Allianz Hrvatska d.d.

Annual report for 2019

Contents

Management Report

Positive economic growth and improvement of macroeconomic indicators from previous years continued also through 2019. According to first public available data, Croatian economy grow in 2019 by 2,9% while in 2018 growth rate was 2,6%,

With already traditional strong domestic demand and domestic consumption, a positive effect was also comming from increase of gross capital investments with growth rate of 4%.

Strong domestic demand still remains the main driver of GDP growth, additionally pushed by insrease in consumer crediting and improvements in labour market resulting in increase in personal income. Positive movements in labour market additionally decreased the unemployment rate for more than 1%.

In average, inflation rate was on yearly basis around 0,8% although in December accelerated with 1,4% due to increase in food basket price.

After increasing the credit rating in 2018, when agencies Fitch and S&P increased Croatia's credit rating to BB+ which had positive impact on the whole macroeconomic environment and outlook, in March 2019, after several years, Croatia has returned the satus of investment raiting. Credit rating agency S&P gave to Croatia credit raiting of BBB- with stable outlook which was confirmed in June by Fitch with improvemnt of outlook from stable to positive. Returning the status of investment raiting, with positive impacts on the whole macroecomic environment and expectations for the future, is resulting in further decrease of interest rates and returns for the Croatian bonds.

In general, the previous year 2019 was a very succesfull year for the Croatian economy, with the positive outlook for the GDP growing trend and stable state budget. Positive effects of tightening labor market, some tax relief measures and moderate loan growth kept domestic demand strong. Positive macroeconomic development resulted also in further decrease in share of public debt in GDP and improvements in state budget by inceasing suficit.

The Company's main focus in previous year was achieving high profitability on stable portfolio as well as maintaining a high level of capital adequacy to ensure a safe and stable continuation of the business operations.

After the transformation of the sales network and the optimization and digitalization of back office, we fulfilled the prerequisites for achieving a high level of flexibility for market demands and new legal regulations as well.

In 2019 the main focus of the Company was to maintain stability and increase productivity of the sales network and to increase capacity with focus on growth in the future. The company also continued with improvements of the claims management process as with optimization, harmonization and futher digitalization of other business processess aiming to increase efficiency and ensure high level and timely service for our clients.

The Company expanded the business by entering the Slovenian market and opening an operating branch in Slovenia in July 2018. The Company has a significant expectation in future premium growth both in retail and corporate segment due to high share of insurance premium in GDP on Slovenian market, good services recognized under Allianz brand and support by experienced Croatian team. In the previous year, the Compay realized successfull results on Slovenian market by realizing top line higher than the planned, established stable sales and back office team, automized processess through adequate software solutions and concluded significant number of contracts with insurance distributors as a prerequisit for further growth and development on the market.

By entering a 15-year distribution contract with a leading bank in Croatian market in 2018 under the regional umbrella contract between Unicredit and Allianz, the Company´s focus in 2019 was on strenghtening of cooperation and its position in bankassurance channel on the insurance market.

During the whole previous years, the work on digitalization of business was continued through new digitaly integrated solutions, simplified products and processes with focus on high level service to our clients.

In addition to the market challenges, the new market regulations strongly affect the insurance industry. With already implemented Solvency II Directive, insurance companies are simultaneously adapting to new regulations such as GDPR, IDD, PRIIPS, whereas they continue to raise the level of transparency towards customers and strengthen the protection of their personal data.

Management Report (continued)

In this sense, we would like to emphasize that, besides our adaptation to the new market and regulatory requirements, we shall continue to work on retaining the Company's profitability, minimizing risks, maximizing profits for life insurers and meeting the clients needs, thereby ensuring the active, constructive and fair role of the Company on the insurance market and the financial market in the Croatia and Slovenia.

In accordance with the rules and regulations that apply to our profession, we still plan to attend to careful running of the entire business of the company by achieving the forecasted profitability and maintaining the adequate capital position in order to prevent the impairment of the financial stability of the Company at any time.

The business results accomplished during the year 2019 and during the previous years prove that we are on a good way to achieve our medium-term business plans and strengthen the position of Company both in the Croatian insurance market and new markets as well, all in line with the position of the Company brand in the global market.

In addition to achieving good business results, our main objective in the future will be to be recognized by our clients as the leading and digitally modernized insurance company that provides safety and support in the future, while maintaining mutual confidence as well as the assurance that our employees make a difference. In this way we shall continue to increase the market competitiveness, satisfaction and number of customers.

We shall remain and continue to be the financial institution that clients trust the most owing to our professional, moral and ethical behavior and business management.

Management Report (continued)

2019 financial performance

Company continued is successful operations in the year 2019 with growth in all of Property & Casualty (P&C) products. Through growth, the focus in P&C was in technical excellency in creating and managing our producst and improving profitability in motor business including other P&C products. In Life & Health (L&H) the Company continued the trend of transformation of the portfolio to less capital intensiv products moving from traditional business.

As a support for the expansion on the Slovenian market, mostly in retail segment, the Company signed distribution contract with ERGO Versicherung Aktiengesellschaft.

In 2019, the Company achieved a total gross premium in the amount of HRK 1,362.0 million (including reversal of receivables impairment), which is 16.8 % more than in the previous year.

In the life insurance market, the Company was ranked first in the market with 18.4%, which increased by 2.0 pp compared to the share in previous year (2018:16.4%).In non-life insurance segment, the Company's market share increased by 1.0 pp to 10.7% (2018:9.7%) remainig the third market position in this segment.

In non-life insurance segment, Company generated the gross premium income in the amount of HRK 798.6 million (including net bad debt provision), recording thus a growth in the premium income by 22.6%, thereby achieving better results in the market in almost all segments of non-life insurance. The main growth drivers in this segment are: other property insurance with HRK 41.4 million growth, other liability insurance with HRK 36.9 million growth following by MOD with HRK 35.3 million growth, health insurance with HRK 15.5 million gtrowth and MTPL with HRK 12.4 million growth.

In life insurance, gross premium income realized growth by 9.5% and gross premium reached HRK 563.4 million. Increase in life insurance is an expected result of a change in the life insurance portfolio and a shift from traditional insurance to unit linked products. In 2019. the Company launched a single premium unit linked tranche called Allianz Dolar which is linked to USD currency.

The Group's gross profit in 2019 reached HRK 142.3 million (Company: HRK 141.3 million), which decreased in relation to the last year by 5.6%. The Company's gross profit decreased both in life and non-life insurance primarily as a result of a higher claims and reorganization of sales management. Further impact is comming from operating loss generated by Slovenian branch in the first full year of operating in Slovenian market.

At the same time, the solvency ratio, which is an important business and financial quality indicator, decreased to 186% (228%) due to decrease of own funds as a result of higher technical reserves comming from decrease in interest rate curve. Although solvency ratio decreased it still remains higher than management ratio level showing high stability of the Company´s financial ans solvency position.

Combined ratio was 86.8 % (82.5%) which is in line with our expectations.

Management Report (continued)

Expected future development

When comparing the Croatian market with markets in the rest of Europe, we can freely say that the Croatian insurance industry is still underdeveloped, which is particularly pronounced in the segment of life insurance (the share in the insurance premium in GDP by the end of 2018 was only 0.9%). Taking these facts into account, the Croatian insurance market is characterized by a significant growth potential that the Company intends to make advantage of it. Life insurance is one of the most important strategic products as a result of ageing population and the greater need of provision of pensions.

A supplement to the life insurance product is the savings in the third pension pillar, and we see the growth potential in this segment over the next decade.

Regarding the life insurance, the growth is still expected to be achieved through the bank insurance channel, the development of new products and as part of other activities, thereby raising the level of services in distribution through its own sales network and other channels.

Regarding the life insurance, the focus in the future period will still be on structuring the portfolio of "unit linked" and "risk" products, which include the development of new products and the further development of the sales channels in this segment.

In non-life insurance, the goal is to maintain the profitability of motor portfolio and to encourage further profitable growth by developing other non-motor products and supplemental and additional health insurance products.

By entering the new market, the Company intends to acquire a 2% of the Slovenian insurance market, through nonlife and life insurance and increase its market share in the following manner:

- by offering wide product portfolio within the retail and corporate business segment;
- using geographic interconnection of two countries, acquired knowledge in the local market and immediate operational support and
- advantages of linguistic and cultural similarities, as well as existing commercial connections between Slovenia and Croatia.

There are significant expectations of growth in the next period in relation to Slovenian branch and operating on Slovenian market.

Through its branch office in Slovenia, Company also plans to use the existing corporate partnership for the development of the corporate segment, spread to "growing partnerships" (for instance banks) and strengthen existing partnerships with large distributors in the retail market.

For entering the Slovenian market and realization of business plan, the Company has strong prerequisites by using the existing potentials through the experience of the Croatian team, current partnerships as well as the strong Allianz brand.
Large growth potential is expected in bank insurance channel on both markets by strengthening the cooperation with Zagrebačka banka d.d. and Unicredit bank Slovenia d.d.under the umbrella of the Allianz& Unicredit regional partnership and exclusive contract signed for period of 15 years. Long-term experience in the sales of bancassurance on Croatia market and cooperation with the leading bank creates the prerequisites for the successful development of bancassurance business also in Slovenia.

Management Report (continued)

Research and development activities

The Company regularly develops innovative products designed for the insurance market. Company is also regularly developing his own core software which supports growing demands on the insurance products.

Shares of the Company

The share capital is divided into 254,306 ordinary shares with a nominal value of HRK 400 each. At the reporting date, the majority shareholder is Allianz New Europe Holding GmbH, Austria with the share of 83.2% and Zagrebačka Banka d.d. with 16.8% share. Shares of companies are not listed on the capital market. The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

Information on the purchase of own shares

Till the end of 2019 the Company did not acquire and release any treasury shares.

The Company subsidiaries

The Company has 3 subsidiaries and 3 open-ended investment fund which are fully consolidated in the group financial statements as follows:

Allianz Invest d.o.o. Investment Company, managing Allianz Short Term Bond, open-ended investment fund, Allianz Portfolio, open-ended investment fund and Allianz Equity, open-ended investment fund, AZ Servisni centar d.o.o. IT services company, and Autoelektro tehnički pregledi d.o.o. car evaluation services company.

Total investment in subsidiaries at the end of 2019 amounted to HRK 177.5 million. There were no new acquisitions in 2019, only changes in share of the investment funds. Details about structure of the ownership are shown under note 1.14.

Post balance sheet events

Due to COVID 19 crisis, starting from March 2020 in Croatia, the whole environment is facing significant restrictions. Uncertainty, caused by pandemic, where the main variable is the duration of the whole situation, moved the central bank and fiscal government to prepare measures to minimize the negative effect on the whole economy.

In a very short period of time, the Group organized work from home for most of the employees and adopted processes to ensure employees and sales network maximum protection and to keep maximum business continuity.

The COVID 19 pandemic significantly impacted financial markets with high volatility on stock exchange and decrease in share prices in a very short period of time. Except share prices, the cirisis also put pressure on bonds (decrease in prices, increse in yields) especially for countries that are not safe-haven.

For further information on the impact of COVID 19 crisis on the Group and the Company please see financial statements, note 1.41.

Non financial report

The Company is according to Accounting law, article 21a. paragraph 7., exempt from non financial reporting as it is included as a subsidiary in consolidated non- financial reporting of Allianz SE which is prepared and issued in english located on web www.allianz.com/nf-report.

Management Report (continued)

The objectives and policies related to the management of financial risks

Market risk for the Company consists of the following types of risk: the risk of lower equity prices, real estate risk, interest rate risk, currency risk and volatility risks including the volatility of equity, real estate and interest rates. Each of these risks can lead to negative developments in the valuation of assets and liabilities. Due to the amount of assets under investment and the amount of mathematical provisions and guarantees given to policyholders of life, the Company is exposed to movements in financial markets.

The Company is exposed to currency risk through transactions in foreign currencies related to credit, deposit and other investment activities, as well as from premium income, primarily by life insurance, calculation of related technical provisions, settlement of claims on insurance policies linked to foreign currency and the payment of reinsurance premiums. Currency to which the Company is exposed is mainly Euro.

The Company monitors the exposure to currency risk and seeks to align currency assets and liabilities denominated in foreign currencies or with currency clause.

On the assets side, it is important to emphasize that the decision on the allocation of the investment portfolio take into account the currency exposure of the product and thus determines the currency exposure of the investment portfolio of currencies.

The exposure of the Company to the market risk of interest rate changes is primarily concentrated in the investment portfolio.

Interest rate risk is linked to financial instruments with a fixed interest rate and with variable interest rates, in another words assets and liabilities with variable interest rates expose the Company to changes in future cash flows, while assets and liabilities with fixed rates expose the Company to fair value interest rate risk. The risk of future cash flows is limited since most investments are invested at a fixed rate.

The Company compares the portfolio of assets by investing with the liabilities of their inherent interest rate and with conditions in the market in order to manage interest rate risk. Insurance liabilities that primarily expose the Company to interest rate risk are mathematical reserves under long-term contracts of life insurance.

The interest rate used in the calculation of mathematical reserves is lower or equal to the technical rate of interest included in the price of premiums and rates prescribed by the legislation. It should be noted that the life insurance portfolio fully complies with the legislation.

The Company regularly performs modelling and estimation of cash flows, as well as the impact of interest rate fluctuations relating to investment portfolio and technical provisions of the models prepared by the parent company. The goal is to limit the net changes in the value of assets and liabilities arising from changes in interest rates and assess the compliance of future income and liabilities under the contract of insurance.

The effect of interest rate change risk is reduced by determining duration of the portfolio of securities with fixed income. Decision on duration of portfolio investments is made in the framework of the strategic allocation decisions, based on the analysis of the impact of changes in interest rates on the portfolio companies and the maturity of the company's liabilities.

Competent management constantly monitors the investment portfolio and market conditions due to the movement of interest rates in order to control interest rate risk in making investment decisions.

For the purposes of risk management in equity prices and investment funds the Company invests in a diversified portfolio of high-quality, liquid securities.

The portfolio's holdings are diversified across industries and the concentration of any single firm or company and the overall size of the portfolio is limited by parameters passed by the Finance Committee or legislation.

The portfolio is monitored daily and analysed.

Management Report (continued)

The Company has other measures for reducing market risk, such as diversification of investment portfolios and thus reducing the share of financial assets in the Croatian government bonds. Before the decision on the change of allocation, the estimation of the impact on the capital position of the Company is done (Solvency II). Also the Company has been active on the obligation of reducing the guarantee in the portfolio of life insurance as well as planned activities changes gradually changing the structure of the portfolio.

Market risks are identified and measured through an established process for top risks assessment, also through calculation of capital requirements for market risk within the calculation of a Solvency II according to Standard formula. Most significant market risks identified for Company are interest rate risk, equity risk and currency risk, monitored on quarterly basis.

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.

Exposure to the price risk, credit risk, liquidity risk and the risk of the cash flow

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.

The Company has a portfolio of liquid assets as part of the strategy of liquidity risk management, to insure business continuity and satisfy regulatory conditions. Given the significant investment in government securities that are available for sale (bonds and treasury bills) and investment funds, including investments in bank deposits with the clause of early termination are highly liquid financial instruments that make up a large part of the investment portfolio with daily inflows to cash accounts, it can be concluded that liquidity position and good that the company is not exposed to liquidity risk and to comply with legal requirements in terms of liquidity.

A key area in which the Company is exposed to credit risk are investments in financial assets, primarily in fixed income securities, mortgage loans, deposits, and other short-term and long-term investments. The Company applies a low-risk investment policy by investing its assets mainly in investments with good credit rating with the majority of the portfolio relates to the securities of the Republic of Croatia and EU member states. Term deposits are invested in leading Croatian banks owned by international banking groups. Investments in investment funds make investments in funds owned by big banks and own funds and thus achieving reduction of credit risk by diversifying the portfolio.

The Company continuously monitors the credit risk exposure. The portfolio manager actively manages the portfolio on a daily basis in a way that performs daily monitoring of the portfolio and in line with market trends makes transactions on purchase / sale. Transactions of purchase / sales are limited to internal and legal regulations and decisions of the Finance Committee. At the regular meetings of the Finance Committee, the crucial decisions for the management of credit risk to be implemented at the operational level in the daily operations.

The Company carried out a careful investment policy in the area of granting loans for which it issued separate policy that defines the development of customer credit worthiness and collecting collateral before payment loan origination or prolongation thereof.

To reduce the risk of re-insurers not paying on time and in accordance with the contractual obligations, the company in accordance with the regulations of the Allianz Group cooperates only with high-quality global reinsurers. Credit risks are identified and measured through an established process for top risks, also through the calculation of capital requirements for security risks within capital calculation of a solvency according to the Standard formula. One of the identified top risks is default of Croatia, tracked on quarterly basis.

Management Report (continued)

Statement on the corporate governance Code

Effective corporate governance is a necessary precondition for the success of the Company. The same is accomplished 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 Assembly

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

The General Assembly may only adopt valid decisions if Shareholders representing at least 51% of the Company share capital attend the session in person or via proxies.

Decisions at the General Meeting shall be adopted by a simple majority of the cast votes, unless a qualified majority is required for the adoption of certain decisions pursuant to the Act, Statute or fulfilment of additional conditions. Each share in the nominal amount of 400.00 HRK entitles to one vote.

The General Assembly decides on the appointment and dismissal of the Supervisory Board members, annual financial reports and profit distribution, the listing of the Company's shares on the regulated market for trading and withdrawal of shares from the market, approval of conduct to members of Supervisory Board and members of Management Board, appointment of the company's auditor, change of the statute, increasement and decreasement of the share capital of the company, appointment of auditors to examine the actions performed in the establishment of the company or management of the Company, membership in the insurance Associations, termination of the company and on all other matters as are prescribed by law and the Statute.

The Supervisory Board

The Supervisory Board consists of three, five or seven members. The Supervisory Board members are elected by the General Assembly and may be re-elected after their mandates expire. Number of The Supervisory Board members must be odd number.

The Supervisory Board elects the President and the Deputy Chairman of the Supervisory Board among its members.

Meetings of the Supervisory Board are generally convened quarterly, and minimum once in every six months.

The Supervisory Board may pass valid decisions if at least the majority of elected Supervisory Board members are participating in adoption of the decision. Supervisory Board’s decisions shall be adopted by the majority of given votes. If the Supervisory Board consists of 3 (three) members, at least 2 (two) members must participate in the decision-making process. If the Supervisory Board consists of 3 (three) members and only 2 (two) members participate in the decision-making process, valid decisions can only be taken unanimously.

Each member of the Supervisory Board shall have one vote. The Supervisory Board members vote and decide, among other, about the following: appointment and dismissal of members of the Board of management, adoption of the Decision on approval of other companies’ shares acquisition, decision on purchase of shares or other securities (regardless of whether the Company has issued them or not) in possession of any Shareholder or any of its branches, or registered in such Shareholder’s name, or which may be converted into or replaced for such shares or securities and decision of proposal for amendments to the Company Statute.

Management Report (continued)

In addition to the competences and obligations of the Supervisory Board defined in Companies Act, the Supervisory Board of the insurance company has, in accordance to the Insurance act also the responsibilities to: give approval to the Management Board on the business policy 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 annual program of internal audit and to decide on other matters specified by the Insurance 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 system of governance; monitor the implementation of the business policy of the insurance company, strategic goals and strategies and policy of underwriting and risk management; monitor procedure of publishing informatio; 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 of shareholders 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, either a member of the Supervisory Board, or a members of his immediate family hasacquired, directly or indirectly, stocks and shares in a legal entity on the basis of which member of the Supervisory Board together with his family member reaches or exceeds the qualifying holding in that legal person, or 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 for business year 2019 and up to the date of issuing of these financial statements were as follows:

- Mr Petros Papanikolaou, President of the Supervisory Board,
- Mr Goran Gašparić, Supervisory Board Member starting with 12th May 2019; Vice President of the Supervisory Board starting with 14th May 2019
- Mr Ivo Jelinović, Supervisory Board Member and Vice President of the Supervisory Board ending with 11th May 2019,
- Mr Mario Ferrero, Supervisory Board Member.

Members of the Supervisory Board of the Company were elected in 2019, after a preliminary check of their suitability and expertise, to a mandate of 4 (four) years - from May 12, 2019 to May 12, 2023. Mr Papanikolaou and Mr Ferrero are re-elected members of the Company's Supervisory Board. After the election of the members of the Supervisory Board by the General Assembly, May 14, 2019., the President and the Deputy Supervisory Board were elected by unanimous decision of the Supervisory Board.

Management Board of the Company

The Management Board, consists of minimum two (2) and maximum 5 (five) members one of whom is appointed as President of the Management Board. Management Board Members must be full time employed in the Company. Supervisory Board shall appoint Management Board Members for a period up to five years. Reappointment is permitted. Appointment/ reappointment of Management Board Members will be possible after the Agency gives its prior approval for appointment/ reappointment of the candidates as insurance company' Management Board Members.

Management Report (continued)

Management Board's decisions shall be adopted by majority of given votes unless it is differently stipulated by Act, other applicable laws and bylaws or Company's Statute. If the Management Board of the Company consists of an even number of members, and the votes of the members of the Management Board are so divided that a simple majority of the votes cast cannot be obtained when making a decision of the Management Board, the President of the Management Board has a deciding vote.

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 a 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 either a Management Board member or a member of his immediate family, has , 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.

Members of the Management Board for business year 2019 were the following:

- Mr Daniel Matić, President of the Management Board from 14th June 2019
- Mr Slaven Dobrić, member of the Board,
- Mr Lukas Oliver Pavić, member of the Board from 8th March 2019
- Mr Wassim El Helou, member of the Board from 14th June 2019
- Mrs Marijana Jakovac, member of the Board from 20th December 2019
- Mrs Zrinka Galić Jakovljević, member of the Board ending with 19th December 2019, President of the Management Board starting with 11th April 2019 and ending with 13th June 2019
- Mr Boris Galić, President of the Management Board ending with 10th April 2019.

The Audit Committee

According to the Audit Law, the Company has an Audit Committee consisting of three (3) members who are elected and recalled by the General Assembly.

In the fiscal year 2019, the members of the Audit Committee were:

- Mrs Sanja Sever Mališ, Chairman of the Audit Committee
- Mrs Ivana Dražić Lutilsky, Member of the Audit Committee
- Mr Mario Ferrero, Member of the Audit Committee

Management Report (continued)

Mrs Sanja Sever Mališ and Mrs Ivana Dražić Lutilsky are independent members of the Company's Audit Committee and receive remuneration for their work.

The Audit Committee has, among other, the following responsibilities:

1. reports to the Supervisory Board on the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and explains the role of the Audit Committee in this process

2. monitors the financial reporting process and submits recommendations or proposals to ensure its integrity

3. regarding to financial reporting, monitors the effectiveness of internal quality controls, risk management systems and internal audit, without violating its own independence

4. supervises the execution of the statutory audit of the annual financial statements and the annual consolidated financial statements;

5. examines and monitors the independence of the audit firm, and in particular, the appropriateness of providing non-audit services subject to Committee's prior approval

6. is responsible for the selection process of the audit firm and proposes the appointment of an audit firm.

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.

Governance and control Committee (GovCC)

In order to ensure structured and institutionalized cooperation on governance and control matters, the Company has established a Governance and Control Committee (furtheron reffered to as GovCC). GovCC consists of key functions holders (including Legal and Accounting and Reporting as additional functions). The main objective of the GovCC is to discuss, prepare and propose to the Management Board decisions related to implementation and maintainance of governance and control system. Existance of this Committee does not affect nor diminish in any way responsibilities of the memebrs of the Management Board arising from their regular roles in the Company.

Key functions

In order to implement and maintaine effective governance and internal and risk control system Company has also established the following key functions:

- compliance function;
- actuarial function,
- risk management function and
- internal audit function

Management Report (continued)

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.

Member of the Management Board	*Member of the Management Board*	*Member of the Management Board*
Marijana Jakovac	Slaven Dobrić	Lukas Oliver Pavić
Member of the Management Board	*President of the Management Board*	
Wassim El Helou	Daniel Matić	

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Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual financial statements, Management Report and HANFA schedules

The Management Board of the Company is required to prepare separate 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 separate 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 separate and consolidated financial statements set out on pages 20 to 139 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 37/16) ("the Schedules"), presented on pages 140 to 156, and the reconciliation, presented on pages 157 to 166, of the Schedules with the financial statements were authorised by the Management Board on 17th April 2019 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 other information (Management Report as required by the Croatian Accounting Act and Corporate Governance Information). The Management Report set out on pages 1 to 12 were authorised by the Management Board on 17th April 2020 and signed accordingly.

Member of the Management Board

Marijana Jakovac

Member of the Management Board

Slaven Dobrić

Member of the Management Board

Lukas Oliver Pavić

Member of the Management Board

Wassim El Helou

President of the Management Board

Daniel Matić

Allianz

1

Allianz Hrvatska d.d.

Independent auditor's report

To the Shareholders of Allianz Hrvatska d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee dated 17 April 2020.

What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

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

Basis for opinion

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

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

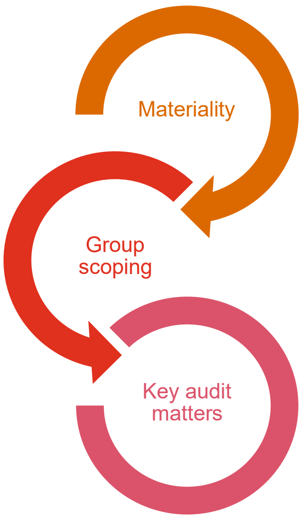
Independence

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

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

Our audit approach

Overview



- Overall materiality for the financial statements of the Company as a whole: HRK 13.6 million, which represents 1% of gross premiums written.
- Overall materiality for the financial statements of the Group as a whole: HRK 13.6 million, which represents 1% of gross premiums written.

- We audited the parent company two domestic direct subsidiaries including asset manager and investment funds.

  Our audit scope addressed over 99.9% of the Group's revenues and over 99% of the Group's absolute value of underlying profit.

- Estimates used in calculation of insurance contract liabilities and Liability adequacy test (LAT).

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

Materiality

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

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

Overall Company and Group materiality	The Company: HRK 13.6 million The Group: HRK 13.6 million
How we determined it	The Company: 1 % of gross premiums written The Group: 1 % of gross premiums written
Rationale for the materiality benchmark applied	We chose gross premiums written as the benchmark because it is the benchmark against which the performance of the Company and the Group is measured, in terms of both their market share and customer base. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Estimates used in calculation of insurance contract liabilities and Liability adequacy test (LAT) Refer to note 1.6 'Principal assumptions that have the greatest effect on recognized insurance assets, liabilities, income and expenses'', note 1.7 "Liability adequacy test" and note 1.20 'Insurance contract liabilities''. As at 31 December 2019, the Company and the Group had insurance contract liabilities of HRK 4.27 billion, representing 93% of the Company's total liabilities (Group's: 90%). This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long term policyholder liabilities, and therefore we considered it a key audit matter for our audit. Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate / incomplete data or the design or application of the models.	We used our own actuarial specialists to assist us in performing our audit procedures. In particular, our audit focused on the models considered more complex and / or requiring significant judgement in the setting of assumptions used in calculation of insurance contract liabilities or performing a liability adequacy test. We obtained the understanding of the internal actuarial process including management's determination and approval process for setting of economic and actuarial assumptions. Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied along with comparison to applicable industry experiences. We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and / or the specifications of the product, and also the compliance of the models with the applicable accounting standards. Furthermore, by performing our recalculations of incurred but not reported provisions for the most significant lines of business (being 95% of total incurred but not reported provisions), and life assurance provision for the most significant products (being 76% of total life assurance provision), we have considered whether the models and systems were calculating the insurance contract liabilities accurately and completely. We tested the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. For the non-life part of the portfolio, we performed an independent assessment of provision for unearned premium adequacy. For the life part of the portfolio, we checked reasonableness of assumptions used in Company's LAT and projected cash flows.

Key audit matter	How our audit addressed the key audit matter
Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, expenses, loss ratio and cost ratio etc. are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions. The Company's IFRS liability adequacy test was performed in order to confirm that insurance contract liabilities were adequate in the context of expected future cash flows.	The inputs used (amounts of gross written premium, provisions for unearned premium, incurred but not reported provisions and life assurance provision) were reconciled to the accounting records. Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Company and industry experience and specific product features. Based on the evidence obtained, we found that the assumptions and data used within the models calculating insurance contract liabilities were reasonable. We consider management's conclusion to be consistent with the available information. As a result, the insurance contract liabilities are within a reasonable range of outcomes in the context of the uncertainties disclosed in the financial statements. We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements and found them appropriate.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As at 31 December 2019, the Group consists of the parent company, Allianz Hrvatska d.d. and three direct subsidiaries. The Company also consolidates three investment funds that are under management of one of the direct subsidiaries. We audited the parent company, two domestic direct subsidiaries including asset manager and investment funds. One domestic direct subsidiary was not audited because it is immaterial to the Group as a whole.

