494</b>

Other provisions relate to provisions for bonuses and rebates and unexpired risk reserve.

#### a) Analysis of movement on provision for unearned premium

Group and Company	2015		2014		2014	
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsurance HRK'000	Net HRK'000
<i>Non-life business</i>						
<b>At 1 January</b>	<b>273,569</b>	<b>26,606</b>	<b>246,963</b>	296,807	29,903	266,904
Premiums written during the year	655,141	162,226	492,915	676,992	125,833	551,159
Premiums earned during the year	(644,600)	(123,808)	(520,792)	(700,230)	(129,130)	(571,100)
<b>At 31 December</b>	<b>284,110</b>	<b>65,024</b>	<b>219,086</b>	273,569	26,606	246,963
<i>Life assurance business</i>						
<b>At 1 January</b>	<b>8,998</b>	<b>164</b>	<b>8,834</b>	7,657	153	7,504
Premiums written during the year	33,758	2,613	31,145	33,864	2,988	30,876
Premiums earned during the year	(34,235)	(2,621)	(31,614)	(32,523)	(2,977)	(29,546)
<b>At 31 December</b>	<b>8,521</b>	<b>156</b>	<b>8,365</b>	8,998	164	8,834

Allocations of premium for non-life insurance in the above table are presented before impairment losses.



## 1.21 Insurance contract provisions (continued)

### b) Analysis of movements in notified outstanding claims reserve

	Group and Company			Group and Company		
	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
<i>Non-life business</i>						
<b>At 1 January</b>	<b>316,453</b>	<b>111,694</b>	<b>204,759</b>	252,686	59,085	193,601
Current year claims	332,693	53,763	278,930	417,025	114,835	302,190
Change in previous year claims	(45,496)	(21,252)	(24,244)	(1,775)	13,351	(15,126)
Claims paid	(314,115)	(54,989)	(259,126)	(351,483)	(75,577)	(275,906)
<b>At 31 December</b>	<b>289,535</b>	<b>89,216</b>	<b>200,319</b>	316,453	111,694	204,759
<i>Life assurance business</i>						
<b>At 1 January</b>	<b>20,777</b>	-	<b>20,777</b>	17,480	-	17,480
Current year claims	319,029	1,215	317,814	215,673	738	214,935
Change in previous year claims	(11,898)	-	(11,898)	3,320	-	3,320
Claims paid	(300,736)	(1,215)	(299,521)	(215,696)	(738)	(214,958)
<b>At 31 December</b>	<b>27,172</b>	-	<b>27,172</b>	20,777	-	20,777

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

	Group and Company			Group and Company		
	2015 Gross HRK'000	2015 Reinsurance HRK'000	2015 Net HRK'000	2014 Gross HRK'000	2014 Reinsurance HRK'000	2014 Net HRK'000
<i>Non-life business</i>						
<b>At 1 January</b>	<b>227,363</b>	<b>5,896</b>	<b>221,467</b>	242,588	6,277	236,311
Increase	56,460	1,507	54,953	50,459	4,256	46,203
Transfer to NOCR	(50,828)	(2,665)	(48,163)	(65,684)	(4,637)	(61,047)
<b>At 31 December</b>	<b>232,995</b>	<b>4,738</b>	<b>228,257</b>	227,363	5,896	221,467
<i>Life assurance business</i>						
<b>At 1 January</b>	<b>3,028</b>	<b>581</b>	<b>2,447</b>	2,987	585	2,402
Increase	846	8	838	2,132	118	2,014
Transfer to NOCR	(975)	(86)	(889)	(2,091)	(122)	(1,969)
<b>At 31 December</b>	<b>2,899</b>	<b>503</b>	<b>2,396</b>	3,028	581	2,447

## 1.21 Insurance contract provisions (continued)

### d) Life assurance provision and provision arising from liability adequacy test

Group and Company	2015	2015	2015	2014	2014	2014
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsurance HRK'000	Net HRK'000
<b>At 1 January</b>	<b>2,245,906</b>	<b>381</b>	<b>2,245,525</b>	1,938,684	288	1,938,396
Premium allocation	373,381	1,210	372,171	400,107	1,328	398,779
Release of liabilities due to benefits paid, surrenders and other terminations	(204,854)	(1,227)	(203,627)	(172,431)	(1,235)	(171,196)
Unwinding of discount/accretion of interest	63,371	-	63,371	56,528	-	56,528
Change in liability arising from liability adequacy test	(129)	-	(129)	1,248	-	1,248
Change in Zillmer adjustment	7,471	-	7,471	4,106	-	4,106
Allocation of discretionary and guaranteed bonuses	12,550	-	12,550	10,936	-	10,936
Change in unearned premium reserve	2,338	-	2,338	6,728	-	6,728
<b>At 31 December</b>	<b>2,500,034</b>	<b>364</b>	<b>2,499,670</b>	2,245,906	381	2,245,525

Life assurance provision amounted to HRK 2,498,743 thousand (2014: HRK 2,244,486 thousand). Provision arising from liability adequacy test amounted to HRK 1,291 thousand (2014: HRK 1,420 thousand).

### e) Life assurance provisions for unit-linked and index-linked products

Group and Company	2015	2014
	Gross and Net HRK'000	Gross and Net HRK'000
<b>At 1 January</b>	<b>261,726</b>	292,766
Premium allocation	8,882	1,240
Release of liabilities due to benefits paid, surrenders and other terminations	(93,479)	(42,568)
Net gains/(losses) from change in fair value of assets backing life assurance provision for unit-linked and index-linked products	5,887	10,288
<b>At 31 December</b>	<b>183,016</b>	261,726

## 1.21 Insurance contract provisions (continued)

### f) Development of claims (NOCR and IBNR)

For the year ended 31 December 2015

Group and Company	Prior 2009	2009	2010	2011	2012	2013	2014	2015	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year	-	393,455	350,381	351,723	396,946	411,966	473,753	388,045	-
One year later	-	364,681	322,478	319,592	353,776	388,814	388,425	-	-
Two years later	-	354,849	305,440	302,481	332,759	374,301	-	-	-
Three years later	-	338,827	289,284	294,530	322,438	-	-	-	-
Four years later	-	337,123	287,924	295,439	-	-	-	-	-
Five years later	-	334,308	289,509	-	-	-	-	-	-
Six years later	-	343,153	-	-	-	-	-	-	-
<b>Estimate of cumulative claims</b>	-	<b>343,153</b>	<b>289,509</b>	<b>295,439</b>	<b>322,438</b>	<b>374,301</b>	<b>388,425</b>	<b>388,045</b>	<b>2,401,310</b>
Cumulative payments	-	312,708	266,162	257,228	287,801	317,754	312,023	202,950	1,956,626
Provisions for prior years	77,485	-	-	-	-	-	-	-	77,485
Claims handling costs	4,638	1,796	1,491	2,286	2,070	3,400	4,222	10,529	30,432
<b>Value recognised in the statement of financial position</b>	<b>82,123</b>	<b>32,241</b>	<b>24,838</b>	<b>40,497</b>	<b>36,707</b>	<b>59,947</b>	<b>80,624</b>	<b>195,624</b>	<b>552,601</b>

## 1.21 Insurance contract provisions (continued)

### g) Remaining maturities of insurance liabilities

#### Group and Company 2015

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	245,002	46,745	626	166	82	10	292,631
NOCR & IBNR	233,696	212,840	51,631	26,908	14,735	12,791	552,601
Life assurance provisions, provision for unit linked products and provision arising from LAT	169,716	912,859	621,295	361,298	369,023	248,859	2,683,050
Other insurance provisions	4,266	240	-	-	-	-	4,506
<b>Insurance liabilities</b>	<b>652,680</b>	<b>1,172,684</b>	<b>673,552</b>	<b>388,372</b>	<b>383,840</b>	<b>261,660</b>	<b>3,532,788</b>

#### Group and Company 2014

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	276,185	5,332	755	177	97	21	282,567
NOCR & IBNR	251,605	212,220	49,937	26,547	14,726	12,586	567,621
Life assurance provisions, provision for unit linked products and provision arising from LAT	145,209	846,590	596,830	314,537	338,769	265,697	2,507,632
Other insurance provisions	10,349	114	211	-	-	-	10,674
<b>Insurance liabilities</b>	<b>683,348</b>	<b>1,064,256</b>	<b>647,733</b>	<b>341,261</b>	<b>353,592</b>	<b>278,304</b>	<b>3,368,494</b>

UPR stands for unearned premium reserve.

NOCR stands for notified outstanding claims reserve.

IBNR stands for incurred but not reported claims reserve.

LAT stands for liability adequacy test.

## 1.21 Insurance contract provisions (continued)

### h) Analysis of claims ratio, expense ratio and combined ratio

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

<i>Non-life insurance business</i>	<b>Claims ratio</b>	<b>Expense ratio</b>	<b>Combined ratio</b>	Claims ratio	Expense ratio	Combined ratio
	<b>2015</b>	<b>2015</b>	<b>2015</b>	2014	2014	2014
Personal accident insurance	27%	45%	72%	15%	40%	55%
Health insurance	15%	32%	47%	(15%)	22%	7%
Motor hull	79%	41%	120%	96%	38%	134%
Track vehicles hull	0%	0%	0%	0%	36%	36%
Hull insurance of aircrafts	5%	30%	35%	57%	18%	75%
Marine and inland marine hull	124%	30%	154%	75%	33%	108%
Insurance of goods in transport	232%	33%	265%	33%	41%	74%
Insurance of property against fire and allied perils	16%	31%	47%	98%	28%	126%
Other property insurances	51%	42%	93%	55%	42%	97%
Motor third-party liability	41%	48%	89%	30%	46%	76%
Aviation third-party liability	0%	30%	30%	(3%)	13%	10%
Shipowners' liability insurance	(12%)	40%	28%	259%	50%	309%
Other liability insurances	68%	15%	83%	66%	28%	94%
Credit insurance	125%	23%	148%	29%	19%	48%
Suretyship insurance	(3%)	30%	27%	(21%)	41%	20%
Insurance of financial losses	21%	27%	48%	22%	25%	47%
Insurance of legal protection	0%	0%	0%	0%	0%	0%
Travel insurance	14%	32%	46%	14%	34%	48%
<b>Total non-life</b>	<b>45%</b>	<b>36%</b>	<b>81%</b>	<b>57%</b>	<b>38%</b>	<b>95%</b>

The above ratios are calculated using the formulas prescribed by HANFA's Instruction of the Regulation on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 132/10) as follows:

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

**Expense ratio** = (administration costs – reinsurance commission + acquisition costs – change in deferred acquisition costs) / (gross premiums written)

**Combined ratio** = claims ratio + expense ratio

## 1.22 Insurance and other payables and deferred income

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Direct insurance contract payables				
- to policyholders	<b>34,996</b>	7,107	<b>34,996</b>	7,107
- to agents, brokers and intermediaries	<b>11,258</b>	12,311	<b>11,258</b>	12,311
Reinsurance contract payables	<b>49,080</b>	13,854	<b>49,080</b>	13,854
Reinsurance commission deferral	<b>5,804</b>	4,356	<b>5,804</b>	4,356
Commission expenses accrual	<b>2,085</b>	5,197	<b>2,085</b>	5,197
Provision for bonuses to employees	<b>13,530</b>	12,155	<b>13,131</b>	11,845
Liabilities for salaries	<b>11,318</b>	14,671	<b>10,907</b>	14,327
Liabilities for premium paid in advance	<b>58,642</b>	48,616	<b>58,642</b>	48,616
Liabilities for share based payments (Note 1.36)	<b>4,449</b>	5,119	<b>4,449</b>	5,119
Liabilities to investment funds non-controlling unitholders	<b>105,571</b>	86,075	-	-
Other payables and accrued expenses	<b>40,847</b>	51,942	<b>39,073</b>	49,742
	<b>337,580</b>	261,403	<b>229,425</b>	172,474

## 1.23 Equity

### a) Issued share capital

	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000
<b>Authorised, issued and fully paid</b>		
254,306 (2014: 254,306) ordinary shares of HRK 400	<b>101,722</b>	101,722

The share capital of the Company is denominated in Croatian kuna. The nominal value of each share issued by the Company is HRK 400.

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

	<b>2015</b>	2014
	<b>% ownership</b>	% ownership
Allianz New Europe Holding GmbH, Austria	<b>83.2</b>	83.2
Zagrebačka banka d.d., Croatia	<b>16.8</b>	16.8
	<b>100.0</b>	100.0

The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

### b) Share premium

As a result of the shares issues in period from 1999 to 2008, the Company recognised total share premium in the amount of HRK 112,001 thousand (2014: HRK 112,001 thousand) representing the excess of the paid-in amount over the nominal value of the issued shares. In 2013 the Company increased its issued share capital by converting share premium amounting to HRK 7,500 thousand into share capital (bonus share issue) by issuing 18,750 new ordinary shares each with the nominal amount of HRK 400. New shares were awarded to the existing shareholders in proportion to their current shareholdings. There were no subsequent changes.

## 1.23 Equity (continued)

### c) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of available-for-sale investments, net of associated deferred tax. All movements are shown in other comprehensive income in the Statement of comprehensive income, net of tax. Movements in the fair value reserve were as follows:

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000	<b>Company</b> <b>2015</b> <b>HRK'000</b>	Company 2014 HRK'000
<b>At 1 January</b>				
Gross fair value reserve	<b>212,684</b>	75,816	<b>212,660</b>	75,792
Deferred tax (Note 1.18)	<b>(42,532)</b>	(15,158)	<b>(42,532)</b>	(15,158)
<b>Net</b>	<b>170,152</b>	60,658	<b>170,128</b>	60,634
Net (losses)/gains from change in fair value of available-for-sale financial assets	<b>(14,180)</b>	151,545	<b>(13,581)</b>	151,183
Net gains on disposal of available-for-sale financial assets - transfer to profit or loss (Note 1.28)	<b>(20,373)</b>	(16,306)	<b>(20,942)</b>	(15,922)
Impairment of financial assets available for sale (Note 1.34)	<b>2,456</b>	1,629	<b>2,426</b>	1,607
	<b>(32,097)</b>	136,868	<b>(32,097)</b>	136,868
Deferred tax on net losses/(gains) from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.18)	<b>6,420</b>	(27,374)	<b>6,420</b>	(27,374)
<i>Net credit/(debit) recognised in other comprehensive income</i>	<b>(25,677)</b>	109,494	<b>(25,677)</b>	109,494
<b>At 31 December</b>				
Gross fair value reserve	<b>180,587</b>	212,684	<b>180,563</b>	212,660
Deferred tax (Note 1.18)	<b>(36,112)</b>	(42,532)	<b>(36,112)</b>	(42,532)
<b>Net</b>	<b>144,475</b>	170,152	<b>144,451</b>	170,128

### d) Legal reserve

The legal reserve (HRK 25,053 thousand) represents accumulated appropriations from retained earnings in accordance with Insurance Law effective until 31 December 2005, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable statutory reserve until the reserve reaches half of the average of earned premium of the preceding two years.

In 2006, a new Insurance Law become effective which does not require the creation of the above reserve, However, in accordance with the Companies Law, 5% of profit for the year needs to be allocated to a legal reserve until legal reserve and non-distributable reserves, such as share premium reach 5% of the issued share capital.

The legal reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

## 1.24 Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Company (the Company has no preference shares). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares (no treasury shares in either 2015 or 2014). The weighted average number of ordinary shares used for basic earnings per share was 254,306 (2014: 254,306). Given that there is no effect of options, convertible bonds or similar effect, the weighted average number of ordinary shares used for diluted earnings per share was the same as used to calculate basic earnings per share: 254,306 (2014: 254,306)

	<b>Group 2015</b>	Group 2014	<b>Company 2015</b>	Company 2014
Profit attributable to ordinary shareholders of the Company for earnings per share in HRK '000	<u><b>104,208</b></u>	<u>87,639</u>	<u><b>103,454</b></u>	<u>87,381</u>
Weighted average number of ordinary shares at 31 December	<u><b>254,306</b></u>	<u>254,306</u>	<u><b>254,306</b></u>	<u>254,306</u>
Basic and diluted earnings per share attributable to equity holders of the Company in HRK	<u><b>409.77</b></u>	<u>344.62</u>	<u><b>406.81</b></u>	<u>343.61</u>

## 1.25 Dividends per share

During 2015, the Company paid dividend for 2014 in the amount of HRK 52,000 thousand which gives dividend per share of HRK 204.48 (during 2014 for 2013 HRK 41,998 thousand or HRK 165.15 per share) based on the number of shares outstanding at the time of payment.

The Management will propose dividend for 2015 in the amount of HRK 238.30 per share or HRK 60,600 thousand in total that will be paid after approved by the General Assembly.



## 1.26 Premiums

	<b>Group and Company 2015 HRK'000</b>	Group and Company 2014 HRK'000
<i>Non-life insurance</i>		
Gross premium written	<b>651,043</b>	674,342
Written premiums ceded to reinsurers	<b>(162,226)</b>	(125,834)
Net premiums written from non-life insurance	<b>488,817</b>	548,508
Change in unearned premiums, gross	<b>(10,540)</b>	23,238
Change in unearned premiums, reinsurance share	<b>38,418</b>	(3,297)
<b>Total premium income net, (earned) from non-life insurance</b>	<b>516,695</b>	568,449
<i>Life assurance</i>		
Gross premium written	<b>535,739</b>	541,098
Written premiums ceded to reinsurers	<b>(3,823)</b>	(4,316)
Net premiums written from life assurance	<b>531,916</b>	536,782
Change in unearned premiums, gross	<b>476</b>	(1,341)
Change in unearned premiums, reinsurance share	<b>(8)</b>	11
<b>Total premium income net, (earned) from life assurance</b>	<b>532,384</b>	535,452
<b>Total gross premiums written</b>	<b>1,186,782</b>	1,215,440
<b>Total premiums ceded to reinsurers</b>	<b>(166,049)</b>	(130,150)
<b>Total net premiums written</b>	<b>1,020,733</b>	1,085,290
<b>Total change in the gross provision for unearned premiums</b>	<b>(10,064)</b>	21,897
<b>Total reinsurers' share of change in the provision for unearned premiums</b>	<b>38,410</b>	(3,286)
<b>Net earned premiums non-life and life</b>	<b>1,049,079</b>	1,103,901

Gross premiums written for the Group and the Company have been presented after deducting net impairment losses of HRK 4,097 thousand (2014: HRK 2,651 thousand), as presented in Note 1.19.

