Wiener osiguranje Vienna Insurance Group

Annual report and financial statements for 2013

Contents

Management Board's report

The Management Board is submitting its report together with the audited financial statements for the year ended 31 December 2013.

The Company

Wiener osiguranje Vienna Insurance Group d.d. (the "Company") is a joint stock company offering life and non-life insurance products, with headquarters in Zagreb, Slovenska 24. In January 2013, the Company changed its business seat from Rijeka, Osiječka 46 to Zagreb. The major shareholder of the Company and the ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe.

As of 31 May 2013, a related company Helios Vienna Insurance Group d.d. ("Helios") was legally and operationally merged into the Company. Prior to the merger Helios was a composite insurance joint stock company domiciled in Croatia, fully owned by Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG"). Helios was founded in 1991 as the first Croatian private joint stock insurance company registered for all insurance activities. Helios was acquired by Vienna Insurance Group in 2008.

As of 31 May 2013, in light of the merger, the Company changed its name from Kvarner Vienna Insurance Group d.d. into Wiener osiguranje Vienna Insurance Group d.d. A new name of the Company represents strong brand on the insurance market and alliance to the parent company.

The merger of the Company and Helios strengthened market position of the Company and resulted with bigger and stronger company with strategic goal to combine quality and excellence so to be able to offer better, faster and high quality service to the clients. The merger enlarged the offer of insurance products of the Company, particularly in a segment of life insurance, which was enriched with "Whole Life Get Well" insurance, a unique product in the Croatian market, and expanded the sales network and the number of sales points. With the merger the Company boosted the preconditions for future growth and developments.

Through more than 100 sales points located across the country and more than 600 insurance agents, the Company's goal is to constantly provide clients with complete insurance cover and to make claims handling faster and more efficient. With stability based on core competences, the Company is a conscious insurer. The Company always strives for reliability and trustworthiness in dealings with business partners, employees and shareholders. With more than 900 employees the Company demonstrates its readiness to provide top performance.

In order to offset the effects of an unfavourable business environment, the Company is continuously focused on increasing its cost and process efficiency, which has resulted in good financial performance in 2013.

Since 2006, the Vienna Insurance Group became the umbrella brand of Wiener Städtische Group in Central and Eastern Europe, so all the companies belonging to the Group, including the Company, are using the Vienna Insurance Group as a "family" name. Vienna Insurance Group has been one of the leading listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 24 countries generated about EUR 9.2 billion in premiums in 2013. In spite of the wide range of customer requirements and conditions in its individual markets, VIG has one common objective everywhere: to continue its business success by providing customers with the best possible insurance protection. This places a great responsibility on VIG, and the VIG Group companies are fully dedicated to meeting this responsibility, using professional, forward-looking advisory services and a flexible product portfolio. The use of broad network of service centres and a variety of distribution channels ensures the customer proximity that this requires. At the same time the Group relies on established regional brands that are brought under Vienna Insurance Group umbrella without losing their own identity or individual strengths. This is because it is the individual strengths and advantages of these companies that make VIG a strong family. Vienna Insurance Group is progressive and highly risk-conscious insurer. Its activities are fully focused on its core business – the insurance business.

Management Board's report (continued)

The Company (continued)

VIG's shares have been listed on the Vienna Stock Exchange since 1994. Its market capitalisation of more than EUR 4.6 billion at the end of 2013 makes it one of the largest listings on the exchange. It has also had a secondary listing on the Prague Stock Exchange since February 2008, which once again emphasises the great importance the Central and Eastern European region has for the Group. In June 2013, the rating agency Standard & Poor's confirmed VIG's rating of "A+" with a stable outlook, making VIG the best rated company in the ATX leading index of the Vienna Stock Exchange.

The insurance market in Croatia is a strategic market for VIG group which makes the positioning of Wiener osiguranje Vienna Insurance Group as a safe and stable insurance company of the utmost importance.

Business performance

In 2013, the Company reported net profit of HRK 24,5 million which was an increase by HRK 23.3 million compared to the previous year. Increase in net result reflects stability in operations of the Company, synergy effects realised through the merger of Helios at the end of May 2013, strict cost management and conservative investment policy.

The Company realised gross written premium of HRK 477 million, which represents an increase of 16% in comparison to 2012. The aggregated gross written premium of the Company together with realised gross written premium of Helios in the five-month period of 2013 prior to merger of HRK 75 million, amounts to HRK 552 million, which places the Company on fifth place among insurance companies in Croatia, with an aggregate market share of 6,1%, whereby in life-segment the Company holds third place with market share of 10,6% and in non-life segment sixth place with market share of 4,3% As in previous years, the largest share in total premium relates to life insurance (47%) and motor insurance (30%).

In 2013, net policyholder claims and benefits incurred amounted to HRK 217.0 million which is, compared to the previous year, increase by HRK 57,8 million (36%). Increase in net policyholders claims and benefits also reflects the enlargement of claims portfolio due to the merger. The aggregated net policyholder claims and benefits of the Company together with the net policyholders claims and benefits incurred in five-month period of Helios prior to the merger amounted to HRK 258,4 million what is a decrease by HRK 8,1 million compared to aggregated net policyholders claims and benefits of two companies in 2012.

Total acquisition, administrative and other operating expenses (including technical expenses) amounted to HRK 231 million what is an increase by HRK 37,7 million (19.5%) compared to the previous year. However, the acquisition, administrative and other operating expenses of the Company aggregated with the same categories of expenses of Helios incurred in the five-month period prior to merger, are lower by HRK 13,5 million compared to aggregated operating expenses of two companies in 2012.

As of 31 December 2013 the Company's total assets amounted to HRK 3,249 million and have increased by HRK 1,099 million or 51% compared to the end of the previous year mostly due to merger with Helios. At merger date, total assets of Helios amounted to HRK 1,095 million and total equity amounted to HRK 194 million.

The Company is a parent company of Wiener nekretnine d.o.o. (former Kvarner Wiener Städtische nekretnine d.o.o.) which is involved in investment property management business. The subsidiary is a limited liability company incorporated and domiciled in Croatia. The address of its registered office is Slovenska 24, Zagreb. In 2013, Wiener nekretnine d.o.o realised net profit of HRK 1,8 million which is increase in comparison to 2012 for HRK 1,6 million, and revenue in amount of HRK 10,9 million.

Management Board's report (continued)

Business performance (continued)

The Company has strong capital base and was in compliance with all regulatory capital requirements during 2013. Strong capital base provides security to our policyholders and forms a basis for stable operations in the upcoming years.

During 2013, VIG increased its shareholding in the Company from 99.36% at 1 January 2013 to 99.47% at 31 December 2013. The Company did not acquire treasury shares during 2013.

In 2013, following the new Anti-discrimination Law, the Company introduced new life assurance tariffs to eliminate differences between genders. In 2014 the Company started with a new tariff form motor third party liability following the liberalisation of the motor third party liability market in Croatia.

In order to maintain financial stability and security, business objectives of the Company are focused on further increase of profitability of the Company, through growth of premium income and market share, in combination with reduction of overall operating costs.

Risk management

The management of risks to which the Company is exposed in its ordinary business is conducted on regular basis. Risk management allows for identification, analysis, quantification and control of risks. The main risks to which the Company is exposed to are: insurance risks, credit risk, market risks (price risk, interest rate risk, and foreign exchange risk), liquidity risk, operational risks, strategic risks and reputational risks. In each risk category the Company undertakes measures for management and control of risks in order to limit the risks to acceptable level. Exposure to these risks is shown in the notes to the financial statements. .

The economic environment

The financial and economic crisis which started in 2008 continued also in 2013. On the year-on-year basis, GDP declined 0.7% in the second quarter and the same decline is expected for the full year 2013. During the last five years total employment went down by 12%. Unfavourable developments in the labour market continued in 2013 and are likely to continue in the next year. At the end of December 2013 the Croatian Employment Service registered 363,411 unemployed persons and the registered unemployment rate in December 2013 was 21.6%.

The stagnation of Croatian economy and focus of domestic economy policy on fiscal sector are expected to be continued in 2014. The monetary policy is expected to continue securing high liquidity of domestic financial markets, even though some monetary easing is possible but only to the extent that would not jeopardize the stability of exchange rate. Personal consumption is expected to stagnate as a result of high unemployment, depressed disposable incomes and uncertainties about future developments. Under the assumption of restrictive fiscal policy, real government consumption is anticipated to fall by 1.2%. Unfavourable developments in the labour market are likely to continue in the next year. Active labour market measures are bound to have a limited effect on the reduction of unemployment as long as the labour demand remains weak. Average unemployment rate is projected to remain over 20% or even increase due to limited demand from the private sector and likely effects of further restructuring and privatization in parts of the public sector.

Management Board's report (continued)

Croatian insurance market

According to statistical data from the Croatian Insurance Bureau, in 2013 total gross written premium of the insurance companies increased by 0.4% compared to 2012 what was the first increase, although rather modest, after four consecutive years of decrease in total gross written premium. The main factors that affected the insurance business on the Croatian market were closure of many companies, high unemployment, reduction of sales of new vehicles and stagnation in construction. Weaker purchasing power strongly influences the decision to buy non-obligatory insurance.

In 2013, 26 insurance companies operating on the Croatian insurance market recorded a gross written premium of HRK 9,077 million. Non-life segment experienced decline of 0.6% compared to 2012 while life segment increased by 3.1% in comparison to 2012.

Market liberalisation of motor third party liability insurance will lead to higher competition and thus to decrease of prices and gross written premiums which will inevitably have negative impact on claims ratio.

The Company's strategy in the period ahead remains based on innovation geared towards improving efficiency and quality of delivery, providing excellence in services, investing in the ability to anticipate the needs of our clients and to create a sustainable business model that would provide a solid foundation of trust-based long term relationship with our clients.

Social responsibility

Corporate Social Responsibility is the continuing commitment by business to ensure sustainable development, behave ethically and contribute to economic development while improving the quality of life of the workforce and of the local community and society at large. It includes meeting quality requirements in internal operations – in dealing with employees, as well as externally – in dealing with shareholders, policyholders, partners, the regulator and the community.

The Company therefore considers an obligation to provide support for cultural and social concerns through social projects (Social Active Day) and donations and sponsorships to community.

Corporate governance

The Company considers responsible Corporate Governance to be a prerequisite for the creation of sustainable values, growth and creation of values to shareholders, policyholders and other stakeholders.

The Company implements both external and internal regulations, as well as the regulations of its parent company, Vienna Insurance Group, provided these are not in conflict with the regulations in force in the Republic of Croatia, and it also monitors the alignment of its organisational structure, to be able to modify and adjust promptly if needed. In accordance with the Solvency II requirements the Company is undertaking necessary preparations, already started during previous years.

The shareholders exercise their voting rights in the General Assembly.

The Management Board is responsible for the management of the Company's activities and represents the Company toward third parties. It ensures that the Company operates in line with risk management regulations, that is secures and maintains an adequate level of capital, manages control functions, the performance of external and internal audit, draws up financial and other reports in line with accounting regulations and standards and reports to the Croatian Financial Services Supervisory Agency.

Management Board's report (continued)

Corporate governance (continued)

The Management Board, during the course of 2013 and up to the date of the signing of this report, comprised:

Walter Leonhartsberger	President from 20 June 2013
Harald Riener	President until 20 June 2013, member from 20 June 2013 until 31 December 2013
Tamara Rendić	Member
Jasminka Horvat Martinović	Member from 23 January 2014
Azem Raković	Member from 20 June 2013 until 9 October 2013

The Supervisory Board monitors the performance of the Company's activities, appoints and recalls members of the Management Board, participates in the development of annual financial reports, submits a written supervisory report to the General Assembly, adopts internal audit annual plan, represents the Company before the Management Board and grants prior approval to Management Board decision when this is prescribed by law or the Statute of the Company.

The Supervisory Board, during the course of 2013 and up to the date of the signing of this report, comprised:

Peter Franz Höfinger	Chairman
Hans-Peter Hagen	Deputy Chairman
Natalia Cadek	Member
Roland Gröll	Member
Wolfgang Petschko	Member
Zoran Dimov	Member
Svemir Kovač	Member

Efficient cooperation has been established between the Company's Management Board and the Supervisory Board. The Management Board reports regularly (through quarterly and annual reports) to the Supervisory Board about the Company's operations, performance and financial plan realisation.

WIENER OSIGURANJE
VIENNA INSURANCE GROUP d.d.
ZAGREB 11

Walter Leonhartsberger
President of the Management Board

Tamara Rendić
Member of the Management Board

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

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that consolidated and unconsolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of the Group and Company for that period.

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

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

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of Wiener osiguranje Vienna Insurance Group d.d.:

WIENER OSIGURANJE
VIENNA INSURANCE GROUP d.d.
ZAGREB 11

Walter Leonhartsberger
President of the Management Board

Tamara Rendić
Member of the Management Board

Deloitte.

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Independent auditor's report

To the owners of Wiener osiguranje Vienna Insurance Osiguranje Group d.d.:

We have audited the accompanying unconsolidated and consolidated financial statements of Wiener osiguranje Vienna Insurance Osiguranje Group d.d., ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated and unconsolidated statements of financial position as at 31 December 2013, the consolidated and unconsolidated statement of comprehensive income the consolidated and unconsolidated statement of changes in equity and the consolidated and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying unconsolidated and consolidated financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Independent auditor's report (continued)

Other legal and regulatory requirements

i. The Management Board has prepared reporting forms in accordance with the Regulation on the Structure and Content of the Financial Statements of Insurance and/or Reinsurance Companies (NN 149/2009 "the Regulation"), adopted by the Croatian Financial Services Supervisory Agency. The reporting forms are provided as a supplement to these financial statements, set out on pages 136 to 161, and comprise the statement of financial position and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended and notes of reconciliation. These reporting forms are the responsibility of the Company's management and do not form an inseparable part of the financial statements set out on pages 9 to 135, but rather a requirement specified by the Regulation.

ii. The management is also responsible for the preparation of the Annual Report in accordance with the requirements of the Croatian Accounting Law.
Our responsibility is to issue an opinion on the consistency of the Annual Report with the consolidated and unconsolidated financial statements based on our audit. Our procedures have been conducted in accordance with the International Standards on Auditing and limited solely to assessing of whether information disclosed in the Annual Report and presented in the consolidated and unconsolidated financial statements is consistent, in all material respects, with the relevant unconsolidated and consolidated financial statements. We have not audited any data or information other than the financial information obtained from the consolidated and unconsolidated financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.
In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned unconsolidated and consolidated financial statements as of 31 December 2013.

Other Matter

The financial statements of the Company and the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those unconsolidated and consolidated financial statements on 8 February 2013.

Deloitte d.o.o.
Zagrebtower
Radnička cesta 80
10 000 Zagreb
MB 0700551

Branislav Vrtačnik
President of the Management Board

Vanja Vlak
Certified auditor

Deloitte d.o.o.
Zagreb, 26 February 2014

Statement of financial position

as at 31 December

	Note	**Group 2013 HRK'000**	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Assets					
Property and equipment	12	**112,638**	59,079	**55,978**	18,693
Investment property	13	**50,794**	28,064	**44,682**	4,362
Intangible assets					
Deferred acquisition costs	14	**16,649**	16,365	**16,649**	16,365
Other intangible assets	15	**9,592**	12,763	**9,592**	12,763
Investments in subsidiary and associate	16 b)	**6**	6	**1,600**	1,600
Held-to-maturity investments	17	**894,882**	528,562	**894,882**	528,562
Available-for-sale financial assets	17	**999,989**	579,298	**999,989**	579,298
Financial assets at fair value through profit or loss	17	**303,705**	213,461	**303,705**	213,461
Loans and receivables	17	**136,923**	101,664	**142,923**	107,664
Reinsurers' share of technical provisions	18	**483,126**	415,750	**483,126**	415,750
Deferred tax asset	19	**8,083**	-	**8,083**	-
Inventories		**604**	152	**604**	145
Insurance and other receivables	20	**262,019**	226,543	**262,757**	227,609
Current income tax prepayment		**195**	-	**-**	-
Assets held for sale	21	**13,239**	17,222	**13,239**	17,222
Cash and cash equivalents	22	**11,063**	7,046	**10,910**	6,513
Total assets		**3,303,507**	2,205,975	**3,248,719**	2,150,007
Shareholders' equity					
Share capital	23	**235,795**	235,795	**235,795**	235,795
Capital reserves	23	**50,453**	43,700	**50,453**	43,700
Legal and statutory reserve	23	**4,188**	1,463	**4,188**	1,463
Other reserves	23	**122,838**	-	**122,838**	-
Fair value reserve	23	**25,751**	29,322	**25,751**	29,322
Retained earnings		**75,203**	10,296	**72,103**	9,016
Total equity		**514,228**	320,576	**511,128**	319,296
Liabilities					
Technical provisions	25	**2,090,382**	1,284,288	**2,090,382**	1,284,288
Discretionary profit participation provision	26	**53,682**	7,244	**53,682**	7,244
Subordinated loan	27	**15,275**	15,091	**15,275**	15,091
Borrowings	28	**51,254**	52,702	**-**	-
Deferred tax liability	19	**6,438**	7,331	**6,438**	7,331
Provisions for liabilities and charges	29	**9,458**	9,257	**9,413**	9,207
Current tax liability		**-**	111	**-**	-
Insurance and other payables	30	**562,790**	509,375	**562,401**	507,550
Total liabilities		**2,789,279**	1,885,399	**2,737,591**	1,830,711
Total liabilities and equity		**3,303,507**	2,205,975	**3,248,719**	2,150,007

The accounting policies and other explanatory notes on pages 14 to 135 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December

	Note	**Group 2013 HRK'000**	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Gross premiums written	31	**473,721**	408,347	**473,791**	408,417
Written premiums ceded to reinsurers	31	**(169,245)**	(168,917)	**(169,245)**	(168,917)
Net premiums written		**304,476**	239,430	**304,546**	239,500
Change in the gross provision for unearned premiums	31	**18,433**	10,835	**18,433**	10,835
Reinsurers' share of change in the provision for unearned premiums	31	**(10,373)**	(2,899)	**(10,373)**	(2,899)
Net earned premiums		**312,536**	247,366	**312,606**	247,436
Fees and commission income	32	**57,269**	50,731	**57,269**	50,731
Financial income	33	**122,323**	91,535	**121,858**	89,595
Other operating income	34	**10,182**	4,214	**8,492**	3,470
Operating income		**502,310**	393,846	**500,225**	391,232
Claims and benefits incurred	35	**(321,193)**	(268,493)	**(321,228)**	(268,493)
Reinsurers' share of claims and benefits incurred	35	**104,223**	109,258	**104,223**	109,258
Net policyholder claims and benefits incurred		**(216,970)**	(159,235)	**(217,005)**	(159,235)
Acquisition costs	36	**(46,794)**	(46,036)	**(46,794)**	(46,036)
Administrative expenses	37	**(159,694)**	(127,815)	**(162,305)**	(128,177)
Other operating expenses	38	**(21,953)**	(19,224)	**(21,953)**	(19,174)
Financial expenses	39	**(38,521)**	(39,736)	**(35,754)**	(37,448)
Profit before income tax		**18,378**	1,800	**16,414**	1,162
Income tax benefit/(expense)	40	**7,939**	(383)	**8,083**	-
Profit for the year		**26,317**	1,417	**24,497**	1,162
Other comprehensive income for the year, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available-for-sale financial assets, net of deferred tax		**(25,716)**	49,582	**(25,716)**	49,582
Total comprehensive income for the year		**601**	50,999	**(1,219)**	50,744

Earnings per share		**HRK**	HRK
Basic and diluted earnings per share	24	**70**	4

The accounting policies and other explanatory notes on pages 14 to 135 form an integral part of these financial statements.

Statement of changes in equity

Group

	Share capital	Capital reserves	Legal and statutory reserve	Other reserves	Fair value reserve	Retained earnings /(accumulated losses)	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance at 1 January 2012	**235,795**	**168,904**	**1,463**	**-**	**(20,260)**	**(116,325)**	**269,577**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*1,417*	***1,417***
Other comprehensive income							
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	61,978	-	61,978
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	(12,396)	-	(12,396)
Total other comprehensive income	-	-	-	-	*49,582*	-	***49,582***
Total comprehensive income for the year, net of income tax	**-**	**-**	**-**	**-**	**49,582**	**1,417**	**50,999**
Transactions with owners recognised directly in equity							
Coverage of accumulated losses (Note 23 b)	-	(125,204)	-	-	-	125,204	-
Balance at 31 December 2012	**235,795**	**43,700**	**1,463**	**-**	**29,322**	**10,296**	**320,576**
Balance at 1 January 2013	**235,795**	**43,700**	**1,463**	**-**	**29,322**	**10,296**	**320,576**
Acquired on merger with Helios Vienna Insurance Group d.d. (Note 11)	-	-	2,725	122,838	22,145	46,331	**194,039**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*26,317*	*26,317*
Other comprehensive income							
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	(32,145)	-	(32,145)
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	6,429	-	6,429
Total other comprehensive income	-	-	-	-	*(25,716)*	**-**	***(25,716)***
Total comprehensive income for the year, net of income tax	**-**	**-**	**-**	**-**	**(25,716)**	**26,317**	**601**
Transactions with owners recognised directly in equity							
Transfer to capital reserves (Note 23 f)	-	6,753	-	-	-	(6,753)	-
Dividends for 2012 (Note 23 e)	-	-	-	-	-	(988)	(988)
Balance at 31 December 2013	**235,795**	**50,453**	**4,188**	**122,838**	**25,751**	**75,203**	**514,228**

The accounting policies and other explanatory notes on pages 14 to 135 form an integral part of these financial statements.