Considering our ultimate responsibility for the opinion on the separate and consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Overall, our audit procedures covered over 99.9% of the Group in respect of revenue, profit after tax and total assets.

Reporting on other information including the Management Report

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

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

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

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act.

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

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent, in all material respects, with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act.

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

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

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

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

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

Auditor’s responsibilities for the audit of the separate and consolidated financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 7 December 2017. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 24 September 2019, representing a total period of uninterrupted engagement appointment of 2 years.

Forms in accordance with regulatory requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18 and 50/19), "Ordinance"), the Management Board of the Company prepared the forms presented on pages 137 to 164, entitled the Statement of financial position of the Company as at 31 December 2019, and the Statement of comprehensive income, Statement of Cash flow and Statement of changes in equity of the Company for the year then ended together with information to reconcile the Forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's separate audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages 21to 136 and adjusted for the purposes of the Ordinance.

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

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

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

Statements of financial position

As at 31 December

	Note	**Group 2019 HRK'000**	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Assets					
Property and equipment	1.10	**101,331**	37,338	**98,050**	33,000
Investment property	1.11	**25,363**	26,607	**25,363**	26,607
Intangible assets					
- Deferred acquisition costs	1.12	**70,536**	52,585	**70,536**	52,585
- Other intangible assets	1.13	**173,228**	182,449	**170,147**	180,469
Investments in subsidiaries	1.14	**-**	-	**177,540**	176,518
Held-to-maturity investments	1.15	**351,054**	609,477	**293,449**	577,970
Available-for-sale financial assets	1.15	**3,556,388**	3,076,853	**3,555,892**	3,076,337
Financial assets at fair value through profit or loss	1.15	**960,268**	717,820	**762,388**	601,834
Loans and receivables	1.15	**39,131**	31,669	**42,027**	35,277
Reinsurers' share of insurance contract liabilities	1.16	**160,194**	126,423	**160,194**	126,423
Deferred tax asset	1.17	**-**	27	**-**	-
Insurance receivables and other assets	1.18	**304,516**	178,467	**304,018**	178,230
Cash and cash equivalents	1.19	**147,412**	282,505	**62,669**	88,418
Total assets		**5,889,421**	5,322,220	**5,722,273**	5,153,668
Liabilities					
Insurance contract liabilities	1.20	**4,268,863**	3,964,393	**4,268,863**	3,964,393
Insurance and other payables and deferred income	1.21	**325,868**	301,160	**160,092**	133,092
Lease liabilities	1.35	**68,296**	-	**68,296**	-
Deferred tax liability	1.17	**73,692**	35,044	**73,692**	35,044
Current income tax liability		**(3,012)**	8,342	**(3,037)**	8,342
Total liabilities		**4,733,707**	4,308,939	**4,567,906**	4,140,871
Equity attributable to owners of the Company					
Issued share capital	1.22 (a)	**101,722**	101,722	**101,722**	101,722
Share premium	1.22 (b)	**112,001**	112,001	**112,001**	112,001
Fair value reserve	1.22 (c)	**383,415**	210,544	**383,391**	210,520
Legal reserve	1.22 (d)	**25,052**	25,053	**25,052**	25,053
Retained earnings		**533,352**	563,716	**532,201**	563,501
		1,155,542	1,013,036	**1,154,367**	1,012,797
Non-controlling interests		**172**	245	**-**	-
Total equity		**1,155,714**	1,013,281	**1,154,367**	1,012,797
Total liabilities and equity		**5,889,421**	5,322,220	**5,722,273**	5,153,668

Statements of comprehensive income

For the year ended 31 December

	Note	**Group 2019 HRK'000**	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Gross premiums written	1.23	**1,362,046**	1,165,901	**1,362,046**	1,165,901
Written premiums ceded to reinsurers	1.23	**(134,290)**	(93,662)	**(134,290)**	(93,662)
Net premiums written	1.23	**1,227,756**	1,072,239	**1,227,756**	1,072,239
Change in the gross provision for unearned premiums	1.23	**(96,356)**	(30,643)	**(96,356)**	(30,643)
Reinsurers' share of change in the provision for unearned premiums	1.23	**27,340**	9,142	**27,340**	9,142
Net earned premiums	1.23	**1,158,740**	1,050,738	**1,158,740**	1,050,738
Fee and commission income	1.24	**10,177**	9,008	**8,278**	7,477
Financial income	1.25	**223,395**	162,930	**205,445**	155,807
Other operating income	1.26	**10,086**	12,483	**6,942**	8,245
Net operating income		**1,402,399**	1,235,159	**1,379,405**	1,222,267
Claims and benefits incurred	1.27	**(912,382)**	(683,250)	**(912,382)**	(683,250)
Reinsurers' share of claims and benefits incurred	1.27	**43,436**	8,864	**43,436**	8,864
Net policyholder claims and benefits incurred	1.27	**(868,946)**	(674,386)	**(868,946)**	(674,386)
Acquisition costs	1.28	**(183,903)**	(165,989)	**(181,443)**	(163,375)
Administrative expenses	1.29	**(187,672)**	(169,228)	**(179,868)**	(161,691)
Other operating expenses	1.30	**(11,845)**	(12,696)	**(11,845)**	(12,840)
Financial expenses	1.31	**(16,955)**	(29,443)	**(5,137)**	(27,775)
Net foreign exchange translation losses on financial assets	1.32	**9,264**	(32,542)	**9,122**	(31,993)
Profit before income tax		**142,342**	150,875	**141,288**	150,207
Income tax expense	1.33	**(25,655)**	(26,398)	**(25,488)**	(26,289)
Profit for the year		**116,688**	124,477	**115,800**	123,918
Profit attributable to:					
- Owners of the Company		**116,761**	124,534	**115,800**	123,918
- Non-controlling interests		**(73)**	(57)	**-**	-
		116,688	124,477	**115,800**	123,918

Statements of comprehensive income (continued)

For the year ended 31 December

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Profit for the year	**116,688**	124,477	**115,800**	123,918
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:	**172,871**	(21,873)	172,871	(21,826)
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax (Note 1.22c)	**172,871**	(21,873)	**172,871**	(21,826)
Total comprehensive income for the year	**289,559**	102,604	**288,671**	102,092
Attributable to:				
- Owners of the Company	289,632	102,661	288,671	102,092
- Non-controlling interests	(73)	(57)	-	-
	289,559	102,604	**288,671**	102,092

Statements of changes in equity

For the year ended 31 December

Group

	Attributable to owners of the Company							
	Issued share capital HRK'000	**Share premium HRK'000**	**Fair value reserve HRK'000**	**Legal reserve HRK'000**	**Retained earnings HRK'000**	**Total HRK'000**	**Non controlling interests HRK'000**	**Total equity HRK'000**
At 1 January 2018	**101,722**	**112,001**	**232,417**	**25,053**	**528,925**	**1,000,118**	**302**	**1,000,420**
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(26,663)	-	-	(26,663)	-	(26,663)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	4,790	-	-	4,790	-	4,790
Other comprehensive income	-	-	(21,873)	-	-	(21,873)	-	(21,873)
Profit for the year	-	-	-	-	124,534	124,534	(57)	124,477
Total comprehensive income for the	-	-	(21,873)	-	124,534	102,661	(57)	102,604
Transactions with owners recognised directly in equity								
Dividend for 2017 paid (Note 1.22f)	-	-	-	-	(89,743)	(89,743)	-	(89,743)
At 31 December 2018	**101,722**	**112,001**	**210,544**	**25,053**	**563,716**	**1,013,036**	**245**	**1,013,281**
At 1 January 2019	**101,722**	**112,001**	**210,544**	**25,053**	**563,716**	**1,013,036**	**245**	**1,013,281**
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	210,818	-	-	210,818	-	210,818
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	(37,947)	-	-	(37,947)	-	(37,947)
Other comprehensive income	-	-	172,871	-	-	172,871	-	172,871
Profit for the year	-	-	-	-	116.761	116,761	(73)	116,688
Total comprehensive income for the	-	-	172,871	-	116.761	289.632	(73)	289,559
Transactions with owners recognised directly in equity								
Dividend for 2018 paid (Note 1.22f)	-	-	-	-	(147.100)	(147.100)	-	(147.100)
At 31 December 2019	**101,722**	**112,001**	**383,415**	**25,053**	**533,351**	**1,155,542**	**172**	**1,155,711**

Statements of changes in equity

For the year ended 31 December

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
At 1 January 2018	**101,722**	**112,001**	**232,346**	**25,053**	**529,326**	**1,000,448**
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and	-	-	(26,616)	-	-	(26,616)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	4,790	-	-	4,790
Total other comprehensive	-	-	(21,826)	-	-	(21,826)
Profit for the year	-	-	-	-	123,918	123,918
Total comprehensive income	**-**	**-**	**(21,826)**	**-**	**123,918**	**102,092**
Transactions with owners						
Dividend for 2017 paid (Note 1.22f)	-	-	-	-	(89,743)	(89,743)
At 31 December 2018	**101,722**	**112,001**	**210,520**	**25,053**	**563,501**	**1,012,797**
At 1 January 2019	**101,722**	**112,001**	**210,520**	**25,053**	**563,501**	**1,012,797**
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and	-	-	210,819	-	-	210,819
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	(37,947)	-	-	(37,947)
Total other comprehensive	-	-	172,872	-	-	172,872
Profit for the year	-	-			115,800	**115,800**
Total comprehensive income for the year	**-**	**-**	**172,872**	**-**	**115,800**	**288,672**
Transactions with owners recognised directly in equity	-	-	-	-	-	-
Dividend for 2018 paid (Note 1.22f)	-	-	-	-	(147,100)	**(147,100)**
At 31 December 2019	**101,722**	**112,001**	**383,392**	**25,053**	**532,201**	**1,154,369**

Cash flow statements

For the year ended 31 December

	Notes	**Group 2019 HRK'000**	Group 2018 HRK'00	**Company 2019 HRK'000**	Company 2018 HRK'00
Cash flow from operating activities					
Profit after tax		**116,666**	124,477	**115,800**	123,918
Adjustments for:					
- Tax	1.33	**25,655**	26,398	**25,488**	26,289
- Depreciation of property and equipment	1.29	**12,486**	3,598	**12,134**	3,255
- Depreciation of investment property	1.31	**1,249**	1,247	**1,249**	1,247
- Change in deferred acquisition costs	1.28	**(17,951)**	(2,409)	**(17,951)**	(2,409)
- Amortisation of other intangible assets	1.29	**18,290**	8,686	**17,599**	8,067
- Net foreign exchange (gains)/losses on financial assets	1.32	**(9,264)**	32,542	**(9,122)**	31,993
- (Gain)/loss on disposal of property and equipment	1.10	**1,772**	(374)	**898**	(374)
- Unrealised losses/(gains) from financial assets at fair value through profit or loss	1.31	**(85,322)**	14,663	**(63,803)**	11,558
- (Reversal of)/impairment losses on financial assets	1.33	**32**	11,330	**(15)**	11,285
- (Reversal of)/impairment losses on insurance receivables and other assets	1.18	**2,318**	794	**2,318**	794
- Interest and dividend income	1.25	**(135,851)**	(143,475)	**(130,736)**	(138,636)
		(69,920)	77,447	**(46,141)**	76,987
Changes in operating assets and liabilities					
Net decrease/(increase) in held-to-maturity investments		**257,768**	(22,759)	**284,296**	(428)
Net decrease/(increase) in available-for-sale financial assets		**(262,652)**	288,162	**(263,329)**	99,381
Net decrease/(increase) in financial assets at fair value through profit or loss		**(157,592)**	(152,467)	**(98,099)**	(103,350)
Net decrease/(increase) in loans and receivables		**(6,978)**	25,728	**(6,265)**	10,199
Net decrease/(increase) in reinsurance share in technical provisions		**(33,771)**	22,186	**(33,771)**	22,186
Net decrease/(increase) in insurance receivables and other assets		**(128,208)**	9,244	**(128,122)**	9,328
Net increase/(decrease) in insurance contract liabilities		**304,470**	74,152	**304,470**	74,152
Net increase/(decrease) in insurance and other payables		**25,114**	(33,483)	**27,034**	(36,400)
Cash generated from operations		**(72,140)**	288,210	**40,080**	152,055
Interest received		**126,589**	139,857	**123,229**	136,535
Dividend received		**12,951**	14,043	**10,960**	12,146
Income tax paid		**(36,308)**	(30,403)	**(36,166)**	(30,403)
Net cash from operating activities		**31,092**	411,707	**138,103**	270,333
Cash flows from investing activities					
Purchase of property and equipment	1.10	**(615)**	(541)	**(752)**	(377)
Purchase of other intangible assets	1.13	**(9,408)**	(172,771)	**(7,277)**	(171,980)
Proceeds from sale of property and equipment		**295**	455	**292**	455
Purchase of additional participation in the fund		**-**	-	**341**	(5,276)
Cash flows from investing activities		**(9,731)**	(172,857)	**(7,396)**	(177,178)
Cash flows from financing activities					
Repayment of lease liabilities		**(9,360)**	-	**(9,360)**	-
Dividend paid	1.22f	**(147,097)**	(89,743)	**(147,097)**	(89,743)
Net cash from financing activities		**(156,457)**	(89,743)	**(156,457)**	(89,743)
Net increase/(decrease) in cash and cash equivalents		**(135,093)**	149,107	**(25,750)**	3,414
Cash and cash equivalents at 1 January		**282,505**	133,398	**88,418**	85,004
Cash and cash equivalents at 31 December	1.19	**147,412**	282,505	**62,669**	88,418

1. Notes to the financial statements

1.1 Reporting entity

Allianz Hrvatska 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 Hrvatska 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" or "EU IFRS").

The financial statements were authorised for issue by the Management Board on 17th April 2020. The financial statements are prepared in English and Croatian language.

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 (investment funds).

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”).

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. 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 either holding majority of investment stakes or being largest individual investment stake holder, the Company continues to consolidate these funds.

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 in the separate financial statements of the Company.

All notes in the financial statements that are related to insurance contracts are the same for the Company and the Group.

The Company entered Slovenian market in 2018 operating through a foreign branch. Financial statements of branch in Slovenia are fully merged with the Company.

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 financial liability and measured at fair value based on the value of investment portfolio of the funds.

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.

1.2 Basis of preparation (continued)

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.

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 as a separate item 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 2019 was EUR 1 = HRK 7,442580 (*31 December 2018 was EUR 1 = HRK* 7.417575), and USD 1 = HRK 6,649911 *(31 December 2018: USD 1 = HRK* 6.469192*).*

g) Macroeconomics impact

Croatian economy outlook

Croatia continued with solid economic growth in 2019 as full-year GDP growth reached 2,9%, fueled by strong domestic consumption. Result of each quarter in 2019 outperformed result from 2018, with firs quarter recording increasing of 4,1% compared to the first quarter of 2018. Inflation rate is still subdued and for the whole 2019 it stood at 0,8%. Labor market made positive improvements, unemployment rate was lowered by 1 p.p. compared to 2018, so at the end of 2019 unemployment rate stood at 7,9% based on data from Croatian bureau of Statistics. After 2018. Industrial production decline of 1,0%, in 2019 there was reversal and growth of 0,5%. In the retail segment, positive trends have continued in 2019 with growth of 3,6% YoY. This is now sixth year in a row for positive growth in retail segment.

Another year of positive trends in tourism, one of the Croatian main industries, with tourist arrivals increasing 4,8% and nights spent by 1,8%. Export of goods surged by 5,7% in 2019, while import of goods surged 4,4% and export-import coverage ratio stood at 62% after first 12 months in 2019 (61,2% in 2018).

Public budget should have been in balance in 2019 and according to Ministry of Finance statements, budget deficit should not be above 0,1% of GDP, compared to 0,3% which was initially planned. Looking ahead, there is prediction of 0,2% surplus in 2020. But the estimation was made before COVID-19 virus which will affect the economy and therefore the public budget itself. At the moment there is a lot of uncertainty around COVID-19 so it is hard to determine the overall impact on the economy.

According to Eurostat data, in 3Q19' Public debt / GDP ratio was at 74,9% (+0,1 p.p. YoY). In 2019 all major rating agencies upgraded their view on Croatia. Fitch and S&P increased Croatia's credit rating to BBB- with positive outlook while Moody's kept the same rating Ba2 with change in outlook from stable to positive. Hence, Croatia is now in investment grade while positive outlook provide support for remaining in the same grade.

In 2020, GDP growth expectations are around 2,6%, while inflation rate should stay close to 1,5%, based on European Commission forecast. Forecast is made before outbreak of COVID-19 virus so expectations are now little bit lower than initially stated.

1.2 Basis of preparation (continued)

Planned budget surplus for 2020 is 0,2% of GDP, and further debt reduction is expected to take place. Positive effects of tightening labor market and tax relief will support domestic demand growth while COVID-19 virus will put pressure on this growth. External risks remained the same as year before, related primary to lower growth in EA on which Croatia economy relies. In medium term the risk is present in form of shrinking labor force and net negative demographic shift.

The Group continues to duly monitor the changes and potential risks from the capital market, and is ready to react in order to minimize market effects on business activities. Although the 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 in order to protect shareholders' and policyholders' assets and gratifying our customer's.

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 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. In periods of prolonged low interest rates, increasing the duration seems more reasonable than creating additional exposure to high-yield investments.

Impact on customers

Furthermore, the Group has recognised that a increase in the client's purchasing power may impact prospective premium income and cash flow.

Measures are taken towards keeping the existing clients of the Group and attracting new ones.

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:

	2019	2018
• Buildings	40 years	40 years
• Motor vehicles	5 years	5 years
• Furniture	5 years	5 years
• Other equipment	4 years	4 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.

(b) Leased assets

-applied until 31 December 2018

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.*

1.3 Significant accounting policies (continued)

(b) Leased assets (continued)

-applied from 01 January 2019

Adoption of new and amended standards as set out below in **note (y).**

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

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

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

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

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

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

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

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

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

- right of use for the office buiding 15 years
- right of use for the parking 4 years.

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

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

Low-value assets comprise computers, tablets, mobile phones and small items of office furniture. At the reporting date as short-term leases Group also considered lease of cars, therefore the lease payments associated with those leases were recognised as an expense on a straight-line basis over the lease term. The total amount of Company's lease commitments for low-value assets equals to HRK 1,352 thousand.

In 2020 same leases will be valued through IFRS 16 due to purchase of new cars.

1.3 Significant accounting policies (continued)

(c) Intangible assets

Deferred acquisition costs – insurance contracts

Acquisition costs comprise all direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of 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. Other intangible asset consists of internally developed software, computer software and exclusive distribution right.

Exclusive distribution right represents an exclusive right for 15-years distribution of insurance products through bank channel initially recognised in the amount of non-refundable upfront fee.

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.

1.3 Significant accounting policies (continued)

(c) Intangible assets (continued)

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 amortized. The estimated useful lives are as follows:

	2019	2018
• Internally developed software	5 years	5 years
• Computer software	5 years	5 years
• Exclusive distribution right	15 years	15 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.

(d) Investment property

Investment properties are properties which are held either to earrn 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:

	2019	2018
• Investment property	40 years	40 years

1.3 Significant accounting policies (continued)

(e) 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.

1.3 Significant accounting policies (continued)

(e) 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 2019, 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 1.15 (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)

e) 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.

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

In accordance with the Agency valuation rules and as permitted under IFRS 13 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.

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. At the reporting date the Company did not have such financial instruments.

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.

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

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:

- 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.

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

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.

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 or 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.

(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 the accrue.

1.3 Significant accounting policies (continued)

g) Employee benefits (continued)

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.

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

1.3 Significant accounting policies (continued)

(i) Provisions (continued)

on the assets associated with that contract. Accounting policy for insurance contracts is disclosed under accounting policy Note 1.3 (o) *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.

Share premium

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

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 subsequent versions of the Insurance Law, effective post 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.

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.

1.3 Significant accounting policies (continued)

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

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.

(l) 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.

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. Non-life reinsurance commissions that meet the definition as acquisition costs are accounted for in accordance with the deferred acquisition costs accounting policy.

(m) 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, marketing and advertising expenses.

Non-life commission expenses are recognised on an accrual 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).

1.3 Significant accounting policies (continued)

(m) Expenses (continued)

Administrative expenses

Administrative expenses include personnel expenses, depreciation of property and equipment, rent 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.

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*".

(n) Classification of contracts

For classification of contracts Group use Group Accounting Manual from Allianz Group.

Contracts under which the Group accepts significant insurance risk from 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.

To distinguish significant insurance risk, Group use general guidelines as follows, the significance of insurance risk should be determined based upon the relationship between the death benefit and surrender or maturity value of the particular contract, Significance of insurance risk (%) = (Death Benefit)/(Surrender of Maturity Value). If the calculated percentage is greater than 110%, the contract is classified as an insurance contract. If the calculated percentage is between 105% and 110%, the contract should be subject to further analysis based on its specific terms and conditions. The surrender value should be exclusive of any related explicit surrender charge.

Generally, a contract has significant insurance risk, if the death benefit could vary significantly in response to capital market volatility.

Generally, unless the death benefit was a set percentage of the surrender value (e.g. 101% of surrender value), contracts that provide death and surrender or maturity benefits are insurance contracts, as at the outset of the contract the surrender value may be negligible and the death benefit is significant.

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.

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 on the way that guaranteed liabilities are increased by discretionary bonuses. 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.

1.3 Significant accounting policies (continued)

(n) Classification of contracts (continued)

At the reporting date the Group accounted for HRK 43.4 million of provision for discretionary profit participation bonuses (2018: HRK 79.05 million) which is included within the life assurance provision. From this amount HRK 2.5 million (2018: HRK 34.5 million) is not allocated to individual policyholders.

(o) 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 impairment of amounts due from policyholders (older than 120 days) 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.

(p) 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.

(q) 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.

(r) 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.

1.3 Significant accounting policies (continued)

(s) 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.

(t) 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.

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.

Significant accounting policies (continued)

(u) 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 2019 and 2018 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.

(v) 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.

(w) 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.

(x) Insurance receivables and payables

Insurance receivables and payables include receivables and payables arising from insurance and reinsurance contracts entered by the Group. Insurance receivables are recognized at their nominal contractual value. Insurance receivables are subsequenty measured at amortized cost less any impairment allowance. An impairment allowance in the full amount is established for premium receivables that are overdue more than 120 days. Insurance payables are recognized at their nominal value due under the contract.

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2019:

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on 1 January 2019 was 1,84%.

As at 31 December 2018 the Group had non-cancellable lease commitments of HRK 104,479 thousands. Of these commitments, HRK 1,353 thousands related to short-term leases which are recognised on a straight-line basis as an expense in profit or loss.A reconciliation of the operating lease commitments to the recognised liability is as follows:

In thousands of HRK	**31 December 2018 / 1 January 2019**
Total future minimum lease payments for non-cancellable* operating leases as at 31 December 2018	
- Finance lease liabilities recognised as at 31 December 2018	104,479
- VAT liability included in the future minimum lease payments	(18,951)
- Effect of discounting to present value	(6,312)
- Less short-term leases not recognised as a liability	(859)
- Less low-value leases not recognised as a liability	(987)
Total lease liabilities recognised as at 1 January 2019	**77,370**
Of which are:	
Short-term lease liabilities	**9,964**
Long-term lease liabilities	**67,406**

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations (continued)

* Non-cancellable leases include those cancellable only: (a) upon the occurrence of some remote contingency, (b) with the permission of the lessor, (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

In thousands of HRK	**Impact of adopting IFRS 16**
Decrease in property, plant and equipment	(782)
Increase in right-of-use assets	77,370
Increase in lease liabilities	77,370

The following amounts are recognised in profit or loss:

	IFRS 16 2019 HRK'000	IAS 17 2018 HRK'000
Depreciation charge for the right-of-use assets by class of assets:		
Buildings	**10,006**	-
Total depreciation charge	**10,006**	-
Interest expense on lease liabilities (included in finance cost)	1,429	-
Expense relating to short-term leases (included in distribution expenses)	-	-
Expense relating to leases of low-value assets that are not short-term leases (included in administrative and distribution expenses)	1,298	-
Operating lease expense (IAS17) (included in administrative and distribution expenses)	-	15,650
Total expenses related to leases	**22,739**	15,650

The following amounts are recognised in the cash flow statement:

Cash outflow for leases (IFRS16) - financing activity		
Principal	9,372	
Interest	1,429	-
Cash outflow for leases - operating activity	-	15,650
Total cash outflows	**10,081**	**15,650**

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations (continued)

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

New standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (‘IBORs’). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be ‘highly probable’. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship.

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations (continued)

Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB, not endorsed by European Union yet). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its *consolidated* financial statements.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, not endorsed by European Union yet

IFRS 17, Insurance Contracts was issued by the IASB in May 2017 with the effective date of 1st January 2021 (retrospective application). IFRS 17 provides comprehensive guidance on accounting for reinsurance contracts and investment contracts discretionary participation features. For non-life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk. Further IFRS 17 will change the presentation of insurance contract revenue, a gross written premium will no longer be presented in the statement of comprehensive income. For long-duration life insurance contracts, IFRS 17 is expected to have significant impact on actuarial modelling as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the "contractual service margin", a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities, reflecting a different extent of policyholder participation in investment or insurance entity performance. Due to strong interaction between underlying assets held and the measurement of direct participating insurance contracts, the Allianz Group decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective. The amendment to IFRS 4, which allows this deferral, has been endorsed by the EU in November 2017. The application ot IFRS 17 will have a material impact on financial statements of the Company. However, quanitative effect of the adoption is currently not available.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020, not endorsed by European Union yet).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Group will apply them and assess their impact from 1 January 2020.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations (continued)

IFRS 9 Financial Instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2019)

IFRS 9, issued by the IASB in July 2014, fully replaces IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward looking impairment model for debt instruments and provides new rules for hedge accounting.

It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as the new impairment model. Interdependencies with IFRS 17 will need to be considered to assess the ultimate combined impact of both standards.

The amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts issued in September 2016 allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 until 1 January 2021 under certain circumstances. It is to be noted that the IASB has recently proposed to defer the IFRS 9 effective date for such entities in scope by another year until 2022.

Given the strong interrelation between the two standards, the Group has decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective.

In order to qualify for the temporary exemption an entity has to prove that its activities are predominantly connected to insurance as of 31 December 2015. Under the amended IFRS 4, this condition is met if the insurer carries significant liabilities arising from contracts within the scope of IFRS 4. Significant insurance-related liabilities are given, among others, if the percentage of the total carrying amount of liabilities connected with insurance relative to the total carrying amount of all liabilities is greater than 90 %. A reassessment at a subsequent annual reporting date is required if, and only if, there was a change in the entity's activities during the annual period that ended on that date.

The following table provides an overview of the fair values as of 31 December 2019 and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

HRK ths

As of 31 December 2019		Financial assets that meet the SPPI criterion1			All other financial assets		
		Book value	Fair Value	Fair Value Change during the reporting period	Book value	Fair Value	Fair Value Change during the reporting period
Cash and cash-equivalents	LO&RE	62.669	63.068	0	0	0	0
Debt securities		0	0	0	0	0	0
Government and government agency bonds	AFS	3.144.019	3.144.019	183.406	0	0	0
Government and government agency bonds	HTM	293.448	306.599	-993	0	0	0
Corporate bonds	AFS	4.119	4.119	129	2.333	2.333	-84
MBS/ABS		0	0	0	0	0	0
Other debt securities		0	0	0	0	0	0
Subtotal		3.504.256	3.517.805	182.542	2.333	2.333	-84
Equity securities	AFS	0	0	0	75.886	75.886	10.448
Financial assets for unit-linked contracts	FVTPL	0	0	0	814.657,38	814.657,38	0,00
Derivative financial instruments	FVTPL	0	0	0	7.473	7.473	1.608
Funds	AFS	0	0	0	340.955	340.955	20.986
Funds	FVTPL	0	0	0	100.691	100.691	1.371
Loans & deposits	LO&RE	41.599	41.599	0	157	157	0
Total		**3.545.854**	**3.559.404**	**182.542**	**1.342.153**	**1.342.153**	**34.328**

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-linked contracts, these investments are designated at fair value through income under current accounting rules. This treatment is going to be maintained under the future IFRS 9 regime accordingly.