## 1.26 Premiums (continued)

### Analysis by class of business

#### Company

2015	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1.31) HRK'000	Administrative expenses (Note 1.32) HRK'000	Reinsurance balance HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	52,956	54,976	(14,488)	(13,842)	(10,935)	(946)
Health insurance	2,589	1,768	(263)	(377)	(349)	(901)
Insurance of motor vehicles - full comprehensive motor (casco)	89,275	95,795	(71,598)	(17,814)	(19,062)	(1,267)
Full comprehensive motor insurance (casco) of track	-	5	-	(2)	(1)	-
Hull insurance of aircrafts	1,261	1,096	(59)	(175)	(225)	(934)
Marine and inland marine hull insurance	11,636	13,924	(15,744)	(2,501)	(2,830)	3,976
Insurance of goods in transport	4,412	3,966	(9,538)	(659)	(814)	6,324
Insurance of property against fire and allied perils	125,316	123,914	(20,573)	(26,890)	(24,840)	(50,417)
Other property insurances	54,723	54,131	(28,277)	(14,069)	(11,231)	(5,496)
Motor third-party liability insurance	166,239	202,325	(82,742)	(46,234)	(40,859)	(2,887)
Aviation third-party liability insurance	1,167	1,066	(3)	(164)	(218)	(965)
Shipowners' liability insurance	3,336	3,374	395	(577)	(699)	(786)
Other liability insurances	105,436	51,750	(35,445)	(5,984)	(10,468)	(71)
Credit insurance	2,513	2,822	(3,220)	(193)	(563)	(1,296)
Suretyship insurance	221	197	6	(27)	(40)	-
Insurance of financial losses	15,406	14,954	(3,133)	(2,040)	(2,969)	(10,122)
Travel insurance	14,557	14,440	(2,033)	(2,516)	(2,861)	(6,981)
<b>Total non life</b>	<b>651,043</b>	<b>640,503</b>	<b>(286,715)</b>	<b>(134,064)</b>	<b>(128,964)</b>	<b>(72,769)</b>
<i>Life assurance business</i>						
Traditional life	445,572	445,572	(418,520)	(54,699)	(43,500)	505
Annuity contracts	47,324	47,324	(45,581)	(3,163)	(9,342)	-
Supplementary insurance	33,758	34,267	(3,746)	(5,761)	(2,905)	(2,409)
Unit linked and index-linked	9,085	9,052	(14,519)	(674)	(62)	1
<b>Total life</b>	<b>535,739</b>	<b>536,215</b>	<b>(482,366)</b>	<b>(64,297)</b>	<b>(55,809)</b>	<b>(1,903)</b>
<b>Grand total</b>	<b>1,186,782</b>	<b>1,176,718</b>	<b>(769,081)</b>	<b>(198,361)</b>	<b>(184,773)</b>	<b>(74,672)</b>

## 1.26 Premiums (continued)

### Analysis by class of business (continued)

Company						
2014	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1.31) HRK'000	Administrative expenses (Note 1.32) HRK'000	Reinsurance balance HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	52,406	52,677	(7,926)	(11,471)	(9,813)	(857)
Health insurance	462	251	29	(54)	(36)	(24)
Insurance of motor vehicles - full comprehensive motor (casco)	101,917	101,551	(100,930)	(20,151)	(19,080)	(1,204)
Full comprehensive motor insurance (casco) of track	33	33	-	(6)	(6)	-
Hull insurance of aircrafts	107	108	(59)	(10)	(19)	(17)
Marine and inland marine hull insurance	20,934	21,715	(17,347)	(2,889)	(4,141)	(2,265)
Insurance of goods in transport	3,545	3,551	(1,277)	(836)	(722)	(790)
Insurance of property against fire and allied perils	126,158	126,014	(122,652)	(25,599)	(23,335)	43,715
Other property insurances	52,488	52,220	(29,288)	(15,167)	(9,950)	(7,635)
Motor third-party liability insurance	234,420	258,539	(78,428)	(58,721)	(48,713)	604
Aviation third-party liability insurance	243	254	7	(26)	(51)	(184)
Shipowners' liability insurance	3,615	3,565	(9,232)	(1,179)	(691)	5,608
Other liability insurances	46,275	45,474	(30,289)	(5,494)	(8,573)	(1,376)
Credit insurance	3,048	2,756	(999)	(121)	(511)	(715)
Suretyship insurance	135	158	45	(38)	(40)	-
Insurance of financial losses	13,647	13,896	(3,155)	(1,749)	(2,592)	(9,837)
Travel insurance	14,909	14,818	(2,022)	(2,473)	(2,767)	(6,645)
<b>Total non life</b>	<b>674,342</b>	<b>697,580</b>	<b>(403,523)</b>	<b>(145,984)</b>	<b>(131,040)</b>	<b>18,378</b>
<i>Life assurance business</i>						
Traditional life	496,251	496,251	(467,276)	(76,760)	(48,254)	(292)
Annuity contracts	9,673	9,673	(11,076)	(421)	(495)	-
Supplementary insurance	33,864	32,523	(5,341)	(7,956)	(8,724)	(2,333)
Unit linked and index-linked	1,310	1,310	(11,500)	(969)	(2,804)	-
<b>Total life</b>	<b>541,098</b>	<b>539,757</b>	<b>(495,193)</b>	<b>(86,106)</b>	<b>(60,277)</b>	<b>(2,625)</b>
<b>Grand total</b>	<b>1,215,440</b>	<b>1,237,337</b>	<b>(898,716)</b>	<b>(232,090)</b>	<b>(191,317)</b>	<b>15,753</b>

## 1.27 Fee and commission income

	<b>Group and Company 2015 HRK'000</b>	Group and Company 2014 HRK'000
<b>Fee income</b>		
Fund management based fees	<b>1,981</b>	2,250
<b>Commission income</b>		
Reinsurance commission	<b>21,891</b>	20,118
<b>Total fee and commission income</b>	<b>23,872</b>	22,368

## 1.28 Financial income

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
<i>Interest income:</i>				
- Available for sale	<b>96,325</b>	98,259	<b>94,647</b>	96,614
- Held-to-maturity	<b>39,921</b>	40,324	<b>39,665</b>	40,143
- Loans and receivables	<b>5,343</b>	7,178	<b>3,891</b>	5,768
	<b>141,589</b>	145,761	<b>138,203</b>	142,525
Dividend income	<b>14,003</b>	7,282	<b>13,393</b>	6,981
Rental income from investment property	<b>1,396</b>	1,174	<b>1,396</b>	1,174
<i>Net foreign exchange translation gains on financial assets:</i>				
- Held-to-maturity	<b>(1,514)</b>	1,711	<b>(1,514)</b>	1,711
- Available for sale	<b>179</b>	9,118	<b>(408)</b>	8,570
- Fair value through profit or loss	<b>(22)</b>	10	<b>(22)</b>	10
- Loans and receivables	<b>(1,367)</b>	744	<b>(1,367)</b>	744
- Current accounts	<b>941</b>	51	<b>926</b>	42
	<b>(1,783)</b>	11,634	<b>(2,385)</b>	11,077
Net realised gains from available-for-sale financial assets (Note 1.23c)	<b>20,373</b>	16,306	<b>20,942</b>	15,922
Net gains on financial assets at fair value through profit or loss	<b>11,000</b>	15,527	<b>9,609</b>	15,243
Collection of previously provided loans to customers (Note 1.16a)	-	78	-	78
	<b>186,578</b>	197,762	<b>181,158</b>	193,000

### Company

	<b>Non-life 2015 HRK'000</b>	<b>Life 2015 HRK'000</b>	<b>Total 2015 HRK'000</b>	Non-life 2014 HRK'000	Life 2014 HRK'000	Total 2014 HRK'000
<b>Financial income</b>						
Income from assets backing equity	<b>4,935</b>	<b>1,269</b>	<b>6,204</b>	1,106	(1,840)	(734)
Income from assets backing life assurance provision	-	<b>116,002</b>	<b>116,002</b>	-	126,064	126,064
Income from assets backing other technical provisions	<b>46,353</b>	<b>6,495</b>	<b>52,848</b>	49,924	6,935	56,859
Income from assets backing index-linked products	-	<b>6,104</b>	<b>6,104</b>	-	10,811	10,811
	<b>51,288</b>	<b>129,870</b>	<b>181,158</b>	51,030	141,970	193,000

## 1.29 Other operating income

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
Service claims	<b>2,900</b>	4,872	<b>2,900</b>	4,872
Foreign exchange translation gains arising on insurance contract receivables and payables	<b>1,071</b>	1	<b>1,071</b>	1
IT Services	<b>2,721</b>	3,386	-	-
Other	<b>4,563</b>	4,418	<b>3,997</b>	3,992
	<b>11,255</b>	12,677	<b>7,968</b>	8,865

### 1.30 Net policyholder claims and benefits incurred

	Group and Company 2015 HRK'000	Group and Company 2014 HRK'000
<i>Non-life insurance</i>		
Claims paid		
Gross amount	314,115	351,483
Reinsurers' share	(54,989)	(75,577)
Change in notified outstanding claims reserve		
Gross amount	(26,918)	63,767
Reinsurers' share	22,478	(52,609)
Change in incurred but not reported claims reserve		
Gross amount	5,632	(15,225)
Reinsurers' share	1,158	381
Change in other technical provisions		
Gross amount	(6,114)	3,498
Reinsurers' share	1,397	(439)
	<hr/>	<hr/>
Total gross claims incurred from non-life insurance	286,715	403,523
Total reinsurance share in claims incurred from non-life insurance	(29,956)	(128,244)
	<hr/>	<hr/>
<b>Total net claims incurred from non-life insurance</b>	<b>256,759</b>	<b>275,279</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Life assurance</i>		
Claims paid (benefits and surrenders)		
Gross amount	207,448	173,146
Reinsurers' share	(1,215)	(738)
Claims paid for unit linked products, gross and net	93,288	42,550
Change in life assurance provision and provision arising from LAT	-	-
Gross amount	254,128	307,222
Reinsurers' share	17	(93)
Change in life assurance provision for unit linked products, gross and net	(78,710)	(31,040)
Change in notified outstanding claims reserve, gross and net	6,395	3,297
Change in incurred but not reported claims reserve	-	-
Gross amount	(129)	41
Reinsurers' share	78	4
Change in other provisions, gross and net	(54)	(23)
	<hr/>	<hr/>
Total gross claims and benefits incurred from life assurance	482,366	495,193
Total reinsurance share in claims and benefits incurred from life assurance	(1,120)	(827)
	<hr/>	<hr/>
<b>Total net claims and benefits incurred from life assurance</b>	<b>481,246</b>	<b>494,366</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total gross claims and benefits incurred</b>	<b>769,081</b>	<b>898,716</b>
<b>Total reinsurers' share in claims and benefits incurred</b>	<b>(31,076)</b>	<b>(129,071)</b>
	<hr/>	<hr/>
<b>Total non-life and life</b>	<b>738,005</b>	<b>769,645</b>
	<hr/> <hr/>	<hr/> <hr/>

### 1.31 Acquisition costs

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
<i>Non-life</i>				
Commission expenses paid	<b>105,612</b>	115,563	<b>105,525</b>	115,474
Other acquisition costs paid	<b>22,600</b>	29,283	<b>22,561</b>	29,283
Changes in deferred acquisition costs (Note 1.13)	<b>5,978</b>	1,227	<b>5,978</b>	1,227
<b>Total acquisition costs, non-life</b>	<b>134,190</b>	146,073	<b>134,064</b>	145,984
<i>Life</i>				
Commission expenses paid	<b>53,665</b>	69,989	<b>53,665</b>	69,989
Other acquisition costs paid	<b>10,546</b>	16,286	<b>10,546</b>	16,286
Changes in deferred acquisition costs (Note 1.13)	<b>86</b>	(169)	<b>86</b>	(169)
<b>Total acquisition costs, life</b>	<b>64,297</b>	86,106	<b>64,297</b>	86,106
	<b>198,487</b>	232,179	<b>198,361</b>	232,090

Included within acquisition costs for the Group and the Company are internal sales staff costs amounting to HRK 89.5 million (2014: HRK 117.4 million). Breakdown of total acquisition cost per line of business of the Company is also analysed in Note 1.26.

#### a) Breakdown of acquisition costs of the Company per lines of business

<i>For 2015</i>	<b>Commission HRK'000</b>	<b>Other acquisition costs HRK'000</b>	<b>Change in deferred acquisition costs (+/-) HRK'000</b>	<b>Total acquisition costs HRK'000</b>
<b>Non-life insurance business</b>				
Personal accident insurance	(11,718)	(1,431)	693	<b>(13,842)</b>
Health insurance	(369)	(112)	(104)	<b>(377)</b>
Motor hull	(14,420)	(3,394)	-	<b>(17,814)</b>
Track vehicles hull	(1)	(1)	-	<b>(2)</b>
Hull insurance of aircrafts	(142)	(33)	-	<b>(175)</b>
Marine and inland marine hull	(1,776)	(403)	322	<b>(2,501)</b>
Insurance of goods in transport	(763)	32	(72)	<b>(659)</b>
Insurance of property against fire and allied perils	(21,335)	(5,980)	(425)	<b>(26,890)</b>
Other property insurances	(12,750)	(2,207)	(888)	<b>(14,069)</b>
Motor third-party liability	(31,830)	(6,631)	7,773	<b>(46,234)</b>
Aviation third-party liability	(133)	(31)	-	<b>(164)</b>
Shipowners' liability insurance	(558)	(99)	(80)	<b>(577)</b>
Other liability insurances	(5,206)	(1,595)	(817)	<b>(5,984)</b>
Credit insurance	(143)	(50)	-	<b>(193)</b>
Suretyship insurance	(22)	(5)	-	<b>(27)</b>
Insurance of financial losses	(2,113)	(268)	(341)	<b>(2,040)</b>
Travel insurance	(2,246)	(353)	(83)	<b>(2,516)</b>
<b>Total Non-life insurance business</b>	<b>(105,525)</b>	<b>(22,561)</b>	<b>5,978</b>	<b>(134,064)</b>
<b>Life insurance business</b>				
Traditional life	(46,118)	(8,581)	-	<b>(54,699)</b>
Annuity contracts	(1,913)	(1,250)	-	<b>(3,163)</b>
Supplementary insurance	(4,984)	(691)	86	<b>(5,761)</b>
Unit linked	(650)	(24)	-	<b>(674)</b>
<b>Total life insurance business</b>	<b>(53,665)</b>	<b>(10,546)</b>	<b>86</b>	<b>(64,297)</b>
<b>Grand total</b>	<b>(159,190)</b>	<b>(33,107)</b>	<b>6,064</b>	<b>(198,361)</b>

### 1.31 Acquisition costs (continued)

#### a) Breakdown of acquisition costs of the Company per lines of business (continued)

<i>For 2014</i>	<b>Commission HRK'000</b>	<b>Other acquisition costs HRK'000</b>	<b>Change in deferred acquisition costs (+/-) HRK'000</b>	<b>Total acquisition costs HRK'000</b>
<b>Non-life insurance business</b>				
Personal accident insurance	(11,266)	(1,560)	(1,355)	(11,471)
Health insurance	(76)	(13)	(35)	(54)
Motor hull	(15,954)	(4,197)	-	(20,151)
Track vehicles hull	(5)	(1)	-	(6)
Hull insurance of aircrafts	(8)	(2)	-	(10)
Marine and inland marine hull	(2,256)	(635)	(2)	(2,889)
Insurance of goods in transport	(519)	(337)	(20)	(836)
Insurance of property against fire and allied perils	(20,514)	(5,991)	(906)	(25,599)
Other property insurances	(12,102)	(2,176)	889	(15,167)
Motor third-party liability	(44,434)	(11,476)	2,811	(58,721)
Aviation third-party liability	(20)	(6)	-	(26)
Shipowners' liability insurance	(639)	(553)	(13)	(1,179)
Other liability insurances	(4,090)	(1,504)	(100)	(5,494)
Credit insurance	(74)	(47)	-	(121)
Suretyship insurance	(31)	(7)	-	(38)
Insurance of financial losses	(1,513)	(268)	(32)	(1,749)
Travel insurance	(1,973)	(510)	(10)	(2,473)
<b>Total Non-life insurance business</b>	<b>(115,474)</b>	<b>(29,283)</b>	<b>1,227</b>	<b>(145,984)</b>
<b>Life insurance business</b>				
Traditional life	(63,042)	(13,718)	-	(76,760)
Annuity contracts	(328)	(93)	-	(421)
Supplementary insurance	(6,125)	(2,000)	(169)	(7,956)
Unit linked	(494)	(475)	-	(969)
<b>Total life insurance business</b>	<b>(69,989)</b>	<b>(16,286)</b>	<b>(169)</b>	<b>(86,106)</b>
<b>Grand total</b>	<b>(185,463)</b>	<b>(45,569)</b>	<b>1,058</b>	<b>(232,090)</b>

## 1.32 Administrative expenses

	Group 2015 HRK'000	Group 2014 HRK'000	Company 2015 HRK'000	Company 2014 HRK'000
Depreciation of property and equipment (Note 1.11)	6,951	8,568	6,785	8,310
Amortisation (Note 1.14)	7,419	10,259	6,812	9,418
Staff costs	77,968	77,138	72,614	72,325
Cash-settled-share-based staff costs (Note 1.36)	2,473	1,834	2,473	1,834
Goods and services	67,015	70,190	66,109	69,414
Software maintenance costs	6,475	6,215	5,342	5,392
Other costs	24,365	25,014	24,638	24,624
	<u>192,666</u>	<u>199,218</u>	<u>184,773</u>	<u>191,317</u>

In 2015, the average number of employees of the Group was 1,106 (2014: 1,371).

In 2015, the Group paid HRK 26.9 million (2014: HRK 32.5 million) of pension contributions into obligatory pension funds.

Included within administrative expenses is audit fee for the Group HRK 0.84 million (2014: HRK 0.84 million) and for the Company HRK 0.68 million (2014: HRK 0.689 million).

Breakdown of total administrative expenses of the Company per lines of business is also disclosed within Note 1.26.

### a) Breakdown of administration costs of the Company per lines of business

<i>For 2015</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
<b>Non-life insurance business</b>				
Personal accident insurance	(1,110)	(4,626)	(5,199)	(10,935)
Health insurance	(36)	(147)	(166)	(349)
Motor hull	(1,934)	(8,065)	(9,063)	(19,062)
Track vehicles hull	(0)	(0)	(1)	(1)
Hull insurance of aircrafts	(22)	(94)	(109)	(225)
Marine and inland marine hull	(312)	(1,178)	(1,340)	(2,830)
Insurance of goods in transport	(83)	(344)	(387)	(814)
Insurance of property against fire and allied perils	(2,497)	(10,524)	(11,819)	(24,840)
Other property insurances	(1,118)	(4,673)	(5,440)	(11,231)
Motor third-party liability	(4,550)	(17,021)	(19,288)	(40,859)
Aviation third-party liability	(25)	(90)	(103)	(218)
Shipowners' liability insurance	(89)	(284)	(326)	(699)
Other liability insurances	(1,192)	(4,343)	(4,933)	(10,468)
Credit insurance	(59)	(237)	(267)	(563)
Suretyship insurance	(4)	(17)	(19)	(40)
Insurance of financial losses	(289)	(1,264)	(1,416)	(2,969)
Travel insurance	(277)	(1,219)	(1,365)	(2,861)
	<u>(13,597)</u>	<u>(54,126)</u>	<u>(61,241)</u>	<u>(128,964)</u>
<b>Total Non-life insurance business</b>				
<b>Life insurance business</b>				
Traditional life	-	(16,338)	(27,162)	(43,500)
Annuity contracts	-	(3,509)	(5,833)	(9,342)
Supplementary insurance	-	(1,091)	(1,814)	(2,905)
Unit linked	-	(23)	(39)	(62)
	<u>-</u>	<u>(20,961)</u>	<u>(34,848)</u>	<u>(55,809)</u>
<b>Total life insurance business</b>				
<b>Grand total</b>	<u>(13,597)</u>	<u>(75,087)</u>	<u>(96,089)</u>	<u>(184,773)</u>