Statement of changes in equity (continued)

Company

	Share capital HRK'000	Capital reserves HRK'000	Legal and statutory reserve HRK'000	Other reserves HRK'000	Fair value reserve HRK'000	Retained earnings /(accumulated losses) HRK'000	Total HRK'000
Balance at 1 January 2012	**235,795**	**168,904**	**1,463**	**-**	**(20,260)**	**(117,350)**	**268,552**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*1,162*	***1,162***
Other comprehensive income							
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	61,978	-	61,978
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	(12,396)	-	(12,396)
Other comprehensive income	-	-	-	-	*49,582*	-	***49,582***
Total comprehensive income for the year, net of income tax	-	-	-	-	**49,582**	**1,162**	**50,744**
Transactions with owners recognised directly in equity							
Coverage of accumulated losses (Note 23 b)	-	(125,204)	-	-	-	125,204	-
Balance 31 December 2012	**235,795**	**43,700**	**1,463**	-	**29,322**	**9,016**	**319,296**
Balance at 1 January 2013	**235,795**	**43,700**	**1,463**	-	**29,322**	**9,016**	**319,296**
Acquired on merger with Helios Vienna Insurance Group d.d. (Note 11)	-	-	2,725	122,838	22,145	46,331	**194,039**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*24,497*	***24,497***
Other comprehensive income							
Gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	(32,145)	-	(32,145)
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of amounts realised (Note 23 f)	-	-	-	-	6,429	-	6,429
Other comprehensive income	-	-	-	-	*(25,716)*	-	***(25,716)***
Total comprehensive income for the year, net of income tax	-	-	-	-	**(25,716)**	**24,497**	**(1,219)**
Transactions with owners recognised directly in equity							
Transfer to capital reserves (Note 23 f)	-	6,753	-	-	-	(6,753)	-
Dividends for 2012 (Note 23 e)	-	-	-	-	-	(988)	(988)
Balance 31 December 2013	**235,795**	**50,453**	**4,188**	**122,838**	**25,751**	**72,103**	**511,128**

The accounting policies and other explanatory notes on pages 14 to 135 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December

	Note	**Group 2013 HRK'000**	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Cash flows from operating activities					
Profit for the year		**26,317**	1,417	**24,497**	1,162
Adjustments for:					
Income tax (benefit)/expense	40	**(7,939)**	383	**(8,083)**	-
Depreciation, amortisation and impairment losses	12,13,15	**10,161**	10,073	**8,845**	8,354
Change in deferred acquisition costs	14	**1,832**	3,126	**1,832**	3,126
Depreciation of small inventory		**393**	277	**386**	253
Impairment losses on financial assets	17,39	**17,487**	16,151	**17,487**	16,151
Impairment losses on insurance and other receivables	20,38,39	**11,815**	13,180	**11,815**	13,211
Net fair value gains on financial assets	33	**(9,431)**	(10,222)	**(9,431)**	(10,222)
Net foreign exchange gains	33	**(8,522)**	(1,297)	**(9,089)**	(1,391)
Dividend income on financial assets	33	**(338)**	(140)	**(338)**	(140)
Interest income on financial assets	33	**(101,501)**	(76,474)	**(101,861)**	(76,832)
Interest expense	39	**12,778**	11,948	**10,131**	10,232
Profit/(loss) on disposal of equipment		**(124)**	42	**(124)**	42
Provisions for liabilities and charges	29	**(5,748)**	8,332	**(5,743)**	8,282
Changes in operating assets and liabilities					
Net (increase)/decrease in held-to-maturity investments		**(310)**	283	**(310)**	283
Net increase in available-for-sale financial assets		**(75,146)**	(1,805)	**(75,146)**	(1,805)
Net increase in financial assets at fair value through profit or loss		**(7,527)**	(82,288)	**(7,527)**	(82,288)
Net decrease in loans and receivables		**27,015**	36,358	**27,015**	36,358
Net increase in investment property	13	**(1,215)**	(72)	**(1,215)**	(72)
Net increase in reinsurance share in technical provisions		**(12,033)**	(28,863)	**(12,033)**	(28,863)
Net decrease/(increase) in receivables and other assets		**(2,940)**	17,090	**(2,385)**	17,113
Net decrease in assets held for sale		**3,835**	8,826	**3,835**	8,826
Net increase in technical provisions		**27,138**	36,553	**27,138**	36,553
Net increase/(decrease) in insurance and other liabilities		**21,362**	(3,958)	**22,572**	(5,665)
Interest received		**88,716**	64,514	**89,076**	64,874
Interest paid		**(12,778)**	(11,948)	**(10,131)**	(10,232)
Dividend received		**338**	140	**338**	140
Income tax paid		**(450)**	(462)	-	-
Net cash from operations		**3,185**	11,164	**1,551**	7,450
Cash flow from investing activities					
Purchases of property and equipment		**(1,693)**	(1,854)	**(1,693)**	(1,802)
Purchases of other intangible assets	15	**(1,274)**	(3,177)	**(1,274)**	(3,177)
Proceeds from sale of equipment		**311**	381	**311**	381
Net cash used in investing activities		**(2,656)**	(4,650)	**(2,656)**	(4,598)
Cash flows from financing activities					
Payment of borrowings		**(2,014)**	(3,254)	-	-
Dividends paid		**(988)**	-	**(988)**	-
Net cash used in financing activities		**(3,002)**	(3,254)	**(988)**	-
Acquired on merger of Helios VIG		**6,490**	-	**6,490**	-
Net increase in cash and cash equivalents		**4,017**	3,260	**4,397**	2,852
Cash and cash equivalents at 1 January		**7,046**	3,786	**6,513**	3,661
Cash and cash equivalents at 31 December	22	**11,063**	7,046	**10,910**	6,513

The accounting policies and other explanatory notes on pages 14 to 135 form an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Wiener osiguranje Vienna Insurance Group d.d. (the "Company") is a joint stock company incorporated and domiciled in Croatia, whose registered address is at Slovenska 24, Zagreb. Until 14 January 2013 the registered address of the Company was Osiječka 46, Rijeka. The former name of the Company was Kvarner Vienna Insurance Group d.d. which was changed into Wiener osiguranje Vienna Insurance Group d.d. as of 31 May 2013.

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

The Company's major shareholder (99.47% of voting rights) and ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe, which is a joint stock company, incorporated and domiciled in Austria, Vienna.

As of 31 May 2013, following a decision of the majority shareholder to undertake a reorganization of its operations in Croatia, a related company Helios Vienna Insurance Group d.d. ("Helios VIG") was legally and operationally merged into the Company, as a result of which Helios VIG ceased to exist as a separate legal entity. Prior to the merger Helios VIG was a composite insurance joint stock company domiciled in Croatia, 100% owned by Vienna Insurance Group AG Wiener Versicherung Gruppe. The effects of the merger are set out in Notes 2 (e) and 11.

2 Basis of preparation

(a) Statement of compliance

These financial statements comprise both the consolidated and separate financial statements of the Company as defined in International Accounting Standard 27 "*Consolidated and Separate Financial Statements*". The consolidated and separate financial statements of the Company and the Group, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

The financial statements were authorised for issue by the Management Board on 26 February 2014 for approval by the Supervisory Board.

(b) Basis of measurement

These financial statements are prepared on a historical or amortised cost basis except for the following assets which are measured at their fair value: available-for-sale financial assets and financial assets at fair value through profit or loss.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

Information about judgments made by management in the application of IFRS that have significant effect on the financial statements and information about estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4.

(e) Legal merger with Helios Vienna Insurance Group d.d.

As of 31 May 2013, based on a decision of major shareholder, Helios VIG was legally merged into the Company and ceased to exist as a separate legal and operational entity. The comparative information for 2012 and the statement of comprehensive income for 2013 do not include the results of Helios VIG prior to the merger.

The assets and liabilities acquired as a result of the merger were recognised at the carrying amounts recognised immediately prior to the merger in the financial statements of Helios VIG. The merger was accounted for at the carrying amounts given that the merger involved companies under common control i.e the combining companies were ultimately controlled by the same party both before and after the merger, and that control is not transitory. The components of equity of Helios VIG were added to the same components within the Company's equity except that issued capital was recognised as part of other reserves. The assets, liabilities and equity assumed on merger are summarised in Note 11.

(f) Comparative figures

In 2013 the Group changed classification of interest expenses and foreign exchange gains/losses on deposit held from reinsurance business from "Financial income" and „Other operating expenses ‟ to „Financial expenses‟. The effect of these changes on comparative figures of statement of comprehensive income for the year ended 31 December 2012 is stated in a table below. There was no effect on total profit or loss or other comprehensive income for the year ended 31 December 2012.

Group	As originally reported	Reclassification	Reported as comparative
	2012	2012	2013
	HRK'000	HRK'000	HRK'000
Financial income	92,059	(524)	91,535
Financial expenses	(30,688)	(9,048)	(39,736)
Other operating expenses	(28,796)	9,572	(19,224)

Company	As originally reported	Reclassification	Reported as comparative
	2012	2012	2013
	HRK'000	HRK'000	HRK'000
Financial income	90,119	(524)	89,595
Financial expenses	(28,400)	(9,048)	(37,448)
Other operating expenses	(28,746)	9,572	(19,174)

2 Basis of preparation (continued)

(g) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired including intangible assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

In the separate financial statements of the Company, the investments in subsidiaries are stated at cost, less impairment losses, if any.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments (refer to accounting policy 3 f)) depending on the level of influence retained.

Associates

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of their post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the separate financial statements of the Company, the investments in associates are stated at cost, less impairment losses, if any.

Transactions eliminated on consolidation

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

2 Basis of preparation (continued)

(h) New standards and interpretations

Standards and Interpretations effective in the current period

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

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

2 Basis of preparation (continued)

(h) New standards and interpretations (continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 26 February 2014:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not impact the financial statements, if applied as at the reporting date.

3 Significant accounting policies

(a) Property and equipment

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

Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 property changes from owner-occupied to investment property, the property is reclassified as investment property with unchanged carrying amount of transferred property.

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

	2013	**2012**
Buildings	50 years	40 years
Equipment and furniture	4 -10 years	4 -10 years
Motor vehicles	5 years	5 years
Leasehold improvements	over the period of the lease	over the period of the lease

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

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date. As of 1 January 2013 the Group changed estimated useful life of buildings from 40 years to 50 years the effect of which is disclosed in Note 12.

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

3 Significant accounting policies (continued)

(b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in supply of services or for administrative purposes. The Group holds some investment property acquired through the enforcement of security over mortgage loans to policyholders.

Investment property is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of investment property changes from investment property to owner-occupied, the property is reclassified as owner-occupied with unchanged carrying amount of transferred property.

Depreciation is provided on all investment property, except for investment property not yet brought into use, on a straight-line basis at prescribed rates designed to write off the cost over the estimated useful life of the asset as follows:

	2013	**2012**
Investment property	50 years	40 years

As of 1 January 2013 the Group changed estimated useful life of investment property from 40 years to 50 years, the effect of which is disclosed in Note 13.

(c) Intangible assets: Deferred acquisition costs – insurance contracts

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

Deferred acquisition costs for non-life business comprise commissions paid to the external sales force and salaries of the internal sales force incurred in concluding insurance policies during a financial year but which relate to a subsequent financial year, and other variable policy issue costs.

For non-life insurance business, the deferred acquisition cost asset is calculated by applying the rate of 12.40% on unearned premiums.

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

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

(d) Other intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the underlying net identifiable assets acquired, including intangible assets, at the date of acquisition. Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Goodwill represents amounts arising on acquisition of subsidiaries and is included in intangible assets.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment (Note 4.2). Impairment losses on goodwill are not reversed.

3 Significant accounting policies (continued)

(d) Other intangible assets (continued)

Acquired present value of in-force business

Insurance contracts acquired in business combinations and portfolio transfers are measured at fair value at the acquisition date. The difference between the fair value of the insurance contracts and the liability measured in accordance with the accounting policies for the insurance contracts is recorded as the acquired present value of in-force business ("acquired PVIF") and is amortised over the estimated life of the insurance contracts. It is tested for impairment at each reporting date. Best estimate actuarial assumptions for interest, mortality, persistency and expenses are used in calculating acquired PVIF.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

	2013	**2012**
Software	4 years	4 years
Acquired present value of in-force business	10 years	10 years

Amortisation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and are included in profit or loss.

(e) Non-current assets and disposal groups classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group of assets and liabilities) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(f) Financial instruments

Classification and recognition

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Reclassification

In October 2008, the International Accounting Standards Board ("IASB") issued Amendments to IAS 39: "*Financial Instruments: Recognition and Measurement*" and IFRS 7: "*Financial Instruments: Disclosures*". The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category in certain circumstances. The amendment to IFRS 7 introduces additional disclosure requirements when a business entity reclassifies financial assets in compliance with IAS 39. The amendments are effective retrospectively from 1 July 2008. Pursuant to these amendments, the Group reclassified certain financial assets from fair value through profit or loss category into available-for-sale category in 2009. The effect of this reclassification is shown in Note 17.

In 2011, irrespective of the above amendments, the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments.

With the merger of Helios Vienna Insurance Group d.d the Group acquired financial investments that were previously reclassified in 2011 and 2012 from available-for-sale category to held-to-maturity category for which the Group has intent and ability to hold to maturity.

On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is disposed of or impaired. The impact of the above reclassifications is shown in Note 17.

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

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

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

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

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

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

The Group does not have financial liabilities designated at fair value through profit or loss except those related to the unit-linked and index-linked products described in accounting policy 3(z). Payables arising from insurance contracts are accounted for under IFRS 4 *Insurance contracts*.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Loans and receivables

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

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

Loans and receivables arise when the Group provides money to a debtor with no intention of trading with the receivable and include deposits with banks, mortgage loans and advances to policyholders from the life assurance provision. Receivables arising from insurance contracts are accounted for under IFRS 4 *Insurance Contracts*.

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables".

Recognition and derecognition

Purchases and sales of financial assets available for sale, financial assets at fair value through profit or loss and held-to-maturity investments are recognised on the trade date which is the date that the Group becomes a party to the contractual provisions of the investment. Loans and receivables and other financial liabilities carried at amortised cost are recognised when advanced to borrowers or received from lenders.

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

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Initial and subsequent measurement

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

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

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

Gains and losses

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

Gains or losses arising from a change in the fair value of available-for-sale are recognised directly in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. For non-monetary financial assets available for sale all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of available-for-sale financial assets, any cumulative gains or losses on the instrument are transferred from other comprehensive income to profit or loss.

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

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

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

Fair value measurement principles

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is their average market price at the reporting date without any deductions for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reason, 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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate applicable at the reporting date for a financial instrument with similar terms and conditions.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets

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

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

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

Specific instruments

Embedded derivatives within insurance and investment contracts

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

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

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments (continued)

Embedded derivatives within insurance and investment contracts (continued)

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

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

Sale and repurchase agreements

The Group enters into purchases and sales of securities under agreements to resell or repurchase substantially identical securities at a certain date in the future at a fixed price. Investments purchased, subject to such commitments to resell them at future dates, are not recognised. The amounts paid are recognised in loans and receivables.

The receivables are collateralised by the underlying security. Securities sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for the relevant financial asset at amortised cost or at fair value as appropriate. The proceeds from the sale of the securities are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognised on an accrual basis over the period of the transaction and is included in interest income or expense.

Debt securities

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

Deposits with banks

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

Loans to customers

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

Equity securities

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

Investments in investment funds

Investments in investment funds are classified as financial assets at fair value through profit or loss and as available-for-sale financial assets and are carried at current fair value.

Investments held on account and at risk of life assurance policyholders

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments (continued)

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. Trade and other receivables are classified as loans and receivables.

Investment in subsidiary

Investment in subsidiary is accounted at cost less impairment in the separate financial statements of the Company.

Loans, borrowings and subordinated debt

Interest-bearing loans, borrowings and subordinated debt are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between proceeds (less attributable transaction costs) and redemption value being recognised in profit or loss over the term of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are initially recognised at fair value and then subsequently at amortised cost. Trade and other payables are classified as other liabilities.

Offsetting of financial instruments

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

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

(g) Leased assets

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

Other leases are operating leases where leased assets are not recognised on the Group's statement of financial position. The accounting policy for recognising leasing costs is described in accounting policy 3 (p), under *Operating lease payments*.

(h) Cash and cash equivalents

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents comprise cash and demand deposits with banks.

(i) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

3 Significant accounting policies (continued)

(i) Employee benefits (continued)

Jubilee awards and termination benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as the net present value of the liability for defined benefits at the reporting date. The projected credit unit method is used for the calculation of the present value of the liability. The market yield on government bonds on the reported date is used as the discount rate.

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(j) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(k) Provisions for liabilities and charges

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

Restructuring

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Accounting policy for onerous insurance contracts is disclosed under 3 (t) *Unexpired risk provision*.

3 Significant accounting policies (continued)

(l) Share capital

Ordinary share capital

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

Capital reserves

Capital reserves consist of share premium reserve and other payments of shareholders into capital reserves. The share premium reserve represents the accumulated positive difference between the par value of shares issued and the amount received upon issue of share capital.

Repurchase of share capital

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

Dividends

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

Legal reserve

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

Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company's General Assembly.

Fair value reserve

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

Retained earnings

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

(m) Impairment

The carrying amounts of the Group's assets, other than deferred acquisition costs (see accounting policy 3 (c)), financial assets (see accounting policy 3 (f)) and deferred tax assets (see accounting policy 3 (j)), are tested for impairment at each reporting date. If any indication of impairment exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

3 Significant accounting policies (continued)

(m) Impairment (continued)

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

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

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

(n) Segment reporting

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

Allocation of costs between the life assurance and non-life insurance segments

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

Investment income, realised and unrealised gains and losses, expenses and charges arising on life assurance business and shareholders' funds are included in the life assurance business segment.

During the year, direct administration costs, marketing and other acquisition costs are directly charged to the non-life and life segments. Allocation is performed automatically based on cost allocation keys. The principal categories used in the calculation of allocation keys for life and non-life segments are: gross written premium (at the Company level), technical reserves, number of claims paid and financial investments.

Commissions and part of personnel expenses are recorded directly to the life and non-life insurance segments.

Allocation of equity and assets

Property and equipment, intangible assets and investment property (of the Company) are allocated to the non-life and life segments. Financial investments are allocated according to source of funds. Financial investments from equity are allocated to both non-life and life segments. Equity is allocated according to minimal regulatory capital requirements and share issued by the shareholders. Other receivables and payables are allocated based on those segments from which they originate.

Investment property segment

Investment property segment includes assets, liabilities, income and expenses of Wiener nekretnine d.o.o., the Company's subsidiary.

3 Significant accounting policies (continued)

(o) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in Note 3 (r).

Financial income

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

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

The accounting policy in relation to financial income recognition is disclosed in Note 3 (f) under "*Gains and losses*".

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

Fees and commission income

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

(p) Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, salaries of internal sales personnel and marketing and advertising expenses. Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related income recognition criteria (see accounting policy 3 (r)).

The Group's accounting policy for deferred acquisition costs is disclosed in accounting policy 3 (c).

Administration costs

Administration costs include personnel expenses, depreciation of property and equipment, amortisation of intangible assets, energy costs and other costs. Other costs consist mainly of costs of premium collection, policy termination costs, portfolio management costs and administration costs relating to reinsurance.

Operating lease payments

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

Financial expenses

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

3 Significant accounting policies (continued)

(p) Expenses (continued)

Financial expenses (continued)

Financial expenses also include net losses from changes in the fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale. The accounting policy in relation to financial expense recognition is disclosed in Note 3(f) under "*Gains and losses*".

(q) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

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

Contracts with discretionary participation features

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

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

Discretionary profit participation provision

Policyholders or beneficiaries of endowment, pure endowment, endowment with fixed age at maturity (whole life),term-fix and annuity assurance policies are entitled to a share in the profits of the Group realised through the management of life assurance funds. The entitlement is calculated following the expiry of the first, second or third year of insurance, depending on the tariff and type of premium payment. The level of the profit entitlement is determined by management. The discretionary element of those contracts is accounted for as a liability in the discretionary profit participation provision.

(r) Premiums

Non-life business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

Premiums written include adjustments to reflect write-offs of amounts due from policyholders and the movement in impairment allowances for premiums due from policyholders.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business.