1.3 Significant accounting policies (continued)

(y) New standards, amendments and interpretations (continued)

The following table provides information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion. It includes the carrying amounts applying IAS 39 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances):

As of 31 December 2018	Loans and receivables	Government and government agency bonds	Corporate bonds
Investment grade	0	0	0
AAA	0	178.738	0
AA	0	90.179	0
A	0	327.234	0
BBB	0	2.841.316	0
BB	0	0	0
Non-investment grade	0	0	0
Not rated	41.599	0	4.119
Total	**41.599**	**3.437.468**	**4.119**

The publicly available IFRS 9 information disclosed by some subsidiaries that already apply IFRS 9 is not material from the Group's perspective.

1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 1.37) 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 liability 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

Estimation of uncertainty in relation to reserving for the Company

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

The Company'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 assessed.

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 liabilities are analysed in Note 1.20.

Estimation of uncertainty in relation to court claims for the Group and the Company

A significant source of estimation uncertainty stems from court claims. At 31 December 2019, the Group was involved in 976 *(2018: 1.127)* court cases for which HRK 111.248 thousand *(2018: HRK 125.029 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 Board 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 200 thousand (*2018: HRK 1,397 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.

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

Financial asset and liability classification for the Group and the Company

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 Company has the positive intention and ability to hold these investments to maturity.

Control over Allianz Invest managed, open ended investment funds

The Company's stakes in Allianz Portfolio at 31 December 2019 was 9.81% (along with unit linked investments 65.52%) (2018: 9.57% and 55.74%), in Allianz Short Term Bond 50.72% (2018: 58.10%) and in Allianz Equity 21.79% (2018: 19.88%) .

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 one of the open-ended funds at 31 December 2019, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor.

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 tehnical 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 1.0 million. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 125 million (2018: EUR 118.5 million) of losses exceeding the first EUR 1.5 million (2018: 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 are 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:

	2019 Group and Company			2018 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
Non-life insurance business						
Motor (third party)	(23,591)	(1,129)	(24,720)	(50,051)	(1,560)	(51,611)
Motor (other classes)	(67,569)	(675)	(68,244)	(64,962)	1,596	(63,366)
Property	(176,149)	34,878	(141,271)	(127,042)	15,974	(111,068)
Personal lines	(34,028)	2,515	(31,513)	(19,948)	(99)	(20,047)
Other	(25,948)	7,218	(18,730)	569	(8,008)	(7,439)
Total non-life	**(327,285)**	**42,807**	**(284,478)**	**(261,434)**	**7,903**	**(253,531)**
Life assurance business	(261,417)	629	(260,788)			
Periodic premiums	(323,680)	-	(323,680)	(233,528)	961	(232,567)
Single premiums				(188,288)	-	(188,288)
Total life	**(585,097)**	**629**	**(584,468)**	**(421,816)**	**961**	**(420,855)**
Thereof unit linked and index linked	(319,927)	-	(319,927)	(178,770)	-	(178,770)
Grand total	**(912,382)**	**43,436**	**(868,946)**	**(683,250)**	**8,864**	**(674,386)**

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 theses 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 (2018: 2,5%) . Annuities are calculated using the Republic of Croatia mortality tables from 2010-12. 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 2019 a percentage of 6% (2018: 6%) was used for both provisions except for claims greater than HRK 6.5 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 Hrvatska is the legal successor of Dunav osiguranje.

At the reporting date, however, management has provided HRK 1.68 million *(2018: HRK 1.83 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 2019, the Company paid out HRK 107 thousand *(2018: 22 thousand)* in respect to these claims either per court rulings or through out-of-court settlement.

In 2019, 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
- 2,75% for policies issued between 1.1.2011. and 30.6.2016.
- 1.75% for policies issued between 1.7.2016. and 31.12.2017.
- 1% for policies issued after 1.1.2018.

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:

Products	Mortality tables used in 2019	Rates of interest for calculating reserve at 31.12.2019.	Mortality tables used in 2018	Rates of interest for calculating reserve at 31.12.2018.
MZ4, MZ4-J	MT RH 1989-91(less 30% smoothed)	2,60%	MT RH 1989-91(less 30% smoothed)	2,75%
M1, M2, M2-J, MZ1, M3, M3-J, MZ2, S1, S1-J	MT RH 2000-02	2,60%	MT RH 2000-02	3,30%
S1, S1-J (begining in 2010)		2,60%		3,00%
M4, M4-J, M6J, M6DJ, M5, MZ5, IL, SPI-01		2,60%		2,75%
S3, S3-J, SDJ03, S3U, S3U-J, SDJU03, MB1-J		2,50%		2,50%
S3U, S3U-J, SDJU03 (issue date from 01.07.2016)		1,75%		1,75%
M5U-J, MZ5U-J, M6UJ, M6DUJ	MT RH 2000-02, unisex	2,60%	MT RH 2000-02, unisex	2,75%
M5U, M4U-J, MZ5U, MZ4U-J, M7U-J, MB1U-J, RNP-150		2,50%		2,50%
RNP1-150		0,00%		0,00%
M1-J, MZ2-J, D1	MT RH 2010-12	2,60%	MT RH 2010-12	3,30%
D1 (begining in 2010)		2,60%		3,00%
M5-50, MZ5-50, DJ01, DJ01-J		2,60%		2,75%
S4UN, S4UN-J		1,00%		1,00%
S4UP, S4UP-J	MT RH 2010-12, adjusted for smokers (WHO index)	1,00%	MT RH 2010-12, adjusted for smokers (WHO index)	1,00%

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

Life assurance (continued)

Products	Mortality tables used in 2019	Rates of interest for calculating reserve at 31.12.2019.	Mortality tables used in 2018	Rates of interest for calculating reserve at 31.12.2018.
S4UP, S4UP-J	MT RH 2010-12, adjusted for smokers (WHO index)	1,00%	MT RH 2010-12, adjusted for smokers (WHO index)	1,00%
M5U-50, MZ5U-50, DJ02, DJ02-J	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex	2,50%
M6U, M8U-J, MZ6U, MZ8U-J, MB2U-J, DJ03, DJ03-J, ULNZ, ULR		0,00%		0,00%
TB1, DJTB01, DJTB01-J, TBZ1	MT RH 2010-12, incidence rates from Republic of Slovakia	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,75%
DJTB02, DJTB02-J		2,50%		2,50%
DJTB02, DJTB02-J (issue date from 01.07.2016), DJTB03		1,75%		1,75%
TB5, TB5-U, TBZ5, TBZ5-U	MT RH 2010-12, incidence rates from GenRe	2,60%	MT RH 2010-12, incidence rates from GenRe	2,75%
TB5U, TB5U-U, TBZ5U, TBZ5U-U, TBZ5, TBZ5-U	MT RH 2010-12, incidence rates from GenRe, unisex	2,50%	MT RH 2010-12, incidence rates from GenRe, unisex	2,50%
TB5U, TB5U-U, TBZ5U, TBZ5U-U (issue date from 01.07.2016)		1,75%		1,75%
TB6UJ-U		0,00%		0,00%
RM1	Mix of German tables DAV1994R and MT RH 1989-91	2,60%	Mix of German tables DAV1994R and MT RH 1989-91	3,30%
RND-100, RND-150	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2,50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2,50%
RND1-100, RND1-150, RND2-100, RND2-150		0,00%		0,00%
BD1	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health	2,60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health	2,75%
BD1U	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	2,50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	2,50%
BD1U (issue date from 01.07.2016)		1,75%		1,75%
SS1UN, SS1UPN	MT SLO 2007	1,00%	MT SLO 2007	1,00%
SS1US	Adjusted Swiss Re MT, unisex	1,00%	Adjusted Swiss Re MT, unisex	1,00%
STB1UN	Adjusted Swiss Re MT, unisex; incidence rates from Swiss RE	1,00%	Adjusted Swiss Re MT, unisex; incidence rates from Swiss RE	1,00%

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.

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 analisys 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 (1,5%).

1.7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

Future investment returns are based on the expected return on the existing portfolio of financial assets assuming a reinvestment rate. The reinvestment rate presents result of monitoring existing bonds on the world capital market that meet certain criteria: they have an investment rating, their currency is in EUR and they have a fixed duration. Geographical diversification is also taken into account. The yield (reinvestment rate) is optimized on such a set of bonds, taking into account the Company's limit framework, strategic asset allocation and the Company's capital position.

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%) and cannot be higher than 2.50%.

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

LAT result

At year end the Company recognised HRK 988 thousand (2018: HRK 1,031 thousand) as a result of liability adequacy test for life assurance.

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 no reserves for unexpired risk have been recognized as a result of liability adequacy testing (2018: 0 thousand).

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 2019 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

	2019	**2018**
	HRK'000	**HRK'000**
Base run	3,304,082	2,752,361
Risk free rate +100bp	3,090,066	2,571,318
Risk free rate –100bp	3,540,083	2,948,299
Mortality (for products with death risk) +15%	3,313,105	2,760,682
Policy maintenance expenses +10%	3,343,035	2,789,295
Expense inflation +1%	3,330,241	2,776,105

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 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 deductibles as well as introducing other restrictive measures, if such approach is required by the nature of the risk or changes thereof.

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.

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

Property insurance

This is broadly split into industrial, commercial and personal lines. For industrial lines and large commercial risks the Group uses underwriting 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.

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)

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 either required by law or on voluntary basis. 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 75,72% (*2018: 79,45%)* 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

There is a currency clause for all life products (amount of premium and sum assured is given in EUR or USD) and may be payable in regular instalments or as a single premium at inception of the policy. The premium is paid and sum assured payable in Croatian kuna with EUR or USD currency clause. 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 asurance products providing life-long financial protection. Many long-term policies give to the insurers 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.The premium is payable at once or in instalments 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 Nikei 225 index with maturity benefit guarantee and minimum death benefit guarantee.

Annuity insurance

The Group has one active annuity product: immediate lifelong annuity. Policies are paid by single premium. After payment monthly annuity should be paid.

The Group does not have an active immediate temporary risk annuity and deferred lifelong annuity product. Policyholders can regularly pay premiums for deferred lifelong annuity under the existing contracts

1.10 Property and equipment

Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets HRK'000	Acquired but not brought into use HRK'000	Total HRK'000
Cost						
At 1 January 2018	**41,133**	**4,212**	**42,564**	-	**805**	**88,714**
Additions	-	-	532	-	9	541
Transfer into use	-	-	-	-	-	-
Disposals	-	(1,298)	(1,908)	-	-	(3,206)
At 31 December 2018	**41,133**	**2,914**	**41,188**	**-**	**814**	**86,049**
At 1 January 2019	**41,133**	**2,914**	**41,189**	**77,370**	**814**	**86,050**
Additions	-	133	482	252	-	78,237
Disposals	-	(971)	(10,557)	-	(814)	(12,342)
At 31 December 2019	**41,133**	**2,076**	**31,114**	**77,622**	**-**	**151,945**
Depreciation and impairment losses						
At 1 January 2018	**7,092**	**3,816**	**37,330**	-	**-**	**48,238**
Depreciation charge for the year (Note 1.29)	909	326	2,363	-	-	3,598
Disposals	-	(1,290)	(1,835)	-	-	(3,125)
At 31 December 2018	**8,001**	**2,852**	**37,858**	**-**	**-**	**48,711**
At 1 January 2019	**8,001**	**2,852**	**37,858**	-	**-**	**48,711**
Depreciation charge for the year (Note 1.29)	911	15	1,543	10,006	-	12,475
Disposals	-	(923)	(9,659)	-	12	(10,570)
At 31 December 2019	**8,912**	**1,944**	**29,742**	**10,006**	**12**	**50,616**
Carrying amounts						
At 1 January 2018	34,041	396	5,233	-	805	40,475
At 31 December 2018	**33,132**	**62**	**3,330**	-	**814**	**37,339**
At 1 January 2019	33,132	62	3,330	**77,370**	814	114,708
At 31 December 2019	**32,221**	**132**	**1,372**	**67,616**	**(12)**	**101,331**

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,874 thousand *(2018: HRK 4,874 thousand).*

During 2019 and 2018 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.

Right-of-use assets refers to Office buildings with parking in lease.

The depreciation charge is recognised in profit or loss under "Administrative expenses" (Note 1.29).

1.10 Property and equipment (continued)

Company

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets HRK'000	Acquired but not brought into use HRK'000	Total HRK'000
Cost						
At 1 January 2018	37,376	4,029	41,082	-	-	82,487
Additions	-	-	377	-	-	377
Transfer into use	-	-	-	-	-	-
Disposals	-	(1,298)	(1,908)	-	-	(3,206)
At 31 December 2018	**37,376**	**2,731**	**39,551**	**-**	**-**	**79,658**
At 1 January 2019	**37,376**	**2,731**	**39,551**	**77,370**	**-**	**157,028**
Additions	-	-	460	252	-	712
Disposals	-	(788)	(10,557)	-	-	(11,345)
At 31 December 2019	**114,998**	**1,943**	**29,454**	**77,622**	**-**	**146,395**
Depreciation and impairment losses						
At 1 January 2018	6,399	3,726	36,403	-	-	46,528
Depreciation charge for the year (Note 1.29)	827	290	2,138	-	-	3,255
Disposals	-	(1,290)	(1,835)	-	-	(3,125)
At 31 December 2018	**7,226**	**2,726**	**36,706**	**-**	**-**	**46,658**
At 1 January 2019	7,226	2,726	36,706	-	-	46,658
Depreciation charge for the year (Note 1.29)	827	6	1,295	10,006		12,134
Disposals	-	(788)	(9,659)	-	-	(10,447)
At 31 December 2019	**8,053**	**1,944**	**28,342**	**10,006**	**-**	**48,345**
Carrying amounts						
At 1 January 2018	30,977	303	4,679	-	-	35,959
At 31 December 2018	30,150	5	2,845	-	-	33,000
At 1 January 2019	**30,150**	**5**	**2,845**	**77,370**	**-**	**110,370**
At 31 December 2019	**29,323**	**(1)**	**1,112**	**67,616**	**-**	**98,050**

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,288 thousand *(2018: HRK 4,288 thousand).*

During 2019 and 2018 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.

Right-of-use assets refers to Office buildings with parking in lease.

The depreciation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.11 Investment property

	Group and Company HRK'000
Cost	
At 1 January 2018	52,229
Disposals	**(852)**
At 31 December 2018	**51,377**
At 1 January 2019	51,377
Additions	5
At 31 December 2019	**51.382**
Depreciation	
At 1 January 2018	**24,375**
Depreciation charge for the year (Note 1.31)	1,247
Disposals	**(852)**
At 31 December 2018	**24,770**
At 1 January 2019	24,770
Depreciation charge for the year (Note 1.31)	1,249
Disposals	
At 31 December 2019	**26,019**
Carrying amounts	
At 1 January 2018	27,854
At 31 December 2018	26,607
At 1 January 2019	**26,607**
At 31 December 2019	**25,363**

The rental income arising during the year amounted to HRK 1,716 thousand (*2018: HRK 1,759 thousand*), which is recognised in “Financial income” (Note 1.25). 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 2019 amounted to HRK 489 thousand (*2018: 597 thousand*) and is recognised in other costs under „Administrative expenses“ (Note 1.29).The fair value of investment property is higher than carring amount and amouts to HRK 37,770 thousand (2018: HRK 37,770 thousand).

The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.31).

1.12 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**	
	2019	2018	**2019**	2018	**2019**	2018
	HRK'000	*HRK'000*	***HRK'000***	HRK'000	**HRK'000**	HRK'000
At 1 January	**51,091**	48,861	**1,494**	1,315	**52,585**	50,176
Capitalization of acquisition costs	**67,242**	51,093	**1,530**	1,494	**68,772**	52,587
Amortization of acquisition costs	**(49,327)**	(48,863)	**(1,494)**	(1,315)	**(50,821)**	(50,178)
Net change recognised in profit or loss (Note 1.28)	**17,915**	2,230	**36**	179	**17,951**	2,409
At 31 December	**69,006**	51,091	**1,530**	1,494	**70,536**	52,585

1.13 Other intangible assets

Group

	Goodwill HRK'000	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost						
At 1 January 2018	24	46,286	47,358	1,414	-	95,082
Additions	-	5,209	320	1,540	165,702	172,771
Transfer into use	-	-	450	(450)	-	-
Write off	-	-	(224)	-	-	(224)
At 31 December 2018	**24**	**51,495**	**47,904**	**2,504**	**165,702**	**267,629**
At 1 January 2019	**24**	**51,495**	**47,904**	**2,504**	**165,702**	**267,629**
Additions	-	4,491	3,435	1,482	-	9,408
Transfer into use	-	-	-	-	-	-
Write off	-	-	(376)	(340)	-	(716)
At 31 December 2019	**24**	**55,986**	**50,963**	**3,646**	**165,702**	**276,321**
Amortisation						
At 1 January 2018	-	42,586	34,130	-	-	76,716
Amortisation charge for the year (Note 1.29)	-	4,838	2,008	-	1,840	8,686
Write off	-	-	(223)	-	-	(223)
At 31 December 2018	**-**	**47,424**	**35,915**	**-**	**1,840**	**85,179**
At 1 January 2019	**-**	**47,424**	**35,915**	**-**	**1,840**	**85,179**
Amortisation charge for the year (Note 1.29)	-	5,447	1,796	-	11,047	18,290
Write off	-	-	(376)	-	-	(376)
At 31 December 2019	**-**	**52,871**	**37,335**	**-**	**12,887**	**103,093**
Carrying amounts						
At 1 January 2018	24	3,700	13,228	1,414	-	18,366
At 31 December 2018	24	4,071	11,988	2,504	163,862	182,449
At 1 January 2019	24	4,071	11,988	2,504	163,862	182,449
At 31 December 2019	**24**	**3,115**	**13,628**	**3,646**	**152,815**	**173,228**

During 2019 and 2018 there were no capitalised borrowing costs related to the acquisition of software.

The amortisation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.13 Other intangible assets (continued)

Company

	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost					
At 1 January 2018	46,286	40,722	1,414	-	88,422
Additions	5,209	320	750	165,702	171,981
Transfer into use	-	-	-	-	-
Write off	-	(223)	-	-	(223)
At 31 December 2018	**51,495**	**40,819**	**2,164**	**165,702**	**260,18**
At 1 January 2019	**51,495**	**40,819**	**2,164**	**165,702**	**260,179**
Additions	4,491	1,304	1,482	-	7,277
Write off	-	(376)	-	-	(376)
At 31 December 2019	**55,986**	**41,747**	**3,646**	**165,702**	**267,080**
Amortisation					
At 1 January 2018	34,092	37,773	-	-	71,865
Amortisation charge for the year (Note 1.29)	4,838	1,389	-	1,840	8,067
Write off	-	(223)	-	-	(223)
At 31 December 2018	**38,930**	**38,939**	**-**	**1,840**	**79,709**
At 1 January 2019	**38,930**	**38,939**	**-**	**1,840**	**79,709**
Amortisation charge for the year (Note 1.29)	5,448	1,104	-	11,047	17,599
Write off	-	(376)	-	-	(376)
At 31 December 2019	**44,378**	**39,667**	**-**	**12,887**	**96,932**
Carrying amounts					
At 1 January 2018	12,194	2,949	1,414	-	16,557
At 31 December 2018	12,564	1,879	2,164	163,862	180,469
At 1 January 2019	**12,565**	**1,880**	**2,164**	**163,862**	**180,471**
At 31 December 2019	**11,607**	**2,079**	**3,646**	**152,815**	**170,147**

During 2019 and 2018 there were no capitalised borrowing costs related to the acquisition of software.

The amortisation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.14 Investments in subsidiaries

a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2019	Group ownership at 31 December 2018
Investments in subsidiaries - held at cost				
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%
Investments in subsidiaries - held at fair value through profit or loss				
Allianz Short Term Bond, open-ended investment fund	Investment	Croatia	50,7%	58,1%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	65,5%	55,7%
Investments in subsidiaries – available for sale				
Allianz Equity, open-ended investment fund	Investment	Croatia	21,8%	19,9%

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 one open-ended fund at 31 December 2019, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor. Investment in Allianz Portfolio relates also to investments made through unit linked products. At 31 December 2019 total investment in Allianz Portfolio, related to unit linked investments, amouted to HRK 63,478 thousands (2018: HRK 47,459 thousands).

b) Investments in subsidiaries are as follows:

	Company 2019 HRK'000	Company 2018 HRK'000
Investments in subsidiaries - held at cost		
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
Total subsidiaries at cost	**5,688**	5,688
Investments in subsidiaries - designated at fair value through profit or loss		
Allianz Short Term Bond, open-ended investment fund	85,780	103,914
Allianz Portfolio, open-ended investment fund	74,655	57,294
Total subsidiaries at fair value through profit or loss	**160,435**	161,208
Investments in subsidiaries - available for sale		
Allianz Equity, open-ended investment fund	11,417	9,622
Total subsidiaries available for sale	11,417	9,622
	177,540	176,518

1.14 Investments in subsidiaries (continued)

c) Movements in investments in subsidiaries was as follows:

	Company 2019 HRK'000	Company 2018 HRK'000
At 1 January	176,518	171,317
Acquisition of units in Allianz Short Term Bond, open-ended investment fund		
Disposal of units in Allianz Short Term Bond, open-ended investment fund	(18,162)	(3,495)
Fair value gains on investment in Allianz Short Term Bond, open-ended investment fund	28	38
Acquisition of units in Allianz Portfolio, investment fund	8,873	
Fair value gains on investment in Allianz Portfolio, open-ended investment fund	8,488	8,815
Fair value losses on investment in Allianz Equity, open-ended investment fund	1,795	(156)
At 31 December	**177,540**	176,518

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:

	2019 HRK'000	2018 HRK'000
Revenue	509	446
Profit	145	118
Profit attributable to NCI	**73**	59
Current assets	393	255
Non-current assets	2,926	2,995
Current liabilities	(16)	(16)
Non-current liabilities	(2,738)	(2,738)
Net assets	**565**	496
Net assets attributable to NCI	**288**	253

The remaining of non-controling interest is related to Allianz Invest d.o.o., management company for open-ended investment funds that are presented under financial liabilities.

1.15 Financial investments

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Held-to-maturity investments (Note 1.15c)	**351,054**	609,477	**293,449**	577,970
Available-for-sale financial assets (Note 1.15c)	**3,555,892**	3,076,853	**3,555,892**	3,076,337
Financial assets held for trading	**-**	120,758	**-**	120,758
Financial assets designated at fair value through profit or loss	**960,764**	597,062	**762,388**	481,076
Financial assets at fair value through profit or loss (Note 1.15c)	**960,764**	717,820	**762,388**	601,834
Loans and receivables (Note 1.15a; 1.15c)	**39,131**	31,669	**42,027**	35,277
	4,906,841	4,435,819	**4,653,756**	4,291,418

Table below analyses financial investments exposed to credit risk:

	Group 2019				Group 2018			
	Neither past due nor impaired HRK'000	**Past due but not impaired HRK'000**	**Impaired HRK'000**	**Total HRK'000**	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000
Held-to-maturity investments	351,054	-	-	351,054	609,477	-	-	609,477
Available-for-sale debt securities	3,150,469	-	-	3,150,469	2,673,980	-	-	2,673,980
Debt securities at fair value through profit or loss	126,649	-	-	126,649	64,745	-	-	64,745
Loans and receivables	37,317	1,230	584	39,131	30,803	866	511	32,180
Impairment	-	-	(584)	(584)	-	-	(511)	(511)
	3,665,489	**1,230**	**-**	**3,666,719**	3,379,005	866	-	3,379,871

	Company 2019				Company 2018			
	Neither past due nor impaired HRK'000	**Past due but not impaired HRK'000**	**Impaired HRK'000**	**Total HRK'000**	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000
Held-to-maturity investments	293,449	-	-	293,449	577,970	-	-	577,970
Available-for-sale debt securities	3,150,469	-	-	3,150,469	2,673,464	-	-	2,673,464
Debt securities at fair value through profit or loss	8,621	-	-	8,621	8,620	-	-	8,620
Loans and receivables	40,213	1,230	584	42,027	34,411	866	511	35,788
Impairment			(584)	(584)	-	-	(511)	(511)
	3,492,752	1,230	-	3,493,982	3,294,465	866	-	3,295,333

1.15 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:

	Group 2019 HRK’000	Group 2018 HRK’000	**Company 2019 HRK’000**	Company 2018 HRK’000
Deposits with banks	**6,232**	12,552	**6,232**	12,552
Loans to customers	**33,482**	19,628	**36,379**	22,748
Subordinated loan to subsidiary	**-**	-	**-**	488
Impairment allowance on loans to customers	**(583)**	(511)	**(584)**	(511)
	39,131	31,669	**42,027**	35,277

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

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

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
At 1 January	512	8,156	521	8,156
Impairment losses on loans	87	494	87	494
Release of impairement allowance	(15)	(7,576)	(15)	(7,576)
Collection of amounts previously provided	-	(68)	-	(68)
Net impairment losses/(reversal of impairment losses) recognised in profit or loss (Note 1.31)	**72**	(7,150)	**72**	(7,150)
Amounts written off	**-**	(495)	**-**	(495)
At 31 December	**584**	511	**584**	511

1.15 Financial investments (continued)

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 Group´s and Company's portfolio:

Reclassification date	Net book value at the reclassification date HRK'000	Effective interest rate at the reclassification date %	Other comprehensive income up to the reclassification date HRK'000
21 August 2008	127,607	5,66	(9,173)
6 October 2008	177,632	5,66	(1,306)
26 March 2010	156,691	6,06	8,518
4 July 2011	77,388	6,06	4,047
10 October 2011	57,927	6,96	(356)
Total	**597,245**	**5,87**	**(1,730)**

	At the reclassification date		**31 December 2019**		31 December 2018	
	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
Assets reclassified in 2008:						
Debt securities	226,974	226,974	-	-	238,666	250,783
Assets reclassified in 2010:						
Debt securities	156,691	156,691	153,281	155,013	153,722	164,366
Assets reclassified in 2011:						
Debt securities	135,315	135,315	133,647	145,065	133,515	152,268
	518,980	**518,980**	**286,928**	**300,078**	**525,903**	**567,417**

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

	2019		2018	
	Profit or loss HRK'000	**Other comprehensive income HRK'000**	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	**30,480**	**-**	31,647	-
Amortisation of premium	**(630)**	**-**	(605)	-
Amortisation of fair value reserve to profit or loss	**(148)**	**-**	(358)	-
Fair value reserve balance, net of income tax	**-**	**(121)**	-	(293)
	29,702	**(121)**	30,684	(293)

1.15 Financial investments (continued)

b) Reclassifications (continued)

The following table shows the amounts that would have been recognised in profit or loss and other comprehensive income from reclassified assets in 2019 and 2018 if there had been no reclassification:

	2019		2018	
	Profit or loss HRK'000	**Other comprehensive income HRK'000**	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	**30,480**	**-**	31,647	**-**
Amortisation of premium	**(630)**	**-**	(605)	**-**
Change in fair value reserve, net of income tax	**-**	**(16,555)**	-	(31,518)
	29,850	**(16,555)**	31,042	(31,518)

1.15 Financial investments (continued)

c) Breakdown (continued)