## 1.32 Administrative expenses (continued)

### a) Breakdown of administration costs of the Company per lines of business

<i>For 2014</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
<b>Non-life insurance business</b>				
Personal accident insurance	(1,296)	(3,917)	(4,600)	(9,813)
Health insurance	(4)	(14)	(18)	(36)
Motor hull	(2,537)	(7,604)	(8,939)	(19,080)
Track vehicles hull	(1)	(2)	(3)	(6)
Hull insurance of aircrafts	(3)	(8)	(8)	(19)
Marine and inland marine hull	(552)	(1,617)	(1,972)	(4,141)
Insurance of goods in transport	(94)	(289)	(339)	(722)
Insurance of property against fire and allied perils	(3,115)	(9,292)	(10,928)	(23,335)
Other property insurances	(1,310)	(3,974)	(4,666)	(9,950)
Motor third-party liability	(6,774)	(19,218)	(22,721)	(48,713)
Aviation third-party liability	(10)	(18)	(23)	(51)
Shipowners' liability insurance	(108)	(264)	(319)	(691)
Other liability insurances	(1,163)	(3,401)	(4,009)	(8,573)
Credit insurance	(67)	(205)	(239)	(511)
Suretyship insurance	(5)	(16)	(19)	(40)
Insurance of financial losses	(334)	(1,040)	(1,218)	(2,592)
Travel insurance	(355)	(1,111)	(1,301)	(2,767)
<b>Total Non-life insurance business</b>	<b>(17,728)</b>	<b>(51,990)</b>	<b>(61,322)</b>	<b>(131,040)</b>
<b>Life insurance business</b>				
Traditional life	-	(13,030)	(35,224)	(48,254)
Annuity contracts	-	194	(689)	(495)
Supplementary insurance	-	(6,622)	(2,102)	(8,724)
Unit linked	-	(2,711)	(93)	(2,804)
<b>Total life insurance business</b>	<b>-</b>	<b>(22,169)</b>	<b>(38,108)</b>	<b>(60,277)</b>
<b>Grand total</b>	<b>(17,728)</b>	<b>(74,159)</b>	<b>(99,430)</b>	<b>(191,317)</b>

### 1.33 Other operating expenses

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Health care charges from functional premiums	<b>2,988</b>	6,863	<b>2,988</b>	6,863
Charges for guarantee fund	<b>(1,425)</b>	1,225	<b>(1,425)</b>	1,225
Fire brigade contributions	<b>862</b>	2,907	<b>862</b>	2,907
Impairment losses of other receivables (Note 1.19)	<b>(210)</b>	452	<b>(210)</b>	452
Other charges	<b>4,476</b>	3,577	<b>6,048</b>	5,668
	<b>6,691</b>	15,024	<b>8,263</b>	17,115

### 1.34 Financial expenses

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HRK'000</b>	HRK'000	<b>HRK'000</b>	HRK'000
Depreciation of investment property (Note 1.12)	<b>1,250</b>	1,291	<b>1,250</b>	1,291
Impairment losses on financial assets available for sale	<b>2,456</b>	1,629	<b>2,426</b>	1,607
Impairment losses on financial assets held to maturity	-	-	-	-
Impairment losses on loans to customers (Note 1.16)	<b>296</b>	-	<b>296</b>	-
Other expenses	<b>1,808</b>	1,431	<b>3,072</b>	1,398
Allocation to investment fund non-controlling unitholders	<b>2,564</b>	2,193	-	-
	<b>8,374</b>	6,544	<b>7,044</b>	4,296

#### Company

	<b>Non-life</b>	<b>Life</b>	<b>Total</b>	Non-life	Life	Total
	<b>2015</b>	<b>2015</b>	<b>2015</b>	2014	2014	2014
	<b>HRK'000</b>	<b>HRK'000</b>	<b>HRK'000</b>	HRK'000	HRK'000	HRK'000
<b>Financial expenses</b>						
Expenses from assets backing equity	<b>2,743</b>	<b>512</b>	<b>3,255</b>	1,370	456	1,826
Expenses from assets backing life assurance provision	-	<b>3,044</b>	<b>3,044</b>	-	1,546	1,546
Expenses from assets backing other technical provisions	<b>600</b>	<b>145</b>	<b>745</b>	252	672	924
	<b>3,343</b>	<b>3,701</b>	<b>7,044</b>	1,622	2,674	4,296

### 1.35 Income taxes

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000	<b>Company</b> <b>2015</b> <b>HRK'000</b>	Company 2014 HRK'000
Current tax expense	<b>22,526</b>	23,586	<b>22,254</b>	23,434
Deferred tax (expense)/income (Note 1.18)	<b>(77)</b>	2,856	<b>(77)</b>	2,856
<b>Total income tax expense</b>	<b>22,449</b>	26,442	<b>22,177</b>	26,290

#### Reconciliation of accounting profit for the period to income tax expense

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000	<b>Company</b> <b>2015</b> <b>HRK'000</b>	Company 2014 HRK'000
Accounting profit for the period before income taxes	<b>126,561</b>	114,098	<b>125,631</b>	113,671
Income tax at 20%	<b>(25,312)</b>	(22,820)	(25,126)	(22,734)
Non-deductible expenses	<b>(2,181)</b>	(5,059)	(2,091)	(4,990)
Non-taxable income	5,112	1,508	5,040	1,434
Income tax losses not recognised as deferred tax asset	(68)	(71)	-	-
<b>Total income tax expense</b>	<b>(22,449)</b>	(26,442)	<b>(22,177)</b>	(26,290)
<b>Effective income tax rate</b>	<b>17.7%</b>	23.2%	<b>17.7%</b>	23.1%

#### Income tax recognised in other comprehensive income

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000	<b>Company</b> <b>2015</b> <b>HRK'000</b>	Company 2014 HRK'000
<b>On available-for-sale financial assets</b>				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.23c; 1.18)	<b>6,420</b>	(27,374)	<b>6,420</b>	(27,374)

#### Tax losses, carried forward to future periods, not recognized as deferred tax assets

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000
31 December 2015	-	145
31 December 2016	<b>172</b>	172
31 December 2017	<b>85</b>	85
31 December 2018	<b>5</b>	5
31 December 2019	<b>75</b>	75
31 December 2020	<b>68</b>	-
	<b>405</b>	482

## 1.36 Share based payments

### *Restricted stock units*

Restricted stock units (“RSU”) of the ultimate parent company Allianz SE, are granted to the Management Board. Employee services received in exchange for cash-settled share based payments are recognised at the fair value of the amount payable to the employee. The liability is re-measured at each reporting date and the settlement date to its fair value, with all changes recognised immediately in the profit or loss as staff costs.

RSUs expire at the end of a five year period after the grant date. The amount of the cash payment depends on the share price of the Allianz SE at the time of the exercise.

	<b>Number of items</b>	<b>Fair value at grant date EUR per option</b>	<b>Fair value at 31 December 2015 EUR per option</b>	<b>Fair value at 31 December 2015 HRK ‘000</b>	<b>End of vesting period</b>
AEI 2012/RSU	1.304	69,38	163,55	1.628	08.03.2016
AEI 2013/RSU	1.196	90,90	156,14	1.426	07.03.2017
AEI 2014/RSU	1.088	98,71	148,61	1.235	08.03.2018
AEI 2015/RSU	866	126,30	140,65	930	06.03.2019

### *Share appreciation rights*

Share appreciation rights (“SAR”) of the ultimate parent company Allianz SE, are granted to the Management Board. Employee services received in exchange for cash-settled share based payments are recognised at the fair value of the amount payable to the employee. The liability is re-measured at each reporting date and the settlement date to its fair value, with all changes recognised immediately in the profit or loss as staff costs.

SARs expire at the end of a three to five year period after the grant date. The amount of the cash payment is determined based on the increase in the share price of the Allianz SE between grant date and the time of the exercise.

Liabilities for share based remuneration (RSU and SAR) to management amounted to HRK 4,449 thousand at 31 December 2015 (2014: HRK 5,119 thousand) (Note 1.22), while expense recognised in 2015 amounted to HRK 2,473 thousand (2014: HRK 1,834 thousand) (Note 1.32).

### 1.37 Operating leases

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

During the year ended 31 December 2015, HRK 24.9 million was recognised as an expense in the Group's and the Company's profit or loss in respect of operating leases (2014: HRK 27.2 million).

### 1.38 Related parties

The Company is the parent of the Allianz Zagreb Group. The key shareholder of the Company and of the Group is Allianz New Europe Holding GmbH, Austria with holdings of 83.2% (2014: 83.2%) of the Company's shares at year end. Ultimate parent of the Company is Allianz SE, Germany. The Company considers that it has an immediate related party relationship with its shareholders the ultimate parent of its key shareholder, and its subsidiaries; the Supervisory Board members, Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

#### (a) Relationship with Zagrebačka banka d.d.

The Group holds deposits and current accounts in the amount of HRK 151 million (2014: HRK 138 million) with Zagrebačka banka d.d. Deposits attract standard commercial rates of interest, and are subject to standard commercial transaction and service fees and charges.

During 2015, gross written premium acquired through the Zagrebačka banka Group distribution channels amounted HRK 328 million (2014: HRK 308 million). Commission paid to Zagrebačka banka Group relating to bank assurance sales amounted to HRK 29.6 million (2014: HRK 26.7 million).

Zagrebačka banka Group has property, motor, life and personal lines insurance policies with the Company. Policies written for Zagrebačka banka Group during 2015 amounted to HRK 26.3 million (2014: HRK 24.8 million) of gross written premiums.

#### (b) Relationship with key management personnel

Gross emoluments paid or payable by the Group to the members of the Management Board for the year ended 31 December 2015, amounted to HRK 15,6 million (2014: HRK 14 million), including fixed salary, accrued bonuses for 2014 and life assurance premiums paid by the Group. Out of this amount HRK 745 thousand (2014: HRK 772 thousand) relate to pension contributions. Value of units in the Group investment funds owned by Management Board at 31 December 2015 amounted to HRK 1,616 thousand (31 December 2014: HRK 1,081 thousand).

Liabilities for share based remuneration to management as at 31 December 2015 amounted to HRK 4,449 thousand (31 December 2014: HRK 5,119 thousand), while expense recognised in 2015 amounted to HRK 2,473 thousand (2014: HRK 1,834 thousand) (please refer to Note 1.36).

### 1.38 Related parties (continued)

#### (c) Relationship with fellow subsidiaries of Allianz SE Group

The majority of the Group's reinsurance is ceded to Allianz SE Group companies. These transactions gave rise to reinsurance premiums and recoveries during the year and debtors and creditors at the end of the year as set out below:

	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
<b>Premium ceded:</b>		
Reinsurance premiums payable at beginning of year	12,035	10,265
Reinsurance premiums ceded during the year	153,529	114,951
Reinsurance premiums paid during the year	<u>(117,650)</u>	<u>(113,181)</u>
Reinsurance premiums payable at the year end	<u>47,914</u>	<u>12,035</u>
<b>Reinsurance recoveries:</b>		
At the beginning of the year	31,853	21,158
Invoiced during the year	51,789	61,614
Received during the year	<u>(75,419)</u>	<u>(50,919)</u>
Outstanding at the year end	<u>8,223</u>	<u>31,853</u>
<b>Reinsurance commission:</b>		
At the beginning of the year	1,694	3,397
Invoiced during the year	21,235	18,165
Received during the year	<u>(19,686)</u>	<u>(19,868)</u>
Outstanding at the year end	<u>3,243</u>	<u>1,694</u>

### 1.38 Related parties (continued)

<b>Group 2015</b>	<b>Assets HRK'000</b>	<b>Liabilities HRK'000</b>	<b>Income HRK'000</b>	<b>Expense HRK'000</b>
<i>Key management personnel (including remuneration)</i>	1,616	9,614	-	17,972
<i>Ultimate parent company</i>				
Allianz SE, Munich	-	-	-	2,237
<i>Parent company</i>				
Zagrebačka banka d.d.	151,398	2	28,716	30,898
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	36	624	717	1,725
Alianz Cash, open-ended investment fund	109,263	-	2,493	-
Alianz Portfolio, open-ended investment fund	9,249	-	1,153	-
Allianz Equity, open-ended investment fund	8,570	-	398	-
Autoelektro tehnički pregledi d.o.o.	3,028	-	165	-
Allianz Invest d.o.o.	-	746	817	4,027
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	44,425	47,914	72,831	153,346
<i>Other related companies</i>	200	328	368	7,649
	<b>327,785</b>	<b>59,228</b>	<b>107,658</b>	<b>217,854</b>
<b>Company 2015</b>	<b>Assets HRK'000</b>	<b>Liabilities HRK'000</b>	<b>Income HRK'000</b>	<b>Expense HRK'000</b>
<i>Key management personnel (including remuneration)</i>	1,616	8,834	-	15,597
<i>Ultimate parent company</i>				
Allianz SE, Munich	-	-	-	2,237
<i>Parent company</i>				
Zagrebačka banka d.d.	109,873	2	28,344	30,890
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	36	624	158	1,725
Alianz Cash, open-ended investment fund	109,114	-	724	-
Alianz Portfolio, open-ended investment fund	9,188	-	562	-
Allianz Equity, open-ended investment fund	8,533	-	-	-
Autoelektro tehnički pregledi d.o.o.	3,028	-	165	-
Allianz Invest d.o.o.	-	499	258	1,269
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	44,425	47,914	72,831	153,346
<i>Other related companies</i>	102	328	368	7,649
	<b>285,915</b>	<b>58,201</b>	<b>103,410</b>	<b>212,713</b>

### 1.38 Related parties (continued)

Group 2014	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>	1,081	9,881	-	13,857
<i>Ultimate parent company</i>				
Allianz SE, Munich	-	187	-	902
<i>Parent company</i>				
Zagrebačka banka d.d.	138,499	185	26,389	28,214
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	12	776	194	2,092
Alianz Cash, open-ended investment fund	116,331	-	2,508	-
Alianz Portfolio, open-ended investment fund	8,659	-	1,620	-
Allianz Equity, open-ended investment fund	8,045	-	344	-
Autoelektrro tehnički pregledi d.o.o.	3,025	-	143	-
Allianz Invest d.o.o.	12	205	238	2,267
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	63,481	12,036	79,410	113,258
<i>Other related companies</i>	56	457	459	6,513
	<b>339,201</b>	<b>23,727</b>	<b>111,305</b>	<b>167,103</b>
Company 2014	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>	1,081	9,489	-	12,063
<i>Ultimate parent company</i>				
Allianz SE, Munich	-	187	-	902
<i>Parent company</i>				
Zagrebačka banka d.d.	104,101	185	26,037	28,187
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	12	776	134	2,092
Alianz Cash, open-ended investment fund	116,190	-	866	-
Alianz Portfolio, open-ended investment fund	8,626	-	1,339	-
Allianz Equity, open-ended investment fund	8,014	-	-	-
Autoelektrro tehnički pregledi d.o.o.	3,025	-	143	-
Allianz Invest d.o.o.	-	-	238	-
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	63,481	12,036	79,410	113,258
<i>Other related companies</i>	56	457	459	6,513
	<b>304,586</b>	<b>23,130</b>	<b>108,626</b>	<b>163,015</b>



## 1.39 Financial Risk Management

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

### Market risk

Market risk is defined as the effect of changes in market prices on the statement of comprehensive income and statement of financial position of the Group. Basic risk factors include:

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

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

### Asset and liability matching

The Group actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the after-tax, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash-flow and duration basis. The Investment Committee reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing oversight of the asset/liability management process. Due attention is also given to the compliance with the rules established by the Insurance Law.

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

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

### Interest rate risk

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

The Group is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk is, however, limited considering that the majority of the Group's interests bearing investments at the reporting date bear fixed interest rates.

The Group does not have any debt obligations and interest rate changes also do not influence the level of non-life provisions, other than for motor third party annuities, which are not significant at the reporting date. The life assurance provision is discounted using the lower of the technical interest rate or maximum rate prescribed by HANFA, which cannot be higher than the weighted average annual return for the last three years on assets backing life assurance provision.

## 1.39 Financial risk management (continued)

### Interest rate risk (continued)

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

The Group attempts to match the future receipts from these assets with its insurance liabilities by purchasing Government bonds. However, due to the relatively short duration of such bonds, and the longer duration of life assurance liabilities, and the inability of the Group to purchase interest rate swaps in Croatia, the Group is exposed to interest rate risk.

An increase in 100 basis points in interest yields would be recognised as loss directly in other comprehensive income of the Group in the amount of HRK 125,665 thousand (2014: loss of HRK 110,636 thousand). A decrease in 100 basis points in interest yields would be recognised as gain directly in other comprehensive income of the Group in the amount HRK 151,433 thousand (2014: gain of HRK 132,920 thousand).

An increase in 100 basis points in interest yields would be recognised as a loss directly in profit or loss of the Group in the amount of HRK 32,773 thousand (2014: loss of HRK 31,767 thousand). A decrease in 100 basis points in interest yields would be recognised as a gain directly in profit or loss of the Group in the amount HRK 32,773 thousand (2014: gain of HRK 31,767 thousand).

Note 1.41 discloses the effective interest rates and re-pricing analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities.

### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's portfolio of marketable equity securities carried in the statement of financial position at fair value gives exposure to price risk. The Group's objective is to earn competitive returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

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

Group	Impact on profit	Impact on other	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000
	or loss after tax	comprehensive		
	2015	income after tax		
	HRK'000	HRK'000		
Change in price by $\pm$ 1%	2,547/(2,547)	1,030/(1,030)	1,704/(1,704)	933/(933)
Change in price by $\pm$ 3%	7,640/(7,640)	3,091/(3,091)	5,113/(5,113)	2,800/(2,800)
Change in price by $\pm$ 5%	12,733/(12,733)	5,151/(5,151)	8,522/(8,522)	4,667/(4,667)

Company	Impact on profit	Impact on other	Impact on profit or loss after tax 2014 HRK'000	Impact on other comprehensive income after tax 2014 HRK'000
	or loss after tax	comprehensive		
	2015	income after tax		
	HRK'000	HRK'000		
Change in price by $\pm$ 1%	2,340/(2,340)	1,030/(1,030)	1,691/(1,691)	799/(799)
Change in price by $\pm$ 3%	7,020/(7,020)	3,091/(3,091)	5,074/(5,074)	2,397/(2,397)
Change in price by $\pm$ 5%	11,700/(11,700)	5,151/(5,151)	8,457/(8,457)	3,996/(3,996)

## 1.39 Financial risk management (continued)

### Foreign exchange risk

The Group is exposed to currency risk through transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency exposure arises from credit, deposit and investment activities as well as from premium income, reinsurance transactions calculation of related technical provisions and settlement of claims on insurance policies linked to foreign currency. The currency giving rise to this risk is mostly Euro.

The Group manages foreign currency risk by trying to minimise the gap between assets and liabilities denominated in or linked to foreign currency. Investments backing life assurance provision are mostly denominated in Euro, as most of the life assurance provision is denominated in Euro.

Note 1.42 discloses the currency analysis at the statement of financial position for Group's and the Company's financial assets and financial liabilities.

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

Majority of the Group's assets and liabilities are denominated either in HRK or EUR.

<b>Group</b>	<b>Impact on profit or loss after tax 2015 HRK'000</b>	<b>Impact on other comprehensive income after tax 2015 HRK'000</b>	<b>Impact on profit or loss after tax 2014 HRK'000</b>	<b>Impact on other comprehensive income after tax 2014 HRK'000</b>
EUR / HRK rate				
Change in fx rate by + 1%	<b>(1,001)/1,001</b>	<b>2,878/(2,878)</b>	1,930/(1,930)	1,788/(1,788)
Change in fx rate by + 2%	<b>(2,002)/2,002</b>	<b>5,757/(5,757)</b>	3,860/(3,860)	3,576/(3,576)

<b>Company</b>	<b>Impact on profit or loss after tax 2015 HRK'000</b>	<b>Impact on other comprehensive income after tax 2015 HRK'000</b>	<b>Impact on profit or loss after tax 2014 HRK'000</b>	<b>Impact on other comprehensive income after tax 2014 HRK'000</b>
EUR / HRK rate				
Change in fx rate by + 1%	<b>(1,108)/1,108</b>	<b>2,878/(2,878)</b>	1,920/(1,920)	1,768/(1,768)
Change in fx rate by + 2%	<b>(2,216)/2,216</b>	<b>5,757/(5,757)</b>	3,841/(3,841)	3,537/(3,537)

These movements would be offset by the opposite movements in the liabilities to a certain extent.

### Credit risk

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

The Group's portfolios of fixed income securities, mortgage loans and to a lesser extent short-term and other investments are subject to credit risk. The Group manages this risk by up-front, stringent underwriting analysis, reviews by the Investment Committee and regular meetings to review credit developments.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans. Collateral is as prescribed by the Insurance Law.