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

3 Significant accounting policies (continued)

(s) Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following financial years, computed using the “pro rata temporis” or 365 method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

The provision for unearned premiums in respect of life assurance is included within the life assurance provision.

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

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

(t) Unexpired risk provision

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition costs and administrative expenses likely to arise after the end of the financial year) attributable to the unexpired periods of policies in force at the date of financial position exceeds the provision for unearned premiums related to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately using the liability adequacy test by reference to classes of business which are managed together, before taking into account relevant investment returns. Liability adequacy testing for both life and non-life and related assets is disclosed in more detail in accounting policy 3 (y) and in Note 7.

(u) Claims provisions

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

(v) Life assurance provisions

The life assurance provision has been computed by the Group’s actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by HANFA. The prospective net premium valuation method has been adopted with the exception of unit-linked and index-linked products where the provision is based on the fair value of the underlying assets.

The life assurance provision has been computed on an in-force premium basis, applying a Zillmer type valuation method, and taking into account actual acquisition, collection and administrative costs as well as all guaranteed benefits and bonuses already declared.

The Group uses the full Zillmer rate of 3.5% in the year of policy inception. The applied Zillmer rate is within the limits prescribed by HANFA.

The provision is initially measured using the assumptions defined HANFA. At each subsequent reporting date, the reserve is calculated on the same principles. A liability adequacy test (LAT) is performed at each reporting date by the Group’s actuaries using current estimates of future cash flows under its insurance contracts (refer to Liability adequacy test). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in profit or loss with a corresponding increase to the life assurance provision.

The amount of bonus allocated to policyholders has been determined at the reporting date and is presented within the discretionary profit participation provision. The Group does not have a policy to decrease the discretionary profit participation provision, in favour of the Group, once provision has been formed.

3 Significant accounting policies (continued)

(w) Claims

Claims arising from non-life business

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

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

Claims outstanding based on case estimates and statistical methods comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the reporting date, whether reported or not, together with the related internal and external claims-handling expenses and an appropriate margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance is determined according to contracts valid at the time in which claims occurred.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately, if significant. The methods used, and the estimates made, are reviewed regularly, which is further discussed in Note 6.

Claims arising from life assurance business

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

(x) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in profit or loss on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date applying the same methodology as applied for loans and receivables as described in Note 3. The Group records an allowance for estimated irrecoverable reinsurance assets, if any. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

3 Significant accounting policies (continued)

(x) Reinsurance (continued)

Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are based on earned premium.

(y) Liabilities and related assets under liability adequacy test

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

(z) Liability measurement of unit-linked and index-linked contracts

Liabilities in relation to unit-linked and index-linked insurance contracts are classified at fair value through profit or loss. The financial liability is measured based on the carrying value of the assets that are held to back the contract.

(aa) Insurance receivables and payables

Insurance receivables and payables are accounted for in accordance with IFRS 4. Insurance receivables and payables include receivables and payables arising from insurance and reinsurance contracts entered by the Group.

(bb) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for equity securities classified as available for sale when are recognised in other comprehensive income.

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in income as part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within investment income or investment expense in profit or loss. Other changes in the carrying amount are recognised in other comprehensive income.

The translation differences on revaluation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income, along with other changes in fair value.

The most significant foreign currency in which the Group holds assets and liabilities is Euro. The exchange rate used for translation at 31 December 2013 was EUR 1 = HRK 7.638 (2012: EUR 1 = HRK 7.546).

4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 43) and insurance risk management (Note 5).

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

4.1. Key sources of estimation uncertainty

Estimation uncertainty in relation to technical provisions

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

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

Major assumptions in calculating the life assurance provision are set out in Note 6, whilst insurance contract provisions are analysed in Note 25.

Impairment losses of loans and receivables

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3(f) on impairment of financial assets.

The need for impairment is assessed individually for each exposure based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty's financial situation and the net realisable value of any underlying collateral.

Determining fair values

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(f). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Estimation uncertainty in relation to court cases

A significant source of estimation uncertainty stems from court cases. At 31 December 2013, the Group was involved in 1,065 (2012: 1,101) court cases for which HRK 89,704 thousand (2012: HRK 53,737 thousand) was provided as part of the claims reserve for reported but not yet settled claims. At 31 December 2013, the Group was involved in 67 (2012: 30) non-insurance court cases for which HRK 8,312 thousand (2012: HRK 3,045 thousand) was provided as provision for non-insurance related legal claims. The management believes that the related provisions are sufficient.

Tax

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

4 Accounting estimates and judgements (continued)

4.1. Key sources of estimation uncertainty (continued)

Regulatory requirements

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

Joint liability

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

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

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets as "trading", the Group has determined that it meets the definition of trading assets set out in accounting policy 3 (f) "*Financial assets at fair value through profit or loss*". In designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3 (f). Reclassification of financial assets and financial liabilities at fair value through profit or loss is allowed in certain rare circumstances. Held-to-maturity investments can be classified as such only if the Group has the positive intention and the ability to hold these investments to maturity.

In October 2011, November 2011 and March 2012 the Group reclassified available-for-sale financial assets as held-to-maturity investments. The Group has intent and ability to hold the reclassified assets to maturity.

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3 (f). The Group measures fair values using the fair value hierarchy as discussed in Note 43 on financial risk management.

Classification of products

The Group's accounting policy on classification of contracts as insurance or investment contracts is disclosed in accounting policy 3 (q). At the reporting date, the Group had no insurance products which would be classified as investment contracts.

Classification of property between investment property and owner-used property

The Group classifies as investment properties all properties that are not used in the performance of its own activities but are held to earn rental income or for capital appreciation The estimated fair value of investment property held by the Group amounts to HRK 70,026 thousand and held by the Company amounts to HRK 60,800 thousand as of 31 December 2013. Fair value is determined by an independent appraiser having an appropriate professional qualification. Fair values were determined having regard to recent market transactions for similar properties, which would in hierarchy of fair value be classified as Level 3.

4 Accounting estimates and judgements (continued)

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

Allocation of indirect expenses between life and non-life

The allocation of expenses between life and non-life insurance segments is described in accounting policy 3 (n).

Useful economic life of equipment and intangible assets

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

Impairment allowance for insurance receivables

Insurance receivables are evaluated for impairment at each reporting date in order to identify potential impairment allowance, on the basis of best estimate of the recoverability of these assets. Each receivable is assessed on its merits based on the expected amount and date of collection and possible collaterals. The management believes that insurance receivables are recoverable.

Goodwill

In accordance with IFRS 3 "*Business Combinations*" the Group discontinued to amortise goodwill from 1 January 2005. At the beginning of 2005 the Group eliminated the carrying amount of the related accumulated amortisation against the gross value of goodwill. Goodwill is tested for impairment in accordance with IAS 36 "*Impairment of Assets*".

The Group has performed impairment test of goodwill for the year ended 31 December 2013, which indicated that the carrying amount of goodwill is recoverable.

The recoverable amount of goodwill has been determined based on value-in-use calculations for cash generating units. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The key assumptions used for value-in-use calculations in 2013 are as follows:

Long term growth rate	1%
Discount rate (pre-tax)	12%

Management determined compound annual volume growth rate for cash generating unit to be a key assumption. The volume of non-life gross written premium in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development.

The sensitivity analysis of key assumptions used in the impairment testing showed that a discount rate increase by 100 basis points would result on average in a 9.1% decrease of the recoverable amount of goodwill. Despite the decrease, the net recoverable amount of goodwill would still exceed its carrying value.

Deferred acquisition costs

Deferred acquisition costs are assessed at each reporting date for recoverability. The calculation is based on the Group's assumptions for allocation of acquisition costs over the duration of the related insurance contract. Management believes that deferred acquisition costs are recoverable during the remaining duration of insurance contracts active at the reporting date.

4 Accounting estimates and judgements (continued)

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

Impairment allowance of investment in subsidiary and associate

Recognition of impairment allowance against investment in subsidiary and associate is based on the management's best estimate of their recoverable amounts.

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. The impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In 2013, as a result of impairment test, the Group recognised impairment loss in the amount of HRK 1,033 thousand (2012: HRK 3,963 thousand).

5 Insurance risk management

The Group is exposed to insurance risk arising from a wide range of life and non-life products offered to customers: whole life, traditional life products, annuity products, unit-linked products, index-linked products and all lines of non-life products (property, accident, travel health, motor vehicle, third party liability, marine and transport).

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

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

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

Risk management

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

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

For the non-life business, the Group buys non-proportional reinsurance treaty to reduce the net exposure for an individual risk to amount of EUR 75 thousand for casco, a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk to amount of EUR 250 thousand (effectively EUR 125 thousand) for motor third party liability, EUR 150 thousand for property and EUR 100 thousand (effectively EUR 50 thousand) for personal accident. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe agreement provides cover for the first EUR 849.85 million (2012: EUR 949.85 million) of losses exceeding the first EUR 150 thousand.

For life business the Group has more than one proportional treaty for savings products and more than one non-proportional treaty for the policies which include death risk and permanent disability risk. The combination of both treaties reduces net exposure to EUR 30 thousand sum at risk.

Ceded reinsurance contains credit risk and such reinsurance receivables are reported after deductions for known uncollectible items. The Group monitors the financial condition of reinsurers and enters into reinsurance agreements with mostly A graded reinsurers.

The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for life business. For a detailed description of the liability adequacy test, refer to accounting policy 3 (y) and Note 7.

5 Insurance risk management (continued)

Concentration of insurance risk

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

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

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

Non-life insurance

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

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

- measurement of geographical accumulations;
- assessment of probable maximum losses;
- excess of loss reinsurance.

Life assurance

The management believes that for life assurance contracts covering the risk of death there is no significant geographic concentration of risk, although the concentration of the value at risk can affect the ratio of insurance payments on the portfolio level. Values at risk for life assurance are as follows:

Line of insurance	**Value at risk**			
	2013		2012	
	HRK'000	**%**	HRK'000	%
Life assurance – traditional products	5,785,208	61.6%	2,730,347	46.3%
Unit-linked and index-linked products	118,013	1.3%	147,589	3.1%
Supplementary risks to life assurance	3,484,759	37.1%	3,186,576	50.6%
As at 31 December	**9,387,980**	**100.0%**	6,064,512	100.0%

5 Insurance risk management (continued)

Concentration of insurance risk (continued)

Life assurance (continued)

Table for long-term insurance stated below shows risk concentration through three insurance classes grouped by sum insured per policy.

Sum insured per policy at 31 December 2013

	Total sum insured			
	Before reinsurance		After reinsurance	
In HRK	HRK'000	%	HRK'000	%
< 100.000	2,221,656	28.42%	1,664,916	28.33%
100.000 – 250.000	4,258,708	54.48%	2,964,376	50.44%
>250.000	1,337,339	17.11%	1,247,592	21.23%
As at 31 December 2013	**7,817,703**	**100.00%**	**5,876,884**	**100.00%**

Sum insured per policy at 31 December 2012

	Total sum insured			
	Before reinsurance		After reinsurance	
In HRK	HRK'000	%	HRK'000	%
< 100.000	1,862,352	47.52%	1,386,275	49.23%
100.000 - 250.000	1,765,773	45.06%	1,250,733	44.41%
>250.000	290,823	7.42%	179,007	6.36%
As at 31 December 2012	**3,918,948**	**100.00%**	**2,816,015**	**100.00%**

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

Non-life insurance

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

The liability for reported but not settled claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

Reinsurers' share is determined through individual calculation based on the reinsurance contract valid at the moment when the claim occurred.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are assessed by the Group's actuaries using statistical techniques.

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

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- expected loss ratio methods, which use the Group's expectation of the loss ratio for a class of business.

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

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

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

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

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

Expected claims ratio

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

Tail factors

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

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

Non-life insurance (continued)

Discounting

Non-life claims provisions are not discounted.

In 2013 there have been no major changes in assumptions used to measure non-life insurance assets and liabilities.

Life assurance

The life assurance provision is calculated by a prospective net premium method using the same statistical data and interest rates used to calculate premium rates. The Group calculates life assurance provision in accordance with HANFA regulations. Assumptions used are specified at the beginning of the policy and they remain in force until the expiration of policy, except in the case of liability inadequacy or if HANFA do not specify otherwise.

The Group elects to use following mortality tables for the calculation of mathematical reserve:

MT RH 1980-82, MT RH 1989-91, MT RH 2000-02, JUG 1970, Wiener unisex 1, Wiener unisex 2 as well as GC. In accordance with regulation of Republic Croatia which from 1 July 2013 requires that insurer provides equal treatment for both sexes, the Group introduced new, unisex mortality tables. The use of the 1980-82, 1989-91 and JUG 1970 mortality tables results in a higher life assurance provision than if it would be calculated with 2000-02 mortality tables, therefor in some products the Group uses these mortality tables for calculation of mathematical provision. For critical illness the Group uses original morbidity and mortality tables and for additional surgery and child birth rider the Group uses original biometric tables.

According to the guidelines and the rules issued by HANFA, the maximum interest rate used for discounting when calculating life assurance provision is 3.3% for the polices concluded before year 2010, 3% for the polices concluded during 2010, and 2.75% for the polices concluded after 2010. The tariffs that have technical interest rate used for premium determination which is lower than those percentage amounts, the lower interest rate is used for life provision calculation.

The principal assumptions underlying the calculation of the significant components of the life assurance provision are stated in the following table.

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

Life assurance (continued)

Principal assumptions for life assurance business

Description	Product	TIR for calculating reserve	Mortality tables for calculating reserve
	H11, H11J, H21, H31, H31J,L11, L11J	3.30%	MT HR 2000
	L21, L31, L31J,W11, W11J, W21, W21J,C31	3.30%	MT HR 2000
	A11,A12,AUR20,AUR21,AURDC	3.30%	MT HR 2000
	L41,L41J,H51	2.50%	MT HR 2000
	B11,A2011,DJ11,CE-N11,C11,CE11	2.50%	MT HR 2000
	C,CE,CE-N	3.00%	MT HR 2000
	AWS	3.00%	MT HR 1980-82
	B,A08,DJ	3.00%	MT HR 1989-91
	C03	3.00%	MT HR 1980-82
Endowment	A13,B13,C13,CS13,CS-N13	2.50%	Wiener unisex tables 1
Endowment - group	G11,G12,G13,G14,G16,G17,G18, G32,G33,G35,G36	3.30%	MT HR 2000
	BR	3.00%	MT HR 1980-82
	D11, D11J	3.30%	MT HR 2000
Pure endowment	BR11,D41, D41J	2.50%	MT HR 2000
	IK,IKD,	3.00%	MT HR 1989-91
	IKE,IKE-B06,IK-F	3.00%	MT HR 2000
	SSA	2.50%	MT HR 2000
	IK13	2.50%	Wiener unisex tables 2
	IKS13,IKD13,IKD13B	2.50%	Wiener unisex tables 1
	POS	3.30%	MT HR 2000
	T11, T11J	3.30%	MT JUG 1970
Term	T41, T41J,IK-F11,IK11,IKD11,IKE11,IKD12	2.50%	MT HR 2000
	E,VF1	3.00%	MT HR 2000
Term fix	E11,VF11	2.50%	MT HR 2000
Join life	AUR02	3.30%	MT HR 1980-82
Permanent working disability	PWD,PWDU1	2.50%	GC
Critical Illness	KB1	3.30%	GC
Pension annuity	Z11, Z12, Z12J, Z22J	3.30%	MT HR 2000
Scholarships annuity	Z13F,Z13S,Z13JF,Z13JS,Z14F,Z14S,Z14JF,Z23JF	3.30%	MT HR 2000
Whole Life annuity	WLR	2.50%	MT HR 2000
Whole Life	WLGW	3.30%	MT HR 2000
Whole Life	L-100	3.30%	MT HR 2000
Whole Life	WLU1	2.50%	MT HR 2000
Whole Life	WLP	3.30%	MT HR 2000
Whole Life	WLGW-25	2.50%	MT HR 2000
	EB,EG,EIL-2009	2.50%	MT HR 2000
	EURO-IL,WLBT	3.30%	MT HR 2000
Index-linked	IL	3.00%	MT HR 1989-91
	UL,ULS,FI,UL-07	-	MT HR 1980-82
Unit-linked	UL13,ULS13,UL13-O,FI13	-	Wiener unisex tables 1

7 Liability adequacy test

Life assurance

The life assurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. For this purpose the Group uses the Liability adequacy test (LAT). No additional liabilities are established as a result of the liability adequacy test.

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

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

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

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

The methodology of testing considers current estimates of all future contractual cash flows. This methodology enables quantification of the correlation between all risks factors.

The principal assumptions used are:

Segmentation

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

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

Mortality and morbidity

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

Persistency

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Group's past experience with insurance policies (split by type and policy durations). The Group regularly investigates its actual persistency rates by product type and duration and amends its assumptions accordingly.

Expenses

Estimates for future renewal and maintenance expenses included in the liability adequacy test are derived from the Group's current experience.

7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

Future investment returns are calculated using the risk free curve derived from Bloomberg data for several Croatian Government euro bonds. The data was then interpolated and extrapolated to the ultimate forward rate of 4.2% using the Solvency II methodology that is applied in the long term guarantee assessment (Smith-Wilson method).

Profit sharing

Whilst, for majority of life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of the liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the estimated investment return over the guaranteed technical interest rate on individual policies. The percentage applied is consistent with the Group's current business practice for bonus allocation.

Non-life insurance

Insurance liabilities in respect of non-life insurance are calculated by using current (not historical) assumptions.

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

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

A provision of HRK 2,600 thousand has been established as of 31 December 2013 (2012: HRK 2,700 thousand) as a result of the liability adequacy test and is disclosed under the unexpired risk provision.

8 The sensitivity of Liability adequacy test's future cash flows to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate, discount rates, and investment return rates which are estimated for calculating the adequate value of insurance liabilities during the liability adequacy test.

The Group has estimated the impact of changes in key variables that may have a material effect on the LAT - modelled future cash flows at the end of the year.

Life assurance

	LAT future cash flow -modelled HRK'000
Base run	1,409,950
Interest rates (discounting and investment return) –100bp	1,456,968
Mortality +10%	1,416,393
Policy maintenance expenses +10%	1,437,997

The portfolio modelled represents 96,04% of in force life assurance provision (HRK 1,505,327 thousand life assurance provision together with profit participation reserve modelled). The rest of the portfolio was not modelled since it is similar to the modelled part.

Base run represents future cash flows calculated using the assumptions described under Note 7 during liability adequacy testing.

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

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

The sensitivity was calculated for an unfavourable direction of movement, therefore the sensitivity to changes in mortality was calculated by estimating the effect on LAT future cash flows of an increase of mortality for life insurance products by 10%. The sensitivity to changes in expense rate was calculated by estimating the effect on LAT future cash flows of a 10% increase in policy maintenance expenses. The sensitivity to changes in interest rates was calculated by estimating the effect on LAT future cash flows of a 100bp decrease in the interest rates.

The profit or loss and insurance liabilities (as evidenced by LAT cash flow above) are mostly influenced by a decrease in the interest rates and increase in policy maintenance expenses.

Non-life insurance

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

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

Non-life insurance contracts

The Group offers many types of non-life insurance, mainly motor, property, liability, marine, transport, travel health and accident insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 3 months' notice. The Group is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence. This feature is particularly significant in case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

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

Motor insurance

The Group motor insurance portfolio comprises both motor third party liability insurance (MTPL) and motor (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by motorists insured under the Green Card system.

Material damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

The amount of claims relating to bodily injury and related losses of earnings are influenced by directives set by the Supreme Court which influence court practice.

MTPL is regulated by the Law on Obligatory Traffic Insurance. Minimum sums insured are regulated by legislation. Policyholders are entitled to a no-claims bonus on renewal of their policy where the conditions are fulfilled.

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

Property insurance

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

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

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

Non-life insurance contracts (continued)

Liability insurance

This covers all types of liability and includes commercial liability, product liability and professional indemnity as well as personal liability. All liability covers are written on a "loss occurrence basis".

Accident insurance

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

Life assurance contracts

Bonuses

Almost all of the Group's traditional life insurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Management Board in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed.

Premiums

Premiums may be payable in regular instalments or as a single premium at inception of the policy. Some endowment-type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums are not increased by inflation.

Term life insurance products

Traditional term life insurance products comprise risks of death. The premium is paid regularly or as a single premium. Policies offer a fixed sum insured for death or sum insured which is decreasing over time. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment products

These are traditional life assurance products providing long term financial protection. Capital life insurance products for regular or single premium offer cover for risks of death and endowment. Accident can be added as a rider to the main endowment coverage. Insurance benefits are usually paid in a lump-sum.

Pure endowments

These are also traditional life insurance products providing life-long financial protection at expiry. The premium under this product is paid annually or in instalments and it covers the risk of endowment and accident rider, if included .