Group

31 December 2019	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
Shares	-	75,886	77,278	-	**153,164**
Shares relating to share-based payments	-	-	7,473	-	**7,473**
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	351,054	2,200,434	112,261	-	**2,663,748**
Bonds – Governments of EU member states – listed	-	943,582	5,767	-	**949,349**
Foreign and domestic corporate bonds – listed	-	6,453	-	-	**6,453**
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	3,735	-	**3,735**
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	4,886	-	**4,886**
	351,054	**3,150,468**	**126,649**	**-**	**3,628,172**
Investment funds - quoted					
Open – ended investment funds	-	298,623	3,070	-	**301,693**
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	746,294	-	**746,294**
Close – ended investment funds – quoted	-	30,915	-	-	**30,915**
	-	**329,538**	**749,364**	**-**	**1,078,902**
Loans and receivables					
Deposits with credit institutions	-	-	-	6,232	**6,232**
Loans to policyholders	-	-	-	12,388	**12,388**
Mortgage loans	-	-	-	16,766	**16,766**
Other loans	-	-	-	3,745	**3,745**
	-	-	-	**39,131**	**39,131**
	351,054	**3,555,892**	**960,764**	**39,131**	**4,906,842**
31 December 2018					
Shares	-	50,390	55,088	-	**105,478**
Shares relating to share-based payments	-	-	4,721	-	**4,721**
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	609,477	2,039,721	56,090	-	**2,705,288**
Bonds – Governments of EU member states – listed	-	627,794	-	-	**627,794**
Foreign and domestic corporate bonds – listed	-	6,464	35	-	**6,499**
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	4,899	-	**4,899**
Foreign corporate bonds – assets backing unit-linked	-	-	3,720	-	**3,720**
	609,477	**2,673,979**	**64,744**	**-**	**3,348,201**
Investment funds - quoted					
Open – ended investment funds	-	311,117	125,531	-	**436,648**
Open – ended investment funds – assets backing unit-	-	-	467,736	-	**467,736**
Close – ended investment funds – quoted	-	41,367	-	-	**41,367**
	-	**352,484**	**593,267**	**-**	**945,751**
Loans and receivables					
Deposits with credit institutions	-	-	-	12,552	**12,552**
Loans to policyholders	-	-	-	12,136	**12,136**
Mortgage loans	-	-	-	2,543	**2,543**
Other loans	-	-	-	4,438	**4,438**
	-	-	-	**31,669**	**31,669**
	609.477	**3.076.854**	**717.820**	**31.669**	**4.435.820**

1.15 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
31 December 2019						
Shares	-	-	75,886	-	-	**75,886**
Shares relating to share-based payments	-	-	-	7,473	-	**7,473**
Investments in subsidiaries	177,540	-	-	-	-	**177,540**
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	293,449	2,200,434	-	-	**2,493,883**
Bonds – Governments of EU member states – listed	-	-	943,582	-	-	**943,582**
Foreign and domestic corporate bonds – listed	-	-	-	-	-	**-**
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	6,453	-	-	**6,453**
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	3,735	-	**3,735**
	-	-	-	4,886	-	**4,886**
	-	**293,449**	**3,150,469**	**8,621**	**-**	**3,452,539**
Investment funds - quoted						
Open – ended investment funds	-	-	298,623	-	-	**298,623**
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	746,294	-	**746,294**
Close – ended investment funds – quoted	-	-	30,915	-	-	**30,915**
	-	**-**	**329,538**	**746,294**	**-**	**1,075,832**
Loans and receivables						
Deposits with credit institutions	-	-	-	-	6,232	**6,232**
Loans to policyholders	-	-	-	-	12,388	**12,388**
Mortgage loans	-	-	-	-	19,403	**19,403**
Other loans	-	-	-	-	4,004	**4,004**
	-	**-**	**-**	**-**	**42,027**	**42,027**
	177,540	**293,449**	**3,555,893**	**762,388**	**42,027**	**4,831,296**
31 December 2018						
Shares	-	-	50,390	-	-	**50,390**
Shares relating to share-based payments	-	-	-	4,720	-	**4,720**
Investments in subsidiaries	176,518	-	-	-	-	**176,518**
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	577,970	2,039,206	-	-	**2,617,176**
Bonds – Governments of EU member states – listed	-	-	627,794	-	-	**627,794**
Foreign and domestic corporate bonds – listed	-	-	6,463	-	-	**6,463**
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	4,899	-	**4,899**
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	3,720	-	**3,720**
	176,518	**577,970**	**2,723,853**	**13,339**	**-**	**3,491,681**
Investment funds - quoted						
Open – ended investment funds	-	-	311,117	120,758	-	**431,875**
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	467,736	-	**467,736**
Close – ended investment funds – quoted	-	-	41,367	-	-	**41,367**
	-	**-**	**352,484**	**588,494**	**-**	**940,978**
Loans and receivables						
Deposits with credit institutions	-	-	-	-	12,552	**12,552**
Loans to policyholders	-	-	-	-	12,136	**12,136**
Mortgage loans	-	-	-	-	5,281	**5,281**
Subordinated loan to subsidiary	-	-	-	-	488	**488**
Other loans	-	-	-	-	4,820	**4,820**
	-	**-**	**-**	**-**	**35,277**	**35,277**
	176,518	**577,970**	**3,076,337**	**601,833**	**35,277**	**4,467,936**

1.15 Financial investments (continued)

c) Breakdown (continued)

Bonds issued by governments of EU member states include bonds of the Republic of Germany of HRK 178,378 thousand (2018: HRK 260,090 thousand), Republic of Poland of HRK 18,650 thousand (2018: 16,286 thousand), Slovak Republic of HRK 105,562 thousand (2018: 102,817 thousand) and the Kingdom of Spain of 177,776 thousand (2018: 154,618 thousand).

1.16 Reinsurers' share of insurance contract liabilities

Group and Company

	Note	**2019**	2018
		HRK'000	HRK'000
Non-life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	**98,125**	70,783
Reinsurance share in notified outstanding claims reserve	1.20 b)	**53,958**	51,524
Reinsurance share in incurred but not reported claims reserve	1.20 c)	**7,072**	3,129
Reinsurance share in other reserves		**-**	(1)
Total non-life insurance		**159,155**	125,435
Life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	**131**	134
Reinsurance share incurred but not reported claims reserve	1.20 c)	**610**	554
Reinsurance share in life assurance provision	1.20 d)	**298**	300
Total life insurance		**1,039**	988
Total reinsurance share of insurance		**160,194**	126,423

1.17 Deferred tax liability

Group

	Temporary differences						
	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**	**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**	**Deferred tax asset on tax losses HRK'000**
Balance as at 1 January 2018	**(44,895)**	**54**	**1,519**	**(51,003)**	**2,687**	**1,848**	**38**
Recognised in profit or loss (Note 1.33)	5,061	-	5,061	-	-	-	-
Total recognised in in profit and loss	5,061	-	5,061	-	-	-	38
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	4,790	-	-	4,790	-	-	(11)
Total recognised in other comprehensive income	4,790	-	-	4,790	-	-	(11)
Balance as at 31 December 2018	**(35,044)**	**54**	**6,580**	**(46,213)**	**2,687**	**1,848**	**27**
Balance as at 1 January 2019	**(35,044)**	**54**	**6,580**	**(46,213)**	**2,687**	**1,848**	**27**
Recognised in profit or loss (Note 1.33)	(701)	-	(701)	-	-	-	
Total recognised in in profit and loss	(701)	-	(701)	-	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	(37,947)	-	-	(37,947)	-	-	(27)
Total recognised in other comprehensive income	(37,947)	-	-	(37,947)	-	-	-
Balance as at 31 December 2019	**(73,692)**	**54**	**5,879**	**(84,160)**	**2,687**	**1,848**	**-**

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**	**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**
Balance as at 1 January 2018	**(44,895)**	**54**	**1,519**	**(51,003)**	**2,687**	**1,848**
Recognised in profit or loss (Note 1.33)	5,061	-	5,061	-	-	-
Total recognised in profit and loss	5,061	-	5,061	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised, recognised in other comprehensive income (Note 1.22c)	4,790	-	-	4,790	-	-
Total recognised in other comprehensive income	4,790	-	-	4,790	-	-
Balance as at 31 December 2018	**(35,044)**	**54**	**6,580**	**- (46,213)**	**2,687**	**1,848**
Balance as at 1 January 2019	**(35,044)**	**54**	**6,580**	**(46,213)**	**2,687**	**1,848**
Recognised in profit or loss (Note 1.33)	(701)	-	(701)	-	-	-
Total recognised in profit and loss	(701)	-	(701)	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	(37.947)	-	-	(37.947)	-	-
Total recognised in other comprehensive income	(37.947)	-	-	(37.947)	-	-
Balance as at 31 December 2019	**(73.692)**	**54**	**5.879**	**(84.160)**	**2.687**	**1.848**

1.18 Insurance receivables and other assets

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Receivables arising from insurance contracts				
- from contract holders (from policyholders)	**180,115**	143,478	**180,115**	143,478
	-			
Receivables from reinsurance				
- for claims recoveries	**23,721**	23,195	**23,721**	23,195
- for reinsurance commission	**1,342**	778	**1,342**	778
- for reinsurance premium paid in advance	**-**	302	**-**	302
Other receivables and prepayments	**148,845**	69,526	**148,348**	69,289
Impairment allowance				
- for insurance receivables	**(41,869)**	(44,914)	**(41,869)**	(44,914)
- for reinsurance receivables	**(1,128)**	(1,376)	**(1,128)**	(1,376)
- for other receivables	**(6,512)**	(12,522)	**(6,512)**	(12,522)
	304,514	178,467	**304,017**	178,230

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

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Neither past due nor impaired	**117,188**	93,293	117,188	93,293
Past due	**235,709**	143,986	236,339	143,749
Impairment allowance	**(48,381)**	(58,812)	(49,509)	(58,812)
	304,516	178,467	**304,018**	178,230

1.18 Insurance receivables and other assets (continued)

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

	Group and Company 2019 HRK'000	Group and Company 2018 HRK'000
At 1 January	**44,914**	50,555
Increase in impairment losses	**10,579**	8,963
Collection of amounts previously provided	**(8,261)**	(9,289)
Reversal of impairment losses recognised in profit or loss (Note 1.23)	**2,318**	(326)
Amounts written off	**(5,364)**	(5,315)
At 31 December	**41,868**	44,914

Impairment losses for insurance receivables are netted against gross premiums written presented in Note 1.23.

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

	Group and Company 2019 HRK'000	Group and Company 2018 HRK'000
At 1 January	**12,522**	12,720
Increase in provisions for other receivables	**436**	258
Collection of amounts previously provided	**(216)**	(413)
Transfer to loans and receivables	**-**	-
Impairment losses recognised in profit or loss (Note 1.30)	**220**	(155)
Amounts written off	(6,230)	(43)
At 31 December	**6,512**	12,522

1.19 Cash and cash equivalents

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Cash at bank	**103,974**	135,276	**60,270**	88,418
Deposits in banks with original maturity up to three months	**43,438**	147,229	**2,399**	-
	147,412	282,505	**62,669**	88,418

1.20 Insurance contract liabilities

Group and Company

	2019	2018
	HRK'000	HRK'000
Non-life insurance		
Provision for unearned premiums (Note 1.20a)	437,188	341,265
Notified outstanding claims reserve (Note 1.20b)	271,680	276,829
Incurred but not reported claims reserve (Note 1.20c)	166,871	182,055
Other provisions	3,226	2,643
Total non-life	**878,965**	802,792
Life assurance		
Provision for unearned premiums (Note 1.20a)	**12,532**	12,099
Life assurance provision (Note 1.20d)	2,487,175	2,570,874
Provision arising from liability adequacy test (Note 1.20d)	998	1,031
	2,488,173	2,571,905
Life assurance provision for unit-linked and index-linked products (Note 1.20e)	814,657	520,094
Notified outstanding claims reserve (Note 1.20b)	71,610	54,643
Incurred but not reported claims reserve (Note 1.20c)	2,774	2,708
Other provisions	152	152
Total life	**3,389,898**	3,161,601
Total insurance contract liabilities	**4,268,863**	3,964,393

Other provisions relate to provisions for bonuses and rebates and unexpired risk reserve. As at 31 December 2019 there is no unexpired risk reserve (2018: no unexpired risk reserve).

a) Analysis of movement on provision for unearned premium

Group and Company	2019 Gross HRK'000	2019 Reinsurance HRK'000	2019 Net HRK'000	2018 Gross HRK'000	2018 Reinsurane HRK'000	2018 Net HRK'000
Non-life business						
At 1 January	**341,265**	**70,783**	**270,482**	**311,964**	**61,642**	**250,322**
Premiums written during the year	800,924	24,121	776,803	650,998	90,598	560,400
Premiums earned during the year	(705,001)	3,221	(708,222)	(621,697)	(81,457)	(540,240)
At 31 December	**437,188**	**98,125**	**339,063**	**341,265**	**70,783**	**270,482**
Life assurance business						
At 1 January	**12,099**	**134**	**11,965**	**10,756**	**133**	**10,623**
Premiums written during the year	30,254	1,152	29,102	32,070	1,145	30,925
Premiums earned during the year	(29,821)	(1,155)	(28,666)	(30,727)	(1,144)	(29,583)
At 31 December	**12,532**	**131**	**12,401**	**12,099**	**134**	**11,965**

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

1.20 Insurance contract liabilities (continued)

b) Analysis of movements in notified outstanding claims reserve

	Group and Company			Group and Company		
	2019	**2019**	**2019**	2018	2018	2018
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Non-life business						
At 1 January	**276,829**	**51,524**	**225,305**	303,901	82,628	221,273
Current year claims	369,901	46,090	323,811	308,671	29,454	279,217
Change in previous year claims	(28,015)	(7,226)	(20,789)	(30,124)	(21,299)	(8,825)
Claims paid	(347,034)	(36,430)	(310,604)	(305,619)	(39,259)	(266,360)
At 31 December	**271,681**	**53,958**	**217,723**	276,829	51,524	225,305
Life assurance business						
At 1 January	**54,643**	**-**	**54,643**	39,285	-	39,285
Current year claims	395,861	-	395,861	366,413	-	366,413
Change in previous year claims	(21,660)	-	(21,660)	(16,932)	-	(16,932)
Claims paid	(357,234)	-	(357,234)	(334,123)	-	(334,123)
At 31 December	**71,610**	**-**	**71,610**	54,643	-	54,643

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

	Group and Company			Group and Company		
	2019	**2019**	**2019**	2018	2018	2018
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Non-life business						
At 1 January	**182,055**	**3,129**	**178,926**	197,337	3,380	193,957
Increase	59,515	23,615	**35,900**	60,262	15,907	44,355
Less transfer to claims reported provision	(74,699)	(19,672)	**(55,027)**	(75,544)	(16,158)	(59,386)
At 31 December	**166,871**	**7,072**	**159,799**	182,055	3,129	178,926
Life assurance business						
At 1 January	**2,708**	**554**	**2,154**	2,931	506	2,425
Increase	1,414	234	**1,180**	961	211	750
Less transfer to claims reported provision Transfer	(1,350)	(178)	**(1,172)**	(1,184)	(163)	(1,021)
At 31 December	**2,772**	**610**	**2,162**	2,708	554	2,154

1.20 Insurance contract liabilities (continued)

d) Analysis of movement in life assurance provision and provision arising from liability adequacy test

Group and Company	**2019 Gross HRK'000**	**2019 Reinsurance HRK'000**	**2019 Net HRK'000**	2018 Gross HRK'000	2018 Reinsurance HRK'000	2018 Net HRK'000
At 1 January	**2,571,905**	**300**	**2,571,605**	2,631,633	320	2,631,313
Premium allocation	221,121	1,153	219,968	169,059	1,145	167,914
Release of liabilities due to benefits paid, surrenders and other terminations	(339,476)	(1,155)	(338,321)	(295,514)	(1,165)	(294,349)
Unwinding of discount/accretion of interest	64,892	-	64,892	64,892	-	64,892
Change in liability arising from liability adequacy test	(33)	-	(33)	(66)	-	(66)
Change in Zillmer adjustment	14,112	-	14,112	13,464	-	13,464
Allocation of discretionary and guaranteed bonuses	(41,412)	-	(41,412)	(8,044)	-	(8,044)
Change in unearned premium reserve	(2,936)	-	(2,936)	(3,519)	-	(3,519)
At 31 December	**2,488,173**	**298**	**2,487,875**	2,571,905	300	2,571,605

Life assurance provision amounted to HRK 2,487,176 thousand *(2018: HRK 2,570,874 thousand*). Provision arising from liability adequacy test amounted to HRK 998 thousand (*2018: HRK 1,031thousand*).

e) Analysis of movement in life assurance provisions for unit-linked and index-linked products

Group and Company	**2019 Gross and Net HRK'000**	2018 Gross and Net HRK'000
At 1 January	**520,094**	387,749
Premium allocation	264,349	194,844
Release of liabilities due to benefits paid, surrenders and other terminations	(23,194)	(46,451)
Net gains from change in fair value of assets backing life assurance provision for unit-linked and index-linked products	53,408	(16,048)
At 31 December	**814,657**	520,094

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR)

For the year ended 31 December 2019

Group and Company	**Prior 2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**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	246,251	424,451	490,056	408,279	346,273	373,147	364,647	448,180	-
One year later	29,492	394,180	393,953	368,561	324,327	352,242	353,473	-	-
Two years later	23,338	379,080	381,503	346,043	311,570	332,787	-	-	-
Three years later	19,635	371,542	370,803	345,258	302,733	-	-	-	-
Four years later	14,762	366,578	367,229	340,004	-	-	-	-	-
Five years later	10,110	363,166	362,778	-	-	-	-	-	-
Six years later	6,751	361,101	-	-	-	-	-	-	-
Estimate of cumulative claims	-	361,101	362,778	340,004	302,733	332,787	353,473	448,180	2,501,056
Cumulative payments	-	342,694	342,594	303,855	265,778	287,088	266,673	219,613	2,028,295
Provisions for prior years	85,412	-	-	-	-	-	-	-	85,412
Claims handling costs	5,129	989	1,146	2,038	1,973	2,382	3,994	11,497	29,146
Value recognised in the statement of financial position	**90,540**	**19,395**	**21,329**	**38,187**	**38,928**	**48,081**	**90,794**	**240,064**	**587,319**

Non life	**Prior 2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**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	-	411,966	473,753	388,045	324,124	349,596	330,955	408,403	-
One year later	-	388,814	388,425	360,853	314,515	341,451	336,138		-
Two years later	-	374,301	376,364	340,217	304,410	324,316			-
Three years later	-	367,177	366,330	340,149	296,470				-
Four years later	-	362,832	363,088	335,504					-
Five years later	-	359,503	359,044						-
Six years later	-	355,968							-
Estimate of cumulative claims	-	355,968	359,044	335,504	296,470	324,316	336,138	408,403	2,415,844
Cumulative payments	-	339,898	340,065	302,114	263,664	285,353	265,158	219,048	2,015,301
Provisions for prior years	85,411	-	-	-	-	-	-	-	85,411
Claims handling cost	5,129	919	1,109	1,955	1,848	2,180	3,519	10,320	26,980
Value recognised in the statement of financial position	**90,540**	**16,988**	**20,088**	**35,345**	**34,654**	**41,143**	**74,500**	**199,676**	**512,934**

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR continued)

Life	**Prior 2013 HRK'000**	**2013 HRK'000**	**2014 HRK'000**	**2015 HRK'000**	**2016 HRK'000**	**2017 HRK'000**	**2018 HRK'000**	**2019 HRK'000**	**Total HRK'000**
Estimate of cumulative claims at the end of accident year	246,251	12,484	16,303	20,234	22,149	23,551	33,692	39,777	-
One year later	29,492	5,366	5,527	7,708	9,811	10,791	17,335	-	-
Two years later	23,338	4,779	5,139	5,826	7,160	8,472	-	-	-
Three years later	19,635	4,365	4,474	5,109	6,263	-	-	-	-
Four years later	14,762	3,747	4,142	4,500	-	-	-	-	-
Five years later	10,110	3,663	3,733	-	-	-	-	-	-
Six years later	6,751	5,133	-	-	-	-	-	-	-
Estimate of cumulative claims	**-**	**5,133**	**3,733**	**4,500**	**6,263**	**8,472**	**17,335**	**39,777**	**85,213**
Cumulative payments	-	2,797	2,529	1,741	2,114	1,735	1,515	565	12,996
Provisions for prior years	-	-	-	-	-	-	-	-	-
Claims handling cost	-	70	36	83	124	202	475	1,176	2,167
Value recognised in the statement of financial position	**-**	**2,406**	**1,241**	**2,841**	**4,274**	**6,938**	**16,294**	**40,388**	**74,383**

1.20 Insurance contract liabilities (continued)

g) Remaining maturities of insurance liabilities

Group and Company 2019

	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	342,691	103,318	3,482	212	17	-	449,720
NOCR & IBNR	248,823	162,505	52,591	25,413	10,392	13,211	512,935
Life assurance provisions, provision for unit linked products and provision arising from LAT	265,706	1,342,487	638,427	548,585	324,082	183,543	3,302,830
Other insurance provisions	3,378	-	-	-	-	-	3,378
Insurance liabilities	***860,598***	***1,608,310***	***694,500***	***574,210***	***334,491***	***196,754***	***4,268,863***

Group and Company 2018

	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	281,837	70,252	1,127	119	29	-	353,364
NOCR & IBNR	233,792	172,141	62,833	25,219	9,303	12,947	516,235
Life assurance provisions, provision for unit linked products and provision arising from LAT	254,277	1,145,827	662,950	489,568	359,161	180,216	3,091,999
Other insurance provisions	2,643	152	-	-	-	-	2,795
Insurance liabilities	***772,549***	***1,388,372***	***726,910***	***514,906***	***368,493***	***193,163***	***3,964,393***

UPR stands for unearned premium reserve.
NOCR stands for notified outstanding claims reserve, also known as reported but not settled (RBNS) claims reserve.
IBNR stands for incurred but not reported claims reserve.
LAT stands for liability adequacy test.

1.20 Insurance contract liabilities (continued)

h) Analysis of claims ratio, gross and net

The table below presents claims 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:

Non-life insurance business	Claims ratio gross 2019	Costs ratio gross 2019	Combined ratio gross 2019	Claims ratio gross 2018	Costs ratio gross 2018	Combined ratio gross 2018
Motor vehicle liability insurance	19.94%	43.34%	63.28%	42.79%	38.47%	81.26%
Other motor insurance	60.88%	41.50%	102.37%	70.77%	38.58%	109.35%
Fire and other damage to property insurance	44.45%	43.71%	88.16%	46.62%	45.71%	92.34%
General liability insurance	70.46%	34.57%	105.03%	41.99%	34.27%	76.27%
Marine, aviation and transport	106.68%	35.26%	141.94%	-9.53%	42.16%	32.63%
Credit and suretyship insurance	4.61%	23.81%	28.42%	3.29%	22.49%	25.78%
Personal accident insurance	20.10%	40.50%	60.60%	14.90%	43.25%	58.15%
Health insurance	47.04%	32.62%	79.66%	38.59%	32.77%	71.36%
Miscellaneous financial loss	54.78%	35.56%	90.34%	30.25%	34.46%	64.71%
Assistance	29.38%	35.56%	64.94%	18.93%	34.82%	53.75%
TOTAL - NON LIFE	**46.48%**	**40.31%**	**86.80%**	42.06%	40.18%	82.24%

The above ratios are calculated using the formulas prescribed by the Instruction of the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 37/16) as follows:

Claims ratio = (claims paid, gross + change in claims reserves, gross + change in other technical reserves, gross) / (gross written premiums +premium impairment+ change in gross unearned premium)*(-100)

Costs ratio = (operating expenses + other insurance-technical income, net of reinsurance + other technical insurance expenses, net of reinsurance) / (gross written premiums +premium impairment+ change in gross unearned premium)*(-100)

Combined ratio = claims ratio + costs ratio

1.21 Insurance and other payables and deferred income

	Group	Group	**Company**	Company
	2019	**2018**	**2019**	**2018**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Direct insurance contract payables				
- to policyholders	**11,984**	14,293	**11,984**	14,293
- to agents, brokers and intermediaries	**18,214**	14,382	**18,214**	14,382
Reinsurance contract payables	**31,967**	17,461	**31,967**	17,461
Reinsurance commission deferral	**3,697**	3,268	**3,697**	3,268
Commission expenses accrual	**4,204**	2,133	**4,204**	2,133
Provision for bonuses to employees	**9,328**	10,306	**8,381**	9,540
Liabilities for salaries	**8,278**	7,527	**8,017**	7,205
Liabilities for premium paid in advance	**8,177**	6,638	**8,177**	6,638
Liabilities for share based payments (Note 1.34)	**6,172**	4,084	**6,172**	4,084
Liabilities to investment funds non-controlling unitholders	**163,778**	159,245	**-**	-
Other payables and accrued expenses	**128,365**	61,823	**127,576**	54,088
	394,164	301,160	**228,388**	133,092

1.22 Equity

a) Issued share capital

	2019 **HRK'000**	2018 HRK'000
Authorised, issued and fully paid		
254,306 *(2018: 254,306)* ordinary shares of HRK 400	101,722	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:

	2019 **% ownership**	2018 % ownership
Allianz New Europe Holding GmbH, Austria	83.2	83.2
Zagrebačka banka d.d., Croatia	16.8	16.8
	100.0	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 *(2018: 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.

1.22 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:

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
At 1 January				
Gross fair value reserve	**256,756**	283,420	**256,732**	283,349
Deferred tax (Note 1.17)	**(46,212)**	(51,003)	**(46,212)**	(51,003)
Net	**210,544**	232,417	**210,520**	232,346
Net gains from change in fair value of available-for-sale financial assets	**218,641**	(27,929)	**220,225**	(30,122)
Net gains on disposal of available-for-sale financial assets - transfer to profit or loss (Note 1.25)	**(7,869)**	(17,214)	(9,408)	(14,930)
Impairment loss on financial assets available for sale (Note 1.31)	47	18,480	2	18,435
	210,819	(26,663)	**210,819**	(26,617)
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.17)	**(37,947)**	4,790	**(37,947)**	4,790
Net deferred tax expense/credit recognised in other comprehensive income	***172,872***	4,790	**172,872**	4,790
At 31 December				
Gross fair value reserve	**467,576**	256,757	**467,553**	256,734
Deferred tax (Note 1.17)	**(84,160)**	(46,212)	**(84,160)**	(46,212)
Net	**383,416**	210,544	**383,391**	210,520

d) Legal reserve

The legal reserve (HRK 25,053 thousand at 31 December 2019 and 2018) 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.

e) Retained earnings

The Company pays due care to the requirements of the Croatian Accounting Act for covering of net carrying amount of any development costs in advance of determining distributable amount of retained earnings.

1.22 Equity (continued)

f) Dividends per share

During 2019, the Company paid dividend for 2018 in the amount of HRK 147,096 thousand which gives dividend per share of HRK 578,42 (during 2018 for 2017 HRK 89,742 thousand or HRK 352,90 per share) based on the number of shares outstanding at the time of payment.

Due to COVID 19 crisis, the Regulator made decision in March 2020 to stop the dividend payout for all insurance companies in Croatia till 20th April 2021.

According to this decision, the Company will postpone the planned dividend payout for 2019.

1.23 Premiums

	Group and Company 2019	Group and Company 2018
	HRK'000	HRK'000
Non-life insurance		
Gross premium written	**798,606**	651,324
Written premiums ceded to reinsurers	**(131,151)**	(90,598)
Net premiums written from non-life insurance	**667,455**	560,726
Change in unearned premiums, gross	**(95,923)**	(29,300)
Change in unearned premiums, reinsurance share	**27,342**	9,141
Total premium income net, (earned) from non-life insurance	**598,874**	540,567
Life assurance		
Gross premium written	**563,440**	514,577
Written premiums ceded to reinsurers	**(3,139)**	(3,064)
Net premiums written from life assurance	**560,301**	511,513
Change in unearned premiums, gross	**(433)**	(1,343)
Change in unearned premiums, reinsurance share	**(2)**	1
Total premium income net, (earned) from life assurance	**559,866**	510,171
Total gross premiums written	**1,362,046**	1,165,901
Total premiums ceded to reinsurers	**(134,290)**	(93,662)
Total net premiums written	**1,227,756**	1,072,239
Total change in the gross provision for unearned premiums	**(96,356)**	(30,652)
Total reinsurers' share of change in the provision for unearned premiums	**27,340**	9,142
Net earned premiums non-life and life	**1,158,740**	1,050,738

Gross premiums written for the Group and the Company have been presented after deducting net impairment losses of HRK 2.318 thousand (*2018: net impairment reversal of HRK 326 thousand*), as presented in Note 1.18.