The Group has adopted a conservative investment policy.

## 1.39 Financial risk management (continued)

### Credit risk (continued)

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

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
Government bonds and bonds issued by local authorities	<b>2,197,984</b>	2,367,642	<b>2,182,343</b>	2,353,463
Treasury bills	<b>102,333</b>	112,108	<b>6,908</b>	53,611
Accrued interest on Government bonds and bonds issued by local authorities	<b>39,205</b>	42,548	<b>39,205</b>	42,548
	<u><b>2,339,522</b></u>	<u>2,522,298</u>	<u><b>2,228,456</b></u>	<u>2,449,622</u>

The total exposure to Croatian state risk represents 49% of the total assets of the Group (2014: 56%) and 48% of the Company (2014: 56%).

Maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements is as followed:

	<b>Group 2015 HRK'000</b>	Group 2014 HRK'000	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000
<b>Debt securities</b>				
Fair value through profit or loss (Note 1.16c)	-	766	-	-
Available for sale (Note 1.16c)	<b>2,366,620</b>	2,228,258	<b>2,260,750</b>	2,161,593
Held to maturity (Note 1.16c)	<b>675,483</b>	676,431	<b>670,247</b>	671,153
<b>Loans and receivables</b>				
Deposits with credit institutions (Note 1.16c)	<b>64,927</b>	213,726	<b>6,541</b>	156,252
Loans (Note 1.16c)	<b>55,752</b>	25,450	<b>58,756</b>	28,451
<b>Foreign corporate bonds backing index linked products (Note 1.16c)</b>	<b>106,337</b>	172,807	<b>106,337</b>	172,807
<b>Cash at bank (Note 1.20)</b>	<b>177,581</b>	106,119	<b>135,756</b>	31,206
<b>Insurance and other receivables (Note 1.19)</b>	<b>267,477</b>	264,166	<b>267,236</b>	264,027
<b>Reinsurers' share of insurance contract provisions (Note 1.17)</b>	<b>160,016</b>	146,734	<b>160,016</b>	146,734
<b>Total asset bearing credit risk</b>	<u><b>3,874,193</b></u>	<u>3,834,457</u>	<u><b>3,665,639</b></u>	<u>3,632,223</u>

## 1.39 Financial risk management (continued)

### Credit risk (continued)

The financial assets are analysed by classes in the table below using Standard & Poors (S&P) rating. The concentration of credit risk is substantially unchanged compared to the prior year

	<b>Group</b> <b>2015</b> <b>HRK'000</b>	Group 2014 HRK'000	<b>Company</b> <b>2015</b> <b>HRK'000</b>	Company 2014 HRK'000
<b>Debt securities</b>				
AAA	467,599	232,518	467,599	232,518
AA	-	-	-	-
A	181,884	162,909	181,884	162,909
BBB	86,287	22,075	86,287	22,075
Below BBB or not rated	2,306,333	2,487,953	2,195,227	2,415,244
<b>Total debt securities</b>	<b>3,042,103</b>	2,905,455	<b>2,930,997</b>	2,832,746
<b>Loans and receivables</b>				
BBB	-	-	-	-
Below BBB or not rated	120,679	239,176	65,297	184,703
<b>Total loans and receivables</b>	<b>120,679</b>	239,176	<b>65,297</b>	184,703
<b>Foreign corporate bonds backing index linked products</b>				
AAA	-	-	-	-
AA	-	-	-	-
A	106,337	172,807	106,337	172,807
BBB	-	-	-	-
Below BBB or not rated	-	-	-	-
<b>Foreign corporate bonds backing index linked products</b>	<b>106,337</b>	172,807	<b>106,337</b>	172,807
<b>Cash at bank</b>				
BBB	-	-	-	-
Below BBB or not rated	177,581	106,119	135,756	31,206
<b>Total cash at bank</b>	<b>177,581</b>	106,119	<b>135,756</b>	31,206
<b>Insurance and other receivables</b>				
AA	43,661	63,145	43,661	63,145
AA-	-	1,953	-	1,953
Below BBB or not rated	223,816	199,068	223,575	198,929
<b>Total Insurance and other receivables</b>	<b>267,477</b>	264,166	<b>267,236</b>	264,027
<b>Reinsurers' share of insurance contract provisions</b>				
AA	108,217	77,130	108,217	77,130
AA-	14,948	11,245	14,948	11,245
Below BBB or not rated	36,851	58,359	36,851	58,359
<b>Total reinsurance share of insurance contract provisions</b>	<b>160,016</b>	146,734	<b>160,016</b>	146,734
<b>Total financial asset that are neither past due nor impaired</b>	<b>3,874,193</b>	3,834,457	<b>3,665,639</b>	3,632,223

## 1.39 Financial risk management (continued)

### Credit risk (continued)

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

The following is an analysis of credit quality of reinsurance receivables as at 31 December 2015:

	<b>Company 2015 HRK'000</b>	Company 2014 HRK'000	Financial Strength Rating
ALLIANZ Versicherung	37,977	34,424	AA
Allianz Global Assistance	2,107	18	NR
Allianz SE	4,133	12,882	AA
Jardine Lloyd Thompson Limited	1,551	611	AA
Other	437	18,815	
	<b>46,205</b>	<b>66,750</b>	

Reinsurance receivables as at 31 December 2015 and 31 December 2014 are all neither past due nor impaired.

### Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Group holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and legal requirements.

The Group's liquidity position is good and all statutory requirements for claims settlement were met in time during the year.

Note 1.40 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within scope of IAS 39.

Note 1.21 (g) discloses the maturity analysis of the Group's and the Company's insurance contract provision, while matching of assets used for backing life assurance provision and technical provision is analysed in Note 1.21 (d) and Note 1.21 (e).

## 1.39 Financial risk management (continued)

### Fair values

The main methods and assumptions for fair value estimation of financial risks are described in Note 1.3 (d).

The fair value hierarchy has the following levels:

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

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value at 31 December 2015:

### Group

*For the year ended 31 December 2015*

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>				
-Equity securities	49,092	1,017	-	50,109
-Debt securities	2,261,438	105,182	-	2,366,620
-Investment funds	359,637	-	-	359,637
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	106,337	-	-	106,337
-Equity securities	21,140	622	-	21,762
-Financial assets relating to share-based payments	-	5,219	-	5,219
-Debt securities	-	-	-	-
-Investment funds	296,569	-	-	296,569
<b>Total Assets</b>	<b>3,094,213</b>	<b>112,040</b>	<b>-</b>	<b>3,206,253</b>

Fair value of loans and receivables is determined by the inputs other than quoted prices that are observable for the assets therefore these would be classified as level 2 within fair value hierarchy. For held-to-maturity investment fair value is determined by using quoted prices therefore these would be classified as level 1 within fair value hierarchy.

### Group

*For the year ended 31 December 2014*

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>				
-Equity securities	35,161	3,092	-	38,253
-Debt securities	2,107,561	120,697	-	2,228,258
-Investment funds	220,902	-	-	220,902
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	172,807	-	-	172,807
-Equity securities	15,572	1,210	-	16,782
-Financial assets relating to share-based payments	-	5,808	-	5,808
-Debt securities	-	766	-	766
-Investment funds	213,042	-	-	213,042
<b>Total Assets</b>	<b>2,765,045</b>	<b>131,573</b>	<b>-</b>	<b>2,896,618</b>

## 1.39 Financial risk management (continued)

### Fair values (continued)

#### Company

For the year ended 31 December 2015

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Investments in subsidiaries at fair value</i>	126,835	-	-	<b>126,835</b>
<i>Available-for-sale financial assets</i>				
-Equity securities	49,092	1,017	-	<b>50,109</b>
-Debt securities	2,251,126	9,624	-	<b>2,260,750</b>
-Investment funds	359,637	-	-	<b>359,637</b>
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	106,337	-	-	<b>106,337</b>
-Financial assets relating to share-based payments	-	5,219	-	<b>5,219</b>
-Investment funds	292,492	-	-	<b>292,492</b>
<b>Total Assets</b>	<b>3,185,519</b>	<b>15,860</b>	<b>-</b>	<b>3,201,379</b>

#### Company

For the year ended 31 December 2014

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Investments in subsidiaries at fair value</i>	132,830	-	-	132,830
<i>Available-for-sale financial assets</i>				
-Equity securities	35,161	3,092	-	38,253
-Debt securities	2,099,812	61,781	-	2,161,593
-Investment funds	220,902	-	-	220,902
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	172,807	-	-	172,807
-Financial assets relating to share-based payments	-	5,808	-	5,808
-Investment funds	211,415	-	-	211,415
<b>Total Assets</b>	<b>2,872,927</b>	<b>70,681</b>	<b>-</b>	<b>2,943,608</b>

At 31 December 2015, investments classified as Level 2 comprise approximately 3,5% (2014: 4,5%) of Group's financial assets measured as fair value on recurring basis. At 31 December 2015, investments classified as Level 2 comprise approximately 0,5% (2014: 2%) of the Company's financial assets measured as fair value on recurring basis. Financial asset classified as Level 2 include treasury bills and debt securities with no active market prices for period longer than 30 days and equity securities with no active market prices for period longer than 180 days. Observable inputs generally used to measure the fair value of treasury bills include weighted average bid price of last treasury bills auction. Measurement of fair value of debt securities has been done using the last market price amortised by effective interest rate method till the reporting date.



## 1.39 Financial risk management (continued)

### Fair values (continued)

Transfers between fair-value hierarchy levels are presented at the end of the reporting period.

Available for sale debt securities in level 1 at year end in the amount of HRK 840 thousand (2014: 0) during the year were included in level 2. Available for sale equity securities in level 1 at the year end in the amount of HRK 1,909 thousand (2014: 0) during the year were included in level 2. Available for sale equity securities in level 2 at the year end in the amount of HRK 436 thousand (2014: 0) during the year were included in level 1. Available for sale debt securities at year end in the amount of HRK 8,082 thousand (2014: 1,177) and available for sale equity securities at year end in level 1 in the amount of HRK 31 thousand (2014: 2,452) during the year were directly included in level 2.

Group	2015		2014	
	Book value	Fair value	Book value	Fair value
	HRK '000	HRK '000	HRK '000	HRK '000
Held-to-maturity investments	675,483	756,519	676,431	753,095
Available for sale financial assets	2,776,366	2,776,366	2,487,413	2,487,413
Financial assets at fair value through profit or loss	429,887	429,887	409,205	409,205
Loans and receivables	120,679	120,679	239,176	239,176
	<u>4,002,415</u>	<u>4,083,451</u>	<u>3,812,225</u>	<u>3,888,889</u>
Investment property	30,352	30,352	31,602	31,602
	<u>4,032,767</u>	<u>4,113,803</u>	<u>3,843,827</u>	<u>3,920,491</u>
Financial liabilities	<u>(188,374)</u>	<u>(188,374)</u>	<u>(132,259)</u>	<u>(132,259)</u>
<b>Company</b>				
Held-to-maturity investments	670,247	751,283	671,153	747,777
Available for sale financial assets	2,670,496	2,670,496	2,420,748	2,420,748
Financial assets at fair value through profit or loss	404,048	404,048	390,030	390,030
Loans and receivables	65,297	65,297	184,703	184,703
	<u>3,810,088</u>	<u>3,891,124</u>	<u>3,666,634</u>	<u>3,743,258</u>
Investments in subsidiaries at cost	5,688	5,688	5,688	5,688
Investments in subsidiaries at fair value	126,835	126,835	132,830	132,830
Investment property	30,352	30,352	31,602	31,602
	<u>3,972,963</u>	<u>4,053,999</u>	<u>3,836,754</u>	<u>3,913,378</u>
Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)	<u>(186,613)</u>	<u>(186,613)</u>	<u>(131,306)</u>	<u>(131,306)</u>

Loans and receivables are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses.

## 1.39 Financial risk management (continued)

### Capital management

The Group's main objectives in capital management are as follows:

- compliance with positive legislation and by-laws, as well as regulations and instructions determined by the Regulator with respect to capital management,
- securing the Group's ability to continue as a going concern,
- providing the possibility to realise profit with the intention of further investment in the Group's development.

The Group is in compliance with legislation and by-laws which regulate capital, regulatory capital, capital adequacy and solvency margin.

In addition to the stated, for the purpose of securing the quality of the capital base, the Group performs a ALM tests on a regular basis, as well as an stress testing with respect to capital and its adequacy in order to prevent possible capital deficiency.

At 31st of December 2015 and 2014, guarantee capital of the Company was higher than minimum core capital required by Act 19 of Insurance law, and as far from solvency margin calculated based on Act 98 Insurance law, as follows:

	2015 HRK'000 Non-life	2015 HRK'000 Life	2014 HRK'000 Non-life	2014 HRK'000 Life
<b>Tier 1 Capital</b>				
Issued share capital	71,722	30,000	71,722	30,000
Legal reserve	22,655	2,398	22,655	2,398
Share premium	31,501	80,500	31,501	80,500
Retained earnings	245,784	111,128	221,492	100,040
Intangible assets	16,020	-	16,452	-
	<u>355,642</u>	<u>224,026</u>	<u>330,918</u>	<u>212,938</u>
<b>Tier 2 Capital</b>				
Fair value reserve	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Guarantee capital</b>	<u>355,642</u>	<u>224,026</u>	<u>330,918</u>	<u>212,938</u>
<b>Deductions</b>				
Holdings in other insurance companies, insurance holding companies, banks, stock-broker firms, management companies and other financial institutions	(5,000)	-	(5,000)	-
Investments in subordinated debt instruments and other investments in the entities for the purpose of compliance with capital adequacy requirements of these entities, which are taken into account when calculating their capital	(488)	-	-	-
Illiquid assets (shares not listed on regulated markets and other assets that cannot be sold when necessary to settle due liabilities)	(893)	(550)	(2,994)	(640)
	<u>(6,381)</u>	<u>(550)</u>	<u>(7,994)</u>	<u>(640)</u>
<b>Capital</b>	<u>349,261</u>	<u>223,476</u>	<u>322,924</u>	<u>212,298</u>
<b>Solvency margin</b>	<u>103,573</u>	<u>121,800</u>	<u>103,573</u>	<u>112,670</u>
<b>Minimum guarantee capital</b>	<u>28,860</u>	<u>28,860</u>	<u>28,860</u>	<u>28,860</u>
<b>Excess of guarantee capital over minimum guarantee capital</b>	<u>326,782</u>	<u>195,166</u>	<u>302,058</u>	<u>184,078</u>
<b>Excess of capital over solvency margin</b>	<u>245,688</u>	<u>101,676</u>	<u>219,351</u>	<u>99,628</u>

Solvency margin is calculated separately for both non-life and life insurance. In non-life segment, claims and premiums in the past three years are weighted by risk factors set by the regulator, the higher of which is taken as the solvency margin. Thereafter, the total solvency margin for the prior period is compared with current year result and the higher amount is taken. In life segment, the solvency margin is calculated by weighting the mathematical reserve with risk factors prescribed by the regulator. In addition, the insured amount is added and weighted with risk factors prescribed by the regulator, depending on the insurance term.

## 1.40 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Group and the Company at 31 December 2015 and 31 December 2014 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. Highly liquid investments without contractual maturity are classified as up to 6 months. Investments in subsidiaries are classified as over 5 years. Estimated remaining contractual maturities of insurance provisions are analysed in Note 1.22 h). The amounts of financial liabilities disclosed in the table (all non-interest bearing) are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows.

### Group – 2015

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Held-to-maturity investments</i>						
Debt securities	-	-	84,802	531,051	59,630	<b>675,483</b>
<i>Available-for-sale financial assets</i>						
Debt securities	82,599	162,640	219,915	520,426	1,381,040	<b>2,366,620</b>
Equity securities	-	-	50,109	-	-	<b>50,109</b>
Investment funds	-	-	92,491	267,146	-	<b>359,637</b>
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Equity securities	21,762	-	-	-	-	<b>21,762</b>
Foreign corporate bonds backing index linked products	-	29,047	34,970	42,320	-	<b>106,337</b>
Shares relating to share-based payments	1,628	-	1,427	2,164	-	<b>5,219</b>
Investment funds	296,569	-	-	-	-	<b>296,569</b>
<i>Loans and receivables</i>						
Deposits with banks	51,891	13,036	-	-	-	<b>64,927</b>
Loans to customers	8,212	35,729	3,131	1,644	7,036	<b>55,752</b>
Reinsurers' share of insurance contract provisions	55,168	23,641	31,918	33,847	15,442	<b>160,016</b>
Receivables	250,714	16,168	595	-	-	<b>267,477</b>
Cash and cash equivalents	177,581	-	-	-	-	<b>177,581</b>
<b>Total financial assets</b>	<b>946,124</b>	<b>280,261</b>	<b>519,358</b>	<b>1,398,598</b>	<b>1,463,148</b>	<b>4,607,489</b>
<b>Financial liabilities</b>						
Payables	121,467	8,692	22,010	11,886	-	<b>164,055</b>
Other liabilities	23,831	-	-	488	-	<b>24,319</b>
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>145,298</b>	<b>8,692</b>	<b>22,010</b>	<b>12,374</b>	<b>-</b>	<b>188,374</b>
<b>Maturity gap</b>	<b>800,826</b>	<b>271,569</b>	<b>497,348</b>	<b>1,386,224</b>	<b>1,463,148</b>	<b>4,419,115</b>

Liabilities to investment funds non-controlling unitholders are not included in the above table as they do not have a contractual maturity.

## 1.40 Maturity analysis (continued)

### Group – 2014

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Held-to-maturity investments</i>						
Debt securities	-	-	-	378,395	298,036	<b>676,431</b>
<i>Available-for-sale financial assets</i>						
Debt securities	106,028	106,723	169,467	581,414	1,264,626	<b>2,228,258</b>
Equity securities	-	-	38,253	-	-	<b>38,253</b>
Investment funds	-	-	220,902	-	-	<b>220,902</b>
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	766	-	-	<b>766</b>
Equity securities	16,782	-	-	-	-	<b>16,782</b>
Foreign corporate bonds backing index linked products	-	66,724	29,004	68,322	8,757	<b>172,807</b>
Shares relating to share-based payments	2,394	-	1,305	2,109	-	<b>5,808</b>
Investment funds	213,042	-	-	-	-	<b>213,042</b>
<i>Loans and receivables</i>						
Deposits with banks	199,821	13,279	626	-	-	<b>213,726</b>
Loans to customers	6,190	6,789	5,300	2,999	4,172	<b>25,450</b>
Reinsurers' share of insurance contract provisions	84,521	15,681	11,519	15,782	19,231	<b>146,734</b>
Receivables	238,770	25,085	311	-	-	<b>264,166</b>
Cash and cash equivalents	106,119	-	-	-	-	<b>106,119</b>
<b>Total financial assets</b>	<b>973,667</b>	<b>234,281</b>	<b>477,453</b>	<b>1,049,021</b>	<b>1,594,822</b>	<b>4,329,244</b>
<b>Financial liabilities</b>						
Payables	62,900	6,787	20,338	10,691	-	<b>100,716</b>
Other liabilities	31,543	-	-	-	-	<b>31,543</b>
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>94,443</b>	<b>6,787</b>	<b>20,338</b>	<b>10,691</b>	<b>-</b>	<b>132,259</b>
<b>Maturity gap</b>	<b>879,224</b>	<b>227,494</b>	<b>457,115</b>	<b>1,038,330</b>	<b>1,594,822</b>	<b>4,196,985</b>

Liabilities to investment funds non-controlling unitholders are not included in the above table as they do not have a contractual maturity.