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

Life assurance contracts (continued)

Endowment at the fixed age at maturity (Whole Life assurance)

Whole Life insurance products comprise risk of death during the entire lifetime (until the age of 100 when policy matures). Premium is paid annually, semi-annually, quarterly or monthly. Surrender values are guaranteed in a fixed amount and specified at the contract start. Insurance benefits are paid in a lump-sum. The Group has five generation of Whole Life and only the fifth generation, Whole Life Unisex, is still active. Four additional riders can be added to the main coverage:

- Terminal Illness Rider (TI) allows payment of 50% sum insured in case of terminal illness
- Accidental Death Benefits Rider (ADB) guarantees payment of additional 100% sum insured in case of accidental death
- surgery – additional payment in case of surgery
- childbirth – additional payment in case of child birth.

Unit-linked life assurance

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

Index-linked life assurance

Index-linked life assurance is a single premium product that combines insurance for death risk and savings with a guaranteed maturity value. The savings part is invested into a structured note with a guaranteed maturity value (guaranteed by the note issuer). Policyholders have therefore guaranteed value at policy maturity, however the amount of surrender value is not guaranteed.

10 Segment reporting

Statement of financial position by business segment as at 31 December 2013

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Assets					
Property and equipment	51,407	4,571	56,660	-	**112,638**
Investment property	24,740	19,942	6,112	-	**50,794**
Intangible assets					
Deferred acquisition costs	16,368	281	-	-	**16,649**
Other intangible assets	8,275	1,317	-	-	**9,592**
Investments in subsidiary and associate	1,550	50	6	(1,600)	**6**
Held-to-maturity investments	75,995	818,887	-	-	**894,882**
Available-for-sale financial assets	293,587	706,402	-	-	**999,989**
Financial assets at fair value through profit or loss	36,623	267,082	-	-	**303,705**
Loans and receivables	47,910	95,013	-	(6,000)	**136,923**
Reinsurers' share of technical provisions	208,717	274,409	-	-	**483,126**
Deferred tax asset	4,024	4,059	-	-	**8,083**
Inventories	604	-	-	-	**604**
Insurance and other receivables	157,748	105,009	430	(1,168)	**262,019**
Current income tax prepayment	-	-	195	-	**195**
Assets held for sale	-	13,239	-	-	**13,239**
Cash and cash equivalents	3,886	7,024	153	-	**11,063**
Total assets	**931,434**	**2,317,285**	**63,556**	**(8,768)**	**3,303,507**
Shareholders' equity					
Share capital	101,491	134,304	-	-	**235,795**
Capital reserves	43,700	6,753	-	-	**50,453**
Legal and statutory reserve	561	3,627	-	-	**4,188**
Other reserves	33,937	88,901	-	-	**122,838**
Fair value reserve	6,900	18,851	-	-	**25,751**
Retained earnings	33,714	38,389	4,700	(1,600)	**75,203**
Total equity	**220,303**	**290,825**	**4,700**	**(1,600)**	**514,228**
Liabilities					
Technical provisions	455,708	1,634,674	-	-	**2,090,382**
Discretionary profit participation provision	-	53,682	-	-	**53,682**
Subordinated loan	15,275	-	-	-	**15,275**
Borrowings	-	-	57,254	(6,000)	**51,254**
Deferred tax liability	1,725	4,713	-	-	**6,438**
Provisions for liabilities and charges	9,413	-	45	-	**9,458**
Insurance and other payables	229,010	333,391	1,557	(1,168)	**562,790**
Total liabilities	**711,131**	**2,026,460**	**58,856**	**(7,168)**	**2,789,279**
Total liabilities and equity	**931,434**	**2,317,285**	**63,556**	**(8,768)**	**3,303,507**

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2012

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Assets					
Property and equipment	18,368	325	40,386	-	**59,079**
Investment property	4,362	-	23,702	-	**28,064**
Intangible assets					
Deferred acquisition costs	15,991	374	-	-	**16,365**
Other intangible assets	9,420	3,343	-	-	**12,763**
Investments in subsidiary and associate	1,550	50	6	(1,600)	**6**
Held-to-maturity investments	45,230	483,332	-	-	**528,562**
Available-for-sale financial assets	199,042	380,256	-	-	**579,298**
Financial assets at fair value through profit or loss	52,397	161,064	-	-	**213,461**
Loans and receivables	80,225	27,439	-	(6,000)	**101,664**
Reinsurers' share of technical provisions	152,117	263,633	-	-	**415,750**
Inventories	145	-	7	-	**152**
Insurance and other receivables	127,909	99,700	319	(1,385)	**226,543**
Assets held for sale	17,222	-	-	-	**17,222**
Cash and cash equivalents	4,077	2,436	533	-	**7,046**
Total assets	**728,055**	**1,421,952**	**64,953**	**(8,985)**	**2,205,975**
Shareholders' equity					
Share capital	101,491	134,304	1,600	(1,600)	**235,795**
Capital reserves	43,700	-	-	-	**43,700**
Legal and statutory reserve	-	1,463	-	-	**1,463**
Fair value reserve	10,491	18,831	-	-	**29,322**
Retained earnings	2,264	6,752	1,280	-	**10,296**
Total equity	**157,946**	**161,350**	**2,880**	**(1,600)**	**320,576**
Liabilities					
Technical provisions	358,262	926,026	-	-	**1,284,288**
Discretionary profit participation provision	-	7,244	-	-	**7,244**
Subordinated loan	15,091	-	-	-	**15,091**
Borrowings	-	-	58,702	(6,000)	**52,702**
Deferred tax liability	2,623	4,708	-	-	**7,331**
Provisions for liabilities and charges	9,207	-	50	-	**9,257**
Current tax liability	-	-	111	-	**111**
Insurance and other payables	184,926	322,624	3,210	(1,385)	**509,375**
Total liabilities	**570,109**	**1,260,602**	**62,073**	**(7,385)**	**1,885,399**
Total liabilities and equity	**728,055**	**1,421,952**	**64,953**	**(8,985)**	**2,205,975**

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2013

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	51,407	4,571	**55,978**
Investment property	24,740	19,942	**44,682**
Intangible assets			
Deferred acquisition costs	16,368	281	**16,649**
Other intangible assets	8,275	1,317	**9,592**
Investment in subsidiary	1,550	50	**1,600**
Held-to-maturity investments	75,995	818,887	**894,882**
Available-for-sale financial assets	293,587	706,402	**999,989**
Financial assets at fair value through profit or loss	36,623	267,082	**303,705**
Loans and receivables	47,910	95,013	**142,923**
Reinsurers' share of technical provisions	208,717	274,409	**483,126**
Deferred tax asset	4,024	4,059	**8,083**
Inventories	604	-	**604**
Insurance and other receivables	157,748	105,009	**262,757**
Assets held for sale	-	13,239	**13,239**
Cash and cash equivalents	3,886	7,024	**10,910**
Total assets	**931,434**	**2,317,285**	**3,248,719**
Shareholders' equity			
Share capital	101,491	134,304	**235,795**
Capital reserves	43,700	6,753	**50,453**
Legal and statutory reserve	561	3,627	**4,188**
Other reserves	33,937	88,901	**122,838**
Fair value reserve	6,900	18,851	**25,751**
Retained earnings	33,714	38,389	**72,103**
Total equity	**220,303**	**290,825**	**511,128**
Liabilities			
Technical provisions	455,708	1,634,674	**2,090,382**
Discretionary profit participation provision	-	53,682	**53,682**
Subordinated loan	15,275	-	**15,275**
Deferred tax liability	1,725	4,713	**6,438**
Provisions for liabilities and charges	9,413	-	**9,413**
Insurance and other payables	229,010	333,391	**562,401**
Total liabilities	**711,131**	**2,026,460**	**2,737,591**
Total liabilities and equity	**931,434**	**2,317,285**	**3,248,719**

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2012

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	18,368	325	**18,693**
Investment property	4,362	-	**4,362**
Intangible assets			
Deferred acquisition costs	15,991	374	**16,365**
Other intangible assets	9,420	3,343	**12,763**
Investment in subsidiary	1,550	50	**1,600**
Held-to-maturity investments	45,230	483,332	**528,562**
Available-for-sale financial assets	199,042	380,256	**579,298**
Financial assets at fair value through profit or loss	52,397	161,064	**213,461**
Loans and receivables	80,225	27,439	**107,664**
Reinsurers' share of technical provisions	152,117	263,633	**415,750**
Inventories	145	-	**145**
Insurance and other receivables	127,909	99,700	**227,609**
Assets held for sale	17,222	-	**17,222**
Cash and cash equivalents	4,077	2,436	**6,513**
Total assets	**728,055**	**1,421,952**	**2,150,007**
Shareholders' equity			
Share capital	101,491	134,304	**235,795**
Capital reserves	43,700	-	**43,700**
Legal and statutory reserve	-	1,463	**1,463**
Fair value reserve	10,491	18,831	**29,322**
Retained earnings	2,264	6,752	**9,016**
Total equity	**157,946**	**161,350**	**319,296**
Liabilities			
Technical provisions	358,262	926,026	**1,284,288**
Discretionary profit participation provision	-	7,244	**7,244**
Subordinated loan	15,091	-	**15,091**
Deferred tax liability	2,623	4,708	**7,331**
Provisions for liabilities and charges	9,207	-	**9,207**
Insurance and other payables	184,926	322,624	**507,550**
Total liabilities	**570,109**	**1,260,602**	**1,830,711**
Total liabilities and equity	**728,055**	**1,421,952**	**2,150,007**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2013

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	250,189	223,602	-	(70)	**473,721**
Written premiums ceded to reinsurers	(119,919)	(49,326)	-	-	**(169,245)**
Net premiums written	**130,270**	**174,276**	-	(70)	**304,476**
Change in the gross provision for unearned premiums	17,711	722	-	-	**18,433**
Reinsurers' share of change in the provision for unearned premiums	(10,118)	(255)	-	-	**(10,373)**
Net earned premiums	**137,863**	**174,743**	-	(70)	**312,536**
Fees and commission income	47,875	9,394	-	-	**57,269**
Financial income	26,647	95,211	6,427	(5,962)	**122,323**
Other operating income	7,570	922	3,869	(2,179)	**10,182**
Net income	**219,955**	**280,270**	10,296	(8,211)	**502,310**
Claims and benefits incurred	(121,677)	(199,551)	-	35	**(321,193)**
Reinsurers' share of claims and benefits incurred	57,496	46,727	-	-	**104,223**
Net policyholder claims and benefits incurred	**(64,181)**	**(152,824)**	-	35	**(216,970)**
Acquisition costs	(25,603)	(21,191)	-	-	**(46,794)**
Administrative expenses	(84,912)	(77,393)	(5,205)	7,816	**(159,694)**
Other operating expenses	(19,382)	(2,571)	-	-	**(21,953)**
Financial expenses	(10,847)	(24,907)	(3,127)	360	**(38,521)**
Profit before income tax	**15,030**	**1,384**	1,964	-	**18,378**
Income tax benefit/(expense)	4,024	4,059	(144)	-	**7,939**
Profit for the year	**19,054**	**5,443**	1,820	-	**26,317**
Other comprehensive income for the year, net of income tax					
Net change in fair value of available-for-sale financial assets, net of deferred tax	(5,520)	(20,196)	-	-	**(25,716)**
Total comprehensive income for the year	13,534	(14,753)	1,820	-	**601**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2012

Group

	Non-life HRK'000	Life HRK'000	Investment property HRK'000	Eliminations HRK'000	Total HRK'000
Gross premiums written	237,881	170,536	-	(70)	**408,347**
Written premiums ceded to reinsurers	(115,909)	(53,008)	-	-	**(168,917)**
Net premiums written	**121,972**	**117,528**	**-**	**(70)**	**239,430**
Change in the gross provision for unearned premiums	10,981	(146)	-	-	**10,835**
Reinsurers' share of change in the provision for unearned premiums	(2,997)	98	-	-	**(2,899)**
Net earned premiums	**129,956**	**117,480**	**-**	**(70)**	**247,366**
Fees and commission income	41,551	9,180	-	-	**50,731**
Financial income	25,115	64,480	7,283	(5,343)	**91,535**
Other operating income	2,902	568	2,424	(1,680)	**4,214**
Net income	**199,524**	**191,708**	**9,707**	**(7,093)**	**393,846**
Claims and benefits incurred	(127,137)	(141,356)	-	-	**(268,493)**
Reinsurers' share of claims and benefits incurred	62,317	46,941	-	-	**109,258**
Net policyholder claims and benefits incurred	**(64,820)**	**(94,415)**	**-**	**-**	**(159,235)**
Acquisition costs	(25,191)	(20,845)	-	-	**(46,036)**
Administrative expenses	(68,966)	(59,211)	(6,371)	6,733	**(127,815)**
Other operating expenses	(16,638)	(2,536)	(50)	-	**(19,224)**
Financial expenses	(21,646)	(15,802)	(2,648)	360	**(39,736)**
Profit/(loss) before income tax	**2,263**	**(1,101)**	**638**	**-**	**1,800**
Income tax expense	-	-	(383)	-	**(383)**
Profit/(loss) for the year	**2,263**	**(1,101)**	**255**	**-**	**1,417**
Other comprehensive income for the year, net of income tax					
Net change in fair value of available-for-sale financial assets, net of deferred tax	12,719	36,863	-	-	**49,582**
Total comprehensive income for the year	**14,982**	**35,762**	**255**	**-**	**50,999**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2013

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	250,189	223,602	**473,791**
Written premiums ceded to reinsurers	(119,919)	(49,326)	**(169,245)**
Net premiums written	**130,270**	**174,276**	**304,546**
Change in the gross provision for unearned premiums	17,711	722	**18,433**
Reinsurers' share of change in the provision for unearned premiums	(10,118)	(255)	**(10,373)**
Net earned premiums	**137,863**	**174,743**	**312,606**
Fees and commission income	47,875	9,394	**57,269**
Financial income	26,647	95,211	**121,858**
Other operating income	7,570	922	**8,492**
Net income	**219,955**	**280,270**	**500,225**
Claims and benefits incurred	(121,677)	(199,551)	**(321,228)**
Reinsurers' share of claims and benefits incurred	57,496	46,727	**104,223**
Net policyholder claims and benefits incurred	**(64,181)**	**(152,824)**	**(217,005)**
Acquisition costs	(25,603)	(21,191)	**(46,794)**
Administrative expenses	(84,912)	(77,393)	**(162,305)**
Other operating expenses	(19,382)	(2,571)	**(21,953)**
Financial expenses	(10,847)	(24,907)	**(35,754)**
Profit before income tax	**15,030**	**1,384**	**16,414**
Income tax benefit	4,024	4,059	**8,083**
Profit for the year	**19,054**	**5,443**	**24,497**
Other comprehensive income for the year, net of income tax			
Net change in fair value of available-for-sale financial assets, net of deferred tax	**(5,520)**	**(20,196)**	**(25,716)**
Total comprehensive income for the year	**13,534**	**(14,753)**	**(1,219)**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2012

Company

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	237,881	170,536	**408,417**
Written premiums ceded to reinsurers	(115,909)	(53,008)	**(168,917)**
Net premiums written	**121,972**	**117,528**	**239,500**
Change in the gross provision for unearned premiums	10,981	(146)	**10,835**
Reinsurers' share of change in the provision for unearned premiums	(2,997)	98	**(2,899)**
Net earned premiums	**129,956**	**117,480**	**247,436**
Fees and commission income	41,551	9,180	**50,731**
Financial income	25,115	64,480	**89,595**
Other operating income	2,902	568	**3,470**
Net income	**199,524**	**191,708**	**391,232**
Claims and benefits incurred	(127,137)	(141,356)	**(268,493)**
Reinsurers' share of claims and benefits incurred	62,317	46,941	**109,258**
Net policyholder claims and benefits incurred	**(64,820)**	**(94,415)**	**(159,235)**
Acquisition costs	(25,191)	(20,845)	**(46,036)**
Administrative expenses	(68,966)	(59,211)	**(128,177)**
Other operating expenses	(16,638)	(2,536)	**(19,174)**
Financial expenses	(21,646)	(15,802)	**(37,448)**
Profit/(loss) before income tax	**2,263**	**(1,101)**	**1,162**
Income tax expense	-	-	-
Profit/(loss) for the year	**2,263**	**(1,101)**	**1,162**
Other comprehensive income for the year, net of income tax			
Net change in fair value of available-for-sale financial assets, net of deferred tax	**12,719**	**36,863**	**49,582**
Total comprehensive income for the year	**14,982**	**35,762**	**50,744**

10 Segment reporting (continued)

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

The main business segments of the Group are Non-life insurance, Life assurance and Investment property. Note 9 of these financial statements provides further information about the significant terms and conditions of insurance products.

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

The main products and services offered by the reported business segments include:

Non-life:
- Property and liability
- Motor third party liability
- Motor casco
- Accident and travel health
- Marine and transport

Life:
- Endowment
- Endowment with fixed age at maturity (Whole Life)
- Term insurance
- Pure endowment
- Unit-linked
- Index-linked

Investment property:
- Rent of business premises

Geographical segment

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

11 Merger with Helios Vienna Insurance Group d.d.

As of 31 May 2013 the Company legally merged with Helios Vienna Insurance Group d.d., whereby Helios VIG ceased to exist as a separate legal and operational entity. The assets and liabilities acquired by the Company as a result of merger are recognised at the carrying amounts immediately prior to the merger in the financial statements of Helios VIG. The components of equity of Helios VIG are added to the same components within the Company's equity of except that issued capital in the amount of HRK 52,505 thousand is recognised as part of other reserves, which thereby amounted to HRK 122,838 as stated below.

Effect of legal merger

The legal merger of Helios Vienna Insurance Group d.d. as at 31 May 2013 had the following effect on the Company's assets and liabilities in 2013:

	Acquired on merger HRK'000
Assets and liabilities assumed	
Property and equipment	42,463
Investment property	20,389
Intangible assets	
Deferred acquisition costs	2,116
Other intangible assets	117
Held-to-maturity investments	358,693
Available-for-sale financial assets	368,483
Financial assets at fair value through profit or loss	77,788
Loans and receivables	90,969
Reinsurers'share of insurance contracts provisions	55,343
Inventories	658
Insurance and other receivables	71,987
Cash and cash equivalents	6,490
Technical provisions	
Provision for unearned premiums	(33,834)
Reported but not settled claims reserve	(66,015)
Incurred but not reported claims reserve	(27,361)
Life assurance provision	(646,519)
Provision for index-linked	(51,254)
Other technical provisions	(413)
Deferred tax liability	(5,536)
Provisions for liabilities and charges	(5,949)
Insurance and other payables	(64,576)
Net identifiable assets and liabilities	**194,039**
Recognised as part of equity as follows:	
Legal reserve	2,725
Fair value reserve	22,145
Other reserves	122,838
Retained earnings	46,331
Total	**194,039**

12 Property and equipment

Group

	Land and buildings HRK'000	Land and buildings not brought into use HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost						
Balance at 1 January 2012	60,194	1,695	6,945	33,530	6,855	109,219
Additions	6	-	105	1,696	50	1,857
Disposals	-	-	(883)	(9)	-	(892)
Write offs	(1,065)	-	-	(3,707)	(162)	(4,934)
Impairment of assets	(234)	-	-	-	-	(234)
Reclassification to investment property (Note 13)	(1,613)	-	-	-	-	(1,613)
Balance at 31 December 2012	**57,288**	**1,695**	**6,167**	**31,510**	**6,743**	**103,403**
Balance at 1 January 2013	57,288	1,695	6,167	31,510	6,743	103,403
Acquired on merger of Helios VIG	48,589	-	2,842	9,649	205	61,285
Additions	32	-	538	834	289	1,693
Disposals	-	-	(888)	-	-	(888)
Write offs	-	-	-	(172)	-	(172)
Reclassification from investment property (Note 13)	20,584	-	-	-	-	20,584
Reclassification to investment property (Note 13)	(1,956)	(1,695)	-	-	-	(3,651)
Balance at 31 December 2013	**124,537**	**-**	**8,659**	**41,821**	**7,237**	**182,254**
Depreciation and impairment losses						
Balance at 1 January 2012	7,929	-	3,047	29,532	3,791	44,299
Depreciation charge for the year (Note 37)	1,230	-	1,156	1,772	527	4,685
Disposals	-	-	(461)	(8)	-	(469)
Write offs	(183)	-	-	(3,693)	(159)	(4,035)
Impairment of assets	(40)	-	-	-	-	(40)
Reclassification to investment property (Note 13)	(116)	-	-	-	-	(116)
Balance at 31 December 2012	**8,820**	**-**	**3,742**	**27,603**	**4,159**	**44,324**
Balance at 1 January 2013	8,820	-	3,742	27,603	4,159	44,324
Acquired on merger of Helios VIG	8,575	-	1,929	8,113	205	18,822
Depreciation charge for the year (Note 37)	1,735	-	1,180	1,625	527	5,067
Disposals	-	-	(701)	-	-	(701)
Write offs	-	-	-	(170)	-	(170)
Impairment of assets (Note 38)	177	-	-	-	-	177
Reclassification from investment property (Note 13)	3,113	-	-	-	-	3,113
Reclassification to investment property (Note 13)	(1,016)	-	-	-	-	(1,016)
Balance at 31 December 2013	**21,404**	**-**	**6,150**	**37,171**	**4,891**	**69,616**
Carrying amounts						
At 1 January 2012	52,265	1,695	3,898	3,998	3,064	64,920
At 31 December 2012	**48,468**	**1,695**	**2,425**	**3,907**	**2,584**	**59,079**
At 1 January 2013	48,468	1,695	2,425	3,907	2,584	59,079
At 31 December 2013	**103,133**	**-**	**2,509**	**4,650**	**2,346**	**112,638**

Included within land and buildings is non-depreciable land with a carrying amount of HRK 21,204 thousand (*2012: HRK 9,305 thousand*).