1.23 Premiums (continued)

Analysis by class of business

Group and Company

2019	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1.28) HRK'000	Administrative expenses (Note 1.29) HRK'000	Ceeded contribution HRK'000
Non-life insurance business						
Personal accident insurance	53,968	52,442	10,541	12,287	8,942	82
Health insurance	39,278	31,451	15,558	4,611	5,598	1,098
Insurance of motor vehicles - full comprehensive motor (casco)	129,660	110,232	69,400	26,553	18,395	1,140
Full comprehensive motor insurance (casco) of track vehicles	140	723	(1,812)	203	123	500
Hull insurance of aircrafts	204	297	781	55	43	(372)
Marine and inland marine hull insurance	13,732	13,492	20,451	3,247	2,327	(4,194)
Insurance of goods in transport	5,218	5,177	2,872	1,099	882	608
Insurance of property against fire and allied perils	156,729	150,898	78,630	37,637	25,346	20,689
Other property insurances	81,887	64,167	16,881	19,529	10,389	14,008
Motor third-party liability insurance	126,078	118,263	23,576	25,690	20,752	4,335
Aviation third-party liability insurance	240	248	1,067	25	37	(838)
Shipowners' liability insurance	5,030	4,938	571	1,166	849	1,431
Other liability insurances	131,227	98,791	69,545	17,163	16,910	(2,019)
Credit insurance	4,106	4,109	213	390	701	2,229
Suretyship insurance	240	315	(9)	32	53	-
Insurance of financial losses	21,389	20,251	11,095	3,708	3,438	9,285
Travel insurance	29,40	26,889	7,925	5,001	4,555	7,593
Total non life	**798,606**	**702,683**	**327,285**	**158,396**	**119,340**	**55,576**
Life assurance business						
Traditional life	250,396	250,397	254,910	10,427	31,547	304
Annuity contracts	2,554	2,554	7,781	778	12,403	-
Supplementary insurance	30,254	29,953	2,480	2,977	3,408	1,618
Unit linked and index-linked	280,236	280,103	319,926	8,865	13,170	109
Total life	**563,440**	**563,007**	**585,097**	**23,047**	**60,528**	**2,031**
Grand total	**1,362,046**	**1,265,690**	**912,382**	**181,443**	**179,868**	**57,606**

Acquisition costs and administrative expenses for the Group and the Company are different due to different classification and allocations. For simplicity reasons, the above table is presented only once, with acquisition costs and administrative expense figures for the Company, as only those relate to insurance business.

1.23 Premiums (continued)

Analysis by class of business (continued)

Group and Company

2018	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1.28) HRK'000	Administrative expenses (Note 1.29) HRK'000	Ceeded contribution HRK'000
Non-life insurance business						
Personal accident insurance	53,738	53,150	7,922	14,277	8,695	(114)
Health insurance	24,192	18,251	7,312	2,837	3,137	(1,256)
Insurance of motor vehicles - full comprehensive motor (casco)	94,101	93,919	64,127	19,598	15,627	14
Full comprehensive motor insurance (casco) of track	530	938	1,850	201	157	500
Hull insurance of aircrafts	358	203	45	20	87	(108)
Marine and inland marine hull insurance	11,599	12,201	2,131	2,470	2,066	(3,494)
Insurance of goods in transport	6,081	6,309	1,932	1,154	1,009	(980)
Insurance of property against fire and allied perils	141,348	137,742	48,741	34,192	22,665	(30,518)
Other property insurances	56,893	50,761	39,345	18,627	9,991	14,388
Motor third-party liability insurance	113,801	117,340	50,050	21,610	19,964	(4,359)
Aviation third-party liability insurance	239	135	(7)	12	63	(114)
Shipowners' liability insurance	4,539	4,826	(6,411)	1,139	801	(6,316)
Other liability insurances	94,896	78,540	32,968	12,806	14,009	(16,348)
Credit insurance	3,484	3,001	711	271	515	(2,622)
Suretyship insurance	335	280	14	33	47	-
Insurance of financial losses	20,007	19,635	5,989	3,476	3,270	(9,690)
Travel insurance	25,183	24,784	4,714	4,510	4,104	(8,440)
Total non life	**651,324**	**622,015**	**261,433**	**137,233**	**106,207**	**(69,457)**
Life assurance business						
Traditional life	269,795	269,796	231,900	13,198	30,271	658
Annuity contracts	7,096	7,096	7,890	993	8,523	-
Supplementary insurance	32,070	31,037	3,256	3,153	2,818	(1,440)
Unit linked and index-linked	205,615	205,304	178,770	8,798	13,870	5
Total life	**514,576**	**513,233**	**421,816**	**26,142**	**55,482**	**(777)**
Grand total	**1,165,901**	**1,135,249**	**683,250**	**163,375**	**161,691**	**(70,234)**

1.24 Fee and commission income

	Group 2019 HRK'000	Group 2018 HRK'000	Company 2019 HRK'000	Company 2018 HRK'000
Fee income				
Fund management based fees	**4,270**	3,586	**2,371**	2,055
Commission income				
Reinsurance commission	**5,907**	5,422	**5,907**	5,422
Total fee and commission income	**10,177**	9,008	**8,278**	7,477

1.25 Financial income

	Group 2019 HRK'000	Group 2018 HRK'000	Company 2019 HRK'000	Company 2018 HRK'000
Interest income:				
- Available for sale	**87,445**	92,719	**86,016**	90,759
- Held-to-maturity	**33,398**	34,295	**32,198**	33,396
- Loans and receivables	**1,830**	1,491	**1,754**	1,408
	122,673	*128,505*	***119,968***	*125,563*
Dividend income	**12,951**	14,970	**10,768**	13,073
Rental income from investment property	**1,498**	1,759	**1,498**	1,759
Net realised gains from available-for-sale financial assets (Note 1.22c)	**724**	17,214	**9,408**	14,930
Net realised gains from fair-value-through-P&L assets	**85,322**	-	**63,803**	-
Net income from the sale of building	-	476	-	476
Reversal of impairment losses on loans	-	6	-	6
Total financial income	**223,168**	162,930	**205,445**	155,807

Company

	Non-life 2019 HRK'000	Life 2019 HRK'000	Total 2019 HRK'000	Non-life 2018 HRK'000	Life 2018 HRK'000	Total 2018 HRK'000
Net financial income						
Income from assets backing equity	4,174	62,518	66,692	3,363	(70)	3,293
Income from assets backing life assurance provision	-	104,646	104,646	-	119,242	119,242
Income from assets backing other technical provisions	29,909	4,198	34,107	30,190	3,082	33,272
	34,083	171,362	205,445	33,553	122,254	155,807

1.26 Other operating income

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Service claims	**3,226**	4,712	**3,014**	3,418
Foreign exchange translation gains arising on insurance contract receivables and payables	**164**	97	**163**	97
IT Services	**2,361**	1,808	**-**	-
Other	**4,335**	5,866	**3,765**	4,730
	10,086	12,483	**6,942**	8,245

1.27 Net policyholder claims and benefits incurred

	Group and Company 2019 HRK'000	Group and Company 2018 HRK'000
Non-life insurance		
Claims paid		
Gross amount	**347,033**	305,619
Reinsurers' share	**(36,430)**	(39,259)
Change in notified outstanding claims reserve		
Gross amount	**(5,146)**	(27,072)
Reinsurers' share	**(2,434)**	31,104
Change in incurred but not reported claims reserve		
Gross amount	**(15,184)**	(15,282)
Reinsurers' share	**(3,943)**	251
Change in other technical provisions		
Gross amount	**582**	(1,831)
Reinsurers' share	**-**	1
Total gross claims incurred from non-life insurance	**327,285**	261,434
Total reinsurance share in claims incurred from non-life insurance	**(42,807)**	(7,903)
Total net claims incurred from non-life insurance	**284,478**	253,530
Life assurance		
Claims paid (benefits and surrenders)		
Gross amount	334,305	287,836
Reinsurers' share	(575)	(933)
Claims paid for unit linked products, gross and net	22,928	46,287
Change in life assurance provision and provision arising from LAT	-	-
Gross amount	(83,733)	(59,730)
Reinsurers' share	2	20
Change in life assurance provision for unit linked products, gross and net	294,563	132,345
Change in notified outstanding claims reserve, gross and net	16,967	15,360
Change in incurred but not reported claims reserve	-	-
Gross amount	66	(223)
Reinsurers' share	(56)	(48)
Change in other provisions, gross and net	1	(59)
Total gross claims and benefits incurred from life assurance	585,096	421,815
Total reinsurance share in claims and benefits incurred from life assurance	(628)	(961)
Total net claims and benefits incurred from life assurance	**584,468**	420,854
Total gross claims and benefits incurred	**912,381**	683,250
Total reinsurers' share in claims and benefits incurred	**(43,435)**	(8,864)
Total non-life and life	**868,946**	674,386

1.28 Acquisition costs

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Non-life				
Commission expenses paid	**157,428**	128,185	**154,968**	125,571
Other acquisition costs paid	**21,343**	13,894	**21,343**	13,894
Changes in deferred acquisition costs (Note 1.12)	**(17,915)**	(2,232)	**(17,915)**	(2,232)
Total acquisition costs, non-life	**160,856**	139,847	**158,396**	137,233
Life				
Commission expenses paid	**19,216**	21,845	**19,216**	21,845
Other acquisition costs paid	**3,867**	4,476	**3,867**	4,476
Changes in deferred acquisition costs (Note 1.12)	**(36)**	(179)	**(36)**	(179)
Total acquisition costs, life	**23,047**	26,142	**23,047**	26,142
	183,903	165,989	**181,443**	163,375

Included within acquisition costs for the Group and the Company are internal sales staff costs amounting to HRK 31 million *(2018: HRK 27 million)*. Breakdown of total acquisition cost per line of business of the Company is also analysed in Note 1.23.

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

For 2019	**Commission HRK'000**	**Other acquisition costs HRK'000**	**Change in deferred acquisition costs (+/-) HRK'000**	**Total acquisition costs HRK'000**
Non-life insurance business				
Personal accident insurance	(11,695)	(889)	(294)	**(12,290)**
Health insurance	(4,810)	(718)	(917)	**(4,611)**
Motor hull	(24,730)	(4,500)	(2,678)	**(26,552)**
Track vehicles hull	(152)	(52)	-	**(204)**
Hull insurance of aircrafts	(46)	(9)	1	**(56)**
Marine and inland marine hull	(3,019)	(228)	-	**(3,247)**
Insurance of goods in transport	(1,052)	(94)	(46)	**(1,100)**
Insurance of property against fire and allied perils	(32,323)	(5,198)	114	**(37,635)**
Other property insurances	(24,006)	(1,790)	(6,265)	**(19,531)**
Motor third-party liability	(24,041)	(3,718)	(2,070)	**(25,689)**
Aviation third-party liability	(28)	(8)	(11)	**(25)**
Shipowners' liability insurance	(1,092)	(86)	(12)	**(1,166)**
Other liability insurances	(19,325)	(3,132)	(5,295)	**(17,162)**
Credit insurance	(318)	(72)	-	**(390)**
Suretyship insurance	(27)	(5)	-	**(32)**
Insurance of financial losses	(3,493)	(358)	(144)	**(3,707)**
Assistance (Travel insurance)	(4,812)	(486)	(298)	**(5,001)**
Total Non-life insurance business	**(154,968)**	**(21,343)**	**(17,915)**	**(158,396)**
Life insurance business				
Traditional life	(8,360)	(2,068)	-	**(10,426)**
Annuity contracts	(69)	(708)	-	**(778)**
Supplementary insurance	(2,776)	(236)	(36)	**(2,977)**
Unit linked	(8,011)	(855)	-	**(8,866)**
Total life insurance business	**(19,216)**	**(3,867)**	**(36)**	**(23,047)**
Grand total	**(174,184)**	**(25,210)**	**(17,951)**	**(181,443)**

Acquisition costs incurred by the Group members do not relate to insurance business, hence the above breakdown is presented only for the Company.

1.28 Acquisition costs (continued)

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

For 2018

	Commission	Other acquisition costs	Change in deferred acquisition costs (+/-)	Total acquisition costs
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Non-life insurance business				
Personal accident insurance	(13,500)	(811)	(35)	**(14,276)**
Health insurance	(2,975)	(453)	(591)	**(2,837)**
Motor hull	(16,524)	(1,933)	1,143	**(19,600)**
Track vehicles hull	(170)	(16)	15	**(201)**
Hull insurance of aircrafts	(17)	(4)	(1)	**(20)**
Marine and inland marine hull	(2,270)	(200)	-	**(2,470)**
Insurance of goods in transport	(1,005)	(99)	49	**(1,153)**
Insurance of property against fire and allied perils	(30,854)	(4,176)	(838)	**(34,192)**
Other property insurances	(18,930)	(1,236)	(1,539)	**(18,627)**
Motor third-party liability	(18,548)	(1,880)	1,182	**(21,610)**
Aviation third-party liability	(12)	(2)	(2)	**(12)**
Shipowners' liability insurance	(1,003)	(82)	54	**(1,139)**
Other liability insurances	(12,151)	(2,264)	(1,609)	**(12,806)**
Credit insurance	(222)	(49)	-	**(271)**
Suretyship insurance	(29)	(4)	-	**(33)**
Insurance of financial losses	(3,222)	(297)	(43)	**(3,476)**
Travel insurance	(4,140)	(388)	(18)	**(4,510)**
Total Non-life insurance business	**(125,572)**	**(13,894)**	**(2,233)**	**(137,233)**
Life insurance business				
Traditional life	(10,790)	(2,407)	-	**(13,197)**
Annuity contracts	(319)	(674)	-	**(993)**
Supplementary insurance	(3,067)	(265)	(179)	**(3,153)**
Unit linked	(7,669)	(1,129)	-	**(8,798)**
Total life insurance business	**(21,845)**	**(4,475)**	**(179)**	**(26,142)**
Grand total	**(147,416)**	**(18,370)**	**(2,411)**	**(163,375)**

1.29 Administrative expenses

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Depreciation of property and equipment (Note 1.10)	**12,475**	3,390	**12,134**	3,255
Amortisation (Note 1.13)	**18,290**	8,893	**17,599**	8,067
Staff costs	**81,138**	68,688	**76,892**	64,125
Cash-settled-share-based staff costs (Note 1.34)	**3,294**	1,337	**3,294**	1,337
Goods and services	**25,399**	39,619	**24,243**	38,700
Software maintenance costs	**24,113**	19,270	**22,510**	17,699
Other costs	**22,963**	28,031	**23,196**	28,508
	187,672	169,228	**179,868**	161,691

In 2019, the average number of employees of the Group was 387 *(2018: 340)*.

In 2019, the Group paid HRK 16,9 million *(2018: HRK 14,9 million)* of pension contributions into obligatory pension funds.1,26 *million*) and for the Company HRK 1 million (*2018: HRK 1,12 million*).

Breakdown of total administrative expenses of the Company per lines of business is also disclosed within Note 1.23.

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

For 2019	**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**
Non-life insurance business				
Personal accident insurance	(1,566)	(4,183)	(3,193)	(8,942)
Health insurance	(987)	(2,616)	(1,994)	(5,597)
Motor hull	(3,094)	(8,655)	(6,644)	(18,393)
Track vehicles hull	(21)	(58)	(44)	(123)
Hull insurance of aircrafts	(5)	(21)	(17)	(43)
Marine and inland marine hull	(440)	(1,065)	(822)	(2,327)
Insurance of goods in transport	(149)	(416)	(317)	(882)
Insurance of property against fire and allied perils	(4,287)	(11,935)	(9,124)	(25,346)
Other property insurances	(1,640)	(4,926)	(3,823)	(10,389)
Motor third-party liability	(4,063)	(9,377)	(7,315)	(20,755)
Aviation third-party liability	(6)	(17)	(14)	(37)
Shipowners' liability insurance	(153)	(394)	(302)	(849)
Other liability insurances	(3,156)	(7,716)	(6,038)	(16,910)
Credit insurance	(122)	(329)	(250)	(701)
Suretyship insurance	(9)	(25)	(19)	(53)
Insurance of financial losses	(572)	(1,626)	(1,240)	(3,438)
Travel insurance	(761)	(2,154)	(1,640)	(4,555)
Total Non-life insurance business	**(21,031)**	**(55,513)**	**(42,796)**	**(119,340)**
Life insurance business				
Traditional life	(4,535)	(12,667)	(14,346)	(31,548)
Annuity contracts	(1,783)	(4,979)	(5,640)	(12,402)
Supplementary insurance	(490)	(1,368)	(1,549)	(3,407)
Unit linked	(1,893)	(5,288)	(5,990)	(13,171)
Total life insurance business	**(8,701)**	**(24,302)**	**(27,525)**	**(60,528)**
Grand total	**(29,732)**	**(79,815)**	**(70,321)**	**(179,868)**

Administrative costs incurred by the Group members do not relate to insurance business, hence the above breakdown is presented only for the Company.

1.29 Administrative expenses (continued)

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

For 2018	**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**
Non-life insurance business				
Personal accident insurance	(803)	(3,701)	(4,192)	(8,696)
Health insurance	(290)	(1,337)	(1,508)	(3,135)
Motor hull	(1,439)	(6,632)	(7,556)	(15,627)
Track vehicles hull	(16)	(66)	(75)	(157)
Hull insurance of aircrafts	(3)	(21)	(64)	(88)
Marine and inland marine hull	(187)	(833)	(1,045)	(2,065)
Insurance of goods in transport	(91)	(430)	(488)	(1,009)
Insurance of property against fire and allied perils	(2,048)	(9,629)	(10,988)	(22,665)
Other property insurances	(768)	(3,756)	(5,468)	(9,992)
Motor third-party liability	(2,109)	(8,271)	(9,588)	(19,968)
Aviation third-party liability	(3)	(14)	(46)	(63)
Shipowners' liability insurance	(76)	(340)	(385)	(801)
Other liability insurances	(1,333)	(5,616)	(7,061)	(14,010)
Credit insurance	(50)	(218)	(248)	(516)
Suretyship insurance	(4)	(20)	(23)	(47)
Insurance of financial losses	(289)	(1,397)	(1,584)	(3,270)
Travel insurance	(364)	(1,758)	(1,981)	(4,103)
Total Non-life insurance business	**(9,873)**	**(44,039)**	**(52,300)**	**(106,207)**
Life insurance business	(773)	(11,564)	(17,935)	(30,270)
Traditional life	(20)	(3,333)	(5,171)	(8,524)
Annuity contracts	(88)	(1,070)	(1,660)	(2,818)
Supplementary insurance	(570)	(5,212)	(8,088)	(13,870)
Unit linked				
Total life insurance business	**(1,451)**	**(21,179)**	**(32,854)**	**(55,482)**
Grand total	**(11,324)**	**(65,218)**	**(85,154)**	**(161,689)**

1.30 Other operating expenses

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Health care charges from functional premiums	**4,237**	3,043	**4,237**	3,043
Charges for guarantee fund	**830**	576	**830**	576
Fire brigade contributions	**1,278**	459	**1,278**	459
Impairment losses/(reversal) of other receivables (Note 1.18)	**220**	(155)	**220**	(155)
Other charges	**5,280**	8,773	**5,280**	8,917
	11,845	12,696	11,845	12,840

1.31 Financial expenses

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Depreciation of investment property (Note 1.11)	**1,249**	1,249	**1,249**	1,249
Impairment losses on financial assets available for sale (1.22c)	**47**	18,480	**2**	18,435
Impairment losses / (reversal) on loans to customers (Note 1.15a)	**72**	(7,150)	**72**	(7,150)
Net losses on financial assets at fair value through profit or loss	**-**	14,633	**-**	11,558
Other expenses	**2,134**	1,568	**3,814**	3,683
Allocation (from)/to investment fund non-controlling unitholders	**13,453**	663	**-**	-
	16,955	29,443	**5,137**	27,775

Company

	Non-life 2019 HRK'000	**Life 2019 HRK'000**	**Total 2019 HRK'000**	Non-life 2018 HRK'000	Life 2018 HRK'000	Total 2018 HRK'000
Financial expenses						
Expenses from assets backing equity	1,337	-14	1,323	2,059	10,475	12,534
Expenses from assets backing life assurance provision	0	2,997	2,997	683	14,396	15,079
Expenses from assets backing other technical provisions	745	72	817	80	82	162
	2,082	**3,055**	**5,137**	2,822	24,953	27,775

1.32 Net foreign exchange translation gains/losses on financial assets

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Net foreign exchange translation gains/losses on financial assets:				
- Held-to-maturity	**1.569**	(6,522)	1.569	(6,522)
- Available for sale	**7.425**	(25,270)	7.264	(24,937)
- Fair value through profit or loss	**31**	(41)	31	(41)
- Loans and receivables	**81**	(141)	81	(141)
- Current accounts	**158**	(568)	177	(352)
	9,264	(32,542)	**9,122**	(31,993)

Company

	Non-life 2019 HRK'000	**Life 2019 HRK'000**	**Total 2019 HRK'000**	Non-life 2018 HRK'000	Life 2018 HRK'000	Total 2018 HRK'000
Net foreign exchange translation gains/losses on financial assets						
Expenses from assets backing equity	35	179	214	(85)	(161)	(246)
Expenses from assets backing life assurance provision	-	8,434	8,434	-	(30,469)	(30,469)
Expenses from assets backing other technical provisions	240	234	474	(887)	(391)	(1,278)
	275	**8,847**	**9,122**	(972)	(31,021)	(31,993)

1.33 Income taxes

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Current tax expense	**24,954**	31,459	**24,787**	31,350
Deferred tax expense/(credit) (Note 1.17)	**701**	(5,061)	**701**	(5,061)
Total income tax expense	**25,655**	26,398	**25,488**	26,289

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

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Accounting profit for the period before income taxes	**142,321**	150,875	**141,288**	150,207
Income tax at 18% (2018: 18%)	**(28,508)**	(27,158)	(28,310)	(27,037)
Non-deductible expenses	**(1,470)**	(3,435)	(1,382)	(3,290)
Non-taxable income	4,727	4,797	4,610	4,697
Correction tax from previous years	(405)	(659)	(405)	(659)
Utilization of income tax losses previously not recognised as deferred tax asset	-	57	-	-
Total income tax expense	**(25,655)**	(26,398)	**(25,488)**	(26,289)
Effective income tax rate	**18%**	17.5%	**18%**	17.5%

Income tax recognised in other comprehensive income:

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
On available-for-sale financial assets				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.22c; 1.17)	**701**	(5,061)	**701**	(5,061)

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

	Group 2019 HRK'000	Group 2018 HRK'000
31 December 2022	**438**	317
	438	317

1.34 Share based payments

The Group and the Company

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.

	Number of items	**Fair value at grant date EUR per option**	**Fair value at 31 December 2019 EUR per option**	**Fair value at 31 December 2019 HRK '000**	**End of vesting period**
AEI 2016/RSU	1,041	218,4	227,35	1,692	28.02.2020
AEI 2017/RSU	937	208,86	195,70	1,456	05.03.2021
AEI 2018/RSU	1442	198,55	286,31	2,130	04.03.2022
AEI 2019/RSU	1,571	187,59	294,70	2,193	03.03.2023

	Number of items	**Fair value at grant date EUR per option**	**Fair value at 31 December 2018 EUR per option**	**Fair value at 31 December 2018 HRK '000**	**End of vesting period**
AEI 2015/RSU	866	126,30	175,12	1,124	06.03.2019
AEI 2016/RSU	1,041	110,67	166,23	1,283	28.02.2020
AEI 2017/RSU	886	135,40	156,63	1,029	05.03.2021
AEI 2018/RSU	1182	148,65	146,32	1,282	04.03.2022

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 6,172 thousand at 31 December 2019 *(2018: HRK 4,084 thousand)* (Note 1.21), while expense recognised in 2019 amounted to HRK 3,294 thousand *(2018: HRK 1,337 thousand)* (Note 1.29).

1.35 Leases

	Group	Group	**Company**	Company
	31.12.2019	1.1.2019	**31.12.2019**	1.1.2019
	HRK'000	HRK'000	**HRK'000**	HRK'000
Short term portion	**16,221**	9,964	**16,221**	9,964
Long term portion	**52,075**	67,406	**52,075**	67,406
Total lease liabilities	**68,296**	77,370	**68,296**	77,370

1.36 Related parties

The Company is the parent of the Allianz Hrvatska Group. The key shareholder of the Company and of the Group is Allianz New Europe Holding GmbH, Austria with holdings of 83.2% *(2018: 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 han 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 41,665 million *(2018: HRK 103.8 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 2019, gross written premium acquired through the Zagrebačka banka Group distribution channels amounted HRK 417.9 million (*2018: HRK* 353.2 *million*). Commission paid to Zagrebačka banka Group relating to bank assurance sales amounted to HRK 24.4 million (*2018: HRK 24.7 million*).

Zagrebačka banka Group has property, motor, life and personal lines insurance policies with the Company. Policies written for Zagrebačka banka Group during 2019 amounted to HRK 24.5 million *(2018: HRK 26.3 million)* of gross written premiums.

In 2018, the Company signed a 15 years exclusive distribution contract with Zagrebačka banka d.d. and Unicredit bank in Slovenia under the umbrella of the Allianz & Unicredit regional partnership.

(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 2019, amounted to HRK 16 million *(2018: HRK 13 million)*, including fixed salary, accrued bonuses for 2019 and life assurance premiums paid by the Group. Out of this amount HRK 1.142 thousand (*2018: HRK 728,7 thousand*) relate to pension contributions. Value of units in the Group investment funds owned by Management Board at 31 December 2019 amounted to HRK 735 thousand (*31 December 2018: HRK 2,776 thousand*).

Liabilities for share based remuneration to management as at 31 December 2019 amounted to HRK 6,172 thousand *(31 December 2018: HRK 4,084 thousand)*, while expense recognised in 2019 amounted to HRK 3,294 thousand *(2018: HRK 1,337 thousand)* (please refer to Note 1.34).

1.36 Related parties (continued)

(c) Relationship with Allianz SE, Munich

Liabilities to Allianz SE, Munich as at 31 December 2019 amounted to HRK 1.676 thousand *(31 December 2018: HRK 2.326 thousand)*, while expense recognised in 2019 amounted to HRK 3.763 thousand *(2018: HRK 4.447 thousand)* and relate to group charges for services provided.

(d) 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:

	Company 2019 HRK'000	Company 2018 HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of year	**13,804**	56,482
Reinsurance premiums ceded during the year	123,428	31,005
Reinsurance premiums paid during the year	(110,699)	(73,683)
Reinsurance premiums payable at the year end	**26,533**	13,804
Reinsurance recoveries:		
At the beginning of the year	**18,415**	12,285
Invoiced during the year	32,032	36,395
Received during the year	(29,491)	(30,265)
Outstanding at the year end	**20,956**	18,415
Reinsurance commission:		
At the beginning of the year	**484**	2,469
Invoiced during the year	5,019	2,173
Received during the year	(4,300)	(4,158)
Outstanding at the year end	**1,203**	484

(e) Relationship with subsidiaries of the Company

Receivables from AZ Servisni Centar d.o.o. as at 31 December 2019 amounted to HRK 284 thousand *(31 December 2018: HRK 407 thousand)*, while income recognised in 2019 amounted to HRK 88 thousand *(2018: HRK 89 thousand)* and relate to sublease of office space. Liabilities to AZ Servisni Centar d.o.o. as at 31 December 2019 amounted to HRK 101 thousand *(31 December 2018: HRK 145 thousand)*, while expense recognised in 2019 amounted to HRK 372 thousand *(2018: HRK 532 thousand)* and relate to IT services provided.

Receivables from Autoelektro tehnički pregledi d.o.o. as at 31 December 2019 amounted to HRK 2,637 thousand *(31 December 2018: HRK 2,738 thousand)*, while income recognised in 2019 amounted to HRK 161 thousand *(2018: HRK 167 thousand)* and relates to the loan given.

Open receivables from Allianz Invest d.o.o. as at 31 December 2019 amounted 187 thousand HRK *(31 December 2018: HRK 488 thousand)*, while income recognised in 2019 amounted to HRK 20 thousand *(2018: HRK 233 thousand)* and relate to sublease of office space. Liabilities to Allianz Invest d.o.o. as at 31 December 2019 amounted 179 thousand *(31 December 2018: 0 HRK)*, while expense recognised in 2019 amounted to HRK 1,720 thousand *(2018: HRK 2,150 thousand)* and relate to management fee.