## 1.40 Maturity analysis (continued)

### Company – 2015

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Financial assets</b>						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	118,302	118,302
AFS	-	-	-	-	8,533	8,533
<i>Held-to-maturity investments</i>						
Debt securities	-	-	84,802	525,815	59,630	670,247
<i>Available-for-sale financial assets</i>						
Debt securities	-	149,815	218,449	512,915	1,379,571	2,260,750
Equity securities	-	-	50,109	-	-	50,109
Investment funds	-	-	92,491	267,146	-	359,637
<i>Financial assets at fair value through profit or loss</i>						
Foreign corporate bonds backing index linked products	-	29,047	34,970	42,320	-	106,337
Shares relating to share-based payments	1,628	-	1,427	2,164	-	5,219
Investment funds	292,492	-	-	-	-	292,492
<i>Loans and receivables</i>						
Deposits with banks	6,541	-	-	-	-	6,541
Loans to customers	8,212	35,729	3,131	1,644	10,040	58,756
Reinsurers' share of insurance contract provisions	55,168	23,641	31,918	33,847	15,442	160,016
Receivables	250,473	16,168	595	-	-	267,236
Cash and cash equivalents	135,756	-	-	-	-	135,756
<b>Total financial assets</b>	<b>750,270</b>	<b>254,400</b>	<b>517,892</b>	<b>1,385,851</b>	<b>1,597,206</b>	<b>4,505,619</b>
<b>Financial liabilities</b>						
Payables	121,450	8,692	22,010	11,886	-	164,038
Other liabilities	22,575	-	-	-	-	22,575
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>144,025</b>	<b>8,692</b>	<b>22,010</b>	<b>11,886</b>	<b>-</b>	<b>186,613</b>
<b>Maturity gap</b>	<b>606,245</b>	<b>245,708</b>	<b>495,882</b>	<b>1,373,965</b>	<b>1,597,206</b>	<b>4,319,006</b>

## 1.40 Maturity analysis (continued)

### Company – 2014

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	124,816	124,816
AFS	-	-	-	-	8,014	8,014
<i>Held-to-maturity investments</i>						
Debt securities	-	-	-	373,117	298,036	671,153
<i>Available-for-sale financial assets</i>						
Debt securities	53,611	100,803	169,467	574,510	1,263,202	2,161,593
Equity securities	-	-	38,253	-	-	38,253
Investment funds	-	-	220,902	-	-	220,902
<i>Financial assets at fair value through profit or loss</i>						
<i>Foreign corporate bonds backing index linked products</i>						
	-	66,724	29,004	68,322	8,757	172,807
Shares relating to share-based payments	2,394	-	1,305	2,109	-	5,808
Investment funds	211,415	-	-	-	-	211,415
<i>Loans and receivables</i>						
Deposits with banks	155,626	-	626	-	-	156,252
Loans to customers	6,763	6,839	5,357	2,999	6,493	28,451
Reinsurers' share of insurance contract provisions	84,521	15,681	11,519	15,782	19,231	146,734
Receivables	238,631	25,085	311	-	-	264,027
Cash and cash equivalents	31,206	-	-	-	-	31,206
<b>Total financial assets</b>	<b>784,167</b>	<b>215,132</b>	<b>476,744</b>	<b>1,036,839</b>	<b>1,734,237</b>	<b>4,247,119</b>
<b>Financial liabilities</b>						
Payables	62,895	6,787	20,338	10,691	-	100,711
Other liabilities	30,595	-	-	-	-	30,595
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>93,490</b>	<b>6,787</b>	<b>20,338</b>	<b>10,691</b>	<b>-</b>	<b>131,306</b>
<b>Maturity gap</b>	<b>690,677</b>	<b>208,345</b>	<b>456,406</b>	<b>1,026,148</b>	<b>1,734,237</b>	<b>4,115,813</b>

## 1.41 Interest rate repricing analysis

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

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2015 and 31 December 2014 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of mathematical reserve is based (Note 1.22 (f)), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

### Group – 2015

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
<b>Financial assets</b>									
<i>Held-to-maturity investments</i>									
Debt securities	5,90	-	-	84,802	531,051	59,630	-	<b>675,483</b>	675,483
<i>Available-for-sale financial assets</i>									
Debt securities	4,42	82,599	162,640	219,915	520,426	1,381,040	-	<b>2,366,620</b>	2,366,620
Equity securities	n/a	-	-	-	-	-	50,109	<b>50,109</b>	-
Investment funds	n/a	-	-	-	-	-	359,637	<b>359,637</b>	-
<i>Financial assets at fair value through profit or loss</i>									
Debt securities	-	-	-	-	-	-	-	-	-
Equity securities	n/a	-	-	-	-	-	21,762	<b>21,762</b>	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-	106,337	<b>106,337</b>	106,337
Shares relating to share-based payments	n/a	-	-	-	-	-	5,219	<b>5,219</b>	-
Investment funds	-	-	-	-	-	-	296,569	<b>296,569</b>	-
<i>Loans and receivables</i>									
Deposits with banks	1,63	51,891	13,036	-	-	-	-	<b>64,927</b>	64,927
Loans to customers	6,72	8,212	35,729	3,131	1,644	7,036	-	<b>55,752</b>	55,752
Reinsurers' share of insurance contract provisions	n/a	-	-	-	-	-	160,016	<b>160,016</b>	-
Receivables	n/a	277	-	-	-	-	267,200	<b>267,477</b>	-
Cash and cash equivalents	n/a	177,581	-	-	-	-	-	<b>177,581</b>	177,581
<b>Total financial assets</b>		<b>320,560</b>	<b>211,405</b>	<b>307,848</b>	<b>1,053,121</b>	<b>1,447,706</b>	<b>1,266,849</b>	<b>4,607,489</b>	<b>3,446,700</b>
<b>Financial liabilities</b>									
Payables	n/a	-	-	-	-	-	164,055	<b>164,055</b>	-
Other liabilities	n/a	364	-	-	-	-	23,955	<b>24,319</b>	-
<b>Total financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>		<b>364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,010</b>	<b>188,374</b>	<b>-</b>
<b>Repricing gap</b>		<b>320,196</b>	<b>211,405</b>	<b>307,848</b>	<b>1,053,121</b>	<b>1,447,706</b>	<b>1,078,839</b>	<b>4,419,115</b>	<b>3,446,700</b>

## 1.41 Interest rate repricing analysis (continued)

### Group – 2014

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
<b>Financial assets</b>									
<i>Held-to-maturity investments</i>									
Debt securities	5.76	-	-	-	378,395	298,036	-	<b>676,431</b>	676,431
<i>Available-for-sale financial assets</i>									
Debt securities	4.91	106,028	106,723	169,467	581,414	1,264,626	-	<b>2,228,258</b>	2,228,258
Equity securities	n/a	-	-	-	-	-	38,253	<b>38,253</b>	-
Investment funds	n/a	-	-	-	-	-	220,902	<b>220,902</b>	-
<i>Financial assets at fair value through profit or loss</i>									
Debt securities	n/a	-	-	766	-	-	-	<b>766</b>	766
Equity securities	n/a	-	-	-	-	-	16,782	<b>16,782</b>	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-	172,807	<b>172,807</b>	172,807
Shares relating to share- based payments	n/a	-	-	-	-	-	5,808	<b>5,808</b>	-
Investment funds	n/a	-	-	-	-	-	213,042	<b>213,042</b>	-
<i>Loans and receivables</i>									
Deposits with banks	2.01	199,821	13,279	626	-	-	-	<b>213,726</b>	213,726
Loans to customers	7.58	6,190	6,789	5,300	2,999	4,172	-	<b>25,450</b>	25,450
Reinsurers' share of insurance contract provisions	n/a	-	-	-	-	-	146,734	<b>146,734</b>	-
Receivables	n/a	72	-	-	-	-	264,094	<b>264,166</b>	-
Cash and cash equivalents	n/a	106,119	-	-	-	-	-	<b>106,119</b>	106,119
<b>Total financial assets</b>		<b>418,230</b>	<b>126,791</b>	<b>176,159</b>	<b>962,808</b>	<b>1,566,834</b>	<b>1,078,422</b>	<b>4,329,244</b>	<b>3,423,557</b>
<b>Financial liabilities</b>									
Payables	n/a	-	-	-	-	-	100,716	<b>100,716</b>	-
Other liabilities	n/a	-	-	-	-	-	31,543	<b>31,543</b>	-
<b>Total financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>132,259</b>	<b>132,259</b>	<b>-</b>
<b>Repricing gap</b>		<b>418,230</b>	<b>126,791</b>	<b>176,159</b>	<b>962,808</b>	<b>1,566,834</b>	<b>946,163</b>	<b>4,196,985</b>	<b>3,423,557</b>



## 1.41 Interest rate repricing analysis (continued)

### Company – 2015

	Effective interest rate %	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non-interest bearing	Total	Amounts subject to fixed rates
		HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Financial assets</b>									
<i>Investments in subsidiaries</i>									
At cost	n/a	-	-	-	-	-	5,688	<b>5,688</b>	-
At fair value through P&L	n/a	-	-	-	-	-	118,302	<b>118,302</b>	-
AFS	n/a	-	-	-	-	-	8,533	<b>8,533</b>	-
<i>Held-to-maturity investments</i>									
Debt securities	5,90	-	-	84,802	525,815	59,630	-	<b>670,247</b>	670,247
<i>Available-for-sale financial assets</i>									
Debt securities	4,42	-	149,815	218,449	512,915	1,379,571	-	<b>2,260,750</b>	2,260,750
Equity securities	n/a	-	-	-	-	-	50,109	<b>50,109</b>	-
Investment funds	n/a	-	-	-	-	-	359,637	<b>359,637</b>	-
<i>Financial assets at fair value through profit or loss</i>									
Foreign corporate bonds backing index linked products	-	-	-	-	-	-	106,337	<b>106,337</b>	-
Shares relating to share-based payments	-	-	-	-	-	-	5,219	<b>5,219</b>	-
Investment funds	-	-	-	-	-	-	292,492	<b>292,492</b>	-
<i>Loans and receivables</i>									
Deposits with banks	1,63	6,541	-	-	-	-	-	<b>6,541</b>	6,541
Loans to customers	6,72	8,212	35,729	3,131	1,644	10,040	-	<b>58,756</b>	58,756
Reinsurance share in technical provisions	n/a	-	-	-	-	-	160,016	<b>160,016</b>	-
Receivables	n/a	-	-	-	-	-	267,236	<b>267,236</b>	-
Cash and cash equivalents	n/a	135,756	-	-	-	-	-	<b>135,756</b>	135,756
<b>Total financial assets</b>		<b>150,509</b>	<b>185,544</b>	<b>306,382</b>	<b>1,040,374</b>	<b>1,449,241</b>	<b>1,373,569</b>	<b>4,505,619</b>	<b>3,132,050</b>
<b>Financial liabilities</b>									
Payables	n/a	-	-	-	-	-	164,038	<b>164,038</b>	-
Other liabilities	n/a	-	-	-	-	-	22,575	<b>22,575</b>	-
<b>Total financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,613</b>	<b>186,613</b>	<b>-</b>
<b>Repricing gap</b>		<b>150,509</b>	<b>185,544</b>	<b>306,382</b>	<b>1,040,374</b>	<b>1,449,241</b>	<b>1,186,956</b>	<b>4,319,006</b>	<b>3,132,050</b>

## 1.41 Interest rate repricing analysis (continued)

### Company – 2014

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
<b>Financial assets</b>									
<i>Investments in subsidiaries</i>									
At cost	n/a	-	-	-	-	-	5,688	<b>5,688</b>	-
At fair value through P&L	n/a	-	-	-	-	-	124,816	<b>124,816</b>	-
AFS	n/a	-	-	-	-	-	8,014	<b>8,014</b>	-
<i>Held-to-maturity investments</i>									
Debt securities	5.76	-	-	-	373,117	298,036	-	<b>671,153</b>	671,153
<i>Available-for-sale financial assets</i>									
Debt securities	4.91	53,611	100,803	169,467	574,510	1,263,202	-	<b>2,161,593</b>	2,161,593
Equity securities	n/a	-	-	-	-	-	38,253	<b>38,253</b>	-
Investment funds	n/a	-	-	-	-	-	220,902	<b>220,902</b>	-
<i>Financial assets at fair value through profit or loss</i>									
Foreign corporate bonds backing index linked products	-	-	-	-	-	-	172,807	<b>172,807</b>	172,807
Shares relating to share-based payments	n/a	-	-	-	-	-	5,808	<b>5,808</b>	-
Investment funds	n/a	-	-	-	-	-	211,415	<b>211,415</b>	-
<i>Loans and receivables</i>									
Deposits with banks	2.01	155,626	-	626	-	-	-	<b>156,252</b>	156,252
Loans to customers	7.58	6,763	6,839	5,357	2,999	6,493	-	<b>28,451</b>	28,451
Reinsurance share in technical provisions	n/a	-	-	-	-	-	146,734	<b>146,734</b>	-
Receivables	n/a	-	-	-	-	-	264,027	<b>264,027</b>	-
Cash and cash equivalents	n/a	31,206	-	-	-	-	-	<b>31,206</b>	31,206
<b>Total financial assets</b>		<b>247,206</b>	<b>107,642</b>	<b>175,450</b>	<b>950,626</b>	<b>1,567,731</b>	<b>1,198,464</b>	<b>4,247,119</b>	<b>3,221,462</b>
<b>Financial liabilities</b>									
Payables	n/a	-	-	-	-	-	100,711	<b>100,711</b>	-
Other liabilities	n/a	-	-	-	-	-	30,595	<b>30,595</b>	-
<b>Total financial liabilities (excluding liabilities to investment funds non- controlling unitholders)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,306</b>	<b>131,306</b>	<b>-</b>
<b>Repricing gap</b>		<b>247,206</b>	<b>107,642</b>	<b>175,450</b>	<b>950,626</b>	<b>1,567,731</b>	<b>1,067,158</b>	<b>4,115,813</b>	<b>3,221,462</b>

## 1.42 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within scope of IAS 39 were denominated as follows as at 31 December 2015 and 31 December 2014.

### Group – 2015

	<b>EURO HRK'000</b>	<b>EURO linked HRK'000</b>	<b>EURO and EURO linked total HRK'000</b>	<b>Other foreign currencies HRK'000</b>	<b>HRK HRK'000</b>	<b>Total HRK'000</b>
<b>Financial assets</b>						
<i>Held-to-maturity investments</i>						
Debt securities	-	512,636	512,636	-	162,847	<b>675,483</b>
<i>Available-for-sale financial assets</i>						
Debt securities	735,082	777,936	1,513,018	53,802	799,800	<b>2,366,620</b>
Equity securities	157	-	157	-	49,952	<b>50,109</b>
Investment funds	359,637	-	359,637	-	-	<b>359,637</b>
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Equity securities	2,570	-	2,570	31	19,161	<b>21,762</b>
Foreign corporate bonds backing index linked products	106,337	-	106,337	-	-	<b>106,337</b>
Shares relating to share-based payments	5,219	-	5,219	-	-	<b>5,219</b>
Investment funds	2,176	69,036	71,212	15,317	210,040	<b>296,569</b>
<i>Loans and receivables</i>						
Deposits with banks	-	396	396	127	64,404	<b>64,927</b>
Loans to customers	-	41,171	41,171	10	14,571	<b>55,752</b>
Reinsurance share in technical provisions	29,629	-	29,629	8,680	121,707	<b>160,016</b>
Receivables	97,908	-	97,908	5,994	163,575	<b>267,477</b>
Cash and cash equivalents	73,115	-	73,115	4,331	100,135	<b>177,581</b>
<b>Total financial assets</b>	<b>1,411,830</b>	<b>1,401,175</b>	<b>2,813,005</b>	<b>88,292</b>	<b>1,706,192</b>	<b>4,607,489</b>
<b>Financial liabilities</b>						
Payables	48,666	-	48,666	413	114,976	<b>164,055</b>
Other liabilities	69	-	69	-	24,250	<b>24,319</b>
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>48,735</b>	<b>-</b>	<b>48,735</b>	<b>413</b>	<b>139,226</b>	<b>188,374</b>
<b>Currency gap on financial assets and financial liabilities</b>	<b>1,363,095</b>	<b>1,401,175</b>	<b>2,764,270</b>	<b>87,879</b>	<b>1,566,966</b>	<b>4,419,115</b>

## 1.42 Currency risk analysis (continued)

### Group – 2014

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Held-to-maturity investments</i>						
Debt securities	-	514,359	514,359	-	162,072	676,431
<i>Available-for-sale financial assets</i>						
Debt securities	488,606	978,491	1,467,097	48,318	712,843	2,228,258
Equity securities	138	-	138	-	38,115	38,253
Investment funds	220,902	-	220,902	-	-	220,902
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	766	-	766	-	-	766
Equity securities	2,447	-	2,447	41	14,294	16,782
Foreign corporate bonds backing index linked products	172,807	-	172,807	-	-	172,807
Shares relating to share-based payments	5,808	-	5,808	-	-	5,808
Investment funds	-	89,660	89,660	20,578	102,804	213,042
<i>Loans and receivables</i>						
Deposits with banks	129,537	448	129,985	158	83,583	213,726
Loans to customers	-	25,008	25,008	13	429	25,450
Reinsurance share in technical provisions	21,756	-	21,756	16,636	108,342	146,734
Receivables	78,764	-	78,764	3,596	181,806	264,166
Cash and cash equivalents	16,218	-	16,218	5,289	84,612	106,119
<b>Total financial assets</b>	<b>1,137,749</b>	<b>1,607,966</b>	<b>2,745,715</b>	<b>94,629</b>	<b>1,488,900</b>	<b>4,329,244</b>
<b>Financial liabilities</b>						
Payables	13,336	-	13,336	518	86,862	100,716
Other liabilities	-	-	-	-	31,543	31,543
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>13,336</b>	<b>-</b>	<b>13,336</b>	<b>518</b>	<b>118,405</b>	<b>132,259</b>
<b>Currency gap on financial assets and financial liabilities</b>	<b>1,124,413</b>	<b>1,607,966</b>	<b>2,732,379</b>	<b>94,111</b>	<b>1,370,495</b>	<b>4,196,985</b>

## 1.42 Currency risk analysis (continued)

### Company – 2015

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	<b>5,688</b>
At fair value through P&L	-	-	-	-	118,302	<b>118,302</b>
AFS	-	8,533	8,533	-	-	<b>8,533</b>
<i>Held-to-maturity investments</i>						
Debt securities	-	512,636	512,636	-	157,611	<b>670,247</b>
<i>Available-for-sale financial assets</i>						
Debt securities	728,536	777,936	1,506,472	50,792	703,486	<b>2,260,750</b>
Equity securities	157	-	157	-	49,952	<b>50,109</b>
Investment funds	359,637	-	359,637	-	-	<b>359,637</b>
<i>Financial assets at fair value through profit or loss</i>						
Foreign corporate bonds backing index linked products	106,337	-	106,337	-	-	<b>106,337</b>
Shares relating to share-based payments	5,219	-	5,219	-	-	<b>5,219</b>
Investment funds	-	69,036	69,036	15,317	208,139	<b>292,492</b>
<i>Loans and receivables</i>						
Deposits with banks	-	396	396	127	6,018	<b>6,541</b>
Loans to customers	-	44,199	44,199	10	14,547	<b>58,756</b>
Reinsurers' share of insurance contract provisions	29,629	-	29,629	8,680	121,707	<b>160,016</b>
Receivables	97,908	-	97,908	5,994	163,334	<b>267,236</b>
Cash and cash equivalents	67,980	-	67,980	3,440	64,336	<b>135,756</b>
<b>Total financial assets</b>	<b>1,395,403</b>	<b>1,412,736</b>	<b>2,808,139</b>	<b>84,360</b>	<b>1,613,120</b>	<b>4,505,619</b>
<b>Financial liabilities</b>						
Payables	48,666	-	48,666	413	114,959	<b>164,038</b>
Other liabilities	-	-	-	-	22,575	<b>22,575</b>
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>48,666</b>	<b>-</b>	<b>48,666</b>	<b>413</b>	<b>137,534</b>	<b>186,613</b>
<b>Currency gap on financial assets and financial liabilities</b>	<b>1,346,737</b>	<b>1,412,736</b>	<b>2,759,473</b>	<b>83,947</b>	<b>1,475,586</b>	<b>4,319,006</b>