Land and buildings with a carrying amount of HRK 55,411 thousand (*2012: HRK 39,065 thousand*) are pledged as collateral for borrowings of the Group (Note 28).

In 2013, the Group changed the use of business premises with carrying amount of HRK 2,635 thousand (2012: HRK 1,497 thousand) from owner-occupied to investment property and reclassified these premises as such. In 2013, the Group changed the use of business premises with carrying amount of HRK 17,471 thousand from investment property to owner-occupied and reclassified these premises as such.

In 2013, the Group changed an estimated useful life of buildings from 40 years to 50 years as the management believes that 50 year period represents more accurate estimation of useful life. If there had not been a change in accounting estimate in 2013, depreciation charge would have been higher by HRK 290 thousand and post-tax profit for the year would have been HRK 290 thousand lower.

12 Property and equipment (continued)

Company

	Land and buildings HRK'000	Land and buildings not brought into use HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost						
Balance at 1 January 2012	12,944	1,695	6,945	28,760	6,268	56,612
Additions	6	-	105	1,696	50	1,857
Disposals	-	-	(883)	(9)	-	(892)
Write offs	(1,065)	-	-	(3,700)	(3)	(4,768)
Impairment of assets	(234)	-	-	-	-	(234)
Reclassification to investment property (Note 13)	(1,613)	-	-	-	-	(1,613)
Balance at 31 December 2012	**10,038**	**1,695**	**6,167**	**26,747**	**6,315**	**50,962**
Balance at 1 January 2013	10,038	1,695	6,167	26,747	6,315	50,962
Acquired on merger of Helios VIG	48,589	-	2,842	9,649	205	61,285
Additions	32	-	538	834	289	1,693
Disposals	-	-	(888)	-	-	(888)
Write offs	-	-	-	(172)	-	(172)
Reclassification to investment property (Note 13)	(1,956)	(1,695)	-	-	-	(3,651)
Balance at 31 December 2013	**56,703**	**-**	**8,659**	**37,058**	**6,809**	**109,229**
Depreciation and impairment losses						
Balance at 1 January 2012	1,886	-	3,047	24,917	3,375	33,225
Depreciation charge for the year (Note 37)	225	-	1,156	1,686	472	3,539
Disposals	-	-	(461)	(8)	-	(469)
Write offs	(183)	-	-	(3,687)	-	(3,870)
Impairment of assets	(40)	-	-	-	-	(40)
Reclassification to investment property (Note 13)	(116)	-	-	-	-	(116)
Balance at 31 December 2012	**1,772**	**-**	**3,742**	**22,908**	**3,847**	**32,269**
Balance at 1 January 2013	1,772	-	3,742	22,908	3,847	32,269
Acquired on merger of Helios VIG	8,575	-	1,929	8,113	205	18,822
Depreciation charge for the year (Note 37)	593	-	1,180	1,625	472	3,870
Disposals	-	-	(701)	-	-	(701)
Write offs	-	-	-	(170)	-	(170)
Impairment of assets (Note 38)	177	-	-	-	-	177
Reclassification to investment property (Note 13)	(1,016)	-	-	-	-	(1,016)
Balance at 31 December 2013	**10,101**	**-**	**6,150**	**32,476**	**4,524**	**53,251**
Carrying amounts						
At 1 January 2012	11,058	1,695	3,898	3,843	2,893	23,387
At 31 December 2012	**8,266**	**1,695**	**2,425**	**3,839**	**2,468**	**18,693**
At 1 January 2013	8,266	1,695	2,425	3,839	2,468	18,693
At 31 December 2013	**46,602**	**-**	**2,509**	**4,582**	**2,285**	**55,978**

Included within land and buildings is non-depreciable land with a carrying amount of HRK 10,983 thousand (*2012: HRK 2,236 thousand).*

In 2013, the Company changed the use of business premises with carrying amount of HRK 2,635 thousand (2012: HRK 1,497 thousand) from owner-occupied to investment property and reclassified these premises as such.

In 2013, the Company changed an estimated useful life of buildings from 40 years to 50 years as the management believes that 50 year period represents more accurate estimation of useful life. If there had not been a change in accounting estimate in 2013, depreciation charge would have been higher by HRK 62 thousand and post-tax profit for the year would have been HRK 62 thousand lower.

13 Investment property

	Group	Company
	HRK'000	**HRK'000**
Cost		
Balance at 1 January 2012	30,755	2,829
Additions	72	72
Reclassifications from property and equipment (Note 12)	1,613	1,613
Balance at 31 December 2012	**32,440**	**4,514**
Balance at 1 January 2013	32,440	4,514
Acquired on merger of Helios VIG	24,158	24,158
Acquired in lieu of uncollected loans	17,532	17,532
Reclassifications from property and equipment (Note 12)	3,651	3,651
Reclassifications to property and equipment (Note 12)	(20,584)	-
Balance at 31 December 2013	**57,197**	**49,855**
Depreciation and impairment losses		
Balance at 1 January 2012	3,652	-
Depreciation charge for the year (Note 39)	608	36
Reclassifications from property and equipment (Note 12)	116	116
Balance at 31 December 2012	**4,376**	**152**
Balance at 1 January 2013	4,376	152
Acquired on merger of Helios VIG	3,769	3,769
Depreciation charge for the year (Note 39)	355	236
Reclassifications from property and equipment (Note 12)	1,016	1,016
Reclassifications to property and equipment (Note 12)	(3,113)	-
Balance at 31 December 2013	**6,403**	**5,173**
Carrying amounts		
At 1 January 2012	27,103	2,829
At 31 December 2012	**28,064**	**4,362**
At 1 January 2013	28,064	4,362
At 31 December 2013	**50,794**	**44,682**

Investment property of the Group with a carrying amount of HRK 6,112 thousand (2012: HRK 23,702 thousand) is pledged as collateral for borrowings of the Group (Note 28).

The rental income arising during the year amounted to HRK 2,021 thousand for the Group (2012: HRK 2,437 thousand) and HRK 630 thousand for the Company (2012: HRK 45 thousand) and is recognised in profit or loss within "Financial income" (Note 33). The depreciation charge is recognised in profit or loss under "Financial expenses" (Note 39). Direct operating expenses (including repairs and maintenance) arising from investment property during the year amounted to HRK 760 thousand (2012: HRK 550 thousand) are recognised in profit or loss within "Administrative expenses" (Note 37).

In 2013, the Group changed the use of business premises with carrying amount of HRK 2,635 thousand (2012: HRK 1,497 thousand) from owner-occupied to investment property and reclassified these premises as such. In 2013, the Group changed the use of business premises with carrying amount of HRK 17,471 thousand from investment property to owner-occupied and reclassified these premises as such.

In 2013, the Group changed an estimated useful life of buildings from 40 years to 50 years as the management believes that 50 year period represents more accurate estimation useful life. If there had not been a change in accounting estimate in 2013, depreciation charge would have been higher by HRK 24 thousand and post-tax profit for the year would have been HRK 24 thousand lower.

In 2013, the Group obtained properties by taking possession of collateral held as security over loans in amount of HRK 16,317 thousands which are classified as Investment property, including property tax payment of HRK 1,215 thousand.

14 Deferred acquisition costs

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

An analysis of deferred costs is shown below:

Group and Company

	Non-life		**Life rider**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**	HRK'000
Balance at 1 January	**15,991**	19,156	**374**	335	**16,365**	19,491
Acquired on merger of Helios VIG	**2,116**	-	**-**	-	**2,116**	-
Net change (Note 36)	**(1,739)**	(3,165)	**(93)**	39	**(1,832)**	(3,126)
Balance at 31 December	**16,368**	15,991	**281**	374	**16,649**	16,365

For segment reporting purposes, life rider business is classified as life assurance business.

15 Other intangible assets

Group

	Goodwill HRK'000	Acquired value of in-force business HRK'000	Computer software HRK'000	Computer software under development HRK'000	Other HRK'000	Total HRK'000
Cost						
Balance at 1 January 2012	3,552	3,450	28,598	3,450	62	39,112
Additions	-	-	1,540	1,637	-	3,177
Transfer into use	-	-	202	(202)	-	-
Write offs	-	-	-	(676)	-	(676)
Balance at 31 December 2012	**3,552**	**3,450**	**30,340**	**4,209**	**62**	**41,613**
Balance at 1 January 2013	3,552	3,450	30,340	4,209	62	41,613
Acquired on merger of Helios VIG	-	-	10,201	-	-	10,201
Additions	-	-	809	465	-	1,274
Transfer into use	-	-	107	(107)	-	-
Write offs (Note 38)	-	-	-	(1,461)	-	(1,461)
Balance at 31 December 2013	**3,552**	**3,450**	**41,457**	**3,106**	**62**	**51,627**
Amortisation and impairment losses						
Balance at 1 January 2012	-	2,070	23,769	-	-	25,839
Amortisation for the year (Note 37)	-	345	2,635	-	31	3,011
Balance at 31 December 2012	**-**	**2,415**	**26,404**	**-**	**31**	**28,850**
Balance at 1 January 2013	-	2,415	26,404	-	31	28,850
Acquired on merger of Helios VIG	-	-	10,084	-	-	10,084
Amortisation for the year (Note 37)	-	345	2,725	-	31	3,101
Balance at 31 December 2013	**-**	**2,760**	**39,213**	**-**	**62**	**42,035**
Carrying amounts						
At 1 January 2012	3,552	1,380	4,829	3,450	62	13,273
At 31 December 2012	**3,552**	**1,035**	**3,936**	**4,209**	**31**	**12,763**
At 1 January 2013	3,552	1,035	3,936	4,209	31	12,763
At 31 December 2013	**3,552**	**690**	**2,244**	**3,106**	**-**	**9,592**

15 Other intangible assets (continued)

Company

	Goodwill HRK'000	Acquired value of in-force business HRK'000	Computer software HRK'000	Computer software under development HRK'000	Other HRK'000	Total HRK'000
Cost						
Balance at 1 January 2012	3,552	3,450	28,548	3,450	62	39,062
Additions	-	-	1,540	1,637	-	3,177
Transfer into use	-	-	202	(202)	-	-
Write offs	-	-	-	(676)	-	(676)
Balance at 31 December 2012	**3,552**	**3,450**	**30,290**	**4,209**	**62**	**41,563**
Balance at 1 January 2013	3,552	3,450	30,290	4,209	62	41,563
Acquired on merger of Helios VIG	-	-	10,201	-	-	10,201
Additions	-	-	809	465	-	1,274
Transfer into use	-	-	107	(107)	-	-
Write offs (Note 38)	-	-	-	(1,461)	-	(1,461)
Balance at 31 December 2013	**3,552**	**3,450**	**41,407**	**3,106**	**62**	**51,577**
Amortisation and impairment losses						
Balance at 1 January 2012	-	2,070	23,719	-	-	25,789
Amortisation for the year (Note 37)	-	345	2,635	-	31	3,011
Balance at 31 December 2012	**-**	**2,415**	**26,354**	**-**	**31**	**28,800**
Balance at 1 January 2013	-	2,415	26,354	-	31	28,800
Acquired on merger of Helios VIG	-	-	10,084	-	-	10,084
Amortisation for the year (Note 37)	-	345	2,725	-	31	3,101
Balance at 31 December 2013	**-**	**2,760**	**39,163**	**-**	**62**	**41,985**
Carrying amounts						
At 1 January 2012	3,552	1,380	4,829	3,450	62	13,273
At 31 December 2012	**3,552**	**1,035**	**3,936**	**4,209**	**31**	**12,763**
At 1 January 2013	3,552	1,035	3,936	4,209	31	12,763
At 31 December 2013	**3,552**	**690**	**2,244**	**3,106**	**-**	**9,592**

16 Investments in subsidiary and associate

a) Subsidiary and associate are as follows:

	Industry	Domicile	Group ownership at 31 December 2013	Group ownership at 31 December 2012
Wiener nekretnine d.o.o.	Property management	Croatia	100%	100%
Vile Baredine d.o.o.	Construction and services	Croatia	30%	30%

b) Investments in subsidiary and associate are as follows:

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Wiener nekretnine d.o.o.	**-**	-	**1,600**	1,600
Vile Baredine (30%)	**6**	6	**-**	-
	6	6	**1,600**	1,600

Wiener nekretnine d.o.o. are fully consolidated in the Group financial statements.

c) The Group's share in associate, Vile Baredine d.o.o. is as follows:

	2013 HRK'000	2012 HRK'000
Current assets	25	22
Non-current assets	1,870	1,705
Current liabilities	(2,075)	(1,881)
Net assets	**(180)**	(154)
Share of associates' profit	**(8)**	(7)

17 Financial investments

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Held-to-maturity investments	**894,882**	528,562	**894,882**	528,562
Available-for-sale financial assets	**999,989**	579,298	**999,989**	579,298
Financial assets at fair value through profit or loss	**303,705**	213,461	**303,705**	213,461
Loans and receivables	**136,923**	101,664	**142,923**	107,664
	2,335,499	1,422,985	**2,341,499**	1,428,985

Financial assets at fair value through profit or loss

As at 31 December 2013 there were no past due financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include investments backing index-linked and unit-linked products in the amount of HRK 120,959 thousand (2012: HRK 60,557 thousand), measured at fair value through profit or loss.

Available-for-sale financial assets

In 2013, the Group recognised an impairment loss on equity and debt securities available for sale through profit or loss, which decreased profit before tax by HRK 1,033 thousand (2012: decreased profit before tax by HRK 3,963 thousand), of which HRK 107 thousand related to financial assets which became impaired in 2013 and the remaining amount of impairment loss related to financial assets which were already impaired in prior years.

Held-to-maturity investments

As at 31 December 2013 there were no past due held-to-maturity investments.

Loans and receivables

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Loans to customers	**114,353**	86,717	**120,353**	92,717
Deposits with banks	**66,184**	45,219	**66,184**	45,219
Impairment allowance on loans to customers	**(34,160)**	(30,272)	**(34,160)**	(30,272)
Impairment allowance on deposits with banks (Note 39)	**(9,454)**	-	**(9,454)**	-
Loans to customers, net of impairment allowance	**80,193**	56,445	**86,193**	62,445
Deposits with banks, net of impairment allowance	**56,730**	45,219	**56,730**	45,219
	136,923	101,664	**142,923**	107,664

17 Financial investments (continued)

Loans and receivables (continued)

Loans and receivables are analysed as shown below:

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Not due but impaired	**-**	1,023	**-**	1,023
Not due and not impaired	**119,618**	64,532	**125,618**	65,532
Due but not impaired	**2,964**	2,844	**2,964**	7,844
Due and impaired	**57,955**	63,537	**57,955**	63,537
Impairment	**(43,614)**	(30,272)	**(43,614)**	(30,272)
	136,923	101,664	**142,923**	107,664

Out of the Group's past due but not impaired loans in the amount of HRK 2,964 thousand (2012: HRK 2,844 thousand), HRK 1,132 thousand (2012: HRK 560 thousand) is secured by mortgages on real estate, HRK 891 thousand (2012: HRK 34 thousand) is secured by the redemption value of life assurance policies, HRK 750 thousand (2012: HRK 2,250 thousand) is secured by bank guarantee, while HRK 191 thousand is not secured (2012: HRK - thousand).

Out of past due and impaired loans in the amount of HRK 48,501 thousand (2012: 63,537 thousand), HRK 32,417 thousand (2012: HRK 55,953 thousand) is secured by mortgages on real estate, HRK 42 thousand (2012: 42 thousand) is secured by the redemption value of life assurance policies, HRK 2,271 thousand (2012: 2,271 thousand) is secured by bank guarantee, while HRK 13,771 thousand (2012: 5,271 thousand) is not secured.

In 2013 and 2012 there was no interest income recognised on impaired loans.

The movement in impairment allowance for loans to customers during the year was as follows:

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Balance at 1 January	**30,272**	19,083	**30,272**	19,083
Acquired on merger of Helios VIG	**11,139**	-	**11,139**	-
Impairment losses	**8,829**	12,188	**8,829**	12,188
Collection of amounts previously provided for	**(160)**	(450)	**(160)**	(450)
Reversal of impairment	**(1,669)**	-	**(1,669)**	-
Impairment losses on loans to customers, net (Note 39)	**7,000**	11,738	**7,000**	11,738
Write offs	**(14,251)**	(549)	**(14,251)**	(549)
Balance at 31 December	**34,160**	30,272	**34,160**	30,272

In September 2013, Centar banka d.d. went into receivership and the Group's deposit in amount of HRK 9,454 thousand was fully impaired and provided for.

In 2013 the Group and Company foreclosed properties in exchange of uncollected loans and interest receivables due to which amounts charged to the loan principal impairment allowance have been written of in amount HRK 13,836 thousand.

The impairment losses are recognised under "Financial expenses" in profit or loss (Note 39) and collection of amounts previously provided for are recognised under "Financial income" in profit or loss (Note 33).

17 Financial investments (continued)

Group	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013					
Listed	-	2,100	885	-	2,985
Unlisted	-	18,583	-	-	18,583
Equity securities	**-**	**20,683**	**885**	**-**	**21,568**
Bonds - Government of Republic of Croatia	892,494	856,731	-	-	1,749,225
Bonds - Government of Republic of Poland	-	18,457	-	-	18,457
Municipal bonds – domestic	1,788	907	-	-	2,695
Corporate bonds – domestic	-	62,758	-	-	62,758
Corporate bonds – foreign	-	-	19,955	-	19,955
Corporate bonds – assets backing index-linked products, foreign	-	-	90,066	-	90,066
Bills of exchange	600	-	-	-	600
Debt securities – fixed rate, listed	**894,882**	**938,853**	**110,021**	**-**	**1,943,756**
Investment funds – open ended, quoted	-	40,453	161,906	-	202,359
Investment funds – assets backing unit-linked products, foreign	-	-	30,893	-	30,893
Investment funds	**-**	**40,453**	**192,799**	**-**	**233,252**
Deposits with banks	-	-	-	56,730	56,730
Loans to customers – secured by the redemption value of life assurance	-	-	-	53,807	53,807
Loans to customers - secured by mortgages on real estate	-	-	-	22,239	22,239
Loans to customers - others	-	-	-	4,147	4,147
Loans and receivables	**-**	**-**	**-**	**136,923**	**136,923**
	894,882	**999,989**	**303,705**	**136,923**	**2,335,499**
2012					
Listed	-	2,754	-	-	**2,754**
Unlisted	-	-	90	-	**90**
Equity securities	**-**	**2,754**	**90**	**-**	**2,844**
Bonds - Government of Republic of Croatia	526,540	502,304	-	-	**1,028,844**
Municipal bonds – domestic	2,022	968	-	-	**2,990**
Corporate bonds – domestic	-	43,103	-	-	**43,103**
Corporate bonds – foreign	-	-	6,150	-	**6,150**
Corporate bonds – assets backing index-linked products, foreign	-	-	33,762	-	**33,762**
Debt securities – fixed rate, listed	**528,562**	**546,375**	**39,912**	**-**	**1,114,849**
Investment funds – open ended, quoted	-	30,169	146,664	-	**176,833**
Investment funds – assets backing unit-linked products, foreign	-	-	26,795	-	**26,795**
Investment funds	**-**	**30,169**	**173,459**	**-**	**203,628**
Deposits with banks	-	-	-	45,219	**45,219**
Loans to customers – secured by the redemption value of life assurance	-	-	-	14,137	**14,137**
Loans to customers - secured by mortgages on real estate	-	-	-	39,590	**39,590**
Loans to customers - others	-	-	-	2,718	**2,718**
Loans and receivables	**-**	**-**	**-**	**101,664**	**101,664**
	528,562	**579,298**	**213,461**	**101,664**	**1,422,985**

17 Financial investments (continued)

Company	Held-to-maturity investments HRK'000	Available-for-sale financial assets HRK'000	Financial assets at fair value through profit or loss HRK'000	Loans and receivables HRK'000	Total HRK'000
2013					
Listed	-	2,100	885	-	2,985
Unlisted	-	18,583	-	-	18,583
Equity securities	**-**	**20,683**	**885**	**-**	**21,568**
Bonds - Government of Republic of Croatia	892,494	856,731	-	-	1,749,225
Bonds - Government of Republic of Poland	-	18,457	-	-	18,457
Municipal bonds – domestic	1,788	907	-	-	2,695
Corporate bonds – domestic	-	62,758	-	-	62,758
Corporate bonds – foreign	-	-	19,955	-	19,955
Corporate bonds – assets backing index-linked products, foreign	-	-	90,066	-	90,066
Bills of exchange	600	-	-	-	600
Debt securities – fixed rate, listed	**894,882**	**938,853**	**110,021**	**-**	**1,943,756**
Investment funds – open ended, quoted	-	40,453	161,906	-	202,359
Investment funds – assets backing unit-linked products, foreign	-	-	30,893	-	30,893
Investment funds	**-**	**40,453**	**192,799**	**-**	**233,252**
Deposits with banks	-	-	-	56,730	56,730
Loans to customers – secured by the redemption value of life assurance	-	-	-	53,807	53,807
Loans to customers - secured by mortgages on real estate	-	-	-	28,239	28,239
Loans to customers - others	-	-	-	4,147	4,147
Loans and receivables	**-**	**-**	**-**	**142,923**	**142,923**
	894,882	**999,989**	**303,705**	**142,923**	**2,341,499**
2012					
Listed	-	2,754	-	-	**2,754**
Unlisted	-	-	90	-	**90**
Equity securities	**-**	**2,754**	**90**	**-**	**2,844**
Bonds - Government of Republic of Croatia	526,540	502,304	-	-	**1,028,844**
Municipal bonds – domestic	2,022	968	-	-	**2,990**
Corporate bonds – domestic	-	43,103	-	-	**43,103**
Corporate bonds – foreign	-	-	6,150	-	**6,150**
Corporate bonds – assets backing index-linked products, foreign	-	-	33,762	-	**33,762**
Debt securities – fixed rate, listed	**528,562**	**546,375**	**39,912**	**-**	**1,114,849**
Investment funds – open ended, quoted	-	30,169	146,664	-	**176,833**
Investment funds – assets backing unit-linked products, foreign	-	-	26,795	-	**26,795**
Investment funds	**-**	**30,169**	**173,459**	**-**	**203,628**
Deposits with banks	-	-	-	45,219	**45,219**
Loans to customers – secured by the redemption value of life assurance	-	-	-	14,137	**14,137**
Loans to customers - secured by mortgages on real estate	-	-	-	45,590	**45,590**
Loans to customers - others	-	-	-	2,718	**2,718**
Loans and receivables	**-**	**-**	**-**	**107,664**	**107,664**
	528,562	**579,298**	**213,461**	**107,664**	**1,428,985**

17 Financial investments (continued)

Reclassification of financial assets

Based on the Management Board's decision, and pursuant to International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, paragraph 50, effective from 1 July 2008, the Group reclassified financial assets from a category at fair value through profit or loss into financial assets available for sale, in an amount of HRK 8,337 thousand, representing their fair value on 24 February 2009. Following this reclassification, any further gains and losses which would previously have been recognised in income are recognised in other comprehensive income (prior to any impairment effects). Had the assets not been reclassified, the Group's and the Company's loss before tax for 2009 would have been higher by HRK 91 thousand (before impairment effects). There was no effect on equity.