1.36 Related parties (continued)

Group 2019	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel (including remuneration)	201	3,950	1,130	16,209
Ultimate parent company				
Allianz SE. Munich	161,545	1,676	172,779	176,542
Owners				
Zagrebačka banka d.d.	53,753	11,423	35,911	27,967
Related companies				
Other subsidiaries of Allianz SE Group - Reinsurers	22,105	16,781	36,906	111,985
Other related companies	16	5,035	573	19,754
	354,740	42,461	256,650	366,159

Company 2019	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel (including remuneration)	169	2,820	-	14,555
Ultimate parent company				
Allianz SE. Munich	13	1,676	-	3,763
Owners				
Zagrebačka banka d.d.	41,664	-	24,488	27,941
Subsidiaries				
AZ Servisni Centar d.o.o.	284	101	88	372
Allianz Short Term Bond, open-ended investment fund	85,780	-	28	-
Alianz Portfolio, open-ended investment fund	11,177	-	1,342	-
Allianz Equity, open-ended investment fund	11,417	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,637	-	161	-
Allianz Invest d.o.o.	187	179	20	1,720
Related companies				
Other subsidiaries of Allianz SE Group - Reinsurers	22,105	16,781	36,906	111,985
Other related companies	16	5,035	573	19,754
	175,448F	**26,593**	**63,607**	**180,089**

1.36 Related parties (continued)

Group 2018	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel (including remuneration)	2,776	6,991	-	12,962
Ultimate parent company				
Allianz SE, Munich	-	2,326	-	4,447
Owners				
Zagrebačka banka d.d.	269,502	-	26,379	28,807
Related companies				
Other subsidiaries of Allianz SE Group - Reinsurers	19,194	13,804	40,352	79,250
Other related companies	18	4,926	2,321	22,722
	291,490	**28,047**	**69,052**	**148,188**

Company 2018	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel (including remuneration)	2,295	3,367	-	11,029
Ultimate parent company				
Allianz SE, Munich	-	2,326	-	4,447
Owners				
Zagrebačka banka d.d.	260,300	-	26,379	28,799
Subsidiaries				
AZ Servisni Centar d.o.o.	407	145	89	532
Alianz Cash, open-ended investment fund	103,914	-	38	-
Alianz Portfolio, open-ended investment fund	57,294	-	-	112
Allianz Equity, open-ended investment fund	9,622	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,738	-	167	-
Allianz Invest d.o.o.	488	-	233	2,150
Related companies				
Other subsidiaries of Allianz SE Group - Reinsurers	19,194	13,804	40,352	79,250
Other related companies	18	4,926	2,321	22,722
	456,270	**24,568**	**69,579**	**149.041**

1.37 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.

1.37 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 223,957 thousand (*2018: loss of HRK* 179,999 *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 134,387 thousand (*2018: gain of HRK* 86,716 *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 38,348 thousand (*2018: loss of HRK* 40,195 *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 38,348 thousand (*2018: gain of HRK* 40,195 *thousand*).

Note 1.39 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 or loss after tax 2019 HRK'000**	**Impact on other comprehensive income after tax 2019 HRK'000**	Impact on profit or loss after tax 2018 HRK'000	Impact on other comprehensive income after tax 2018 HRK'000
Change in price by ± 3%	**19,766/(19,766)**	**3,001/(3,001)**	15,446/(15,446)	2,663/(2,663)
Change in price by ± 5%	**32,943/(32,943)**	**5,002/(5,002)**	25,743/(25,743)	4,439/(4,439)

Company	**Impact on profit or loss after tax 2019 HRK'000**	**Impact on other comprehensive income after tax 2019 HRK'000**	Impact on profit or loss after tax 2018 HRK'000	Impact on other comprehensive income after tax 2018 HRK'000
Change in price by ± 3%	**17,911/(17,911)**	**2,727/(2,727)**	15,286/(15,286)	2,432/(2,432)
Change in price by ± 5%	**29,852/(29,852)**	**4,546/(4,546)**	25,477/(25,477)	4,054/(4,054)

1.37 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 1.40 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.

Group EUR / HRK rate	**Impact on profit or loss after tax** **2019** **HRK'000**	**Impact on other comprehensive income after tax** **2019** **HRK'000**	Impact on profit or loss after tax 2018 HRK'000	Impact on other comprehensive income after tax 2018 HRK'000
Change in fx rate by ± 1%	23,126/(23,126)	2,702/(2,702)	(809)/809	(2,890)/2,890
Change in fx rate by ± 2%	46,252/(46,252)	5,404/(5,404)	(1,617)/1,617	(5,781)/5,781

Company EUR / HRK rate	**Impact on profit or loss after tax** **2019** **HRK'000**	**Impact on other comprehensive income after tax** **2019** **HRK'000**	Impact on profit or loss after tax 2018 HRK'000	Impact on other comprehensive income after tax 2018 HRK'000
Change in fx rate by ± 1%	580/(580)	2,702/(2,702)	(898)/898	(2,890)/2,890
Change in fx rate by ± 2%	1,159/(1,159)	5,404/(5,404)	(1,796)/1,796	(5,781)/5,781

These movements would be offset by the opposite movements in the liabilities. Currency structure of asset and liability is shown in detail in 1.42

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.

1.37 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:

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Government bonds and bonds issued by local authorities	**2,626,416**	2,665,756	**2,456,563**	2,577,644
Treasury bills	**-**	-	**-**	-
Accrued interest on Government bonds and bonds issued by local authorities	**37,332**	39,533	**37,320**	39,533
	2,663,748	2,705,289	**2,493,883**	2,617,177

The total exposure to Croatian state risk represents 45% of the total assets of the Group (*2018: 52%*) and 44% of the Company *(2018: 51%)*.

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

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Debt securities				
Available for sale (Note 1.15c)	**3,150,468**	2,673,980	**3,150,468**	2,673,464
Held to maturity (Note 1.15c)	**351,054**	609,477	**293,449**	577,970
Loans and receivables				
Deposits with credit institutions (Note 1.15c)	6,232	12,552	6,232	12,552
Loans (Note 1.15c)	32,899	19,117	35,795	22,725
Foreign corporate bonds backing index linked products (Note 1.15c)	**8,621**	8,620	**8,621**	8,620
Cash and cash equivalents (Note 1.19)	**147,412**	282,505	**62,669**	88,418
Insurance receivables and other assets (Note 1.18)	**303,737**	178,467	**304,017**	178,230
Reinsurers' share of insurance contract liabilities (Note 1.16)	**160,194**	126,423	**160,194**	126,423
Total assets bearing credit risk	**4,160,617**	4,033,801	**4,021,445**	3,697,021

1.37 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.

	Group 2019 HRK'000	Group 2018 HRK'000	**Company 2019 HRK'000**	Company 2018 HRK'000
Debt securities				
AAA	178,738	260,091	178,738	260,091
AA¸	90,179	79,995	90,179	79,995
A	330,968	277,444	330,968	277,444
BBB	238,012	13,987	238,012	13,987
BB	-		-	
BB+	2,820,372	2,768,139	2,614,640	2,622,075
Not rated	-	6,461	-	6,461
Total debt securities	**3,658,271**	3,406,117	**3,452,539**	3,260,053
Loans and receivables				
Below BBB or not rated	39,131	31,669	42,027	35,277
Total loans and receivables	**39,131**	31,669	**42,027**	35,277
Foreign corporate bonds backing index linked products (Note 1.15c)				
A	8,621	8,620	8,621	8,620
Foreign corporate bonds backing index linked products	**8,621**	8,620	**8,621**	8,620
Cash and cash equivalents				
Below BBB or not rated	147,412	282,505	62,669	88,418
Total cash and cash equivalents	**147,412**	282,505	**62,669**	88,418
Insurance receivables and other assets				
AA	13,093	12,640	13,093	12,640
Below BBB or not rated	291,421	165,827	290,924	165,590
Total Insurance receivables and other assets	**304,514**	178,467	**304,017**	178,230
Reinsurers' share of insurance contract liabilities				
AA+		150		150
AA	52,164	94,382	52,164	94,382
AA-	32,450	17,888	32,450	17,888
A+	2,124	3,272	2,124	3,272
A	70,734	9,297	70,734	9,297
A-	-	-	-	-
Below BBB or not rated	2,722	1,434	2,722	1,434
Total reinsurance share of insurance contract liabilities	**160,194**	126,423	**160,194**	126,423
Total financial asset bearing credit risk	**4,317,367**	4,033,800	**4,030,067**	3,697,021

1.37 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 2019:

	Company 2019 HRK'000	Company 2018 HRK'000	Financial Strength Rating
Allianz Global Automotive Division	4,472	3,376	AA
Allianz SE	11,183	10,139	AA
Allianz Global Corporate & Specialty SE	1,910	2,501	AA
Jardine Lloyd Thompson Limited	1,195	1,403	NR
Other	6,303	6,786	
	25,063	24,205	

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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 1.38 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 1.20 (g) discloses the maturity analysis of the Group's and the Company's insurance contract liabilities.

1.37 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 2019:

Group

For the year ended 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Available-for-sale financial assets				
-Equity securities	75,886	-	-	**75,886**
-Debt securities	3,149,619	1,345	-	**3,150,964**
-Investment funds	87,461	242,076	-	**329,538**
Financial assets at fair value through profit or loss				
-Foreign corporate bonds backing index linked products	4,886	-	-	**4,886**
-Equity securities	71,876	-	5,402	**77,278**
-Debt securities	81,987	39,246	35	**121,267**
-Financial assets relating to share-based payments	-	-	7,473	**7,473**
-Investment funds	3,070	746,294	-	**749,364**
Total Assets	**3,474,785**	**1,028,961**	**12,910**	**4,516,656**

Group

For the year ended 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Available-for-sale financial assets				
-Equity securities	50,381	9	-	**50,390**
-Debt securities	2,667,517	6,463	-	**2,673,980**
-Investment funds	100,015	252,469	-	**352,484**
Financial assets at fair value through profit or loss				
-Foreign corporate bonds backing index linked products	4,899	-	-	**4,899**
-Equity securities	55,088	-	-	**55,088**
-Debt securities	31,568	28,242	35	**59,845**
-Financial assets relating to share-based payments	-	-	4,721	**4,721**
-Investment funds	-	593,266	-	**593,266**
Total Assets	**2,909,468**	**880,449**	**4,756**	**3,794,673**

1.37 Financial Risk Management (continued)

Fair values (continued)

Group (continued)

Group determines the fair value of financial instruments that are not traded on active market with at least one of the methods listed below, depending on asset characteristics and data available for valuation:

- Multiple (Peer group)
- Discounted Cash Flow Method

The fair value of above mentioned financial instruments is measured using different methods depending on available data. Estimated final value is calculated using the weighted average of the methods used.

Table below presents reconciliation the between initial and final state for measurement of fair value in level 3, within fair value hierarchy:

	HRK'000
As at 1 January 2018	**5,277**
Net gains recognised in profit and loss	(275)
Purchase/Sale/Expiration	(1,543)
Transfers to/from level 3	1,297
As at 31 December 2018	**4,756**
Net gains recognised in profit and loss	1,608
Purchase/Sale/Expiration	(1,135)
Transfers to/from level 3	2,244
As at 31 December 2019	**7,473**

1.37 Financial Risk Management (continued)

Fair values (continued)

Company

For the year ended 31 December 2019

Assets	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Investments in subsidiaries at fair value	-	177,540	-	**177,540**
Available-for-sale financial assets				
-Equity securities	75,886	-	-	**75,886**
-Debt securities	3,149,123	1,345	-	**3,150,468**
-Investment funds	87,462	242,076	-	**329,538**
Financial assets at fair value through profit or loss				
-Foreign corporate bonds backing index linked products	4,886	-	-	**4,886**
- Debt securities	3,735	-	-	**3,735**
-Financial assets relating to share-based payments	-	-	7,473	**7,473**
-Investment funds	-	746,294	-	**746,294**
Total Assets	**3,321,092**	**1,167,255**	**7,473**	**4,495,820**

Company

For the year ended 31 December 2018

Assets	**Level 1 HRK'000**	**Level 2 HRK'000**	**Level 3 HRK'000**	**Total HRK'000**
Investments in subsidiaries at fair value		170,830		**170,830**
Available-for-sale financial assets				
-Equity securities	50,381	9	-	**50,390**
-Debt securities	2,667,006	6,463	-	**2,673,469**
-Investment funds	100,015	252,469	-	**352,484**
Financial assets at fair value through profit or loss				
-Foreign corporate bonds backing index linked products	4,899	-	-	**4,899**
- Debt securities	3,721	-	-	**3,721**
-Financial assets relating to share-based payments	-	-	4,721	**4,721**
-Investment funds	-	588,493	-	**588,493**
Total Assets	**2,826,022**	**1,018,264**	**4,721**	**3,849,007**

At 31 December 2019, investments classified as Level 2 comprise approximately 26% (*2018: 23%*) of Group's financial assets measured as fair value on recurring basis. At 31 December 2019, investments classified as Level 2 comprise approximately 26% (*2018: 23%*) of the Company's financial assets measured as fair value onb recurring basis. Financial assets classified as Level 3 include shares relating to share-based payments for the Company and the Group and to domestic bonds for the Group in 2019.

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

None of available for sale debt securities in level 1 at year end during the year were included in level 2 *(2018: HRK 0)*. None of available for sale equity securities in level 1 at the year end *(2018: 0)* were included in level 2 during the year. There were no available for sale equity securities in level 2 at the year end *(2018: HRK 0)* that were included in level 1 during the year. Available for sale debt securities in level 2 at year end in the amount of HRK 1,325 thousand *(2018: HRK 6,126 thousand)* were included in level 1 during the year.

1.37 Financial Risk Management (continued)

Fair values (continued)

There were no available for sale debt securities at year end *(2018: -)* and available for sale equity securities at year end *(2018: -)* that were during the year directly included in level 2.

Group	2019		2018	
	Book value	**Fair value**	Book value	Fair value
	HRK '000	**HRK '000**	HRK '000	HRK '000
Held-to-maturity investments	351,055	306,600	609,477	631,284
Available for sale financial assets	3,556,388	3,556,388	3,076,853	3,076,853
Financial assets at fair value through profit or loss	960,268	960,268	717,820	717,820
Loans and receivables	39,131	39,131	31,669	31,669
	4,906,842	**4,862,387**	4,435,819	4,457,626
Investment property	25,363	37,770	26,607	37,770
	4,932,205	**4,900,157**	4,462,425	4,495,395
Financial liabilities (including liabilities to investment funds non-controlling unitholders)	**(237,082)**	**(237,082)**	(301,161)	(301,161)

Company				
Held-to-maturity investments	293,449	306,599	577,970	621,980
Available for sale financial assets	3,555,892	3,555,892	3,076,337	3,076,337
Financial assets at fair value through profit or loss	762,388	762,388	601,834	601,834
Loans and receivables	42,027	42,027	35,277	35,277
	4,653,756	**4,666,906**	4,291,418	4,335,428
Investments in subsidiaries at cost	5,688	5,688	5,688	5,688
Investments in subsidiaries at fair value	171,852	171,852	170,830	170,830
Investment property	25,363	37,770	26,607	37,770
	4,856,659	**4,882,216**	4,494,543	4,549,716
Financial liabilities	**(228,388)**	**(228,388)**	(133,092)	(133,092)

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.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.

Fair value of investment property is determined by inputs for the valuation of asset that are not based on observable market data therefore these would be classified as level 3 within fair value hierarchy.The fair value of investment property is derived primarily through the income method. The most significant inputs in this valuation were price or rent income per square meter, which were generated on the basis of comparable real estate in the immediate vicinity and which were then adjusted to the differences in key attributes.

The increase in the estimated capitalization rate, the unit building cost and the average price per sqm +/- 1%, without changing the other variables, would have an impact on the increase (decrease) in the fair value of real estate investments of +/- HRK 379 thousand.

1.37 Financial Risk Management (continued)

Capital management

In 2016 new Solvency II regulatory came into force.

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 31 December 2019 and 2018, 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. At the reporting date, Solvency II figures as at 31 December 2019 are not yet audited.

	Unaudited 31.12.2019. HRK'000 Company	31.12.2018. HRK'000 Company
Basic own funds	849,357	1,032,880
Ordinary share capital	101,722	101,722
Share premium account related to ordinary share capital	112,001	112,001
Reconciliation reserve	635,634	819,157
Excess of assets over liabilities	1,023,181	1,178,686
Total assets	5,344,819	4,861,616
Total liabilities	4,321,638	3,682,930
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	173,826	145,806
Other basic own fund items	213,723	213,723
Ancillary own funds	-	-
Total available own funds to meet the SCR	849,357	1,032,880
Total available own funds to meet the MCR	849,357	1,032,880
SCR	457,339	452,258
MCR	205,803	193,348
Ratio of Eligible own funds to SCR	186%	228%
Ratio of Eligible own funds to MCR	413%	534%

Due to the decision of the Croatian financial services supervisory agency (HANFA) from 26th of March 2020 the dividend payment for insurance companies in Croatia is forbidden till 30th of April 2021. The decision is a preventive measure to keep stability and financial resistance of insurance companies due to extraordinary environment caused by the COVID 19 pandemic.
The solvency ratio, with excluding the foreseeable dividend of 173,826 thousand HRK, on 31st December 2019, would amount to 224%.

1.38 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Group and the Company at 31 December 2019 and 31 December 2018 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 1.21 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 – 2019

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
Held-to-maturity investments	**232,828**	**-**	**-**	**97,312**	**20,916**	**351,056**
Debt securities	232,828	-	-	97,312	20,916	351,056
Available-for-sale financial assets	**136,492**	**329,538**	**216,436**	**684,650**	**2,189,272**	**3,556,388**
Debt securities	136,492	-	140,551	684,650	2,189,272	3,150,965
Equity securities	-	-	75,885	-	-	75,885
Investment funds	-	329,538	-	-	-	329,538
Financial assets at fair value through profit or loss	**136,151**	**746,294**	**4,643**	**7,015**	**66,165**	**960,268**
Debt securities	49,225	-	3,186	2,691	66,165	121,267
Equity securities	77,278	-	-	-	-	77,278
Foreign corporate bonds backing index linked products	4,886	-	-	-	-	4,886
Shares relating to share-based payments	1,692	-	1,457	4,324	-	7,473
Investment funds	3,070	746,294	-	-	-	749,364
Loans and receivables	**13,188**	**3,679**	**2,201**	**2,749**	**17,314**	**39,131**
Deposits with banks	6,003	-	229	-	-	6,232
Loans to customers	7,185	3,679	1,972	2,749	17,314	32,899
Reinsurers' share of insurance ontract liabilities	24,498	29,437	36,137	57,573	12,550	**160,195**
Receivables	**261,955**	**11,543**	**31,018**	**-**	**-**	**304,516**
Cash and cash equivalents	**147,412**	**-**	**-**	**-**	**-**	**147,412**
Total financial assets	**952,524**	**1,120,491**	**290,435**	**849,299**	**2,306,216**	**5,518,966**
Financial liabilities						
Liabilities to investment funds	-	-	-	-	-	-
Payables	130,925	-	1,137	-	-	132,061
Other liabilities	36,725	-	-	-	-	36,725
Lease liabilities	5,407	10,814	21,112	29,366	1,597	68,296
Financial liabilities	**173,057**	**10,814**	**22,249**	**29,366**	**1,597**	**237,083**
Maturity gap	**779,467**	**1,109,677**	**268,184**	**819,933**	**2,304,621**	**5,281,882**

1.38 Maturity analysis (continued)

Group – 2018

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
Held-to-maturity investments						
Debt securities	-	284,203	233,565	75,837	15,872	**609,477**
Available-for-sale financial assets						
Debt securities	-	46,114	144,911	646,064	1,836,890	**2,673,979**
Equity securities	-	-	50,390	-	-	**50,390**
Investment funds	-	352,484	-	-	-	**352,484**
Financial assets at fair value through profit or loss						
Debt securities	3,720	-	20,067	22,410	14,059	**60,256**
Equity securities	54,677	-	-	-	-	**54,677**
Foreign corporate bonds backing index linked products	4,899	-	-	-	-	**4,899**
Shares relating to share-based payments	1,125	-	2,313	1,283	-	**4,721**
Investment funds	4,773	588,493	-	-	-	**593,266**
Loans and receivables						
Deposits with banks	12,292	-	261	-	-	**12,553**
Loans to customers	5,376	3,910	2,107	3,483	4,240	**19,116**
Reinsurers' share of insurance contract liabilities	28,192	30,549	30,731	30,616	6,335	**126,423**
Receivables	154,126	22,956	1,385	-	-	**178,467**
Cash and cash equivalents	282,505	-	-	-	-	**282,505**
Total financial assets	**551,685**	**1,328,709**	**485,730**	**779,693**	**1,877,396**	**5,023,213**
Financial liabilities						
Liabilities to investment funds	159,238	-	-	-	-	**159,238**
Payables	99,591	-	1,238	-	-	**100,829**
Other liabilities	41,093	-	-	-	-	**41,093**
Financial liabilities	**299.922**	**-**	**1,238**	**-**	**-**	**301,160**
Maturity gap	**251,763**	**1,328,709**	**484,492**	**779,693**	**1,877,396**	**4,722,053**

1.38 Maturity analysis (continued)

Company – 2019

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
Investments in subsidiaries					**177,540**	**177,540**
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	160,435	160,435
AFS	-	-	-	-	11,417	11,417
Held-to-maturity investments	**232,828**	**-**	**-**	**60,621**	**-**	**293,449**
Debt securities	232,828	-	-	60,621	-	293,449
Available-for-sale financial assets	**136,492**	**329,538**	**216,437**	**684,650**	**2,188,775**	**3,555,892**
Debt securities	136,492	-	140,551	684,650	2,188,775	3,150,468
Equity securities	-	-	75,886	-	-	75,886
Investment funds	-	329,538	-	-	-	329,538
Financial assets at fair value through profit or loss	**10,313**	**746,294**	**1,457**	**4,324**	**-**	**762,388**
Debt securities	3,735	-	-	-	-	3,735
Foreign corporate bonds backing index linked products	4,886	-	-	-	-	4,886
Shares relating to share-based payments	1,692	-	1,457	4,324	-	7,473
Investment funds	-	746,294	-	-	-	746,294
Loans and receivables	**13,188**	**3,679**	**2,485**	**2,749**	**19,926**	**42,027**
Deposits with banks	6,003	-	229	-	-	6,232
Loans to customers	7,185	3,679	2,256	2,749	19,926	35,795
Reinsurers' share of insurance contract liabilities	24,498	29,437	36,137	57,573	12,550	**160,195**
Receivables	261,458	11,543	31,017	-	-	**304,018**
Cash and cash equivalents	62,669	-	-	-	-	**62,669**
Total financial assets	**741,446**	**1,120,491**	**287,532**	**809,917**	**2,398,791**	**5,358,177**
Financial liabilities						
Payables	130,926	-	1,137	-	-	**132,061**
Other liabilities	28,031	-	-	-	-	**28,031**
Lease liabilities	5,408	10,814	21,112	29,366	1,596	**68,296**
Financial liabilities	**164,365**	**10,814**	**22,249**	**29,366**	**1,596**	**228,388**
Maturity gap	**577,083**	**1,109,677**	**265,282**	**780,551**	**2,397,195**	**5,129,788**

1.38 Maturity analysis (continued)

Company – 2018

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
Investments in subsidiaries						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	161,208	161,208
AFS	-	-	-	-	9,622	9,622
Held-to-maturity investments						
Debt securities	-	284,203	233,565	60,202	-	577,970
Available-for-sale financial assets						
Debt securities	-	46,114	144,911	646,064	1,836,374	2,673,463
Equity securities	-	-	50,390	-	-	50,390
Investment funds	-	352,484	-	-	-	352,484
Financial assets at fair value through profit or loss						
Debt securities	3,720	-	-	-	-	3,720
Foreign corporate bonds backing index linked products	4,899	-	-	-	-	4,899
Shares relating to share-based payments	1,125	-	2,313	1,283	-	4,721
Investment funds	-	588,493	-	-	-	588,493
Loans and receivables						
Deposits with banks	12,292	-	261	-	-	12,553
Loans to customers	5,376	3,910	2,107	4,378	6,954	22,725
Reinsurers' share of insurance contract liabilities	28,192	30,549	30,731	30,616	6,335	126,423
Receivables	153,889	22,956	1,385	-	-	178,230
Cash and cash equivalents	88,418	-	-	-	-	88,418
Total financial assets	**297,911**	**1,328,709**	**465,663**	**742,543**	**2,026,181**	**4,861,007**
Financial liabilities						
Payables	99,591	-	1,238	-	-	100,829
Other liabilities	32,263	-	-	-	-	32,263
Financial liabilities	**131,854**	**-**	**1,238**	**-**	**-**	**133,092**
Maturity gap	**166,057**	**1,328,709**	**464,425**	**742,543**	**2,026,181**	**4,727,915**

1.39 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 2019 and 31 December 2018 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 1.21 (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 – 2019

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Other*	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Held-to-maturity investments		**232,828**	**-**	**-**	**97,312**	**20,914**	**-**	**351,054**	**351,054**
Debt securities	7,91	232,828	-	-	97,312	20,914	-	351,054	351,054
Available-for-sale financial assets		**136,492**	**329,538**	**216,436**	**684,650**	**2,189,271**	**-**	**3,556,388**	**3,150,965**
Debt securities	3,81	136,492	-	140,551	684,650	2,189,271	-	3,150,965	3,150,965
Equity securities		-	-	75,886	-	-	-	75,886	
Investment funds		-	329,538	-	-	-	-	329,538	
Financial assets at fair value through profit or loss		**134,083**	**746,294**	**4,643**	**7,015**	**66,165**	**2,068**	**960,268**	**126,153**
Debt securities		49,225	-	3,186	2,691	66,165	-	121,267	121,267
Equity securities		77,278	-	-	-	-	-	77,278	
Foreign corporate bonds backing index linked products	n/a	4,886	-	-	-	-	-	4,886	4,886
Shares relating to share-based payments	n/a	1,692	-	1,457	4,324	-	-	7,473	
Investment funds		1,002	746,294	-	-	-	2,068	749,364	
Loans and receivables		**13,188**	**3,679**	**2,201**	**2,749**	**17,314**	**-**	**39,131**	**39,131**
Deposits with banks	0,60	6,003	-	229	-	-	-	6,232	6,232
Loans to customers	5,27	7,185	3,679	1,972	2,749	17,314	-	32,899	32,899
Reinsurers' share of insurance contract liabilities		24,498	29,437	36,137	57,573	12,550	-	**160,194**	
Receivables		223	-	-	-	-	304,289	**304,514**	(0)
Cash and cash equivalents		147,412	-	-	-	-	-	**147,412**	147,412
Total financial assets		**688,725**	**1,108,948**	**259,417**	**849,299**	**2,306,215**	**306,357**	**5,518,962**	**3,814,714**
Financial liabilities									
Liabilities to investment funds		-	-	-	-	-	-	-	-
Payables		-	-	-	-	-	132,061	132,061	132,061
Other liabilities		-	-	-	-	-	36,725	36,725	36,725
Lease liabilities		5,407	10,814	21,112	29,366	1,596	-	68,296	68,296
Total financial liabilities		**5,407**	**10,814**	**21,112**	**29,366**	**1,596**	**168,786**	**237,082**	**237,082**
Repricing gap		**683,318**	**1,098,134**	**238,305**	**819,933**	**2,304,619**	**137,571**	**5,281,879**	**3,577,632**

* Relates to non-interest bearing and liabilities to investment funds non-controlling unitholders

1.39 Interest rate repricing analysis (continued)

Group – 2018

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Other*	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Held-to-maturity investments									
Debt securities	6.00	-	284,202	233,565	75,837	15,872	-	609,476	609,476
Available-for-sale financial assets									
Debt securities	4.00	-	46,119	144,911	646,064	1,836,890	-	2,673,985	2,673,985
Equity securities		-	-	50,390	-	-	-	50,390	
Investment funds		-	352,484	-	-	-	-	352,484	
Financial assets at fair value through profit or loss									
Debt securities		3,721	-	20,067	22,410	14,059	-	60,257	60,257
Equity securities		31,718	-	-	-	-	22,959	54,677	
Foreign corporate bonds backing index linked products	n/a	4,899	-	-	-	-	-	4,899	4,899
Shares relating to share-based payments	n/a	1,125	-	2,313	1,283	-	-	4,721	
Investment funds		2,827	588,493	-	-	-	1,946	593,266	
Loans and receivables									
Deposits with banks	0.67	12,292	-	261	-	-	-	12,553	12,553
Loans to customers	4.06	5,275	3,950	2,128	3,489	4,275	-	19,116	19,116
Reinsurers' share of insurance contract liabilities		-	-	-	-	-	126,423	126,423	
Receivables		-	-	-	-	-	178,467	178,467	-
Cash and cash equivalents		282,505	-	-	-	-	-	282,505	282,505
Total financial assets		**344,362**	**1,275,248**	**453,635**	**749,083**	**1,871,096**	**329,795**	**5,023,218**	**3,662,791**
Financial liabilities									
Liabilities to investment funds							159,238	159,238	-
Payables		-	-	-	-	-	100,829	100,829	-
Other liabilities		157	-	-	-	-	40,936	41,093	-
Total financial liabilities		**157**	**-**	**-**	**-**	**-**	**301,003**	**301,160**	**-**
Repricing gap		**344,205**	**1,275,248**	**453,635**	**749,083**	**1,871,096**	**28,792**	**4,722,058**	**3,662,791**