## 1.42 Currency risk analysis (continued)

### Company – 2014

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
<b>Financial assets</b>						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	124,816	124,816
AFS	-	8,014	8,014	-	-	8,014
<i>Held-to-maturity investments</i>						
Debt securities	-	514,359	514,359	-	156,794	671,153
<i>Available-for-sale financial assets</i>						
Debt securities	485,332	978,491	1,463,823	46,889	650,881	2,161,593
Equity securities	138	-	138	-	38,115	38,253
Investment funds	220,902	-	220,902	-	-	220,902
<i>Financial assets at fair value through profit or loss</i>						
Foreign corporate bonds backing index linked products	172,807	-	172,807	-	-	172,807
Shares relating to share-based payments	5,808	-	5,808	-	-	5,808
Investment funds	-	89,660	89,660	20,578	101,177	211,415
<i>Loans and receivables</i>						
Deposits with banks	129,529	448	129,977	158	26,117	156,252
Loans to customers	-	28,033	28,033	13	405	28,451
Reinsurers' share of insurance contract provisions	21,756	-	21,756	16,636	108,342	146,734
Receivables	78,764	-	78,764	3,596	181,667	264,027
Cash and cash equivalents	16,055	-	16,055	2,365	12,786	31,206
<b>Total financial assets</b>	<b>1,131,091</b>	<b>1,619,005</b>	<b>2,750,096</b>	<b>90,235</b>	<b>1,406,788</b>	<b>4,247,119</b>
<b>Financial liabilities</b>						
Payables	13,336	-	13,336	518	86,857	100,711
Other liabilities	-	-	-	-	30,595	30,595
<b>Financial liabilities (excluding liabilities to investment funds non-controlling unitholders)</b>	<b>13,336</b>	<b>-</b>	<b>13,336</b>	<b>518</b>	<b>117,452</b>	<b>131,306</b>
<b>Currency gap on financial assets and financial liabilities</b>	<b>1,117,755</b>	<b>1,619,005</b>	<b>2,736,760</b>	<b>89,717</b>	<b>1,289,336</b>	<b>4,115,813</b>

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency

### Statement of financial position (balance sheet) 31.12.2015

ASSETS				<i>in HRK</i>					
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>001</b>	002+003	<b>A</b>	<b>RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>						
002		1	Called up capital						
003		2	Uncalled capital						
<b>004</b>	005+006	<b>B</b>	<b>INTANGIBLE ASSETS</b>		<b>16,452,105</b>	<b>16,452,105</b>		<b>16,020,155</b>	<b>16,020,155</b>
005		1	Goodwill						
006		2	Other intangible assets		16,452,105	<b>16,452,105</b>		16,020,155	<b>16,020,155</b>
<b>007</b>	008+009+010	<b>C</b>	<b>TANGIBLE ASSETS</b>		<b>45,626,007</b>	<b>45,626,007</b>		<b>40,921,141</b>	<b>40,921,141</b>
008		1	Land and buildings intended for company business operations		24,503,430	<b>24,503,430</b>		29,017,494	<b>29,017,494</b>
009		2	Equipment		20,942,000	<b>20,942,000</b>		11,791,831	<b>11,791,831</b>
010		3	Other tangible assets and stock		180,576	<b>180,576</b>		111,817	<b>111,817</b>
<b>011</b>	012+013+017+036	<b>D</b>	<b>INVESTMENTS</b>	<b>2,649,155,095</b>	<b>929,464,857</b>	<b>3,578,619,952</b>	<b>2,929,312,461</b>	<b>952,346,878</b>	<b>3,881,659,339</b>
<b>012</b>		<b>I</b>	<b>Investments in land and buildings not intended for company business operations</b>		31,602,064	<b>31,602,064</b>		<b>30,352,028</b>	<b>30,352,028</b>
<b>013</b>	014+015+016	<b>II</b>	<b>Investments in subsidiaries, associates and joint ventures</b>		<b>5,688,100</b>	<b>5,688,100</b>		<b>5,688,100</b>	<b>5,688,100</b>
014		1	Shares and stakes in subsidiaries		5,688,100	<b>5,688,100</b>		5,688,100	<b>5,688,100</b>
015		2	Shares and stakes in associates						
016		3	Joint venture participation						
<b>017</b>	018+021+026+032	<b>III</b>	<b>Other financial investments</b>	<b>2,649,155,095</b>	<b>892,174,693</b>	<b>3,541,329,788</b>	<b>2,929,312,461</b>	<b>916,306,750</b>	<b>3,845,619,211</b>
<b>018</b>	019+020	<b>1</b>	<b>Investments held-to-maturity</b>	<b>514,360,847</b>	<b>156,793,806</b>	<b>671,154,653</b>	<b>512,635,555</b>	<b>157,611,092</b>	<b>670,246,647</b>
019		1.1	<i>Debt securities and other securities with fixed revenue</i>	514,360,847	156,793,806	<b>671,154,653</b>	512,635,555	157,611,092	<b>670,246,647</b>
020		1.2	<i>Other investments held to maturity</i>						

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of financial position (balance sheet) 31.12.2015 (continued)

ASSETS				<i>in HRK</i>					
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
021	022+023+024+025	2	<b>Investments available-for-sale</b>	1,789,653,573	639,108,713	2,428,762,286	1,992,340,200	686,686,436	2,679,026,636
022		2.1	<i>Shares, stakes and other securities with variable revenue</i>	36,366,450	1,886,923	38,253,374	46,048,192	4,060,366	50,108,558
023		2.2	<i>Debt securities and other securities with fixed revenue</i>	1,540,157,061	621,435,472	2,161,592,533	1,619,623,023	641,124,664	2,260,747,687
024		2.3	<i>Investment fund units</i>	213,130,062	15,786,317	228,916,380	326,668,985	41,501,406	368,170,391
025		2.4	<i>Other investments available for sale</i>						
026	027+028+029+030+031	3	<b>Investments at fair value through profit and loss account</b>	196,273,933	56,847,251	253,121,185	297,769,157	41,566,596	339,335,752
027		3.1	<i>Shares, stakes and other securities with variable revenue</i>		5,573,342	5,573,342			
028		3.2	<i>Debt securities and other securities with fixed revenue</i>						
029		3.3	<i>Derivative financial instruments</i>		234,569	234,569		5,218,579	5,218,579
030		3.4	<i>Investment fund units</i>	174,953,233	51,039,341	225,992,574	281,254,271	36,348,016	317,602,288
031		3.5	<i>Other investments</i>	21,320,701		21,320,701	16,514,885		16,514,885
032	033+034+035	4	<b>Deposits, loans and receivables</b>	148,866,742	39,424,923	188,291,665	126,567,550	30,442,626	157,010,176
033		4.1	<i>Deposits with credit institutions (banks)</i>	131,689,940	28,151,095	159,841,035	91,714,132	6,540,446	98,254,578
034		4.2	<i>Loans</i>	17,176,801	11,273,828	28,450,629	34,853,418	23,902,180	58,755,598
035		4.3	<i>Other loans and receivables</i>						
036		IV	<b>Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)</b>						
037		E	<b>INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS</b>	261,725,732		261,725,732	183,015,296		183,015,296



## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of financial position (balance sheet) 31.12.2015 (continued)

**ASSETS**

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>038</b>	039+040+041+042 +043+044+045	<b>F</b>	<b>REINSURANCE SHARE IN TECHNICAL PROVISIONS</b>	<b>1,126,568</b>	<b>145,607,083</b>	<b>146,733,651</b>	<b>1,022,577</b>	<b>158,991,170</b>	<b>160,013,746</b>
039		1	Unearned premiums, reinsurance share	164,041	26,606,777	<b>26,770,818</b>	155,855	65,024,840	<b>65,180,695</b>
040		2	Mathematical provision, reinsurance share	381,427		<b>381,427</b>	364,221		<b>364,221</b>
041		3	Provision for claims outstanding, reinsurance share	581,100	117,588,620	<b>118,169,720</b>	502,500	93,951,879	<b>94,454,379</b>
042		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share		1,411,686	<b>1,411,686</b>		14,451	<b>14,451</b>
043		5	Equalisation provisions, reinsurance share						
044		6	Other insurance technical provisions, reinsurance share						
045		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
<b>046</b>	047+048	<b>G</b>	<b>DEFERRED AND CURRENT TAX ASSET</b>		<b>4,676,484</b>	<b>4,676,484</b>			
047		1	Deferred tax asset						
048		2	Current tax asset		4,676,484	<b>4,676,484</b>			
<b>049</b>	050+053+054	<b>H</b>	<b>RECEIVABLES</b>	<b>3,942,826</b>	<b>199,204,641</b>	<b>203,147,466</b>	<b>4,145,026</b>	<b>206,282,398</b>	<b>210,427,424</b>
<b>050</b>	051+052	<b>1</b>	<b>Receivables from direct insurance business</b>	<b>187,129</b>	<b>87,781,627</b>	<b>87,968,756</b>	<b>955,279</b>	<b>126,676,425</b>	<b>127,631,704</b>
051		1.1	<i>From policyholders</i>	187,129	87,781,627	<b>87,968,756</b>	955,279	126,676,425	<b>127,631,704</b>
052		1.2	<i>From insurance agents, or insurance brokers</i>						
<b>053</b>		<b>2</b>	<b>Receivables from co-insurance and reinsurance business</b>	<b>58,120</b>	<b>66,691,421</b>	<b>66,749,541</b>	<b>33,975</b>	<b>46,170,603</b>	<b>46,204,577</b>

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of financial position (balance sheet) 31.12.2015 (continued)

ASSETS				<i>in HRK</i>					
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
054	055+056+057	3	<b>Other receivables</b>	3,697,577	44,731,593	48,429,170	3,155,772	33,435,370	36,591,142
055		3.1	<i>Receivables from other insurance business</i>		13,778,258	13,778,258		8,836,925	8,836,925
056		3.2	<i>Receivables for return on investments</i>	466,392	249,113	715,505	536,978	37,986	574,964
057		3.3	<i>Other receivables</i>	3,231,184	30,704,222	33,935,407	2,618,794	24,560,458	27,179,253
058	059+063+064	I	<b>OTHER ASSETS</b>	19,115,833	9,279,370	28,395,203	37,037,664	7,657,781	44,695,446
059	060+061+062	1	<b>Cash at bank and in hand</b>	19,115,833	9,279,370	28,395,203	37,037,664	7,657,781	44,695,446
060		1.1	<i>Funds in the business account</i>	2,220,679	8,499,463	10,720,142	35,836,651	7,124,123	42,960,774
061		1.2	<i>Funds in the account of assets covering mathematical provision</i>	16,894,718		16,894,718	1,081,864		1,081,864
062		1.3	<i>Cash in hand</i>	437	779,906	780,343	119,150	533,659	652,808
063		2	<b>Long-term assets intended for sale and business cessation</b>						
064		3	<b>Other</b>						
065	066+067+068	J	<b>PREPAYMENTS AND ACCRUED INCOME</b>	43,266,466	67,164,846	110,431,312	40,156,923	60,339,992	100,496,915
066		1	Deferred interest and rent	40,268,916	14,937,911	55,206,828	37,928,092	14,583,925	52,512,017
067		2	Deferred acquisition costs	1,230,871	49,285,126	50,515,997	1,144,984	43,307,067	44,452,051
068		3	Other prepayments and accrued income	1,766,679	2,941,809	4,708,488	1,083,847	2,449,000	3,532,847
069	001+004+007+011 +037+038+046 +049+058+065	K	<b>TOTAL ASSETS (A+B+C+D+E+F+G+H+I+J)</b>	2,978,332,521	1,417,475,391	4,395,807,912	3,194,689,947	1,442,559,514	4,637,249,461
070		L	<b>OFF BALANCE SHEET ITEMS</b>						

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of financial position (balance sheet) 31.12.2015 (continued)

**EQUITY AND LIABILITIES**

*in HRK*

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>071</b>	072+076+077+081+085+088	<b>A</b>	<b>CAPITAL AND RESERVES</b>	<b>374,877,963</b>	<b>442,938,275</b>	<b>817,816,238</b>	<b>387,061,447</b>	<b>456,530,304</b>	<b>843,591,751</b>
<b>072</b>	073+074+075	<b>1</b>	<b>Subscribed capital</b>	<b>30,000,000</b>	<b>71,722,400</b>	<b>101,722,400</b>	<b>30,000,000</b>	<b>71,722,400</b>	<b>101,722,400</b>
073		1,1	<i>Paid-up capital - ordinary shares</i>	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
074		1,2	<i>Paid-up capital - preference shares</i>						
075		1,3	<i>Called up capital</i>						
<b>076</b>		<b>2</b>	<b>Issued shares premiums (capital reserves)</b>	<b>80,500,000</b>	<b>31,500,600</b>	<b>112,000,600</b>	<b>80,500,000</b>	<b>31,500,600</b>	<b>112,000,600</b>
<b>077</b>	078+079+080	<b>3</b>	<b>Revaluation reserve</b>	<b>133,692,004</b>	<b>36,435,759</b>	<b>170,127,763</b>	<b>113,727,617</b>	<b>30,721,677</b>	<b>144,449,294</b>
078		3,1	<i>Land and buildings</i>						
079		3,2	<i>Financial investments</i>	133,692,004	36,435,759	170,127,763	113,727,617	30,721,677	144,449,294
080		3,3	<i>Other revaluation reserves</i>						
<b>081</b>	082+083+084	<b>4</b>	<b>Reserves</b>	<b>2,397,219</b>	<b>22,655,124</b>	<b>25,052,343</b>	<b>2,397,219</b>	<b>22,655,124</b>	<b>25,052,343</b>
082		4,1	<i>Legally stipulated reserves</i>	1,300,066	7,098,754	8,398,820	1,300,066	7,098,754	8,398,820
083		4,2	<i>Statutory reserve</i>	1,097,153	15,556,369	16,653,523	1,097,153	15,556,369	16,653,523
084		4,3	<i>Other reserve</i>						
<b>085</b>	086+087	<b>5</b>	<b>Transferred (retained) profit or loss</b>	<b>100,039,850</b>	<b>221,491,867</b>	<b>321,531,717</b>	<b>111,128,578</b>	<b>245,784,064</b>	<b>356,912,642</b>
086		5,1	<i>Retained profit</i>	100,039,850	221,491,867	321,531,717	111,128,578	245,784,064	356,912,642
087		5,2	<i>Transferred loss (-)</i>						
<b>088</b>	089+090	<b>6</b>	<b>Profit or loss of the current accounting period</b>	<b>28,248,890</b>	<b>59,132,526</b>	<b>87,381,416</b>	<b>49,308,033</b>	<b>54,146,439</b>	<b>103,454,472</b>
089		6,1	<i>Profit of the current accounting period</i>	28,248,890	59,132,526	87,381,416	49,308,033	54,146,439	103,454,472
090		6,2	<i>Loss of the current accounting period (-)</i>						
<b>091</b>		<b>B</b>	<b>SUBORDINATED LIABILITIES</b>						

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of financial position (balance sheet) 31.12.2015 (continued)

**EQUITY AND LIABILITIES**

*in HRK*

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>092</b>	093+094+095+096+097+098	<b>C</b>	<b>TECHNICAL PROVISIONS</b>	<b>2,279,033,290</b>	<b>827,735,477</b>	<b>3,106,768,768</b>	<b>2,538,895,812</b>	<b>810,875,773</b>	<b>3,349,771,585</b>
093		1	Unearned premiums, gross amount	8,997,714	273,569,855	282,567,568	8,521,029	284,110,161	292,631,190
094		2	Mathematical provision, gross amount	2,245,905,836		2,245,905,836	2,500,034,288		2,500,034,288
095		3	Provision for claims outstanding, gross amount	23,805,516	543,815,570	567,621,086	30,070,187	522,529,074	552,599,261
096		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount		3,281,083	3,281,083		1,705,143	1,705,143
097		5	Equalisation provision, gross amount		368,502	368,502		50,916	50,916
098		6	Other insurance technical provisions, gross amount	324,225	6,700,469	7,024,693	270,308	2,480,479	2,750,787
<b>099</b>		<b>D</b>	<b>LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount</b>	<b>261,725,732</b>		<b>261,725,732</b>	<b>183,015,296</b>		<b>183,015,296</b>
<b>100</b>	101+102	<b>E</b>	<b>OTHER RESERVES</b>						
101		1	Provisions for pensions and similar liabilities						
102		2	Other provisions						
<b>103</b>	104+105	<b>F</b>	<b>DEFERRED AND CURRENT TAX LIABILITY</b>	<b>32,071,290</b>	<b>4,950,993</b>	<b>37,022,283</b>	<b>31,494,089</b>	<b>-50,973</b>	<b>31,443,116</b>
104		1	Deferred tax liability	30,779,616	4,950,993	35,730,609	25,541,683	3,692,521	29,234,204
105		2	Current tax liability	1,291,675		1,291,675	5,952,406	-3,743,494	2,208,912
<b>106</b>		<b>G</b>	<b>DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>						
<b>107</b>	108+109+110	<b>H</b>	<b>FINANCIAL LIABILITIES</b>	<b>173,690</b>		<b>173,690</b>			
108		1	Liabilities on the basis of loans						
109		2	Liabilities on the basis of issued securities						
110		3	Other financial liabilities	173,690		173,690			

**Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)**  
**Statement of financial position (balance sheet) 31.12.2015 (continued)**

**EQUITY AND LIABILITIES**

*in HRK*

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>111</b>	112+113+114+115	<b>I</b>	<b>OTHER LIABILITIES</b>	<b>18,669,594</b>	<b>112,635,802</b>	<b>131,305,395</b>	<b>41,876,982</b>	<b>144,736,408</b>	<b>186,613,389</b>
112		1	Liabilities from direct insurance business	9,995,834	76,861,380	<b>86,857,215</b>	36,515,272	78,444,100	<b>114,959,372</b>
113		2	Liabilities from co-insurance and reinsurance business	731,384	13,122,283	<b>13,853,667</b>	534,578	48,544,817	<b>49,079,395</b>
114		3	Liabilities for sale and ceased business						
115		4	Other liabilities	7,942,375	22,652,139	<b>30,594,514</b>	4,827,132	17,747,491	<b>22,574,623</b>
<b>116</b>	117+118	<b>J</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>11,780,962</b>	<b>29,214,844</b>	<b>40,995,805</b>	<b>12,346,321</b>	<b>30,468,003</b>	<b>42,814,324</b>
117		1	Deferred reinsurance commission		4,355,966	<b>4,355,966</b>		5,803,800	<b>5,803,800</b>
118		2	Other accrued expenses and deferred income	11,780,962	24,858,877	<b>36,639,839</b>	12,346,321	24,664,203	<b>37,010,524</b>
<b>119</b>	071+091+092+099+100+103 +106+107+111 +116	<b>K</b>	<b>TOTAL LIABILITIES (A+B+C+D+E+F+G+H+I+J)</b>	<b>2,978,332,521</b>	<b>1,417,475,391</b>	<b>4,395,807,912</b>	<b>3,194,689,947</b>	<b>1,442,559,514</b>	<b>4,637,249,461</b>
<b>120</b>		<b>L</b>	<b>OFF BALANCE SHEET ITEMS</b>						