In addition, in November 2011 upon decision of the Management Board, based on paragraph 54 of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, the Group reclassified available-for-sale financial assets with a carrying value of HRK 296,041 thousand as held-to-maturity investments. After reclassification the assets are measured at amortised cost and no further gains and losses from changes in fair value are recognised. The average effective interest rate on reclassified investments on the date of reclassification was 6.80%. Up to the date of reclassification the Group recognised a loss on changes in fair value net of income tax of HRK 8,764 thousand in other comprehensive income in respect of reclassified financial assets. Had there not been any asset reclassification, the Group and the Company would have recognised HRK 13,242 thousand loss net of income tax on the change in fair value of the underlying assets in other comprehensive income in 2011. The Group has intent and ability to hold the reclassified assets to maturity.

Net book values of reclassified assets at the reclassification date and their fair values at 31 December 2013 were as follows:

Group and Company	**At the reclassification date**		**31 December 2013**	
	Book value HRK '000	**Fair value HRK '000**	**Book value HRK '000**	**Fair value HRK '000**
Financial assets at fair value through profit or loss reclassified to financial assets available for sale on 24 February 2009				
Debt securities	8,337	8,337	400	400
Financial assets available for sale reclassified to financial assets held to maturity on 2 November 2011				
Debt securities	296,041	296,041	302,418	328,623

17 Financial investments (continued)

Reclassification of financial assets (continued)

Following table presents amounts recognised in profit or loss and other comprehensive income during 2013 and 2012 from reclassified financial assets:

Group and Company	**2013**		2012	
	Profit or loss HRK '000	**Other comprehensive income HRK '000**	Profit or loss HRK '000	Other comprehensive income HRK '000
Financial assets at fair value through profit or loss reclassified to financial assets available for sale on 24 February 2009				
Interest income	**182**	**-**	183	-
Premium discount	**189**	**-**	157	-
Impairment loss	**(589)**	**-**	(991)	-
Change in fair value reserve, net of income tax	**-**	**-**	-	466
Financial assets available for sale reclassified to held to maturity investments on 2 November 2011				
Exchange rate differences	**3,262**	**-**	538	-
Interest income	**19,934**	**-**	19,763	-
Premium discount	**496**	**-**	484	-
Amortisation of fair value reserve to profit or loss	**(1,535)**	**1,228**	(1,647)	1,318
	21,939	**1,228**	18,487	1,784

Following table shows amounts which would have been recognised in the profit or loss and other comprehensive income during 2013 and 2012 from reclassified financial assets if reclassification was not performed:

Group and Company	**2013**		2012	
	Profit or loss HRK '000	**Other comprehensive income HRK '000**	Profit or loss HRK '000	Other comprehensive income HRK '000
Financial assets at fair value through profit and loss reclassified to financial assets available for sale on 24 February 2009				
Interest income	**182**	**-**	183	-
Unrealised losses	**(400)**	**-**	(250)	-
Financial assets available-for-sale reclassified to held-to-maturity investments on 2 November 2011				
Exchange rate differences	**3,544**	**-**	620	-
Interest income	**19,934**	**-**	19,763	-
Premium discount	**(632)**	**-**	(595)	-
Change in fair value reserve, net of income tax	**-**	**(15,069)**	-	41,141
	22,628	**(15,069)**	19,721	41,141

17 Financial investments (continued)

Reclassification of financial assets (continued)

With the merger of Helios Vienna Insurance Group d.d., the Group acquired financial assets which were previously reclassified pursuant to paragraph 54 of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*. Helios VIG reclassified available-for-sale financial assets with a carrying value of HRK 219,132 thousand as held-to-maturity investments in October 2011 and available-for-sale financial assets with a carrying value of HRK 139,508 thousand as held-to maturity investments in March 2012. After reclassification the assets are measured at amortised cost and no further gains and losses from changes in fair value are recognised. The average effective interest rate on reclassified investments on the date of reclassification was 6.38% in 2011 and 6.57% in 2012. Up to the date of reclassification Helios VIG recognised in 2012 a gain on changes in fair value net of income tax of HRK 3,543 thousand and in 2011 loss on changes in fair value net of income tax of HRK 1,759 thousand in other comprehensive income in respect of reclassified financial assets. Had there not been any asset reclassification, Helios VIG would have recognised HRK 52,923 thousand gain net of income tax on the change in fair value of the underlying assets in other comprehensive income in 2012 and loss net of income tax on the change in fair value of the underlying assets in other comprehensive income of HRK 10,291 thousand in 2011. The Group has intent and ability to hold the reclassified assets to maturity.

Net book values of reclassified assets at the reclassification date and their fair values at 31 December 2013 were as follows:

	At the reclassification date		**31 December 2013**	
	Book value HRK '000	**Fair value HRK '000**	**Book value HRK '000**	**Fair value HRK '000**
Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011				
Debt securities	**219,132**	**219,132**	**218,522**	**233,355**
Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012				
Debt securities	**139,508**	**139,508**	**141,411**	**151,173**

17 Financial investments (continued)

Reclassification of financial assets (continued)

Following table presents amounts recognised in profit or loss and other comprehensive income after the merger date from reclassified financial assets of Helios VIG:

Group and Company	**2013**	
	Profit or loss HRK '000	**Other comprehensive income HRK '000**
Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011		
Interest income	**8,614**	**-**
Premium discount	**(171)**	**-**
Amortisation of fair value reserve to profit or loss	**(175)**	**-**
Change in fair value reserve, net of income tax	**-**	**140**
Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012		
Exchange rate differences	**5,301**	**-**
Interest income	**1,436**	**-**
Premium discount	**(24)**	**-**
Amortisation of fair value reserve to profit or loss	**242**	**-**
Change in fair value reserve, net of income tax	**-**	**(194)**
	15,223	**(54)**

Following table shows amounts which would have been recognised in the profit or loss and other comprehensive income after the merger date from reclassified financial assets if reclassification was not performed in Helios VIG:

Group and Company	**2013**	
	Profit or loss HRK '000	**Other comprehensive income HRK '000**
Financial assets available for sale reclassified to financial assets held to maturity on 5 October 2011		
Interest income	**8.614**	**-**
Premium discount	**(348)**	**-**
Change in fair value reserve, net of income tax	**-**	**(10,970)**
Financial assets available for sale reclassified to financial assets held to maturity on 20 March 2012		
Exchange rate differences	**1,536**	**-**
Interest income	**5,301**	**-**
Premium discount	**115**	**-**
Change in fair value reserve, net of income tax	**-**	**(6,161)**
	15,218	**(17,131)**

18 Reinsurers' share of technical provisions

Group and Company

	Note	**2013** **HRK'000**	2012 HRK'000
Non-life			
Reinsurance share in provision for unearned premiums	25 a)	**60,233**	54,252
Reinsurance share in reported but not settled claims reserve	25 b)	**102,704**	71,550
Reinsurance share in incurred but not reported claims reserve	25 c)	**45,780**	26,315
Total Non-life		**208,717**	152,117
Life			
Reinsurance share in provision for unearned premiums	25 a)	**873**	936
Reinsurance share in reported but not settled claims reserve	25 b)	**1,976**	1,161
Reinsurance share in incurred but not reported claims reserve	25 c)	**1,232**	945
Reinsurance share in life assurance provision	25 e)	**270,328**	260,591
Total Life		**274,409**	263,633
Total reinsurers' share of technical provisions		**483,126**	415,750

Reinsurers' share in technical provisions represents expected future claims that will be charged to reinsurers, and reinsurers' share in unearned premium. Premiums ceded to reinsurance do not relieve the Group from its direct obligations towards policyholders. Accordingly, the Group incurs a credit risk up to the extent that the reinsurer would not be able to settle its liability under the reinsurance agreement.

19 Deferred tax asset/liability

Group and Company

	Deferred tax asset				**Deferred tax liability**	
	Tax losses carried forward	Impairment losses	Provisions for liabilities and charges	**Total deferred tax asset**	Fair value reserve	**Total deferred tax liability**
	HRK'000	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**
Balance at 1 January 2013	-	-	-	-	(7,331)	**(7,331)**
Acquired on merger of Helios VIG	-	-	-	-	(5,536)	**(5,536)**
Credited to the income statement (Note 40)	5,829	2,016	238	**8,083**	-	-
Credited to other comprehensive income	-	-	-	-	6,429	**6,429**
Balance at 31 December 2013	5,829	2,016	238	**8,083**	(6,438)	**(6,438)**

	Deferred tax asset				**Deferred tax liability**	
	Tax losses carried forward	Impairment losses	Provisions for liabilities and charges	**Total deferred tax asset**	Fair value reserve	**Total deferred tax liability**
	HRK'000	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**
Balance at 1 January 2012	-	-	-	-	5,065	**5,065**
Charged to other comprehensive income	-	-	-	-	(12,396)	**(12,396)**
Balance at 31 December 2012	-	-	-	-	(7,331)	**(7,331)**

20 Insurance and other receivables

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Insurance receivables				
- from policyholders	**118,898**	104,396	**118,898**	104,396
- from agents	**-**	136	**-**	136
- from recourses	**31,638**	28,817	**31,638**	28,817
- from other	**19,474**	14,879	**19,474**	14,879
Receivables from reinsurance				
- for claims recoveries	**50,011**	40,771	**50,011**	40,771
- for reinsurance commission	**27,128**	21,005	**27,128**	21,005
- for reinsurance deposits	**15,628**	15,056	**15,628**	15,056
Other receivables				
- accrued interest	**75,847**	48,907	**75,847**	48,907
- other	**27,579**	44,099	**28,183**	45,032
Prepaid expenses	**1,326**	1,664	**1,326**	1,663
Impairment allowance				
- for receivables from policyholders	**(55,694)**	(46,832)	**(55,694)**	(46,832)
- for recourse receivables	**(5,071)**	(850)	**(5,071)**	(850)
- for accrued interest	**(21,104)**	(25,482)	**(21,104)**	(25,482)
- for other receivables	**(23,641)**	(20,023)	**(23,507)**	(19,889)
Total insurance and other receivables	**262,019**	226,543	**262,757**	227,609

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

Other receivables include claims on deposit at Credo banka d.d. in a receivership in the amount of HRK 22,474 thousand. As of 31 December 2011 the Group recognised impairment allowance on the deposit in the amount of HRK 19,103 thousand within financial expenses resulting with the carrying amount of HRK 3,371 thousand. In addition, the Group has written off interest receivables on deposit in the amount of HRK 759 thousand within financial expenses. In 2013 and 2012 no interest income from this deposit was recognised.

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Not due and not impaired	**148,788**	180,708	**149,526**	180,862
Due but not impaired	**113,231**	45,835	**113,231**	46,747
Due and impaired	**105,343**	93,187	**102,319**	93,053
Impairment allowance	**(105,343)**	(93,187)	**(102,319)**	(93,053)
	262,019	226,543	**262,757**	227,609

20 Insurance and other receivables (continued)

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Balance at 1 January	**46,832**	45,249	**46,832**	45,249
Acquired on merger of Helios VIG	**6,995**	-	**6,995**	-
Increase in provisions	**23,618**	28,662	**23,618**	28,662
Decrease in provisions due to collection	**(19,618)**	(25,070)	**(19,618)**	(25,070)
Impairment losses	**4,000**	3,592	**4,000**	3,592
Write off of provision	**(2,133)**	(2,009)	**(2,133)**	(2,009)
Balance at 31 December	**55,694**	46,832	**55,694**	46,832

Impairment losses for insurance receivables are offset against gross premiums written.

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Balance at 1 January	**850**	934	**850**	934
Acquired on merger of Helios VIG	**4,287**	-	**4,287**	-
Decrease in provisions due to collection (Note 34)	**(66)**	(84)	**(66)**	(84)
Balance at 31 December	**5,071**	850	**5,071**	850

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Balance at 1 January	**25,482**	17,670	**25,482**	17,670
Acquired on merger of Helios VIG	**296**	-	**296**	-
Increase in provisions	**6,853**	9,102	**6,853**	9,102
Decrease in provisions due to collections	**(430)**	(156)	**(430)**	(156)
Net impairment losses (Note 39)	**6,423**	8,946	**6,423**	8,946
Write off of provisions	**(11,097)**	(1,134)	**(11,097)**	(1,134)
Balance at 31 December	**21,104**	25,482	**21,104**	25,482

In 2013 the Group and Company foreclosed properties in exchange of uncollected loans and interest receivables due to which amounts charged to the interest receivables impairment allowance have been written of in amount HRK 11,068 thousand.

20 Insurance and other receivables (continued)

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Balance at 1 January	**20,023**	19,381	**19,889**	19,216
Acquired on merger of Helios VIG	**3,241**	-	**3,241**	-
Increase in provisions (Note 38)	**452**	673	**452**	673
Unused amounts reversed (Note 33)	**(75)**	(31)	**(75)**	-
Impairment losses	**377**	642	**377**	673
Balance at 31 December	**23,641**	20,023	**23,507**	19,889

21 Assets held for sale

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Property	**13,239**	17,222	**13,239**	17,222

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

22 Cash and cash equivalents

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Cash at bank	**11,063**	7,046	**10,910**	6,513
Total cash and cash equivalents	**11,063**	7,046	**10,910**	6,513

Cash and cash equivalents include the amount of HRK 186 thousands on bank account which is not at the Group's and the Company's disposal due to pending lawsuit in which the Company is a defendant.

23 Equity

a) Share capital

	31 December 2013 HRK'000	31 December 2012 HRK'000
Authorised, issued and fully paid		
374,278 (*2012:374,278*) ordinary shares of HRK 630	**235,795**	235,795

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

The shareholders of the Company at the year end are as follows:

	2013 % ownership	2012 % ownership
Vienna Insurance Group AG Wiener Versicherung Gruppe	**99.47**	99.36
Minority shareholders	**0.53**	0.64
	100.00	100.00

The parent company and the ultimate parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe.

b) Capital reserves

Capital reserves consist of share premium reserve and other payments of shareholders into capital reserves. The share premium reserve represents the accumulated positive difference between the par value of shares issued and the amount received upon issue of share capital.

c) Legal reserve

The legal reserve represents accumulated appropriations from retained earnings in accordance with the previous Insurance Act, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable legal reserve. The legal reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

d) Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company's General Assembly.

e) Dividend payment

In 2013, the Company paid dividends for 2012 in the amount of HRK 988 thousand or HRK 2,64 per share, following their declaration by shareholders in General Assembly.

23 Equity (continued)

f) Fair value reserve

Far value reserve contains unrealised gains and losses from change in fair value of financial assets available-for-sale, net of deferred tax. All movements are presented in other comprehensive income in the Statement of comprehensive income, net of tax. Movements in the fair value reserve were as follows:

Group and Company	***Note***	**2013 HRK'000**	**2012 HRK'000**
Gross fair value reserve at 1 January		36,653	(25,325)
Deferred tax at 1 January		(7,331)	5,065
Balance at 1 January		**29,322**	**(20,260)**
Acquired on merger of Helios VIG			
Fair value reserve		27,681	-
Deferred tax on fair value reserve		(5,536)	-
Net gains/(losses) from change in fair value of available-for-sale financial assets		(28,516)	62,064
Deferred tax on net gains/(losses) from change in fair value of available-for-sale financial assets		5,704	(12,413)
Impairment losses on available-for-sale financial assets – transfer to profit or loss		1,033	3,818
Deferred tax on impairment losses on available-for-sale financial assets – transfer to profit or loss		(207)	(764)
Net gains on disposal of available-for-sale financial assets – transfer to profit or loss	33	(4,662)	(3,904)
Deferred tax on net gains on disposal of available-for-sale financial assets – transfer to profit or loss		932	781
Gross fair value reserve at 31 December		32,189	36,653
Deferred tax at 31 December		(6,438)	(7,331)
Balance at 31 December		**25,751**	**29,322**

23 Equity (continued)

g) Capital management

Externally imposed capital requirements are set and regulated by HANFA and EU directives. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain satisfactory capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

	2013	**2013**	**2013**	2012	2012	2012
	Non-life	**Life**	**Total**	Non-life	Life	Total
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Solvency margin	36,586	69,269	105,855	35,056	37,326	72,382
Min. Founding capital (FC)	27,750	27,750	55,500	22,500	22,500	45,000
Guarantee capital (GC)	201,349	265,214	466,563	150,862	139,176	290,038
Capital	199,799	246,582	446,381	149,222	135,619	284,841
GC >= min FC	**YES**	**YES**	**YES**	YES	YES	YES
Capital >= Solvency margin	**YES**	**YES**	**YES**	YES	YES	YES

As shown in the table above, as at 31 December 2013 regulatory requirements for non-life business and life assurance business were fulfilled. The capital of both non-life insurance and life assurance business were higher than the required solvency margin by HRK 163.2 million and HRK 177.3 million respectively (2012: HRK 114.2 million and HRK 98.3 million).

An analysis of capital is given below

	2013	**2013**	**2013**	2012	2012	2012
	Non-life	**Life**	**Total**	Non-life	Life	Total
	HRK '000	**HRK '000**	**HRK'000**	HRK '000	HRK '000	HRK'000
Tier 1 capital						
Share capital, paid in	101,491	134,304	235,795	101,491	134,304	235,795
Reserves not related to liabilities from insurance	78,198	99,281	177,479	43,700	1,463	45,163
Retained earnings after paid dividends	14,660	32,946	47,606	-	7,853	7,853
Intangible assets	(8,275)	(1,317)	(9,592)	(9,420)	(3,343)	(12,763)
Accumulated losses including loss for the year	-	-	-	-	(1,101)	(1,101)
Basic capital	**186,074**	**265,214**	**451,288**	**135,771**	**139,176**	**274,947**
Tier 2 capital						
Subordinated loan	15,275	-	15,275	15,091	-	15,091
Supplementary capital	**15,275**	**-**	**15,275**	**15,091**	**-**	**15,091**
Guarantee capital	**201,349**	**265,214**	**466,563**	**150,862**	**139,176**	**290,038**
Deductions	**(1,550)**	**(18,632)**	**(20,182)**	**(1,640)**	**(3,557)**	**(5,197)**
Capital	**199,799**	**246,582**	**446,381**	**149,222**	**135,619**	**284,841**

24 Basic and diluted earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the year attributable to equity holders of the Company. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. The weighted average number of ordinary shares used for basic and diluted earnings per share was 374,278 (*2012: 374,278*). Given that there are no options, convertible bonds or similar instruments, the diluted earnings per share is the same as the basic earnings per share.