* Relates to non-interest bearing and liabilities to investment funds non-controlling unitholders

1.39 Interest rate repricing analysis (continued)

Company – 2019

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non-interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
Investments in subsidiaries							**177,540**	**177,540**	
At cost	-	-	-	-	-	-	5,688	5,688	-
At fair value through P&L	-	-	-	-	-	-	160,435	160,435	-
AFS	-	-	-	-	-	-	11,417	11,417	-
Held-to-maturity investments		**232,828**	**-**	**-**	**60,621**	**-**	**-**	**293,449**	**293,449**
Debt securities	6,00	232,828	-	-	60,621	-	-	293,449	293,449
Available-for-sale financial assets		**136,492**	**329,538**	**216,437**	**684,650**	**2,188,775**	**-**	**3,555,892**	**2,755,063**
Debt securities	4,00	136,492	-	140,551	684,650	2,188,775	-	3,150,468	2,755,063
Equity securities	-	-	-	75,886	-	-	-	75,886	-
Investment funds	-	-	329,538	-	-	-	-	329,538	-
Financial assets at fair value through profit or loss		**10,313**	**746,294**	**1,457**	**4,324**	**-**	**-**	**762,388**	**-**
Debt securities	-	3,735	-	-	-	-	-	3,735	-
Foreign corporate bonds backing index linked products	-	4,886	-	-	-	-	-	4,886	-
Shares relating to share-based payments	-	1,692	-	1,457	4,324	-	-	7,473	-
Investment funds	-	-	746,294	-	-	-	-	746,294	-
Loans and receivables		**13,188**	**3,679**	**2,485**	**2,749**	**19,926**	**-**	**42,027**	**42,027**
Deposits with banks	0,67	6,003	-	229	-	-	-	6,232	6,232
Loans to customers	4,06	7,185	3,679	2,256	2,749	19,926	-	35,795	35,795
Reinsurance share in technical provisions	-	24,498	29,437	36,137	57,573	12,550	-	**160,194**	**-**
Receivables	-	-	-	-	-	-	304,017	**304,017**	**-**
Cash and cash equivalents	-	62,669	-	-	-	-	-	**62,669**	
Total financial assets		**479,989**	**1,108,948**	**256,515**	**809,917**	**2,221,252**	**481,557**	**5,358,176**	**3,090,539**
Financial liabilities									
Payables	-	-	-	-	-	-	132,061	**132,061**	-
Other liabilities	-	-	-	-	-	-	28,031	**28,031**	-
Lease liabilities		5,408	10,814	21,112	29,366	1,596	-	**68,296**	68,296
Total financial liabilities		**5,408**	**10,814**	**21,112**	**29,366**	**1,596**	**160,092**	**228,388**	68,296
Repricing gap		**474,581**	**1,098,134**	**235,403**	**780,551**	**2,219,656**	**228,389**	**5,129,788**	3,022,243

1.39 Interest rate repricing analysis (continued)

Company – 2018

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non-interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
Investments in subsidiaries									
At cost	-	-	-	-	-	-	5,688	5,688	-
At fair value through P&L	-	-	-	-	-	-	161,208	161,208	-
AFS	-	-	-	-	-	-	9,622	9,622	-
Held-to-maturity investments									
Debt securities	5.81	-	284,202	233,565	60,202	-	-	577,969	-
Available-for-sale financial assets									
Debt securities	4.13	-	46,119	144,911	646,064	1,836,374	-	2,673,469	-
Equity securities	-	-	-	50,390	-	-	-	50,390	-
Investment funds	-	-	352,484	-	-	-	-	352,484	-
Financial assets at fair value through profit or loss									
Debt securities	-	3,721	-	-	-	-	-	3,721	-
Foreign corporate bonds backing index linked products	-	4,899	-	-	-	-	-	4,899	-
Shares relating to share-based payments	-	1,125	-	2,313	1,283	-	-	4,721	-
Investment funds	-	-	588,493	-	-	-	-	588,493	-
Loans and receivables									
Deposits with banks	0.03	12,292	-	261	-	-	-	12,553	12,553
Loans to customers	4.43	5,274	3,950	2,128	4,385	6,987	-	22,723	22,723
Reinsurance share in technical provisions	-	-	-	-	-	-	126,423	126,423	-
Receivables	-	-	-	-	-	-	178,230	178,230	-
Cash and cash equivalents		88,418						88,418	88,418
Total financial assets		**115,729**	**1,275,248**	**433,568**	**711,934**	**1,843,362**	**481,171**	**4,861,012**	**123,694**
Financial liabilities									
Payables		-	-	-	-	-	-100,829	100,829	-
Other liabilities		-	-	-	-	-	-32,263	32,263	-
Total financial liabilities		**-**	**-**	**-**	**-**	**-**	**133,092**	**133,092**	**-**
Repricing gap		**115,729**	**1,275,248**	**433,568**	**711,934**	**1,843,362**	**348,079**	**4,727,920**	**123,694**

1.40 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 2019 and 31 December 2018.

Group – 2019

	EURO	EURO linked	EURO and EURO linked total	Other foreign currencies	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Held-to-maturity investments	**-**	**220,340**	**220,340**	**-**	**130,714**	**351,054**
Debt securities	-	220,340	220,340	-	130,714	351,054
Available-for-sale financial assets	**1,550,161**	**562,802**	**2,112,963**	**-**	**1,443,425**	**3,556,388**
Debt securities	1,220,624	562,802	1,783,426	-	1,367,539	3,150,965
Equity securities	-	-	-	-	75,886	75,886
Investment funds	329,537	-	329,538	-	-	329,538
Financial assets at fair value through profit or loss	**633,394**	**-**	**633,394**	**105,779**	**221,095**	**960,268**
Debt securities	15,772	-	15,772	-	105,495	121,267
Equity securities	11,212	-	11,212	4,576	61,490	77,278
Foreign corporate bonds backing index linked products	4,886	-	4,886	-	-	4,886
Shares relating to share-based payments	7,473	-	7,473	-	-	7,473
Investment funds	594,051	-	594,051	101,203	54,110	749,364
Loans and receivables	**18,478**	**(2,921)**	**15,557**	**-**	**23,573**	**39,131**
Deposits with banks	229	-	229	-	6,002	6,232
Loans to customers	18,249	(2,921)	15,328	-	17,571	32,899
Reinsurance share in technical provisions	25,629	4,843	30,472	2,259	127,463	**160,194**
Receivables	117,968	-	117,968	2,606	183,942	**304,516**
Cash and cash equivalents	60,579	-	60,579	13,744	73,089	**147,412**
Total financial assets	**2,406,209**	**785,064**	**3,191,273**	**124,388**	**2,203,302**	**5,518,965**
Insurance liabilities						
Financial liabilities						
Liabilities to investment funds						
Payables	29,604	-	29,604	351	102,106	**132,061**
Other liabilities	21	-	21	-	36,704	**36,725**
Lease liabilities	68,056	-	68,056	-	240	68,296
Financial liabilities	**97,681**	**-**	**97,681**	**351**	**139,051**	**237,082**
Currency gap on financial assets and financial liabilities	**2,308,528**	**785,064**	**3,093,592**	**124,037**	**2,064,251**	**5,281,883**

1.40 Currency risk analysis (continued)

Group – 2018

	EURO	EURO linked	EURO and EURO linked total	Other foreign currencies	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Held-to-maturity investments						
Debt securities	-	504,515	504,515	-	104,962	609,477
Available-for-sale financial assets						
Debt securities	894,744	627,348	1,522,092	-	1,151,893	2,673,985
Equity securities	-	-	-	-	50,390	50,390
Investment funds	352,484	-	352,484	-	-	352,484
Financial assets at fair value through profit or loss						
Debt securities	10,188	-	10,188	-	50,069	60,257
Equity securities	7,292	-	7,292	38	47,347	54,677
Foreign corporate bonds backing index linked products	4,899	-	4,899	-	-	4,899
Shares relating to share-based payments	4,721	-	4,721	-	-	4,721
Investment funds	7,933	398,274	406,207	7,351	179,709	593,267
Loans and receivables						
Deposits with banks	-	-	-	-	12,553	12,553
Loans to customers	-	14,827	14,827	-	4,289	19,116
Reinsurance share in technical provisions	15,429	3,402	18,831	1,260	106,332	126,423
Receivables	40,580	-	40,580	1,304	136,583	178,467
Cash and cash equivalents	50,998	-	50,999	11,495	220,011	282,505
Total financial assets	**1,389,268**	**1,548,366**	**2,937,635**	**21,448**	**2,064,138**	**5,023,221**
Insurance liabilities	**2,943,736**		**2,943,736**	**2,410**	**1,018,247**	**3,964,393**
Financial liabilities						
Liabilities to investment funds	14,555	-	14,555	10,273	134,410	159,238
Payables	15,818	-	15,818	588	84,423	100,829
Other liabilities	6,938	-	6,938	-	34,155	41,093
Financial liabilities	**37,311**	**-**	**37,311**	**10,861**	**252,988**	**301,160**
Currency gap on financial assets and financial liabilities	(1,591,779)	1,548,366	(43,413)	8,177	792,903	757,668

1.40 Currency risk analysis (continued)

Company – 2019

	EURO	EURO linked	EURO and EURO linked total	Other foreign currencies	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Investments in subsidiaries	11,417	-	11,417	-	166,122	**177,539**
At cost	-	-	-	-	5,688	5,688
At fair value trough P&L	-	-	-	-	160,434	160,434
AFS	11,417	-	11,417	-	-	11,417
Held-to-maturity investments	**-**	**220,340**	**220,340**	**-**	**73,109**	**293,449**
Debt securities	-	220,340	220,340	-	73,109	293,449
Available-for-sale financial assets	**1,550,161**	**562,802**	**2,112,963**	**-**	**1,442,929**	**3,555,892**
Debt securities	1,220,624	562,802	1,783,426	-	1,367,044	3,150,470
Equity securities	-	-	-	-	75,885	75,885
Investment funds	329,537	-	329,537	-	-	329,537
Financial assets at fair value through profit or loss	**610,145**	**-**	**610,145**	**100,201**	**52,042**	**762,388**
Debt securities	3,735	-	3,735	-	-	3,735
Equity securitie	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	4,886	-	4,886	-	-	4,886
Shares relating to share-based payments	7,473	-	7,473	-	-	7,473
Investment funds	594,051	-	594,051	100,201	52,042	746,294
Loans and receivables	**18,478**	**-**	**18,478**	**(0)**	**23,549**	**42,027**
Deposits with banks	229	-	229	(0)	6,003	6,232
Loans to customers	18,249	-	18,249	-	17,546	35,795
Reinsurers' share of insurance contract liabilities	25,629	4,843	30,472	2,259	127,463	**160,194**
Receivables	117,887	-	117,887	2,606	183,525	**304,018**
Cash and cash equivalents	28,704	-	28,704	5,158	28,807	**62,669**
Total financial assets	**2,362,421**	**787,985**	**3,150,406**	**110,224**	**2,097,546**	**5,358,175**
Financial liabilities						
Payables	29,604	-	29,604	351	102,106	**132,061**
Other liabilities	**21**	**-**	21	**-**	28,010	**28,031**
Lease liabilities	68,056	-	68,056	-	240	**68,296**
Financial liabilities	**97,681**	**-**	**97,681**	**351**	**130,357**	**228,388**
Currency gap on financial assets and financial liabilities	**2,264,740**	**787,985**	**3,052,725**	**109,873**	**1,967,189**	**5,129,787**

1.40 Currency risk analysis (continued)

Company – 2018

	EURO	EURO linked	EURO and EURO linked total	Other foreign currencies	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Investments in subsidiaries						
At cost	-	-	-	-	5,688	5,688
At fair value trough P&L	-	-	-	-	161,208	161,208
AFS	-	9,622	9,622	-	-	9,622
Held-to-maturity investments						
Debt securities	-	504,515	504,515	-	73,455	577,969
Available-for-sale financial assets						
Debt securities	894,744	627,348	1,522,092	-	1,151,377	2,673,469
Equity securities	-	-	-	-	50,390	50,390
Investment funds	352,484	-	352,484	-	-	352,484
Financial assets at fair value through profit or loss						
Debt securities	8,621	-	8,621	-	-	8,621
Equity securitie						
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	4,721	-	4,721	-	-	4,721
Investment funds	3,159	-	3,159	-	585,334	588,493
Loans and receivables						
Deposits with banks	-	-	-	-	12,553	12,553
Loans to customers	-	18,460	18,460	-	4,264	22,724
Reinsurers' share of insurance contract liabilities	15,429	3,402	18,831	1,260	106,332	126,423
Receivables	40,580	-	40,580	1,304	136,346	178,230
Cash and cash equivalents	41,245	-	41,245	782	46,390	88,418
Total financial assets	1,360,983	1,163,347	2,524,330	3,346	2,333,336	4,861,012
Financial liabilities						
Payables	15,818	-	15,818	588	84,423	100,829
Other liabilities	33	-	33	-	32,230	32,263
Financial liabilities	**15,851**	**-**	**15,851**	**588**	**116,653**	**133,092**
Currency gap on financial assets and financial liabilities	**1,345,132**	**1,163,347**	**2,508,479**	**2,758**	**2,216,683**	**4,727,920**

1.41 Post balance sheet events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event.

Ensuring business continuity through remote work, high level of digitalized processes, stable capital position and high level of liquidity, ensures the Group to continue the business in Croatian and Slovenia irrespective of the current uncertainty.

Negative impact on the financial markets put pressure on the Groups investment funds with increasing number of outflows which additionally decreased the asset under management. Due to conservative investment strategy of the investment funds and high level of liquidity, the Group has no issues to pay-out the clients.

For the insurance business, the Group sees potential pressure on the premium income in P&C and L&H, both in retail and corporate, mostly coming from the slowdown of the whole economy, questionable tourist season, deterioration on the labour market. On the other hand, positive effect on the technical result can be expected due to lower frequency mostly in MTPL business.

When analysing the potential impact on the investment result it can be seen that the Company has balanced portfolio with investments in local and foreign fixed income instruments with low exposure to equity markets. Due to conservative investment policy and maximum control over investment risk the overall impact on the investment result ,in the long term, will not be material.

In view of the Solvency II capital ratio of 186% as 31st December 2019 and the stress tests performed, the Company is well capitalized and all regulatory requirements are satisfied. This statement also applies in the context of the COVID-19 pandemic. Based on the information available in March, performed stress test and risk assessment, it is expected Company to continue to be sufficiently capitalized, in compliance with the regulatory Solvency Capital Requirement.

The Company is regularly monitoring risks associated with the further development of the COVID-19 pandemic and the impact on the Company's capital position and liquidity (assets, liabilities, solvency capital requirement) and setting mitigation measures in place.

On 22 March 2020, capital city of Republic of Croatia, Zagreb was stroked with devastating earthquake following by a series of minor earthquakes. The Company analysed the effect of the earthquake on the financial performance and considering also the reinsurance protection does not expect the effect of an earthquake to be material.

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1

Statement of financial position (balance sheet) 31.12.2019

ASSETS ***in HRK***

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003	**I**	**INTANGIBLE ASSETS**	**129.071.297**	**51.398.361**	**180.469.658**	**120.369.912**	**49.777.362**	**170.147.274**
002		1	Goodwill						
003		2	Other intangible assets	129.071.297	51.398.361	**180.469.658**	120.369.912	49.777.362	**170.147.274**
004	005+006+007	**II**	**TANGIBLE ASSETS**		**33.139.465**	**33.139.465**		**98.049.729**	**98.049.729**
005		1	Land and buildings intended for company business operations		30.149.278	**30.149.278**		96.938.151	**96.938.151**
006		2	Equipment		2.850.054	**2.850.054**		1.111.578	**1.111.578**
007		3	Other tangible assets and stock		140.133	**140.133**			
008	009+010+014+033	**III**	**INVESTMENTS**	**3.037.798.663**	**936.365.090**	**3.974.163.752**	**3.103.168.219**	**940.962.554**	**4.044.130.772**
009		**A**	**Investments in land and buildings not intended for company business operations**		26.606.392	**26.606.392**		25.362.888	**25.362.888**
010	011+012+013	**B**	**Investments in subsidiaries, associates and joint ventures**		**5.688.100**	**5.688.100**		**5.688.100**	**5.688.100**
011		1	Shares and stakes in subsidiaries		5.688.100	**5.688.100**		5.688.100	**5.688.100**
012		2	Shares and stakes in associates						
013		3	Joint venture participation						
014	015+018+023+029	**C**	**Financial investments**	**3.037.798.663**	**904.070.598**	**3.941.869.260**	**3.103.168.219**	**909.911.566**	**4.013.079.784**
015	016+017	**1**	**Investments held-to-maturity**	**504.514.900**	**73.454.504**	**577.969.404**	**220.339.517**	**73.108.900**	**293.448.417**
016		*1.1*	*Debt securities and other securities with fixed revenue*	504.514.900	73.454.504	**577.969.404**	220.339.517	73.108.900	**293.448.417**
017		*1.2*	*Other investments held to maturity*						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (continued)

ASSETS *in HRK*

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
018	019+020+021+022	**2**	**Investments available-for-sale**	**2.320.866.557**	**765.097.851**	**3.085.964.408**	**2.794.905.205**	**772.406.896**	**3.567.312.101**
019		*2.1*	*Shares, stakes and other securities with variable revenue*	41.849.389	8.540.347	**50.389.737**	59.785.387	16.100.397	**75.885.784**
020		*2.2*	*Debt securities and other securities with fixed revenue*	1.951.174.994	722.293.663	**2.673.468.657**	2.430.592.763	719.878.908	**3.150.471.670**
021		*2.3*	*Investment fund units*	327.842.174	34.263.840	**362.106.014**	304.527.055	36.427.592	**340.954.647**
022		*2.4*	*Other investments available for sale*						
023	024+025+026+027+028	**3**	**Investments at fair value through profit and loss account**	**193.992.563**	**48.955.440**	**242.948.004**	**58.423.703**	**49.740.659**	**108.164.363**
024		*3.1*	*Shares, stakes and other securities with variable revenue*						
025		*3.2*	*Debt securities and other securities with fixed revenue*						
026		*3.3*	*Derivative financial instruments*		4.720.721	**4.720.721**		7.472.865	**7.472.865**
027		*3.4*	*Investment fund units*	190.271.314	44.234.719	**234.506.033**	54.688.890	42.267.794	**96.956.685**
028		*3.5*	*Other investments*	3.721.250		**3.721.250**	3.734.813		**3.734.813**
029	030+031+032	**4**	**Deposits, loans and receivables**	**18.424.642**	**16.562.803**	**34.987.445**	**29.499.793**	**14.655.110**	**44.154.903**
030		*4.1*	*Deposits with credit institutions (banks)*	6.288.706	6.264.247	**12.552.953**	2.398.807	6.231.947	**8.630.754**
031		*4.2*	*Loans*	12.135.936	10.298.556	**22.434.492**	27.100.986	8.423.163	**35.524.150**
032		*4.3*	*Other loans and receivables*						
033		**D**	**Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)**						
034		**IV**	**INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS**	**520.094.036**		**520.094.036**	**814.657.381**		**814.657.381**

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (continued)

ASSETS

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
035	036+037+038+039+040+041+042	**V**	**REINSURANCE SHARE IN TECHNICAL PROVISIONS**	**988.334**	**125.432.491**	**126.420.824**	**1.038.653**	**159.154.426**	**160.193.079**
036		1	Unearned premiums, reinsurance share	133.562	70.782.757	**70.916.318**	131.123	98.124.627	**98.255.750**
037		2	Mathematical provision, reinsurance share	300.872		**300.872**	297.730		**297.730**
038		3	Provision for claims outstanding, reinsurance share	553.900	54.649.734	**55.203.634**	609.800	61.029.799	**61.639.599**
039		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other insurance technical provisions, reinsurance share						
042		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSET**						
044		1	Deferred tax asset						
045		2	Current tax asset						
046	047+050+051	**VII**	**RECEIVABLES**	**18.819.313**	**155.628.100**	**174.447.413**	**81.274.522**	**215.880.971**	**297.155.493**
047	048+049	**1**	**Receivables from direct insurance business**	**1.208.701**	**97.355.352**	**98.564.053**	**209.045**	**138.036.377**	**138.245.422**
048		*1.1*	*From policyholders*	1.208.701	97.355.352	**98.564.053**	209.045	138.036.377	**138.245.422**
049		*1.2*	*From insurance agents, or insurance brokers*						
050		**2**	**Receivables from co-insurance and reinsurance business**	**220.118**	**22.678.425**	**22.898.543**	**264.289**	**23.668.123**	**23.932.412**

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (continued)

ASSETS *in HRK*

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
051	052+053+054	**3**	**Other receivables**	**17.390.494**	**35.594.323**	**52.984.817**	**80.801.188**	**54.176.471**	**134.977.659**
052		*3.1*	*Receivables from other insurance business*		13.842.231	**13.842.231**		13.501.222	**13.501.222**
053		*3.2*	*Receivables for return on investments*	250.423	65.108	**315.531**	250.199	49.354	**299.553**
054		*3.3*	*Other receivables*	17.140.071	21.686.984	**38.827.055**	80.550.989	40.625.895	**121.176.884**
055	056+060+061	**VIII**	**OTHER ASSETS**	**58.409.967**	**30.494.210**	**88.904.177**	**18.947.435**	**41.721.991**	**60.669.426**
056	057+058+059	**1**	**Cash at bank and in hand**	**58.409.967**	**30.494.210**	**88.904.177**	**18.947.435**	**41.721.991**	**60.669.426**
057		*1.1*	*Funds in the business account*	38.630.457		**38.630.457**	3.193.214		**3.193.214**
058		*1.2*	*Funds in the account of assets covering mathematical provision*	117.068	372.117	**489.184**	117.068	282.423	**399.491**
059		*1.3*	*Cash in hand*						
060		**2**	**Long-term assets intended for sale and business cessation**						
061		**3**	**Other**	**2.072.491**	**53.954.601**	**56.027.091**	**1.760.950**	**75.494.542**	**77.255.492**
062	063+064+065	**IX**	**PREPAYMENTS AND ACCRUED INCOME**	38.630.457		**38.630.457**	3.193.214		**3.193.214**
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs	1.494.470	51.091.203	**52.585.673**	1.530.019	69.006.200	**70.536.218**
065		3	Other prepayments and accrued income	578.020	2.863.397	**3.441.418**	230.931	6.488.343	**6.719.273**
066	001+004+008+ 034 +035+043+046 +055+062	**X**	**TOTAL ASSETS (A+B+C+D+E+F+G+H+I+J)**	**3.767.254.100**	**1.386.412.316**	**5.153.666.416**	**4.141.217.071**	**1.581.041.575**	**5.722.258.645**
067		**XI**	**OFF BALANCE SHEET ITEMS**						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (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
068	069+072+073+077+081+084	**XII**	**CAPITAL AND RESERVES**	**528.597.607**	**484.201.539**	**1.012.799.147**	**649.273.701**	**505.092.351**	**1.154.366.052**
069	070+071	**1**	**Subscribed capital**	**30.000.000**	**71.722.400**	**101.722.400**	**30.000.000**	**71.722.400**	**101.722.400**
070		*1.1*	*Paid-up capital - ordinary shares*	30.000.000	71.722.400	**101.722.400**	30.000.000	71.722.400	**101.722.400**
071		*1.2*	*Paid-up capital - preference shares*						
072		**2**	**Issued shares premiums (capital reserves)**	80.500.000	31.500.600	**112.000.600**	80.500.000	31.500.600	**112.000.600**
073	074+075+076	**3**	**Revaluation reserve**	**176.764.523**	**33.757.266**	**210.521.790**	**327.221.292**	**56.168.723**	**383.390.015**
074		*3.1*	*Land and buildings*						
075		*3.2*	*Financial investments*	176.764.523	33.757.266	**210.521.790**	327.221.292	56.168.723	**383.390.015**
076		*3.3*	*Other revaluation reserves*						
077	078+079+080	**4**	**Reserves**	**2.397.219**	**22.655.124**	**25.052.343**	**2.397.219**	**22.655.124**	**25.052.343**
078		*4.1*	*Legally stipulated reserves*	1.300.066	7.098.754	**8.398.820**	1.300.066	7.098.754	**8.398.820**
079		*4.2*	*Statutory reserve*	1.097.153	15.556.369	**16.653.523**	1.097.153	15.556.369	**16.653.523**
080		*4.3*	*Other reserve*						
081	082+083	**5**	**Transferred (retained) profit or loss**	**174.654.369**	**264.929.853**	**439.584.223**	**151.473.462**	**264.927.721**	**416.401.183**
082		*5.1*	*Retained profit*	174.654.369	264.929.853	**439.584.223**	151.473.462	264.927.721	**416.401.183**
083		*5.2*	*Transferred loss (-)*						
084	085+086	**6**	**Profit or loss of the current accounting period**	**64.281.496**	**59.636.296**	**123.917.792**	**57.681.728**	**58.117.783**	**115.799.511**
085		*6.1*	*Profit of the current accounting period*	64.281.496	59.636.296	**123.917.792**	57.681.728	58.117.783	**115.799.511**
086		*6.2*	*Loss of the current accounting period (-)*						
087		**XIII**	**SUBORDINATED LIABILITIES**						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (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
089	090+091+092+093+094+095	**XV**	**TECHNICAL PROVISIONS**	**2.641.509.115**	**802.792.250**	**3.444.301.366**	**2.575.241.566**	**878.963.634**	**3.454.205.200**
090		1	Unearned premiums, gross amount	12.099.613	341.264.577	**353.364.190**	12.532.454	437.188.115	**449.720.569**
091		2	Mathematical provision, gross amount	2.571.905.483		**2.571.905.483**	2.488.173.525		**2.488.173.525**
092		3	Provision for claims outstanding, gross amount	57.351.598	458.884.733	**516.236.331**	74.383.258	438.550.476	**512.933.733**
093		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount		2.555.402	**2.555.402**		3.225.043	**3.225.043**
094		5	Equalisation provision, gross amount		87.539	**87.539**			
095		6	Other insurance technical provisions, gross amount	152.421		**152.421**	152.329		**152.329**
096		**XVI**	**LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount**	520.094.036		**520.094.036**	814.657.381		**814.657.381**
097	098+099	**XVII**	**OTHER RESERVES**						
098		1	Provisions for pensions and similar liabilities						
099		2	Other provisions						
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX LIABILITY**	**34.826.365**	**8.557.339**	**43.383.704**	**67.034.941**	**3.617.697**	**70.652.639**
101		1	Deferred tax liability	31.481.563	3.560.756	**35.042.318**	67.030.515	6.658.804	**73.689.318**
102		2	Current tax liability	3.344.802	4.996.583	**8.341.385**	4.427	-3.041.106	**-3.036.679**
103		**XIX**	**DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE**						
104	105+106+107	**XX**	**FINANCIAL LIABILITIES**					**68.261.735**	**68.261.735**
105		1	Liabilities on the basis of loans						
106		2	Liabilities on the basis of issued securities						
107		3	Other financial liabilities					68.261.735	**68.261.735**

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2019 (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
108	109+110+111+112	**XXI**	**OTHER LIABILITIES**	**29.903.120**	**66.789.806**	**96.692.926**	**24.415.912**	**98.683.685**	**123.099.597**
109		1	Liabilities from direct insurance business	17.016.884	29.971.512	**46.988.397**	17.522.550	45.578.883	**63.101.432**
110		2	Liabilities from co-insurance and reinsurance business	778.996	16.682.068	**17.461.064**	1.025.904	30.941.076	**31.966.981**
111		3	Liabilities for sale and ceased business						
112		4	Other liabilities	12.107.239	20.136.226	**32.243.465**	5.867.459	22.163.726	**28.031.184**
113	114+115	**XXII**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**12.323.857**	**24.071.381**	**36.395.238**	**10.593.570**	**26.422.472**	**37.016.042**
114		1	Deferred reinsurance commission		3.268.629	**3.268.629**		3.696.980	**3.696.980**
115		2	Other accrued expenses and deferred income	12.323.857	20.802.752	**33.126.609**	10.593.570	22.725.491	**33.319.061**
116	068+087+088+089+096 +097+100+103+104+ 108+113	**XXIII**	**TOTAL LIABILITIES+Equity (A+B+C+D+E+F+G+H+I+J)**	**3.767.254.100**	**1.386.412.316**	**5.153.666.416**	**4.141.217.071**	**1.581.041.575**	**5.722.258.645**
117		**XXIV**	**OFF BALANCE SHEET ITEMS**						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1(continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019