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2015

*in HRK*

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
<b>001</b>	002+003+004+005+006+007+008+009	<b>I</b>	<b>Earned premiums (recognized in revenue)</b>	<b>535,451,707</b>	<b>568,449,231</b>	<b>1,103,900,937</b>	<b>532,384,135</b>	<b>516,694,765</b>	<b>1,049,078,900</b>
002		1	Written gross premiums	541,097,590	676,992,706	1,218,090,296	535,738,576	655,140,309	1,190,878,885
003		2	Co-insurance premiums						
004		3	Value adjustment and charged adjustment of insurance/co-insurance premium value		-2,650,484	-2,650,484		-4,097,071	-4,097,071
005		4	Premiums ceded to reinsurance (-)	-4,316,371	-125,833,602	-130,149,972	-3,822,940	-162,226,230	-166,049,169
006		5	Premiums ceded to co-insurance (-)						
007		6	Change in gross provisions for unearned premiums (+/-)	-1,341,023	23,237,289	21,896,265	476,685	-10,540,307	-10,063,622
008		7	Change in provisions for unearned premiums, reinsurance share (+/-)	11,511	-3,296,678	-3,285,168	-8,186	38,418,063	38,409,877
009		8	Change in provisions for unearned premiums, co-insurance share (+/-)						
<b>010</b>	011+012+016+017+018+022+023	<b>II</b>	<b>Income from investments</b>	<b>143,492,021</b>	<b>52,984,670</b>	<b>196,476,691</b>	<b>135,868,724</b>	<b>54,130,190</b>	<b>189,998,913</b>
011		1	Income from subsidiaries, associates and joint ventures						
012	013+014+015	2	Income from investment in land and buildings		1,173,668	1,173,668		1,395,843	1,395,843
013		2,1	Income from rent		1,173,668	1,173,668		1,395,843	1,395,843
014		2,2	Income from increased value of land and buildings						
015		2,3	Income from sale of land and buildings						
016		3	Interest income	100,938,129	41,587,259	142,525,388	95,208,265	42,994,464	138,202,729
017		4	Unrealized profits from investment valued at fair value through profit and loss account	13,853,855	976,673	14,830,528	7,549,509	1,193,202	8,742,711

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2015 (continued)

*in HRK*

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
018	019+020+021	5	Profits from sale (realization) of financial investments	10,693,092	6,682,259	17,375,352	18,826,835	3,636,994	22,463,829
019		5,1	<i>Investment valued at fair value through profit and loss account</i>	370,052	193,825	563,877	479,444	387,156	866,601
020		5,2	<i>Investments available-for-sale</i>	10,323,040	6,488,434	16,811,475	18,347,390	3,249,838	21,597,228
021		5,3	<i>Other profits from sale of financial investments</i>						
022		6	Net positive exchange rate differentials	11,438,100	1,964,922	13,403,022	2,392,497	2,827,657	5,220,154
023		7	Other investment profits	6,568,845	599,888	7,168,733	11,891,618	2,082,030	13,973,648
<b>024</b>		<b>III</b>	<b>Income from commissions and fees</b>	<b>3,103,106</b>	<b>19,265,265</b>	<b>22,368,371</b>	<b>2,788,058</b>	<b>21,084,846</b>	<b>23,872,904</b>
<b>025</b>		<b>IV</b>	<b>Other insurance-technical income, net of reinsurance</b>	<b>282,434</b>	<b>2,476,573</b>	<b>2,759,007</b>	<b>122,981</b>	<b>3,472,898</b>	<b>3,595,879</b>
<b>026</b>		<b>V</b>	<b>Other income</b>	<b>238,521</b>	<b>7,860,107</b>	<b>8,098,628</b>	<b>201,976</b>	<b>5,236,364</b>	<b>5,438,340</b>
<b>027</b>	028+032	<b>VI</b>	<b>Expenditures for insured events, net</b>	<b>-218,300,423</b>	<b>-272,220,761</b>	<b>-490,521,184</b>	<b>-305,866,194</b>	<b>-261,474,361</b>	<b>-567,340,555</b>
028	029+030+031	1	Settled claims	-214,957,760	-275,907,102	-490,864,861	-299,522,923	-259,124,116	-558,647,038
029		1,1	<i>Gross amount (-)</i>	-215,696,065	-351,484,143	-567,180,207	-300,738,860	-314,113,548	-614,852,408
030		1,2	<i>Co-insurer share (+)</i>						
031		1,3	<i>Reinsurer share(+)</i>	738,305	75,577,041	76,315,346	1,215,937	54,989,433	56,205,370
032	033+034+035	2	Change in provisions for claims outstanding (+/-)	-3,342,663	3,686,340	343,677	-6,343,271	-2,350,245	-8,693,516
033		2,1	<i>Gross amount (-)</i>	-3,338,163	-48,541,283	-51,879,446	-6,264,671	21,286,495	15,021,824
034		2,2	<i>Co-insurer share (+)</i>						
035		2,3	<i>Reinsurer share(+)</i>	-4,500	52,227,623	52,223,123	-78,600	-23,636,741	-23,715,341

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2014 (continued)

*in HRK*

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Non life	Life	Total
<b>036</b>	037+040	<b>VII</b>	<b>Change in other technical provisions, net of reinsurance</b>	<b>-307,105,652</b>	<b>-2,400,685</b>	<b>-309,506,338</b>	<b>-254,091,741</b>	<b>4,537,576</b>	<b>-249,554,165</b>
037	038+039	1	Change in mathematical provision (+/-)	-307,127,797		-307,127,797	-254,145,657		-254,145,657
038		1,1	Gross amount (-)	-307,221,298		-307,221,298	-254,128,452		-254,128,452
039		1,2	Reinsurer share(+)	93,501		93,501	-17,206		-17,206
040	041+042+043	2	Change in other technical provisions, net of reinsurance (+/-)	22,145	-2,400,685	-2,378,541	53,916	4,537,576	4,591,492
041		1,1	Gross amount (-)	22,145	-2,400,685	-2,378,541	53,916	4,537,576	4,591,492
042		1,2	Co-insurer share (+)						
043		1,3	Reinsurer share(+)						
<b>044</b>	045+046+047	<b>VIII</b>	<b>Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+/-)</b>	<b>31,040,346</b>		<b>31,040,346</b>	<b>78,710,436</b>		<b>78,710,436</b>
045		1	Gross amount (-)	31,040,346		31,040,346	78,710,436		78,710,436
046		2	Co-insurer share (+)						
047		3	Reinsurer share(+)						
<b>048</b>	049+050	<b>IX</b>	<b>Expenditures for return of premium (bonuses and rebates), net of reinsurance</b>		<b>-659,540</b>	<b>-659,540</b>		<b>178,705</b>	<b>178,705</b>
049		1	Depending on the result (bonuses)						
050		2	Not depending on the result (rebates)		-659,540	-659,540		178,705	178,705
<b>051</b>	052+056	<b>X</b>	<b>Business expenditures (for business operations), net</b>	<b>-146,383,390</b>	<b>-277,023,588</b>	<b>-423,406,978</b>	<b>-120,106,165</b>	<b>-263,027,670</b>	<b>-383,133,835</b>



## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2015 (continued)

*in HRK*

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Non life	Life	Total
052	053+054+055	1	Acquisition costs	-86,106,377	-145,983,717	-232,090,095	-64,297,314	-134,063,819	-198,361,133
053		1,1	Commission	-69,988,533	-115,473,633	-185,462,166	-53,662,894	-105,526,736	-159,189,630
054		1,2	Other acquisition costs	-16,286,348	-29,283,778	-45,570,126	-10,548,533	-22,559,024	-33,107,558
055		1,3	Change in deferred acquisition costs (+/-)	168,503	-1,226,306	-1,057,802	-85,887	-5,978,059	-6,063,946
056	057+058+059	2	Administration costs	-60,277,012	-131,039,871	-191,316,883	-55,808,850	-128,963,851	-184,772,701
057		2,1	Depreciation of tangible assets		-17,728,518	-17,728,518		-13,596,662	-13,596,662
058		2,3	Salaries, taxes and contributions to and from salaries	-22,635,560	-53,088,107	-75,723,667	-20,961,323	-54,125,231	-75,086,554
059		2,4	Other administration costs	-37,641,452	-60,223,246	-97,864,699	-34,847,527	-61,241,959	-96,089,486
<b>060</b>	061+062+063+064+065+066+067	<b>XI</b>	<b>Investment expenses</b>	<b>-4,195,643</b>	<b>-3,576,676</b>	<b>-7,772,319</b>	<b>-9,702,234</b>	<b>-6,183,032</b>	<b>-15,885,267</b>
061		1	Depreciation (buildings not intended for business operations of the company)		-1,291,074	-1,291,074		-1,250,035	-1,250,035
062		2	Interest						
063		3	Investment value adjustment (reduction)	-1,544,533	-173,407	-1,717,939	-1,276,755	-2,026,843	-3,303,598
064		4	Losses from sale (realization) of financial assets	-888,602	-150,767	-1,039,369	-655,081		-655,081
065		5	Adjustment of financial assets at fair value through profit and loss account						
066		6	Net negative exchange rate differences				-3,099,849	-155,807	-3,255,657
067		7	Other investment expenses	-1,762,508	-1,961,428	-3,723,937	-4,670,548	-2,750,347	-7,420,895
<b>068</b>	069+070	<b>XII</b>	<b>Other technical expenses, net of reinsurance</b>	<b>-1,616,532</b>	<b>-14,593,154</b>	<b>-16,209,686</b>	<b>-1,127,305</b>	<b>-6,197,828</b>	<b>-7,325,132</b>
069		1	Expenses for preventive operations	-1,283,001		-1,283,001	-557,851	-153,925	-711,776
070		2	Other technical expenses of insurance	-333,531	-14,593,154	-14,926,685	-569,453	-6,043,903	-6,613,356
<b>071</b>		<b>XIII</b>	<b>Other expenses including value adjustments</b>	<b>-80,896</b>	<b>-2,814,641</b>	<b>-2,895,537</b>	<b>-15,065</b>	<b>-1,988,564</b>	<b>-2,003,629</b>

**Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)**  
**Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2015 (continued)**

*in HRK*

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Non life	Life	Total
<b>072</b>	001+010+024+025+026+027+036+044+048+051+060+068+071	<b>XIV</b>	<b>Profit or loss of the accounting period before taxation (+/-)</b>	<b>35,925,600</b>	<b>77,746,799</b>	<b>113,672,399</b>	<b>59,167,606</b>	<b>66,463,887</b>	<b>125,631,494</b>
<b>073</b>	074+075	<b>XV</b>	<b>Profit or loss tax</b>	<b>-7,676,709</b>	<b>-18,614,274</b>	<b>-26,290,983</b>	<b>-9,859,573</b>	<b>-12,317,448</b>	<b>-22,177,022</b>
074		1	Current tax expense	-6,794,724	-16,639,660	-23,434,384	-10,106,409	-12,147,400	-22,253,809
075		2	Deferred tax expense (income)	-881,985	-1,974,614	-2,856,599	246,836	-170,049	76,787
<b>076</b>	072+073	<b>XVI</b>	<b>Profit or loss of the accounting period after taxation (+/-)</b>	<b>28,248,890</b>	<b>59,132,526</b>	<b>87,381,416</b>	<b>49,308,033</b>	<b>54,146,439</b>	<b>103,454,472</b>
077		1	Attributable to owners of the parent						
078		2	Attributable to non-controlling interests						
<b>079</b>	001+010+024+025+026+075	<b>XVII</b>	<b>TOTAL INCOME</b>	<b>681,685,804</b>	<b>649,061,232</b>	<b>1,330,747,036</b>	<b>671,612,709</b>	<b>600,449,014</b>	<b>1,272,061,723</b>
<b>080</b>	027+036+044+048+051+060+068+071+074	<b>XVIII</b>	<b>TOTAL EXPENDITURE</b>	<b>-653,436,914</b>	<b>-589,928,706</b>	<b>-1,243,365,620</b>	<b>-622,304,676</b>	<b>-546,302,575</b>	<b>-1,168,607,251</b>

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### Statement of comprehensive income (income statement) 01.01.2015 – 31.12.2015 (continued)

*in HRK*

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Non life	Life	Total
<b>081</b>	082+083+084+085+086+087+088+089	<b>XIX</b>	<b>Other comprehensive income</b>	<b>93,346,271</b>	<b>16,147,183</b>	<b>109,493,454</b>	<b>-19,964,387</b>	<b>-5,714,081</b>	<b>-25,678,469</b>
082		1	Profits/losses on translation of financial statements on foreign operating activities						
083		2	Profits/losses on revaluation of financial assets available for sale	116,682,839	20,189,390	<b>136,872,230</b>	-24,955,484	-7,142,602	<b>-32,098,086</b>
084		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
085		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
086		5	Effects from cash flow hedging instruments						
087		6	Actuarial profits/losses on defined benefit pension plans						
088		7	Share in other comprehensive income of associated companies						
089		8	Profit tax on other comprehensive income	-23,336,568	-4,042,207	<b>-27,378,775</b>	4,991,097	1,428,521	<b>6,419,618</b>
<b>090</b>	076+081	<b>XX</b>	<b>Total comprehensive income</b>	<b>121,595,162</b>	<b>75,279,708</b>	<b>196,874,870</b>	<b>29,343,646</b>	<b>48,432,358</b>	<b>77,776,003</b>
091		1	Attributable to owners of the parent						
092		2	Attributable to non-controlling interests						
<b>093</b>		<b>XXI</b>	<b>Reclassification adjustments</b>						

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2015 – 31.12.2015

*in HRK*

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
<b>001</b>	002+013+031	<b>I</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>63,116,945</b>	<b>-1,799,380</b>
<b>002</b>	003+004	<b>1</b>	<b>Cash flow before the change in assets and liabilities</b>	<b>278,469,236</b>	<b>272,806,729</b>
003		1,1	Profit/loss before taxation	125,631,494	113,672,399
004	005+006+007 +008+009+010 +011+012	1,2	Adjustments	152,837,742	159,134,330
005		1,2,1	Depreciation of real estate and equipment	6,785,128	8,310,415
006		1,2,2	Depreciation of intangible assets	6,811,534	9,418,103
007		1,2,3	Value impairment and profits/losses on reduction to fair value	-1,388,161	-2,727,380
008		1,2,4	Interest expense		
009		1,2,5	Interest income	138,202,729	142,525,388
010		1,2,6	Shares in profit of associated companies		
011		1,2,7	Profits/losses on sale of tangible assets (including land and buildings)		
012		1,2,8	Other adjustments	2,426,513	1,607,804
<b>013</b>	014+015+...+030	<b>2</b>	<b>Increase/decrease in assets and liabilities</b>	<b>-198,692,203</b>	<b>-245,686,942</b>
014		2,1	Increase/decrease in investments available-for-sale	-284,788,949	-434,346,613
015		2,2	Increase/decrease in investment valued at fair value through profit and loss account	-83,576,371	22,716,681
016		2,3	Increase/decrease in deposits, loans and receivables	31,281,489	32,888,846
017		2,4	Increase/decrease of deposits in insurance business ceded to reinsurance		
018		2,5	Increase/decrease in investments for the account and risk of life assurance policyholders	84,814,950	41,852,419
019		2,6	Increase/decrease in reinsurance share in technical provisions	-13,280,095	-49,469,770
020		2,7	Increase/decrease in tax assets		
021		2,8	Increase/decrease in receivables	-158,218,314	-149,185,992
022		2,9	Increase/decrease in other assets		
023		2,10	Increase/decrease in prepayments and accrued income	9,934,397	-10,260,837
024		2,11	Increase/decrease in technical provisions	243,002,817	340,680,873
025		2,12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	-84,814,950	-41,852,420
026		2,13	Increase/decrease in tax liabilities		
027		2,14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2,15	Increase/decrease in financial liabilities	-173,690	173,690
029		2,16	Increase/decrease in other liabilities	55,307,994	7,189,842
030		2,17	Increase/decrease in accruals and deferred income	1,818,519	-6,073,661

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2015 – 31.12.2015

*in HRK*

Position no,	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
031		3	Paid profit tax	-16,660,088	-28,919,167
032	033+034+...+046	II	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>5,249,971</b>	<b>52,738,019</b>
033		1	Inflows from sale of tangible assets		
034		2	Outflows for purchase of tangible assets	-2,080,262	-5,159,857
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	-6,379,584	-7,798,054
037		5	Inflows from sale of land and buildings not intended for business operations of the company		
038		6	Outflows for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Inflows from investments held to maturity	908,006	58,715,013
041		9	Outflows for investments held to maturity		
042		10	Inflows from sale of securities and stakes		
043		11	Outflows for investments in securities and stakes		
044		12	Inflows from dividends and shares in profit	12,801,811	6,980,917
045		13	Inflows on the basis of payment of given short-term and long-term loans		
046		14	Outflows for given short-term and long-term loans		
047	048+049+050+051+052	III	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-52,000,491</b>	<b>-41,998,636</b>
048		1	Cash inflows on the basis of initial capital increase		
049		2	Cash inflows from received short-term and long-term loans		
050		3	Cash outflows for payment of received short-term and long-term loans		
051		4	Cash outflows for repurchase of own shares		
052		5	Cash outflows for payment of dividends	-52,000,491	-41,998,636
053	001+032+047		<b>NET CASH FLOW</b>	<b>16,366,426</b>	<b>8,940,002</b>
054		IV	<b>EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS</b>	<b>-66,183</b>	<b>-820,814</b>
055	053+054	V	<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16,300,243</b>	<b>8,119,188</b>
056		1	Cash and cash equivalents at the beginning of the period	28,395,203	20,276,014
057	055+056	2	<b>Cash and cash equivalents at the end of the period</b>	<b>44,695,446</b>	<b>28,395,202</b>

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### STATEMENT OF CHANGES IN EQUITY for period 01.01.2015 – 31.12.2015

*in HRK*

Position code	Position description	Attributable to owners of the parent						Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year		
<b>I,</b>	<b>Balance as at 1 January of previous year</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>60,634,309</b>	<b>25,052,343</b>	<b>266,114,106</b>	<b>97,416,247</b>	<b>662,940,004</b>	<b>662,940,004</b>
1,	Changes in accounting policies								
2,	Correction of errors from previous periods								
<b>II,</b>	<b>Balance as at 1 January of previous year (corrected)</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>60,634,309</b>	<b>25,052,343</b>	<b>266,114,106</b>	<b>97,416,247</b>	<b>662,940,004</b>	<b>662,940,004</b>
<b>III,</b>	<b>Comprehensive income/loss of the previous year</b>			<b>109,493,454</b>			<b>87,381,416</b>	<b>196,874,870</b>	<b>196,874,870</b>
1,	Profit or loss of the period						87,381,416	87,381,416	87,381,416
2,	<b>Other comprehensive income or loss of the previous year</b>			<b>109,493,454</b>				<b>109,493,454</b>	<b>109,493,454</b>
2,1,	Unrealised gains or losses from tangible assets (land and buildings)								
2,2,	Unrealised gains or losses from financial assets available for sale			136,872,230				136,872,230	136,872,230
2,3,	Realised gains or losses from financial assets available for sale			-27,378,775				-27,378,775	-27,378,775
2,4,	Other non-owner changes in equity								
<b>IV,</b>	<b>Transactions with owners (previous period)</b>					<b>55,417,611</b>	<b>-97,416,247</b>	<b>-41,998,636</b>	<b>-41,998,636</b>
1,	Increase/decrease in subscribed capital								
2,	Other payments by owners								
3,	Payment of shares in profit /dividends						-41,998,636	-41,998,636	-41,998,636
4,	Other distributions to owners					55,417,611	-55,417,611		
<b>V,</b>	<b>Balance as at the last day of the reporting period in previous year</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>170,127,763</b>	<b>25,052,343</b>	<b>321,531,717</b>	<b>87,381,416</b>	<b>817,816,238</b>	<b>817,816,238</b>

## Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

### STATEMENT OF CHANGES IN EQUITY for period 01.01.2015 – 31.12.2015

*in HRK*

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
<b>VI,</b>	<b>Balance as at 1 January of the current year</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>170,127,763</b>	<b>25,052,343</b>	<b>321,531,717</b>	<b>87,381,416</b>	<b>817,816,238</b>	<b>817,816,238</b>	
1,	Changes in accounting policies									
2,	Correction of errors from previous periods									
<b>VII,</b>	<b>Balance as at 1 January of the current year (corrected)</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>170,127,763</b>	<b>25,052,343</b>	<b>321,531,717</b>	<b>87,381,416</b>	<b>817,816,238</b>	<b>817,816,238</b>	
<b>VIII,</b>	<b>Comprehensive income/loss of the current year</b>			<b>-25,678,469</b>			<b>103,454,472</b>	<b>77,776,003</b>	<b>77,776,003</b>	
1,	Profit or loss of the previous period						103,454,472	103,454,472	103,454,472	
2,	<b>Other comprehensive income or loss of the current year</b>			<b>-25,678,469</b>				<b>-25,678,469</b>	<b>-25,678,469</b>	
2,1,	Unrealised gains or losses from tangible assets (land and buildings)									
2,2,	Unrealised gains or losses from financial assets available for sale			-32,098,086				-32,098,086	-32,098,086	
2,3,	Realised gains or losses from financial assets available for sale			6,419,618				6,419,618	6,419,618	
2,4,	Other non-owner changes in equity									
<b>IX,</b>	<b>Transactions with owners (current period)</b>					<b>35,380,925</b>	<b>-87,381,416</b>	<b>-52,000,491</b>	<b>-52,000,000</b>	
1,	Increase/decrease in subscribed capital									
2,	Other payments by owners									
3,	Payment of shares in profit /dividends						-52,000,491	-52,000,491	-52,000,491	
4,	Other transactions with owners					35,380,925	-35,380,925			
<b>X,</b>	<b>Balance as at the last day of the reporting period in the current year</b>	<b>101,722,400</b>	<b>112,000,600</b>	<b>144,449,294</b>	<b>25,052,343</b>	<b>356,912,642</b>	<b>103,454,472</b>	<b>843,592,242</b>	<b>843,592,242</b>	

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

### Statement of financial position – Assets as at 31 December 2015

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

Statutory financial statements

	HRK'000									
		Transfer of inventory from tangible assets to insurance receivables and other receivables	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other receivables	Transfer of deposits with original maturity up to 3 months from deposits to cash and cash equivalents	Transfer of cheques received from cash and cash equivalents to receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding	HRK'000	
<b>RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>-</b>									
Called up capital	-									
Uncalled capital	-									
<b>INTANGIBLE ASSETS</b>	<b>16,020</b>									
Goodwill	-									
Other intangible assets	16,020								16,020	Other intangible assets
<b>TANGIBLE ASSETS</b>	<b>40,921</b>	(112)						(3)	40,806	Property and equipment
Land and buildings intended for company business operations	29,017									
Equipment	11,792									
Other tangible assets and stock	112									
<b>INVESTMENTS</b>	<b>3,881,659</b>									
<b>Investments in land and buildings not intended for company business operations</b>	<b>30,352</b>									
<b>Investments in subsidiaries, associates and joint ventures</b>	<b>5,688</b>						126,835		132,523	Investment in subsidiaries
Shares and stakes in subsidiaries	5,688									
Shares and stakes in associates	-									
Joint venture participation	-									
<b>Other financial investments</b>	<b>3,845,619</b>									
<b>Investments held-to-maturity</b>	<b>670,247</b>								670,247	Held-to-maturity investments
Debt securities and other securities with fixed revenue	670,247									
Other investments held to maturity	-									



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

### Statement of financial position – Assets as at 31 December 2015

Schedules prescribed by Regulation of the Croatian Financial Services Supervisory Agency							Statutory financial statements		
HRK'000	Transfer of inventory from tangible assets to insurance receivables and other receivables	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other receivables	Transfer of deposits with original maturity up to 3 months from cash and cash equivalents	Transfer of cheques received from cash and cash equivalents to receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries (8,533)	Rounding	HRK'000	
<b>Investments available-for-sale</b>							2	2,670,496	Available-for-sale financial assets
<i>Shares, stakes and other securities with variable revenue</i>	50,109								
<i>Debt securities and other securities with fixed revenue</i>	2,260,748								
<i>Investment fund units</i>	368,170								
<i>Other investments available for sale</i>	-								
<b>Investments at fair value through profit and loss account</b>		183,015				(118,302)	(1)	404,048	Financial assets at fair value through profit or loss
<i>Shares, stakes and other securities with variable revenue</i>	-								
<i>Debt securities and other securities with fixed revenue</i>	-								
<i>Derivative financial instruments</i>	5,219								
<i>Investment fund units</i>	317,602								
<i>Other investments</i>	16,515								
<b>Deposits, loans and receivables</b>				(91,714)			1	65,297	Loans and receivables
<i>Deposits with credit institutions (banks)</i>	98,255								
<i>Loans</i>	58,756								
<i>Other loans and receivables</i>	-								
<i>Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)</i>	-								
<b>INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS</b>	<b>183,015</b>	<b>(183,015)</b>							

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

### Statement of financial position – Assets as at 31 December 2015

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

	HRK'000	Transfer of inventory from tangible assets to insurance receivables and other receivables	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other receivables	Transfer of deposits with original maturity up to 3 months from deposits to cash and cash equivalents	Transfer of cheques received from cash and cash equivalents to receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Statutory financial statements		
								Rounding	HRK'000	
<b>REINSURANCE SHARE IN TECHNICAL PROVISIONS</b>	<b>160,014</b>							2	160,016	Reinsurers' share of insurance contract provisions
Unearned premiums, reinsurance share	65,181									
Mathematical provision, reinsurance share	364									
Provision for claims outstanding, reinsurance share	94,454									
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share	14									
Equalisation provisions, reinsurance share	-									
Other insurance technical provisions, reinsurance share	-									
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-									
<b>DEFERRED AND CURRENT TAX ASSETS</b>	<b>-</b>									
Deferred tax asset	-									
Current tax asset	-								-	Current income tax prepayment Insurance and other receivables
<b>RECEIVABLES</b>	<b>210,427</b>	112		56,045		653		(1)	267,236	
<b>Receivables from direct insurance business</b>	<b>127,632</b>									
<i>From policyholders</i>	127,632									
<i>From insurance agents, or insurance brokers</i>	-									
<b>Receivables from co-insurance and reinsurance business</b>	<b>46,205</b>									

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

### Statement of financial position – Assets as at 31 December 2015

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of inventory from tangible assets to insurance receivables and other receivables	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other receivables	Transfer of deposits with original maturity up to 3 months from deposits to cash and cash equivalents	Transfer of cheques received from cash and cash equivalents to receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding	Statutory financial statements  HRK'000
<b>Other receivables</b>	<b>36,591</b>								
<i>Receivables from other insurance business</i>	<i>8,837</i>								
<i>Receivables for return on investments</i>	<i>575</i>								
<i>Other receivables</i>	<i>27,179</i>								
<b>OTHER ASSETS</b>	<b>44,695</b>								
<b>Cash at bank and in hand</b>	<b>44,695</b>				91,714	(653)			135,756
<i>Funds in the business account</i>	<i>42,961</i>								Cash and cash equivalents
<i>Funds in the account of assets covering mathematical provision</i>	<i>1,082</i>								
<i>Cash in hand</i>	<i>653</i>								
<b>Long-term assets intended for sale and business cessation</b>	<b>-</b>								
<b>Other</b>	<b>-</b>								
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>100,497</b>								
<i>Deferred interest and rent</i>	<i>52,512</i>			(52,512)					
<i>Deferred acquisition costs</i>	<i>44,452</i>								44,452 DAC
<i>Other prepayments and accrued income</i>	<i>3,533</i>			(3,533)					
<b>TOTAL ASSETS</b>	<b>4,637,249</b>								<b>4,637,249</b>
Total assets difference	-								<b>Total assets</b>
<b>OFF BALANCE SHEET ITEMS</b>	<b>-</b>								

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

### Statement of financial position – Equity and liabilities as at 31 December 2015

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

	HRK'000				Rounding differences	HRK'000	
<b>CAPITAL AND RESERVES</b>	<b>843,592</b>				2	<b>843,594</b>	<b>Total equity</b>
<b>Subscribed capital</b>	<b>101,722</b>				-	101,722	Issued share capital
<i>Paid-up capital - ordinary shares</i>	<i>101,722</i>						
<i>Paid-up capital - preference shares</i>	<i>-</i>						
<i>Called up capital</i>	<i>-</i>						
<b>Issued shares premiums (capital reserves)</b>	<b>112,001</b>					112,001	Share premium
<b>Revaluation reserves</b>	<b>144,449</b>				2	144,451	Fair value reserve
<i>Land and buildings</i>	<i>-</i>						
<i>Financial investments</i>	<i>144,449</i>						
<i>Other revaluation reserves</i>	<i>-</i>						
<b>Reserves</b>	<b>25,052</b>				1	25,053	Legal reserve
<i>Legally stipulated reserves</i>	<i>8,399</i>						
<i>Statutory reserves</i>	<i>16,654</i>						
<i>Other reserves</i>	<i>-</i>						
<b>Transferred (retained) profit or loss</b>	<b>356,913</b>	103,454			-	460,367	Retained earnings
<i>Retained profit</i>	<i>356,913</i>						
<i>Transferred loss (-)</i>	<i>-</i>						
<b>Profit or loss of the current accounting period</b>	<b>103,454</b>						
<i>Profit of the current accounting period</i>	<i>103,454</i>	(103,454)					
<i>Loss of the current accounting period (-)</i>	<i>-</i>						
<b>SUBORDINATED LIABILITIES</b>	<b>-</b>						
<b>TECHNICAL PROVISIONS</b>	<b>3,349,772</b>			183,015	1	3,532,788	Insurance contract provisions
<i>Unearned premiums, gross amount</i>	<i>292,631</i>						
<i>Mathematical provision, gross amount</i>	<i>2,500,034</i>						
<i>Provision for claims outstanding, gross amount</i>	<i>552,599</i>						
<i>Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount</i>	<i>1,705</i>						
<i>Equalisation provision, gross amount</i>	<i>51</i>						
<i>Other insurance technical provisions, gross amount</i>	<i>2,751</i>						

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

### Statement of financial position – Equity and liabilities as at 31 December 2015

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

#### Statutory financial statements

	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract provision	Rounding differences	HRK'000
<b>LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount</b>	<b>183,015</b>			(183,015)		
<b>OTHER RESERVES</b>	-					
Provisions for pensions and similar liabilities	-					
Other provisions	-					
<b>DEFERRED AND CURRENT TAX LIABILITY</b>	<b>31,443</b>					
Deferred tax liability	29,234					29,234
Current tax liability	2,209				(1)	2,208
<b>DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>	-					
<b>FINANCIAL LIABILITIES</b>	-					
Liabilities on the basis of loans	-					
Liabilities on the basis of issued securities	-					
Other financial liabilities	-					
<b>OTHER LIABILITIES</b>	<b>186,613</b>		42,814		(2)	229,425
Liabilities from direct insurance business	114,959					Insurance and other payables and deferred income
Liabilities from co-insurance and reinsurance business	49,079					
Liabilities for sale and ceased business	-					
Other liabilities	22,575					
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>42,814</b>		(42,814)			
Deferred reinsurance commission	5,804					
Other accrued expenses and deferred income	37,011					
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,637,249</b>	-	-	-	-	<b>4,637,249</b>
Total liabilities and equity difference	-					
<b>OFF BALANCE SHEET ITEMS</b>	-					

## Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules

### Statement of comprehensive income for year ended 31 December 2015

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

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip. from other tech. expenses to other oper. income	Rounding	HRK'000	Statutory financial statements
<b>Earned premiums (recognised in revenue)</b>	<b>1,049,079</b>					-		-	<b>1,049,079</b>	<b>Net earned premiums</b>
Written gross premiums	1,190,879			(4,097)				-	1,186,782	Gross premiums written
Co-insurance premiums	-							-		
Value adjustment and charged adjustment of insurance/coinsurance premium value	(4,097)			4,097				-		
Premiums ceded to reinsurance (-)	(166,049)							-	(166,049)	Written premiums ceded to reinsurers
Premiums ceded to co-insurance (-)	-							-		
Change in gross provisions for unearned premiums +/-	(10,064)							-	(10,064)	Change in the gross provision for unearned premiums
Change in provisions for unearned premiums, reinsurance share (+/-)	38,410							-	38,410	Reinsurers' share of change in the provision for unearned premiums
Change in provisions for unearned premiums, co-insurance share (+/-)	-							-		
<b>Income from investments</b>	<b>189,999</b>					(8,841)		-	<b>181,158</b>	<b>Financial income</b>
Income from subsidiaries, associates and joint ventures	-							-		
Income from investment in land and buildings	1,396							-		
Income from rent	1,396							-		
Interest income	138,203							-		
Unrealized profits from investment valued at fair value through profit and loss account	8,743							-		
Profits from sale (realization) of financial investments	22,464							-		
Investment valued at fair value through profit and loss account	867							-		
Investments available-for-sale	21,597							-		
Net positive exchange rate differentials	5,220							-		
Other investment profits	13,974							-		

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

### Statement of comprehensive income for year ended 31 December 2015

Supplementary information prescribed by a decision of the Croatian Financial Services

	HRK'000									Rounding	HRK'000	Statutory financial statements
		Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip. from other tech. expenses to other oper. income			(1)		
<b>Income from commissions and fees</b>	<b>23,873</b>										23,872	Fee and commission income
<b>Other insurance-technical income, net of reinsurance</b>	<b>3,596</b>	(3,596)										
<b>Other income</b>	<b>5,438</b>	3,596					(1,065)		(1)		7,968	Other operating income
<b>Expenditures for insured events, net</b>	<b>(567,341)</b>											
Settled claims	(558,647)											
Gross amount (-)	(614,852)		614,852								(769,081)	Claims and benefits incurred
Co-insurer share (+)	-											
Reinsurer share(+)	56,205		(56,205)								31,076	Reinsurers' share of claims and benefits incurred
Change in provisions for claims outstanding (+/-)	(8,693)											
Gross amount (-)	15,022		(15,022)									
Co-insurer share (+)	-											
Reinsurer share(+)	(23,715)		23,715									
<b>Change in other technical provisions, net of reinsurance</b>	<b>(249,554)</b>											
Change in mathematical provision (+/-)	(254,146)											
Gross amount (-)	(254,128)		254,128									
Reinsurer share(+)	(17)		17									
Change in other technical provisions, net of reinsurance (+/-)	4,591											
Gross amount (-)	4,591		(4,591)									
Co-insurer share (+)	-											
Reinsurer share(+)	-											
<b>Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance(+/-)</b>	<b>78,710</b>											
Gross amount (-)	78,710		(78,710)									
Co-insurer share (+)	-											
Reinsurer share(+)	-											
<b>Expenditures for return of premium (bonuses and rebate), net of reinsurance +/-</b>	<b>179</b>											
Not depending on the result (rebates)	179		(179)									

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

### Statement of comprehensive income for year ended 31 December 2015

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

	HRK'000	Transfer of of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip. from other tech. expenses to other oper. income	Statutory financial statements	
								Rounding	HRK'000
<b>Business expenditures (for business operations), net</b>	<b>(383,134)</b>								
Acquisition costs	(198,361)							-	(198,361) Acquisition costs
Commission	(159,190)								
Other acquisition costs	(33,108)								
Change in deferred acquisition costs( +/-)	(6,064)								
Administration costs	(184,773)							-	(184,773) Administrative expenses
Depreciation of tangible assets	(13,597)								
Salaries, taxes and contributions to and from salaries	(75,087)								
Other administration costs	(96,089)								
<b>Investment expenses</b>	<b>(15,885)</b>					8,841		-	(7,044) Financial expenses
Depreciation (buildings not intended for business operations of the company)	(1,250)								
Interest	-								
Investment value adjustment (reduction)	(3,304)								
Losses from sale (realization) of financial assets	(655)								
Adjustment of financial assets at fair value through profit and loss account	-								
Net negative exchange rate differences	(3,256)								
Other investment expenses	(7,421)								
<b>Other technical expenses, net of reinsurance</b>	<b>(7,325)</b>				(2,004)		1,065	1	(8,263) Other operating expenses
Expenses for preventive operations	(712)								
Other technical expenses of insurance	(6,613)								
<b>Other expenses including value adjustments</b>	<b>(2,004)</b>				2,004				
<b>Profit or loss of the accounting period before taxation (+/-)</b>	<b>125,631</b>							-	125,631 <b>Profit before income tax</b>



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

### Statement of comprehensive income for year ended 31 December 2015

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

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip. from other tech. expenses to other oper. income	Rounding	HRK'000
Profit or loss tax	(22,177)							-	(22,177) Income tax expense
Current tax expense	(22,254)								
Deferred tax expense (income)	77								
<b>Profit or loss of the accounting period after taxation (+/-)</b>	<b>103,454</b>								103,454 <b>Profit for the year</b>
Attributable to owners of the parent	-								
Attributable to non-controlling interests	-								
<b>TOTAL INCOME</b>	<b>1,272,062</b>								
<b>TOTAL EXPENDITURE</b>	<b>(1,168,607)</b>								
<b>Other comprehensive income</b>	<b>(25,678)</b>								Change in fair value of available for sale financial assets, net of amounts realised and net of deferred tax
Profits/losses on revaluation of available for sale financial assets	<b>(32,098)</b>							1	(25,677)
Profits/losses on revaluation of other tangibl and (except land and real estate) intangible assets	-								
Effects from cash flow hedging instruments	-								
Actuarial profits/losses on defined benefit pension plans	-								
Share in other comprehensive income of associated companies	-								
Profit tax on other comprehensive income	<b>6,420</b>								
<b>Total comprehensive income</b>	<b>77,776</b>							1	<b>77,777 Total comprehensive income for the year</b>
Attributable to owners of the parent	-								
Attributable to non-controlling interests	-								
<b>Reclassification adjustments</b>	<b>-</b>								

## **Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)**

### **Statement of the cash flow for the year ended 31 December 2015**

Statement of cash flow prepared in accordance with the *Regulation on the structure and content of the annual financial statements of insurance and reinsurance companies*, the preparation of which is described in detail in *the Instructions for preparation of financial statements of insurance and reinsurance companies*, presented on pages 140 to 141 (“HANFA CF”) differ significantly in the presentation from the Statement of cash flows (“CF”) forming a part of statutory financial statements, presented on page 16.

Main differences are described below:

1. Adjustments to profit after tax in CF are different from adjustments to profit before tax un HANFA CF,
2. Differences in line items presenting increases and decreases of operating assets and liabilities between CF and HANFA CF on the specific positions are due to differences in amounts of related positions, resulting from different presentation between statutory financial statements and HANFA Schedules, which have been described in more details in the reconciliation of ASSETS and EQUITY AND LIABILITIES schedules,
3. Further, line item changes in financial assets presented in CF reflect net cash effects (sales and redemptions on maturity are reduced by acquisitions of financial assets eliminating non-cash effects), while changes in financial assets in HANFA CF also include non-cash effects (fair value and foreign exchange differences),
4. Line item changes in operating assets in CF also includes changes in held-to-maturity investments, while this effect in HANFA CF is presented within cash flows from investing activities,
5. The effect of foreign exchange differences, as already described above, within HANFA CF are not eliminated within line items of changes in related operating assets and liabilities, contrary to presentation in CF, instead they are separately presented in the line item “Effects of changes in exchange rates for foreign currencies on cash and cash equivalents”, as described in point 1 of this reconciliation.