Group	**2013**	2012
	HRK'000	HRK'000
Profit attributable to ordinary shareholders for earnings per share	**26,317**	1,417

Group	**2013**	2012
	HRK	HRK
Basic and diluted earnings per share	**70**	4

25 Technical provisions

Group and Company

	2013	2012
	HRK'000	HRK'000
Non-life insurance business		
Provision for unearned premiums	**132,009**	116,731
Reported but not settled claims reserve	**204,997**	146,604
Incurred but not reported claims reserve	**115,704**	92,227
Unexpired risk provision	**2,600**	2,700
Other technical provision	**398**	-
Total Non-life insurance business	**455,708**	358,262
Life assurance business		
Provision for unearned premiums	**2,730**	2,609
Reported but not settled claims reserve	**11,511**	6,545
Incurred but not reported claims reserve	**3,061**	2,166
Life assurance provision for traditional products	**1,496,413**	854,149
Provision for unit-linked and index-linked	**120,959**	60,557
Total Life assurance business	**1,634,674**	926,026
Total technical provisions	**2,090,382**	1,284,288

25 Technical provisions (continued)

a) Analysis of movement in provision for unearned premium

Group

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Non-life insurance business						
Balance at 1 January	**116,731**	**54,252**	**62,479**	127,712	57,249	70,463
Acquired on merger of Helios VIG	**32,991**	**16,099**	**16,892**	-	-	-
Premiums written during the year	**250,118**	**119,919**	**130,199**	237,811	115,909	121,902
Less: premiums earned during the year	**(267,831)**	**(130,037)**	**(137,794)**	(248,792)	(118,906)	(129,886)
Balance at 31 December	**132,009**	**60,233**	**71,776**	116,731	54,252	62,479
Life assurance business						
Balance at 1 January	**2,609**	**936**	**1,673**	2,463	838	1,625
Acquired on merger of Helios VIG	**843**	**192**	**651**	-	-	-
Premiums written during the year	**10,807**	**4,823**	**5,984**	9,746	4,937	4,809
Less: premiums earned during the year	**(11,529)**	**(5,078)**	**(6,451)**	(9,600)	(4,839)	(4,761)
Balance at 31 December	**2,730**	**873**	**1,857**	2,609	936	1,673

Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Non-life insurance business						
Balance at 1 January	**116,731**	**54,252**	**62,479**	127,712	57,249	70,463
Acquired on merger of Helios VIG	**32,991**	**16,099**	**16,892**	-	-	-
Premiums written during the year	**250,188**	**119,919**	**130,269**	237,881	115,909	121,972
Less: premiums earned during the year	**(267,901)**	**(130,037)**	**(137,864)**	(248,862)	(118,906)	(129,956)
Balance at 31 December	**132,009**	**60,233**	**71,776**	116,731	54,252	62,479
Life assurance business						
Balance at 1 January	**2,609**	**936**	**1,673**	2,463	838	1,625
Acquired on merger of Helios VIG	**843**	**192**	**651**	-	-	-
Premiums written during the year	**10,807**	**4,823**	**5,984**	9,746	4,937	4,809
Less: premiums earned during the year	**(11,529)**	**(5,078)**	**(6,451)**	(9,600)	(4,839)	(4,761)
Balance at 31 December	**2,730**	**873**	**1,857**	2,609	936	1,673

25 Technical provisions (continued)

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

Group

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Non-life insurance business						
Balance at 1 January	**146,604**	**71,550**	**75,054**	144,814	58,304	86,510
Acquired on merger of Helios VIG	**62,070**	**26,295**	**35,775**	-	-	-
Current year claims	**126,026**	**49,460**	**76,566**	129,202	56,615	72,587
Change in previous year claims	**(2,046)**	**485**	**(2,531)**	1,917	3,670	(1,753)
Claims paid	**(127,657)**	**(45,086)**	**(82,571)**	(129,329)	(47,039)	(82,290)
Balance at 31 December	**204,997**	**102,704**	**102,293**	146,604	71,550	75,054
Life assurance business						
Balance at 1 January	**6,545**	**1,161**	**5,384**	7,895	1,310	6,585
Acquired on merger of Helios VIG	**3,945**	**546**	**3,399**	-	-	-
Current year claims	**149,319**	**37,135**	**112,184**	91,346	30,571	60,775
Change in previous year claims	**(333)**	**(135)**	**(198)**	(919)	(263)	(656)
Claims paid	**(147,965)**	**(36,731)**	**(111,234)**	(91,777)	(30,457)	(61,320)
Balance at 31 December	**11,511**	**1,976**	**9,535**	6,545	1,161	5,384

Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Non-life insurance business						
Balance at 1 January	**146,604**	**71,550**	**75,054**	144,814	58,304	86,510
Acquired on merger of Helios VIG	**62,070**	**26,295**	**35,775**	-	-	-
Current year claims	**126,061**	**49,460**	**76,601**	129,202	56,615	72,587
Change in previous year claims	**(2,046)**	**485**	**(2,531)**	1,917	3,670	(1,753)
Claims paid	**(127,692)**	**(45,086)**	**(82,606)**	(129,329)	(47,039)	(82,290)
Balance at 31 December	**204,997**	**102,704**	**102,293**	146,604	71,550	75,054
Life assurance business						
Balance at 1 January	**6,545**	**1,161**	**5,384**	7,895	1,310	6,585
Acquired on merger of Helios VIG	**3,945**	**546**	**3,399**	-	-	-
Current year claims	**149,319**	**37,135**	**112,184**	91,346	30,571	60,775
Change in previous year claims	**(333)**	**(135)**	**(198)**	(919)	(263)	(656)
Claims paid	**(147,965)**	**(36,731)**	**(111,234)**	(91,777)	(30,457)	(61,320)
Balance at 31 December	**11,511**	**1,976**	**9,535**	6,545	1,161	5,384

25 Technical provisions (continued)

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

Group and Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Non-life insurance business						
Balance at 1 January	**92,227**	**26,315**	**65,912**	96,709	24,283	72,426
Acquired on merger of Helios VIG	**25,700**	**11,914**	**13,786**	-	-	-
Additions recognised during the year	**24,574**	**20,724**	**3,850**	24,617	18,053	6,564
Transfer to claims reported provision	**(26,797)**	**(13,173)**	**(13,624)**	(29,099)	(16,021)	(13,078)
Balance at 31 December	**115,704**	**45,780**	**69,924**	92,227	26,315	65,912
Life assurance business						
Balance at 1 January	**2,166**	**945**	**1,221**	2,259	979	1,280
Acquired on merger of Helios VIG	**1,661**	**298**	**1,363**	-	-	-
Additions recognised during the year	**2,223**	**746**	**1,477**	2,261	627	1,634
Transfer to claims reported provision	**(2,989)**	**(757)**	**(2,232)**	(2,354)	(661)	(1,693)
Balance at 31 December	**3,061**	**1,232**	**1,829**	2,166	945	1,221

d) Analysis of movements in unexpired risk provision

Group and Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Balance as at 1 January	**2,700**	**-**	**2,700**	2,200	-	2,200
Release in profit or loss	**(2,700)**	**-**	**(2,700)**	(2,200)	-	(2,200)
Increase in profit or loss	**2,600**	**-**	**2,600**	2,700	-	2,700
Balance at 31 December	**2,600**	**-**	**2,600**	2,700	-	2,700

e) Analysis of movements in other technical provision

Group and Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Balance as at 1 January	**-**	**-**	**-**	-	-	-
Acquired on merger of Helios VIG	**413**	**-**	**413**	-	-	-
Release in profit or loss	**(413)**	**-**	**(413)**	-	-	-
Increase in profit or loss	**398**	**-**	**398**	-	-	-
Balance at 31 December	**398**	**-**	**398**	-	-	-

25 Technical provisions (continued)

f) Life assurance provisions

Group and Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Balance at 1 January	**854,149**	**260,591**	**593,558**	817,505	243,924	573,581
Acquired on merger of Helios VIG	**599,443**	**-**	**599,443**	-	-	-
Premium allocation	**138,249**	**36,245**	**102,004**	99,505	38,950	60,555
Release of liabilities due to benefits paid, surrenders and other terminations	**(151,604)**	**(40,429)**	**(111,175)**	(98,556)	(34,069)	(64,487)
Unwinding of discount/accretion of interest	**38,189**	**7,964**	**30,225**	26,099	7,957	18,142
Change in Zillmer adjustment	**6,557**	**3,179**	**3,378**	9,879	4,049	5,830
Change in provision for unearned premium	**(2,231)**	**(524)**	**(1,707)**	(1,733)	(624)	(1,109)
Change in negative provisions	**-**	**-**	**-**	(272)	(121)	(151)
Foreign currency translations	**13,661**	**3,302**	**10,359**	1,722	525	1,197
Balance at 31 December	**1,496,413**	**270,328**	**1,226,085**	854,149	260,591	593,558

g) Provision for unit-linked and index-linked

Group and Company

	2013 Gross HRK'000	**2013 Reinsurance HRK'000**	**2013 Net HRK'000**	2012 Gross HRK'000	2012 Reinsurance HRK'000	2012 Net HRK'000
Balance at 1 January	**60,557**	**-**	**60,557**	45,119	-	45,119
Acquired on merger of Helios VIG	**51,254**		**51,254**	-	-	-
Premium allocation	**4,055**	**-**	**4,055**	11,878	-	11,878
Unrealised gains/(losses) on funds where policyholder investments were allocated	**3,635**	**-**	**3,635**	3,438	-	3,438
Foreign currency translations	**1,458**	**-**	**1,458**	122	-	122
Balance at 31 December	**120,959**	**-**	**120,959**	60,557	-	60,557

25 Technical provisions (continued)

h) Development of claims reported by policyholders at 31 December 2013

Group and Company

	Prior to 2007	2007	2008	2009	2010	2011	2012	2013	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of underwriting year	818,916	342,578	293,445	275,601	282,137	250,600	287,218	238,185	-
One year later	803,995	331,353	287,601	261,529	262,640	243,080	264,621	-	-
Two years later	797,210	324,319	265,559	251,726	248,164	236,124	-	-	-
Three years later	784,735	316,042	268,551	244,873	239,954	-	-	-	-
Four years later	792,440	341,942	268,214	248,824	-	-	-	-	-
Five years later	790,090	348,868	267,957	-	-	-	-	-	-
Six years later	788,832	351,429	-	-	-	-	-	-	-
Seven years later	792,002	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	**792,002**	**351,429**	**267,957**	**248,824**	**239,954**	**236,124**	**264,621**	**238,185**	**2,639,096**
Cumulative payments	744,013	307,429	250,766	225,321	219,741	197,306	224,489	155,585	**2,324,650**
Amount recognised in the current year statement of financial position	47,989	44,000	17,191	23,503	20,213	38,818	40,132	82,600	314,446
Claims handling costs and recourses	2,652	1,653	920	1,067	910	1,389	1,377	2,450	12,418
Unsettled claims at 31 December 2013 on policies transferred in at 30 December 2005 on merger with Aurum	8,409	-	-	-	-	-	-	-	8,409
Total value recognised in the current year statement of financial position	**59,050**	**45,653**	**18,111**	**24,570**	**21,123**	**40,207**	**41,509**	**85,050**	**335,273**

The historical data in respect of unsettled claims transferred in upon merger with Aurum is insufficient to enable the presentation of their development over an eight year period in the form as set above.

25 Technical provisions (continued)

i) Remaining maturities of technical provisions

Group and Company

2013

	Less than 1 year HRK'000	**Between 1 and 5 years HRK'000**	**Between 5 and 10 years HRK'000**	**Between 10 and 15 years HRK'000**	**Between 15 and 20 years HRK'000**	**More than 20 years HRK'000**	**Total HRK'000**
Provision for unearned premiums	134,739	-	-	-	-	-	134,739
Reported but not settled claims reserve and incurred but not reported claims reserve	68,306	266,967	-	-	-	-	335,273
Unexpired risk provision	2,600	-	-	-	-	-	2,600
Other technical provision	398	-	-	-	-	-	398
Life assurance provision and provision for unit-linked and index-linked	119,987	455,410	327,264	199,877	74,198	440,636	1,617,372
Technical provisions	**326,030**	**722,377**	**327,264**	**199,877**	**74,198**	**440,636**	**2,090,382**

2012

	Less than 1 year HRK'000	**Between 1 and 5 years HRK'000**	**Between 5 and 10 years HRK'000**	**Between 10 and 15 years HRK'000**	**Between 15 and 20 years HRK'000**	**More than 20 years HRK'000**	**Total HRK'000**
Provision for unearned premiums	119,340	-	-	-	-	-	119,340
Reported but not settled claims reserve and incurred but not reported claims reserve	58,234	189,308	-	-	-	-	247,542
Unexpired risk provision	2,700	-	-	-	-	-	2,700
Life assurance provision and provision for unit-linked and index-linked	32,086	201,236	295,874	196,841	130,141	58,528	914,706
Technical provisions	**212,360**	**390,544**	**295,874**	**196,841**	**130,141**	**58,528**	**1,284,288**

25 Technical provisions (continued)

j) Structure of assets used for backing life assurance provision

Group and Company

	31 December 2013 HRK '000	31 December 2012 HRK '000
Assets used for backing life assurance provision		
Debt securities issued by Republic of Croatia	**1,214,134**	620,552
Municipal bonds	**2,695**	2,990
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	**31,809**	12,325
Equities traded on regulated stock exchange in Republic of Croatia	**664**	599
Shares and equities of investment funds registered in Republic of Croatia	**57,659**	22,469
Advances and loans in the amount of insurance redemption value based on life insurance contract	**53,807**	14,137
Deposits with banks domiciled in Republic of Croatia	**32,076**	7,168
Balances on gyro account of the Company	**1,047**	798
Total assets used for backing life assurance provision	**1,393,891**	681,038

	31 December 2013 HRK '000	31 December 2012 HRK '000
Life assurance provision, net of reinsurance and discretionary profit participation provision	**1,279,767**	600,802
Claims provision for risks for which it is necessary to create life assurance provision, net of reinsurance	**7,719**	4,267
Requested coverage of life assurance provision	**1,287,486**	605,069
Assets used for backing life assurance provision	**1,393,891**	681,038
Requested coverage of life assurance provision	**1,287,486**	605,069
Excess of coverage	**106,405**	75,969

25 Technical provisions (continued)

j) Structure of assets used for backing life assurance provision (continued)

The following table analyses the financial assets used for backing life assurance provision into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities if life assurance provision and claims provision for which coverage is requested.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013					
Asset backing life assurance provision	186,740	325,907	828,156	53,088	1,393,891
Life assurance provision, net of reinsurance	(95,047)	(310,310)	(230,862)	(643,548)	(1,279,767)
Claims provision, net of reinsurance	(3,088)	(4,631)	-	-	(7,719)
Maturity gap	**88,605**	**10,966**	**597,294**	**(590,460)**	**106,405**
2012					
Asset backing life assurance provision	35,597	184,158	461,283	-	681,038
Life assurance provision, net of reinsurance	(20,091)	(145,924)	(209,117)	(225,670)	(600,802)
Claims provision, net of reinsurance	(2,286)	(1,981)	-	-	(4,267)
Maturity gap	**13,220**	**36,253**	**252,166**	**(225,670)**	**75,969**

As of 31 December 2013, 47.3% of total assets used for backing life assurance provision were classified as financial assets available for sale, which enables the Group to dispose of these assets easily to meet insurance contracts liabilities when needed. 44.2% of assets used for backing life assurance provision are classified as held-to-maturity investments, 2.3% of assets used for backing life assurance provision are classified as financial assets at fair value through profit and loss and 6.2% as loans and receivables.

The following table analyses the life assurance provision and financial asset used for backing life assurance provision into relevant categories based on the currency in which is denominated.

	EURO	EURO linked	EURO and EURO linked total	HRK	USD	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013						
Asset backing life assurance provision	74,610	818,799	**893,409**	492,937	7,545	**1,393,891**
Life assurance provision, net of reinsurance	-	(917,859)	**(917,859)**	(354,495)	(7,413)	**(1,279,767)**
Claims provision, net of reinsurance	-	(6,381)	**(6,381)**	(1,222)	(116)	**(7,719)**
Maturity gap	**74,610**	**(105,441)**	**(30,831)**	**137,220**	**16**	**106,405**
2012						
Asset backing life assurance provision	62,589	570,765	**633,354**	47,684	-	**681,038**
Life assurance provision, net of reinsurance	-	(600,802)	**(600,802)**	-	-	**(600,802)**
Claims provision, net of reinsurance	-	(4,267)	**(4,267)**	-	-	**(4,267)**
Maturity gap	62,589	(34,304)	**28,285**	47,684	-	**75,969**

In 2013, the Company achieved an annual return on investments from life assurance provision in amount of 6.59% (2012: 6.79%). Weighted average yield for the three-year period from 2011 to 2013 was 6.51% (2012: three year period from 2010 to 2012: 7.33%).

Valuation of financial assets is described in accounting policy Note 3 (f).

25 Technical provisions (continued)

k) Structure of assets used for backing technical provisions (other than life assurance provision)

Group and Company

	31 December 2013 HRK '000	31 December 2012 HRK '000
Assets used for backing technical provisions		
Securities issued by Republic of Croatia	**321,581**	201,840
Bonds and other debt securities traded on regulated stock exchange in Republic of Croatia	**30,550**	29,979
Equities traded on regulated stock exchange in Republic of Croatia	**885**	69
Shares and equities of investment funds registered in Republic of Croatia	**33,398**	46,394
Loans with a pledge over a real estate	**-**	6,389
Loans and deposits to banks domiciled in Republic of Croatia (same bank or group of related banks at max. 5%)	**19,654**	29,537
Balances on giro account of the Company	**3,885**	4,077
Total assets used for backing technical provisions (other than life assurance provision)	**409,953**	318,285

	31 December 2013 HRK '000	31 December 2012 HRK '000
Provision for unearned premiums, net of reinsurance	**73,633**	64,152
Claims provision, net of reinsurance	**175,865**	143,304
Other provisions	**2,998**	2,700
Requested coverage of technical provisions (other than life assurance provision)	**252,496**	210,156
Assets used for backing technical provisions (other than life assurance provision)	**409,953**	318,285
Coverage of technical provisions (other than life assurance provision)	**252,496**	210,156
Excess of coverage	**157,457**	108,129

25 Technical provisions (continued)

k) Structure of assets used for backing technical provisions (other than life assurance provision) (continued)

The following table analyses the financial assets used for backing technical provisions into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities of technical provisions for which coverage is requested:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013					
Asset backing technical provisions	81,501	200,784	127,668	-	409,953
Provision for unearned premium, net of reinsurance	(73,633)	-	-	-	(73,633)
Claims provision, net of reinsurance	(37,431)	(138,434)	-	-	(175,865)
Other provisions	(2,998)	-	-	-	(2,998)
Maturity gap	**(32,561)**	**62,350**	**127,668**	**-**	**157,457**
2012					
Asset backing technical provisions	96,633	152,770	68,882	-	318,285
Provision for unearned premium, net of reinsurance	(64,152)	-	-	-	(64,152)
Claims provision, net of reinsurance	(34,859)	(108,445)	-	-	(143,304)
Other provisions	(2,700)	-	-	-	(2,700)
Maturity gap	**(5,078)**	**44,325**	**68,882**	**-**	**108,129**

As of 31 December 2013, 69.0% of total assets used for backing technical provisions are classified as financial assets available for sale and 18.4% as financial assets at fair value through profit or loss, which enables the Group to dispose of those assets easily to meet insurance contracts liabilities when needed. 6.8% of assets used for backing technical provision are classified as held-to-maturity investments and 5.7% as loans and receivables.

The following table analyses the financial assets used for backing technical provisions and technical provisions into relevant categories based on the currency in which are denominated.

	EURO	EURO linked	EURO and EURO linked total	HRK	USD	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2013						
Asset backing technical provision	9,971	29,334	**39,305**	370,647	1	**409,953**
Provision for unearned premium, net of reinsurance	-	(3,035)	**(3,035)**	(70,598)	(1)	**(73,634)**
Claims provision, net of reinsurance	-	(12,778)	**(12,778)**	(162,451)	(635)	**(175,864)**
Other provisions	-	-	**-**	(2,998)	-	**(2,998)**
	9,971	13,521	**23,492**	134,600	(635)	**157,457**
2012						
Asset backing technical provision	9,814	7,657	**17,471**	300,814	-	**318,285**
Provision for unearned premium, net of reinsurance	-	(1,673)	**(1,673)**	(62,479)	-	**(64,152)**
Claims provision, net of reinsurance	-	(2,339)	**(2,339)**	(140,965)	-	**(143,304)**
Other provisions	-	-	**-**	(2,700)	-	**(2,700)**
	9,814	3,645	**13,459**	94,670	-	**108,129**

26 Discretionary profit participation provision

Group and Company

	2013	2012
	HRK'000	HRK'000
Balance at 1 January	**7,244**	8,304
Acquired on merger of Helios VIG	**47,076**	-
Funds released during the year due to surrenders and benefits	**(638)**	(1,060)
Balance at 31 December	**53,682**	7,244

27 Subordinated loan

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000
Subordinated loan	**15,275**	15,091	**15,275**	15,091

In 2009, the Group obtained subordinated loan from Vienna Insurance Group Wiener Versicherung Gruppe AG, parent company of the Group. In February 2012 subordinated loan was transferred to LVP Holding GmBH. Subordinated loan bears a fixed interest rate of 8% per annum (2012: 8% p.a.) and has unlimited maturity. Payment of this loan is subordinated to all other liabilities of the Group.