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
001	002+003+004 +005+006	**I**	**Earned premiums (recognized in revenue)**	**510.170.512**	**540.566.323**	**1.050.736.835**	**559.864.348**	**598.872.380**	**1.158.736.729**
002		1	Written gross premiums	514.577.564	650.998.275	**1.165.575.839**	563.439.164	800.923.50h2	**1.364.362.667**
003		2	Value adjustment and charged adjustment of insurance/co-insurance premium value		326.573	**326.573**		-2.318.099	**-2.318.099**
004		3	Premiums ceded to reinsurance (-)	-3.064.218	-90.598.242	**-93.662.461**	-3.139.536	-131.151.355	**-134.290.891**
005		4	Change in gross provisions for unearned premiums (+/-)	-1.343.380	-29.300.319	**-30.643.699**	-432.841	-95.923.538	**-96.356.380**
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	546	9.140.037	**9.140.583**	-2.439	27.341.871	**27.339.432**
007	008+009+010+011 +012+013+014	**II**	**Income from investments**	**140.027.256**	**35.097.176**	**175.124.431**	**183.022.349**	**37.137.741**	**220.160.091**
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings		2.235.292	2.235.292		2.927.061	2.927.061
010		3	Interest income	95.718.648	29.844.827	125.563.476	93.006.978	26.962.443	119.969.421
011		4	Unrealized profits from investment	37.408	4.239	41.647	61.889.167	1.624.256	63.513.423
012		5	Realized profits from investment	25.071.258	186.522	25.257.780	9.022.914	2.206.166	11.229.080
013		6	Net positive exchange rate differentials	507.240	795.212	1.302.453	10.131.671	1.607.440	11.739.112
014		7	Other investment profits	18.692.701	2.031.084	20.723.785	8.971.619	1.810.375	10.781.994

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019 (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
015		**III**	**Income from commissions and fees**	**3.379.654**	**4.096.601**	7.476.255	**2.852.003**	**5.425.355**	**8.277.357**
016		**IV**	**Other insurance-technical income, net of reinsurance**	**15.378**	**4.190.639**	4.206.017	**29.015**	**3.600.653**	**3.629.669**
017		**V**	**Other income**	**77.736**	**4.044.317**	4.122.053	**36.161**	**3.502.820**	**3.538.981**
018	019+022	**VI**	**Expenditures for insured events, net**	**-348.279.799**	**-255.362.229**	**-603.642.028**	**-373.634.051**	**-283.890.586**	**-657.524.637**
019	020+021	1	Settled claims	-333.191.559	-266.358.931	-599.550.490	-356.658.291	-310.604.908	-667.263.199
020		*1.1*	*Gross amount (-)*	-334.124.241	-305.618.116	-639.742.357	-357.233.092	-347.034.656	-704.267.748
021		*1.2*	*Reinsurer share(+)*	932.682	39.259.185	40.191.867	574.801	36.429.749	37.004.549
022	023+024	2	Change in provisions for claims outstanding (+/-)	-15.088.240	10.996.701	-4.091.539	-16.975.759	26.714.322	9.738.562
023		*2.1*	*Gross amount (-)*	-15.136.540	42.353.104	27.216.564	-17.031.659	20.334.257	3.302.597
024		*2.2*	*Reinsurer share(+)*	48.300	-31.356.402	-31.308.102	55.900	6.380.065	6.435.965
025	026+029	**VII**	**Change in other technical provisions, net of reinsurance**	**59.767.268**	**1.613.193**	**61.380.461**	**83.728.909**	**87.539**	**83.816.448**
026	027+028	*1*	*Change in mathematical provision (+/-)*	59.708.646		59.708.646	83.728.816		83.728.816
027		*1.1*	*Gross amount (-)*	59.728.555		59.728.555	83.731.957		83.731.957
028		*1.2*	*Reinsurer share(+)*	-19.909		-19.909	-3.142		-3.142
029	030+031	*2*	*Change in other technical provisions, net of reinsurance (+/-)*	58.622	1.613.193	1.671.816	93	87.539	87.632
030		*2.1*	*Gross amount (-)*	58.622	1.613.193	1.671.816	93	87.539	87.632
031		*2.2*	*Reinsurer share(+)*						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019 (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
032	033+034	**VIII**	**Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+-)**	**-132.345.051**		**-132.345.051**	**-294.563.345**		**-294.563.345**
033		1	*Gross amount (-)*	-132.345.051		-132.345.051	-294.563.345		-294.563.345
034		2	*Reinsurer share(+)*						
035	036+037	**IX**	**Expenditures for return of premium (bonuses and rebates), net of reinsurance**		**218.315**	**218.315**		**-669.642**	**-669.642**
036		1	Depending on the result (bonuses)						
037		2	Not depending on the result (rebates)		218.315	218.315		-669.642	-669.642
038	039+043	**X**	**Business expenditures (for business operations), net**	**-81.620.897**	**-243.442.923**	**-325.063.821**	**-83.577.549**	**-277.762.213**	**-361.339.762**
039	040+041+042	**1**	**Acquisition costs**	-26.144.193	-137.231.784	-163.375.977	-23.046.582	-158.400.820	-181.447.402
040		*1.1*	*Commission*	-21.843.876	-125.569.363	-147.413.238	-19.216.385	-154.969.175	-174.185.560
041		*1.2*	*Other acquisition costs*	-4.479.749	-13.893.041	-18.372.790	-3.865.746	-21.346.641	-25.212.387
042		*1.3*	*Change in deferred acquisition costs (+/-)*	179.431	2.230.620	2.410.051	35.548	17.914.996	17.950.545
043	044+045+046	**2**	**Administration costs**	-55.476.704	-106.211.139	-161.687.843	-60.530.966	-119.361.394	-179.892.360
044		*2.1*	*Depreciation of tangible assets*	-1.450.198	-9.873.186	-11.323.384	-8.701.385	-21.032.182	-29.733.567
045		*2.2*	*Salaries, taxes and contributions to and from salaries*	-21.173.055	-44.036.384	-65.209.439	-24.301.893	-55.512.991	-79.814.884
046		*2.3*	*Other administration costs*	-32.853.451	-52.301.569	-85.155.020	-27.527.688	-42.816.221	-70.343.909

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019 (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
047	048+049+050+051 +052+053+054	**XI**	**Investment expenses**	**-73.161.459**	**-5.924.447**	**-79.085.907**	**-6.130.461**	**-4.576.711**	**-10.707.173**
048		1	Depreciation (buildings not intended for business operations of the company)		-1.248.546	-1.248.546		-1.248.653	-1.248.653
049		2	Interest					-1.428.347	-1.428.347
050		3	Investment value adjustment (reduction)	-18.053.826	-875.825	-18.929.651		-88.424	-88.424
051		4	Losses from sale (realization) of financial assets	-9.700.846	-754.158	-10.455.004	-1.518.792	-12.495	-1.531.288
052		5	Unrealised losses from financial investment	-11.258.298	-215.851	-11.474.149			
053		6	Net negative exchange rate differences	-30.506.766	-886.791	-31.393.557			
054		7	Other investment expenses	-3.641.723	-1.943.277	-5.585.000	-4.611.669	-1.798.792	-6.410.461
055	056+057	**XII**	**Other technical expenses, net of reinsurance**	**-1.931.590**	**-10.658.108**	**-12.589.698**	**-2.266.453**	**-9.135.113**	**-11.401.566**
056		1	Expenses for preventive operations	-1.408.201		-1.408.201	-1.311.914	-17.969	-1.329.882
057		2	Other technical expenses of insurance	-523.389	-10.658.108	-11.181.497	-954.539	-9.117.144	-10.071.684
058		**XIII**	**Other expenses including value adjustments**		**-331.025**	-331.025	**-14.534**	**-652.076**	**-666.610**
059	001+007+015+016 +017+018+025+ 032+035+038+047 +055+058	**XIV**	**Profit or loss of the accounting period before taxation (+/-)**	**76.099.007**	**74.107.832**	**150.206.838**	**69.346.393**	**71.940.147**	**141.286.540**
060	061+062	**XV**	**Profit or loss tax**	**-11.817.510**	**-14.471.536**	**-26.289.046**	**-11.664.664**	**-13.822.364**	**-25.487.028**
061		1	Current tax expense	-16.695.796	-14.654.639	-31.350.435	-9.142.808	-15.643.905	-24.786.712
062		2	Deferred tax expense (income)	4.878.285	183.103	5.061.389	-2.521.856	1.821.540	-700.316

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019 (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
063	059-060	**XVI**	**Profit or loss of the accounting period after taxation (+/-)**	**64.281.496**	**59.636.296**	**123.917.792**	**57.681.728**	**58.117.783**	**115.799.511**
064		1	Attributable to owners of the parent						
065		2	Attributable to non-controlling interests						
066	001+007+015+016+017+062	**XVII**	**TOTAL INCOME**	658.548.821	588.178.158	1.246.726.979	743.282.020	650.360.490	1.393.642.510
067	018+025+032+035+038+047+ 055+058+061	**XVII I**	**TOTAL EXPENDITURE**	-594.267.325	-528.541.863	-1.122.809.187	-685.600.291	-592.242.707	-1.277.842.999

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2019 – 31.12.2019 (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
068	069+070+071+072+ 073+074+075+076	**XIX**	**Other comprehensive income**	**-16.695.606**	**-5.128.406**	**-21.824.012**	**150.456.768**	**22.411.457**	**172.868.225**
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	-20.360.496	-6.254.153	**-26.614.648**	183.483.864	27.331.045	**210.814.908**
071		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
072		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associated companies						
076		8	Profit tax on other comprehensive income	3.664.889	1.125.747	**4.790.636**	-33.027.096	-4.919.588	**-37.946.684**
077	066+067+068	**XX**	**Total comprehensive income**	**47.585.890**	**54.507.890**	**102.093.780**	**208.138.497**	**80.529.239**	**288.667.736**
078		1	Attributable to owners of the parent						
079		2	Attributable to non-controlling interests						
080		**XXI**	**Reclassification adjustments**						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2019 – 31.12.2019

in HRK

Position no,	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**-170.063.642**	**248.403.651**
002	003+004	**1**	**Cash flow before the change in assets and liabilities**	**-56.585.831**	**78.688.140**
003		1.1	Profit/loss before taxation	141.286.540	150.206.838
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	-197.872.370	-71.518.699
005		*1.2.1*	*Depreciation of real estate and equipment*	13.383.031	4.503.726
006		*1.2.2*	*Depreciation of intangible assets*	17.599.189	8.068.203
007		*1.2.3*	*Value impairment and profits/losses on reduction to fair value*	-61.498.001	23.635.919
008		*1.2.4*	*Interest expense*	1.428.347	
009		*1.2.5*	*Interest income*	-119.969.421	-125.563.476
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)*	898.248	-850.025
012		*1.2.8*	*Other adjustments*	-49.713.765	18.686.953
013	014+015+…+030	**2**	**Increase/decrease in assets and liabilities**	**-77.312.747**	**200.119.048**
014		2.1	*Increase/decrease in investments available-for-sale*	-263.267.565	109.763.460
015		2.2	*Increase/decrease in investment valued at fair value through profit and loss account*	198.617.641	23.573.576
016		2.3	*Increase/decrease in deposits, loans and receivables*	-9.071.348	10.214.716
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*	-294.563.345	-132.345.051
019		2.6	*Increase/decrease in reinsurance share in technical provisions*	-33.772.255	22.187.429
020		2.7	*Increase/decrease in tax assets*		
021		2.8	*Increse/decrease in receivables*	5.887.136	135.207.664
022		2.9	*Increase/decrease in other assets*		
023		2.10	*Increase/decrease in prepayments and accrued income*	-3.277.400	-1.189.580
024		2.11	*Increase/decrease in technical provisions*	9.903.835	-58.191.551
025		2.12	*Increase decrease in life assurance technical provisions where the policyholder bears the investment risk*	294.563.345	132.345.051
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*	-9.360.265	
029		2.16	*Increase/decrease in other liabilities*	26.406.671	-33.422.894
030		2.17	*Increase/decrease in accruals and deferred income*	620.804	-8.023.772

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2019 – 31.12.2019

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**	-36.165.065	-30.403.537
032	033+034+…+ 046	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**289.452.382**	**-159.297.062**
033		1	Inflows from sale of tangible assets	291.586	930.982
034		2	Outflows for purchase of tangible assets	-612.477	-392.936
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	-7.276.805	-171.980.851
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	286.089.929	
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	10.960.149	12.145.743
045		13	Inflows on the basis of payment of given short-term and long-term loans		
046		14	Outflows for given short-term and long-term loans		
047	048+049+050 +051+052	**III**	**CASH FLOW FROM FINANCING ACTIVITIES**	**-147.096.526**	**-89.742.044**
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	-147.096.526	-89.742.044
053	001+032+047		**NET CASH FLOW**	**-27.707.786**	**-635.455**
054		**IV**	**EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS**	-526.965	-874.775
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**-28.234.751**	**-1.510.230**
056		1	Cash and cash equivalents at the beginning of the period	88.904.177	90.414.407
057	**055+056**	**2**	**Cash and cash equivalents at the end of the period**	**60.669.426**	**88.904.177**

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CHANGES IN EQUITY for period 01.01.2019 – 31.12.2019

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		
I,	**Balance as at 1 January of previous year**	**101.722.400**	**112.000.600**	**232.345.802**	**25.052.343**	**416.405.488**	**112.920.779**	**1.000.447.411**		**1.000.447.411**
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
II.	**Balance as at 1 January of previous year (corrected)**	**101.722.400**	**112.000.600**	**232.345.802**	**25.052.343**	**416.405.488**	**112.920.779**	**1.000.447.411**		**1.000.447.411**
III.	**Comprehensive income/loss of the previous year**			**-21.824.012**			**123.917.792**	**102.093.780**		**102.093.780**
1.	Profit or loss of the period						123.917.792	123.917.792		**123.917.792**
2.	**Other comprehensive income or loss of the previous year**			**-21.824.012**				**-21.824.012**		**-21.824.012**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-26.614.648				-26.614.648		**-26.614.648**
2.3.	Realised gains or losses from financial assets available for sale			4.790.636				4.790.636		**4.790.636**
2.4.	Other non-owner changes in equity									
IV.	**Transactions with owners (previous period)**					**23.178.734**	**-112.920.779**	**-89.742.044**		**-89.742.044**
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends						-89.742.044	-89.742.044		**-89.742.044**
4.	Other distributions to owners					23.178.734	-23.178.734			
V.	**Balance as at the last day of the reporting period in previous year**	**101.722.400**	**112.000.600**	**210.521.790**	**25.052.343**	**439.584.223**	**123.917.792**	**1.012.799.147**		**1.012.799.147**

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CHANGES IN EQUITY for period 01.01.2019 – 31.12.2019

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
VI,	**Balance as at 1 January of the current year**	**101.722.400**	**112.000.600**	**210.521.790**	**25.052.343**	**439.584.223**	**123.917.792**	**1.012.799.147**		**1.012.799.147**
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
VII.	**Balance as at 1 January of the current year (corrected)**	**101.722.400**	**112.000.600**	**210.521.790**	**25.052.343**	**439.584.223**	**123.917.792**	**1.012.799.147**		**1.012.799.147**
VIII.	**Comprehensive income/loss of the current year**			**172.863.920**			**115.799.511**	**288.663.431**		**288.663.431**
1.	Profit or loss of the previous period						115.799.511	115.799.511		**115.799.511**
2.	**Other comprehensive income or loss of the current year**			**172.863.920**				**172.863.920**		**172.863.920**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			210.814.908				210.814.908		**210.814.908**
2.3.	Realised gains or losses from financial assets available for sale			-37.950.989				-37.950.989		**-37.950.989**
2.4.	Other non-owner changes in equity									
IX.	**Transactions with owners (current period)**					**-23.178.734**	**-123.917.792**	**-147.096.526**		**-147.096.526**
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends						-147.096.526	-147.096.526		**-147.096.526**
4.	Other transactions with owners					-23.178.734	23.178.734			
X.	**Balance as at the last day of the reporting period in the current year**	**101.722.400**	**112.000.600**	**383.385.710**	**25.052.343**	**416.405.488**	**115.799.511**	**1.154.366.052**		**1.154.366.052**

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2

Statement of financial position – Assets as at 31 December 2019

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 assets	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 assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of cheques received from cash and cash equivalents insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**-**									
Called up capital	-									
Uncalled capital	-									
INTANGIBLE ASSETS	**170,147**									
Goodwill	-									
Other intangible assets	**170,147**								170,147	Other intangible assets
TANGIBLE ASSETS	**98.050**								98.050	Property and equipment
Land and buildings intended for company business operations	**96.938**									
Equipment	**1.112**									
Other tangible assets and stock	0									
INVESTMENTS	**4.044.126**		814.657	-		(2.399)				
Investments in land and buildings not intended for company business operations	**25.363**								25.363	Investment property
Investments in subsidiaries, associates and joint ventures	**5.688**						171.852		177.540	Investment in subsidiaries
Shares and stakes in subsidiaries	**5.688**									
Shares and stakes in associates	-									
Joint venture participation	-									
Other financial investments	**4.013.080**		814.657			(2.399)	(171.852)	(1)		
Investments held-to-maturity	**293.448**							1	293.449	Held-to-maturity investments
Debt securities and other securities with fixed revenue	293.448									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2019

Schedules prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of inventory from tangible assets to insurance receivables and other assets	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 assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of cheques received from cash and cash equivalents insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	Statutory financial statements
Investments available-for-sale	**3.567.312**						(11.417)	(3)	3.555.892	Available-for-sale financial assets
Shares, stakes and other securities with variable revenue	**75.886**									
Debt securities and other securities with fixed revenue	**3.150.472**									
Investment fund units	**340.955**									
Other investments available for sale	-									
Investments at fair value through profit and loss account	**108.164**		814.657				(160.435)	1	762.388	Financial assets at fair value through profit or loss
Shares, stakes and other securities with variable revenue	-									
Debt securities and other securities with fixed revenue	-									
Derivative financial instruments	**7.473**									
Investment fund units	**96.957**									
Other investments	**3.735**									
Deposits, loans and receivables	**44.155**				271	(2.399)		-	42.027	Loans and receivables
Deposits with credit institutions (banks)	**8.631**									
Loans	**35.524**									
Other loans and receivables	-									
Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)	-									
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	**814.657**		(814.657)							

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2019

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 assets	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 assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of cheques received from cash and cash equivalents insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	
REINSURANCE SHARE IN TECHNICAL PROVISIONS	**160.193**							1	160.194	Reinsurers' share of insurance contract liabilities
Unearned premiums, reinsurance share	**98.256**									
Mathematical provision, reinsurance share	**298**									
Provision for claims outstanding, reinsurance share	**61.640**									
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share	-									
Equalisation provisions, reinsurance share	-									
Other insurance technical provisions, reinsurance share	-									
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-									
DEFERRED AND CURRENT TAX ASSETS	**-**									
Deferred tax asset	-									
Current tax asset	-								-	Current income tax prepayment
RECEIVABLES	**297.155**	-		6.719	112	30		-	304.017	Insurance receivables and other assets
Receivables from direct insurance business	**138.245**									
From policyholders	**138.245**									
From insurance agents, or insurance brokers	-									
Receivables from co-insurance and reinsurance business	**23.932**									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2019

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 assets	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 assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of cheques received from cash and cash equivalents insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	**Statutory financial statements**
Other receivables	**134.978**					(30)				
Receivables from other insurance business	**13.501**									
Receivables for return on investments	**300**									
Other receivables	*121.177*									
OTHER ASSETS	**60.669**					**2.000**				
Cash at bank and in hand	**60.669**					2.000		-	62.669	Cash and cash equivalents
Funds in the business account	**57.077**									
Funds in the account of assets covering mathematical provision	**3.193**									
Cash in hand	*399*									
Long-term assets intended for sale and business cessation	-									
Other	-									
PREPAYMENTS AND ACCRUED INCOME	**77.255**			**(6.719)**						
Deferred interest and rent	-									
Deferred acquisition costs	**70.536**								70.536	DAC
Other prepayments and accrued income	**6.719**			(6.719)						
TOTAL ASSETS	**5,722,259**								**5.722.272**	**Total assets**
Total assets difference	-									
OFF BALANCE SHEET ITEMS	-									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Equity and liabilities as at 31 December 2019

Supplementary information prescribed by Regulation 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 liabilities	Rounding difference	HRK'000	
CAPITAL AND RESERVES	**1,012,799**				1	1.154.367	**Total equity**
Subscribed capital	**101,722**					101,722	Issued share capital
Paid-up capital - ordinary shares	*101,722*						
Paid-up capital - preference shares	-						
Called up capital	-						
Issued shares premiums (capital reserves)	**112,001**					112,001	Share premium
Revaluation reserves	**210,522**					210,520	Fair value reserve
Land and buildings	-						
Financial investments	*210,522*						
Other revaluation reserves	-						
Reserves	**25,052**					25,052	Legal reserve
Legally stipulated reserves	*8,399*						
Statutory reserves	*16,654*						
Other reserves	-						
Transferred (retained) profit or loss	**416.401**	115.800				532.201	Retained earnings
Retained profit	**416.401**						
Transferred loss (-)	-						
Profit or loss of the current accounting period	**115.800**						
Profit of the current accounting period	**115.800**	(115.800)					
Loss of the current accounting period (-)	-						
SUBORDINATED LIABILITIES	**-**						
TECHNICAL PROVISIONS	**3.454.205**			814.657		4.268.863	Insurance contract liabilities
Unearned premiums, gross amount	**449.721**						
Mathematical provision, gross amount	**2.488.174**						
Provision for claims outstanding, gross amount	**512.934**						
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount	**3.225**						
Equalisation provision, gross amount	**-**						
Other insurance technical provisions, gross amount	**152**						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Equity and liabilities as at 31 December 2019

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency	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 liabilities	Rounding difference	HRK'000	Statutory financial statements
LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	**814.657**			(814.657)			
OTHER RESERVES	-						
Provisions for pensions and similar liabilities	-						
Other provisions	-						
DEFERRED AND CURRENT TAX LIABILITY	**73.025**					70.655	
Deferred tax liability	**73.689**				3	73.692	Deffered tax liability
Current tax liability	**(3.037)**					(3.037)	Current income tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	-						
FINANCIAL LIABILITIES	**68.262**					68.296	
Liabilities on the basis of loans	-						
Liabilities on the basis of issued securities	-						
Other financial liabilities	*68.262*		34			68.296	Lease liabilities
OTHER LIABILITIES	**123.100**		36.982		10	160.092	Insurance and other payables and deferred income
Liabilities from direct insurance business	**63.101**						
Liabilities from co-insurance and reinsurance business	**31.967**						
Liabilities for sale and ceased business	-						
Other liabilities	**28.031**						
ACCRUED EXPENSES AND DEFERRED INCOME	**37.016**		(37.016)				
Deferred reinsurance commission	**3.697**						
Other accrued expenses and deferred income	**33.319**						
TOTAL LIABILITIES AND EQUITY	**5.722.259**					**5.722.273**	**Total liabilities and equity**
Total liabilities and equity difference	-						
OFF BALANCE SHEET ITEMS	-						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2019

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 difference	HRK'000	Statutory financial statements
Earned premiums (recognised in revenue)	**1.158.737**							3	**1.158.740**	**Net earned premiums**
Written gross premiums	**1.364.363**			(2.318)				1	1.362.046	Gross premiums written
Value adjustment and charged adjustment of insurance/coinsurance premium value	**(2.318)**			2.318						
Premiums ceded to reinsurance (-)	**(134.291)**							1	(134.290)	Written premiums ceded to reinsurers
Change in gross provisions for unearned premiums +/-	**(96.356)**								(96.356)	Change in the gross provision for unearned premiums
Change in provisions for unearned premiums, reinsurance share (+/-)	**27.339**							1	27.340	Reinsurers' share of change in the provision for unearned premiums
Income from investments	**220.160**				(22)	(5.570)		(1)	214.567	Financial income
Income from subsidiaries, associates and joint ventures	**2.927**									
Income from investment in land and buildings	**119.969**									
Interest income	**63.513**									
Unrealized profits from investment	**11.229**									
Realized profits from investment investments	**11.739**									
Net positive exchange rate differentials	**10.782**									
Other investment profits	**2.927**									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2019

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 other expenses to other operating expenses	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 difference	HRK'000	Statutory financial statements
Income from commisions and fees	**8.277**							1	8.278	Fee and commission income
Other insurance-technical income, net of reinsurance	**3.630**	(3.630)								
Other income	**3.539**	3.630					(222)	(5)	**6.942**	Other operating income
Expenditures for insured events, net	**(657.525)**									
Settled claims	**(667.263)**									
Gross amount (-)	**(704.268)**		704.268					(5)	(912.382)	Claims and benefits incurred
Reinsurer share(+)	**37.005**		**(37.005)**						43.436	Reinsurers' share of claims and benefits incurred
Change in provisions for claims outstanding (+/-)	**9.739**									
Gross amount (-)	**3.303**		(3.303)							
Reinsurer share(+)	**6.436**		(6.436)							
Change in other technical provisions, net of reinsurance	**83.816**									
Change in mathematical provision (+/-)	**83.729**									
Gross amount (-)	**83.732**		(83.732)							
Reinsurer share(+)	**(3)**		3							
Change in other technical provisions, net of reinsurance (+/-)	**88**									
Gross amount (-)	**88**		(88)							
Reinsurer share(+)	-									
Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance(+/-)	**(294.563)**									
Gross amount (-)	**(294.563)**		294.563							
Reinsurer share(+)	**-**									
Expenditures for return of premium (bonuses and rebate), net of reinsurance +/-	**(670)**		670							
Depending on the result (bonuses)	-									
Not depending on the result (rebates)	**(670)**									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2019

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 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 difference	HRK'000	
Business expenditures (for business operations), net	**(361.340)**									
Acquisition costs	**(181.447)**							4	(181.443)	Acquisition costs
Commission	**(174.186)**									
Other acquisition costs	**(25.212)**									
Change in deferred acquisition costs(+/-)	**17.951**									
Administration costs	**(179.892)**				22			2	(179.868)	Administrative expenses
Depreciation of tangible assets	**(29.734)**									
Salaries, taxes and contributions to and from salaries	**(79.815)**									
Other administration costs	**(70.344)**									
Investment expenses	**(10.707)**					5.570			(5.137)	Financial expenses and FX result
Depreciation (buildings not intended for business operations of the company)	**(1.249)**									
Interest	**(1.428)**									
Investment value adjustment (reduction)	**(88)**									
Losses from sale (realization) of financial assets	**(1.531)**									
Unrealised losses from financial investments	**(0)**									
FX losses	**-**									
Other investment expenses	**(6.410)**									
Other technical expenses, net of reinsurance	**(11.402)**				(444)				(11.845)	Other operating expenses
Expenses for preventive operations	**(1.330)**									
Other technical expenses of insurance	**(10.072)**									
Other expenses including value adjustments	**(667)**				667					
Profit or loss of the accounting period before taxation (+/-)	**141.287**							1	**141.288**	

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2019

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 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 difference	HRK'000	
Profit or loss tax	**(25.487)**							(1)	(25.488)	Income tax expense
Current tax expense	**(24.787)**									
Deferred tax expense (income)	**(700)**									
Profit or loss of the accounting period after taxation (+/-)	**115.800**								115.800	**Profit for the year**
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
TOTAL INCOME	**1.393.643**									
TOTAL EXPENDITURE	**(1.277.843)**									
Other comprehensive income	**172.868**								172.868	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	**210.815**									
Profits/losses on revaluation of other tangible 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	**(37.947)**									
Total comprehensive income	**288.668**								**288.668**	**Total comprehensive income for the year**
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
Reclassification adjustments	-									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of the cash flow for the year ended 31 December 2019

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 147 to 148 ("HANFA CF") differ significantly in the presentation from the Statement of cash flows ("CF") forming a part of statutory financial statements, presented on page 25.

Main differences are described below:

1. Adjustments to profit after tax in CF are different from adjustments to profit before tax under 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.