28 Borrowings

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000
Borrowings	**51,254**	**52,702**	**-**	-

Borrower	**Currency**	**Contracted principal in currency**	**Interest rate**	**Maturity**	**Outstanding amount Group**	Outstanding amount Group
					2013	2012
			%		**HRK'000**	HRK'000
LVP Holding GmbH	EUR	5,756,129	5%, fixed	31 December 2015	**43,963**	43,434
OTP banka d.d.	EUR	1,000,000	3 month EURIBOR + 1.8%	31 December 2016	**2,291**	3,018
OTP banka d.d.	HRK	12,500,000	6.5%, variable	21 December 2017	**5,000**	6,250
					51,254	52,702

Loans granted by LVP Holding GmbH and OTP banka d.d. are secured with the property of the Group as disclosed in Notes 12 and 13. In addition, loans granted by OTP banka d.d. are secured with deposit of the Group in the amount of HRK 5,000 thousand.

29 Provisions for liabilities and charges

Group

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Restructuring provision HRK'000	Total HRK'000
Balance at 1 January 2012	**500**	**425**	**-**	**925**
Unused amounts reversed	(120)	(425)	-	**(545)**
Increase of provision	2,665	511	5,701	**8,877**
Balance at 31 December 2012	**3,045**	**511**	**5,701**	**9,257**
Balance at 1 January 2013	**3,045**	**511**	**5,701**	**9,257**
Acquired on merger of Helios VIG	5,559	390	-	**5,949**
Used during the year	(301)	(462)	(5,306)	**(6,069)**
Unused amounts reversed	(1,231)	-	-	**(1,231)**
Increase of provision	1,240	312	-	**1,552**
Balance at 31 December 2013	**8,312**	**751**	**395**	**9,458**

Company

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Restructuring provision HRK'000	Total HRK'000
Balance at 1 January 2012	**500**	**425**	**-**	**925**
Unused amounts reversed	(120)	(425)	-	**(545)**
Increase of provision	2,615	511	5,701	**8,827**
Balance at 31 December 2012	**2,995**	**511**	**5,701**	**9,207**
Balance at 1 January 2013	**2,995**	**511**	**5,701**	**9,207**
Acquired on merger of Helios VIG	5,559	390	**-**	**5,949**
Used during the year	(296)	(462)	(5,306)	**(6,064)**
Unused amuonts reversed	(1,231)	-	-	**(1,231)**
Increase of provision	1,240	312	-	**1,552**
Balance at 31 December 2013	**8,267**	**751**	**395**	**9,413**

Increase of provision for court cases is recognised in „Other operating expenses“ (Note 38) while unused amounts reversed for court cases are recognised in "Other operating income" (Note 34). Net increase of obligatory severance payments and jubilee awards provision and increase of restructuring provision are recognised in „Administrative expenses“ (Note 37).

30 Insurance and other payables

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Direct insurance contract payables				
- to policyholders	**5,897**	1,692	**5,897**	1,692
- to agents, brokers and intermediaries	**1,529**	1,506	**1,529**	1,506
Reinsurance contract payables	**126,620**	112,997	**126,620**	112,997
Deposits retained from reinsurance business	**344,247**	308,009	**344,247**	308,009
Trade creditors	**16,219**	7,764	**15,922**	7,631
Liabilities for salaries	**9,025**	5,826	**9,006**	5,804
Commission expense accrual	**1,240**	3,895	**1,240**	3,895
Other payables	**20,179**	31,946	**20,292**	31,407
Deferred income from recourses	**26,574**	27,967	**26,574**	27,967
Accrued expenses	**11,260**	7,773	**11,074**	6,642
Total insurance and other payables	**562,790**	509,375	**562,401**	507,550

The Group retains deposits from reinsurance business arising from the quota share reinsurance treaties for life assurance with the related company and Motor Third Party Liability and Personal Accident insurance with a parent company. In accordance with the reinsurance treaties, applicable from 1 January 2002 for life assurance, from 1 January 2010 for Motor Third Party Liability insurance and from 1 January 2011 for Personal Accident insurance, the reinsurance deposit is retained and the Group invests the funds. Deposit retained from reinsurance business of life assurance bears a 3% fixed interest rate per annum (or 2.5% on policies with guaranteed interest rate), while for Motor Third Party Liability and Personal Accident insurance from 1 January 2011 interest rate is determined quarterly as the average of BID and ASK prices of 3 month ZIBOR at beginning of the accounting period increased by + 0.5 pp.

31 Premiums

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Non-life insurance				
Gross premium written	**250,119**	237,811	**250,189**	237,881
Written premiums ceded to reinsurers	**(119,919)**	(115,909)	**(119,919)**	(115,909)
Change in unearned premiums, gross	**17,711**	10,981	**17,711**	10,981
Change in unearned premiums, reinsurance share	**(10,118)**	(2,997)	**(10,118)**	(2,997)
Total premium income net, (earned) from non-life insurance	**137,793**	129,886	**137,863**	129,956
Life assurance				
Gross premium written	**223,602**	170,536	**223,602**	170,536
Written premiums ceded to reinsurers	**(49,326)**	(53,008)	**(49,326)**	(53,008)
Change in unearned premiums, gross	**722**	(146)	**722**	(146)
Change in unearned premiums, reinsurance share	**(255)**	98	**(255)**	98
Total premium income net, (earned) from life assurance	**174,743**	117,480	**174,743**	117,480
Total				
Gross premium written	**473,721**	408,347	**473,791**	408,417
Written premiums ceded to reinsurers	**(169,245)**	(168,917)	**(169,245)**	(168,917)
Change in unearned premiums, gross	**18,433**	10,835	**18,433**	10,835
Change in unearned premiums, reinsurance share	**(10,373)**	(2,899)	**(10,373)**	(2,899)
Total premiums	**312,536**	247,366	**312,606**	247,436

Gross premiums written for the Group and the Company for life assurance business include premiums of HRK 8,9 million (*2012: HRK 10.07 million*) in respect of unit-linked products and premiums of HRK 14,3 million in respect of index-linked products (*2012: HRK 9.1 million).*

31 Premiums (continued)

Analysis by class of business

An analysis of written premiums and claims incurred by class of business is set out below. Gross premiums written are stated after adjusting for the net increase in provisions for premium debtors and related write-offs of HRK 4 million (*2012: HRK 3.6 million*) for the Group and Company:

Group

	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition and administrative expenses HRK'000	Reinsurance balance HRK'000
2013					
Non-life insurance business					
Motor (third party)	119,496	123,407	(38,000)	(36,847)	(5,363)
Motor (other classes)	20,888	24,345	(25,543)	(6,862)	(633)
Property	59,282	68,768	(30,645)	(38,526)	(14,610)
Personal lines	11,779	13,249	(6,228)	(6,707)	(237)
Other	38,674	38,061	(21,226)	(18,962)	(3,823)
Total non-life	**250,119**	**267,830**	**(121,642)**	**(107,904)**	**(24,666)**
Life assurance business					
Life assurance	192,944	193,126	(178,247)	(86,229)	7,114
Annuity assurance	578	578	(519)	(15)	(255)
Additional riders	14,200	14,740	(3,305)	(6,379)	(308)
Index/Unit Linked	15,880	15,880	(17,480)	(5,961)	(11)
Total life	**223,602**	**224,324**	**(199,551)**	**(98,584)**	**6,540**
Grand total	**473,721**	**492,154**	**(321,193)**	**(206,488)**	**(18,126)**
2012					
Non-life insurance business					
Motor (third party)	100,369	106,741	(34,218)	(31,590)	(4,299)
Motor (other classes)	23,679	27,039	(21,275)	(7,730)	(523)
Property	65,645	65,453	(33,344)	(32,535)	(10,919)
Personal lines	12,635	13,809	(6,716)	(6,270)	(319)
Other	35,483	35,750	(31,584)	(15,670)	1,022
Total non-life	**237,811**	**248,792**	**(127,137)**	**(93,795)**	**(15,038)**
Life assurance business					
Life assurance	140,926	140,977	(118,671)	(67,791)	1,384
Annuity assurance	-	-	-	-	-
Additional riders	9,746	9,549	(2,477)	(5,286)	1,827
Index/Unit Linked	19,864	19,864	(20,208)	(6,979)	
Total life	**170,536**	**170,390**	**(141,356)**	**(80,056)**	**3,211**
Grand total	**408,347**	**419,182**	**(268,493)**	**(173,851)**	**(11,827)**

31 Premiums (continued)

Analysis by class of business *(continued)*

Company

	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition and administrative expenses HRK'000	Reinsurance balance HRK'000
2013					
Non-life insurance business					
Motor (third party)	119,496	123,407	(38,000)	(38,176)	(5,363)
Motor (other classes)	20,888	24,345	(25,543)	(7,106)	(633)
Property	59,352	68,838	(30,680)	(39,828)	(14,610)
Personal lines	11,779	13,249	(6,228)	(6,938)	(237)
Other	38,674	38,061	(21,226)	(18,467)	(3,823)
Total non-life	**250,189**	**267,900**	**(121,677)**	**(110,515)**	**(24,666)**
Life assurance business					
Life assurance	192,944	193,126	(178,247)	(86,229)	7,114
Annuity assurance	578	578	(519)	(15)	(255)
Additional riders	14,200	14,740	(3,305)	(6,379)	(308)
Index/Unit Linked	15,880	15,880	(17,480)	(5,961)	(11)
Total life	**223,602**	**224,324**	**(199,551)**	**(98,584)**	**6,540**
Grand total	**473,791**	**492,224**	**(321,228)**	**(209,099)**	**(18,126)**
2012					
Non-life insurance business					
Motor (third party)	100,369	106,741	(34,218)	(31,722)	(4,299)
Motor (other classes)	23,679	27,039	(21,275)	(7,758)	(523)
Property	65,715	65,523	(33,344)	(32,656)	(10,919)
Personal lines	12,635	13,809	(6,716)	(6,293)	(319)
Other	35,483	35,750	(31,584)	(15,728)	1,022
Total non-life	**237,881**	**248,862**	**(127,137)**	**(94,157)**	**(15,038)**
Life assurance business					
Life assurance	140,926	140,977	(118,671)	(67,791)	1,384
Annuity assurance	-	-	-	-	-
Additional riders	9,746	9,549	(2,477)	(5,286)	1,827
Index/Unit Linked	19,864	19,864	(20,208)	(6,979)	
Total life	**170,536**	**170,390**	**(141,356)**	**(80,056)**	**3,211**
Grand total	**408,417**	**419,252**	**(268,493)**	**(174,213)**	**(11,827)**

32 Fees and commission income

Group and Company

	2013	2012
	HRK'000	HRK'000
Reinsurance commission	**55,138**	50,097
Profit reinsurance commission	**2,131**	634
	57,269	50,731

33 Financial income

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000
Interest income:				
- Available-for-sale financial assets	**42,792**	30,325	**42,792**	30,325
- Held-to-maturity investments	**45,790**	31,816	**45,790**	31,816
- Loans and receivables	**12,919**	14,333	**13,279**	14,691
Dividend income	**338**	140	**338**	140
Rental income from investment property	**2,021**	2,437	**630**	45
Net gain on remeasurement of assets at fair value through profit or loss	**4,219**	4,627	**4,219**	4,627
Net realised gain on assets at fair value through profit or loss	**550**	1,691	**550**	1,691
Net realised gain on assets available for sale (Note 23f)	**4,662**	3,904	**4,662**	3,904
Foreign exchange translation gain				
- Financial assets at fair value through profit or loss	**160**	48	**160**	48
- Available-for-sale financial assets	**4,949**	986	**4,949**	986
- Held-to-maturity investments	**7,492**	1,000	**7,492**	1,000
- Loans and receivables	**(106)**	(141)	**(106)**	(141)
- Deposit retained from reinsurance business	**(3,178)**	(524)	**(3,178)**	(524)
-Other	**(795)**	(72)	**(228)**	22
Other financial income	**510**	965	**509**	965
	122,323	91,535	**121,858**	89,595

Group

	Non-life	**Life**	**Investment property**	**Total**	Non-life	Life	Investment property	Total
	2013	**2013**	**2013**	**2013**	2012	2012	2012	2012
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000	HRK'000
Financial income								
Income from assets backing equity	**5,237**	**1,796**	**465**	**7,498**	8,900	3,251	1,940	14,091
Income from assets backing life assurance provision	**-**	**89,314**	**-**	**89,314**	-	57,669	-	57,669
Income from assets backing other technical provisions	**21,410**	**-**	**-**	**21,410**	16,215	-	-	16,215
Income from assets backing index-linked and unit-linked products	**-**	**4,101**	**-**	**4,101**	-	3,560	-	3,560
	26,647	**95,211**	**465**	**122,323**	25,115	64,480	1,940	91,535

33 Financial income (continued)

Company

	Non-life 2013 HRK'000	**Life 2013 HRK'000**	**Total 2013 HRK'000**	Non-life 2012 HRK'000	Life 2012 HRK'000	Total 2012 HRK'000
Financial income						
Income from assets backing equity	**5,237**	**1,796**	**7,033**	8,900	3,251	12,151
Income from assets backing life assurance provision	**-**	**89,314**	**89,314**	-	57,669	57,669
Income from assets backing other technical provisions	**21,410**	**-**	**21,410**	16,215	-	16,215
Income from assets backing index-linked and unit-linked products	**-**	**4,101**	**4,101**	-	3,560	3,560
	26,647	**95,211**	**121,858**	25,115	64,480	89,595

34 Other operating income

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Refund of legal enforcement collection expense and penalty interest	**1,933**	1,131	**1,933**	1,131
Income from service claims	**1,602**	106	**1,602**	106
Unused amounts reversed previously provided for legal claims (Note 29)	**1,231**	120	**1,231**	120
Income from recharged utilities expenses	**447**	741	**-**	-
Decrease in provision for recourse receivables due to collection (Note 20)	**66**	84	**66**	84
Other operating income	**4,903**	2,032	**3,660**	2,029
	10,182	4,214	**8,492**	3,470

35 Net policyholders claims and benefits accrued

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Non-life insurance				
Claims paid				
Gross amount	**(127,657)**	(129,329)	**(127,692)**	(129,329)
Reinsurers' share	**45,086**	47,039	**45,086**	47,039
Change in reported but not settled claims reserve				
Gross amount	**3,677**	(1,790)	**3,677**	(1,790)
Reinsurers' share	**4,859**	13,246	**4,859**	13,246
Change in incurred but not reported claims reserve				
Gross amount	**2,223**	4,482	**2,223**	4,482
Reinsurers' share	**7,551**	2,032	**7,551**	2,032
Change in unexpired risk provision, gross and net	**100**	(500)	**100**	(500)
Change in other technical provision, gross and net	**15**	-	**15**	-
Total gross claims incurred from non-life insurance	**(121,642)**	(127,137)	**(121,677)**	(127,137)
Total reinsurance share in claims incurred from non-life insurance	**57,496**	62,317	**57,496**	62,317
Total net claims incurred from non-life insurance	**(64,146)**	(64,820)	**(64,181)**	(64,820)
Life assurance				
Claims paid (benefits and surrenders)				
Gross amount	**(147,965)**	(91,777)	**(147,965)**	(91,777)
Reinsurers' share	**36,731**	30,457	**36,731**	30,457
Change in life assurance provision				
Gross amount	**(42,821)**	(36,644)	**(42,821)**	(36,644)
Reinsurers' share	**9,738**	16,667	**9,738**	16,667
Change in life assurance provision for unit and index-linked products, gross and net	**(9,148)**	(15,438)	**(9,148)**	(15,438)
Change in reported but not settled claims reserve				
Gross amount	**(1,021)**	1,350	**(1,021)**	1,350
Reinsurers' share	**269**	(149)	**269**	(149)
Change in incurred but not reported claims reserve				
Gross amount	**766**	93	**766**	93
Reinsurers' share	**(11)**	(34)	**(11)**	(34)
Change in discretionary profit participation provision, gross and net	**638**	1,060	**638**	1,060
Total gross claims incurred from life assurance	**(199,551)**	(141,356)	**(199,551)**	(141,356)
Total reinsurance share in claims incurred from life assurance	**46,727**	46,941	**46,727**	46,941
Total net claims incurred from life assurance	**(152,824)**	(94,415)	**(152,824)**	(94,415)
Total gross claims incurred	**(321,193)**	(268,493)	**(321,228)**	(268,493)
Total reinsurance share in claims incurred	**104,223**	109,258	**104,223**	109,258
Total	**(216,970)**	(159,235)	**(217,005)**	(159,235)

35 Net policyholders claims and benefits accrued (continued)

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

Analysis of claims ratio, costs ratio and combined ratio

	Claims ratio	**Costs ratio**	**Combined ratio**
2013			
Personal accident insurance	46.18%	30.95%	77.12%
Health insurance	438.69%	92.48%	531.17%
Insurance of motor vehicles	98.77%	29.07%	127.85%
Insurance of aircrafts	1368.99%	16.69%	1385.68%
Insurance of vessels	85.20%	81.94%	167.14%
Insurance of goods in transit	10.25%	18.30%	28.55%
Insurance against fire and natural disasters	32.93%	36.82%	69.75%
Other property insurance lines	53.79%	58.17%	111.96%
Motor third party liability insurance	30.15%	5.96%	36.11%
Aircraft liability insurance	-	19.61%	19.61%
Vessel liability insurance	36.13%	51.12%	87.26%
Other third liability insurance lines	64.23%	15.04%	79.27%
Credit insurance	(53.54%)	16.69%	(36.85%)
Suretyship insurance	118.10%	17.72%	135.81%
Insurance of miscellaneous financial losses	23.54%	14.15%	37.69%
Insurance of legal protection	84.26%	25.44%	109.69%
Travel insurance	87.29%	59.87%	147.17%
Total non-life	**44.79%**	**23.96%**	**68.75%**
2012			
Personal accident insurance	47.63%	20.95%	68.58%
Health insurance	179.57%	26.76%	206.33%
Insurance of motor vehicles	81.04%	30.02%	111.06%
Insurance of aircrafts	-	21.31%	21.31%
Insurance of vessels	135.69%	63.55%	199.24%
Insurance of goods in transit	19.87%	21.96%	41.83%
Insurance against fire and natural disasters	32.23%	30.82%	63.05%
Other property insurance lines	62.60%	35.12%	97.72%
Motor third party liability insurance	31.83%	3.87%	35.70%
Aircraft liability insurance	-	21.31%	21.31%
Vessel liability insurance	41.23%	38.77%	80.00%
Other third liability insurance lines	127.95%	25.32%	153.27%
Credit insurance	763.16%	21.31%	784.47%
Suretyship insurance	(175.13%)	21.31%	(153.82%)
Insurance of miscellaneous financial losses	(37.35%)	13.93%	(23.42%)
Insurance of legal protection	30.65%	29.54%	60.19%
Travel insurance	73.85%	48.77%	122.62%
Total non-life	**50.16%**	**20.48%**	**70.64%**

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

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

Costs ratio = (administration costs – reinsurance commission and profit participation + acquisition costs – change in deferred acquisition costs) / (gross written premium)

Combined ratio = claims ratio + costs ratio

36 Acquisition costs

Group and Company

	2013 **HRK'000**	2012 HRK'000
Non-life insurance business		
Commission expenses	**17,847**	18,622
Other acquisition costs	**6,016**	3,404
Changes in deferred acquisition costs (Note 14)	**1,739**	3,165
Total acquisition costs, non-life	**25,602**	25,191
Life assurance business		
Commission expenses	**16,620**	17,708
Other acquisition costs	**4,479**	3,176
Changes in deferred acquisition costs (Note 14)	**93**	(39)
Total acquisition costs, life	**21,192**	20,845
	46,794	46,036

Included within acquisition costs are internal sales staff costs amounting to HRK 11.6 million *(2012: HRK 8.8 million).*

Analysis by class of business

Group and Company	**2013** **HRK'000**	2012 HRK'000
Non-life insurance business		
Personal accident insurance	1,712	1,984
Health insurance	9	19
Insurance of motor vehicles	1,585	2,438
Insurance of aircrafts	-	1
Insurance of vessels	2,140	2,297
Insurance of goods in transit	103	160
Insurance against fire and natural disasters	4,441	4,452
Other property insurance lines	5,910	5,290
Motor third party liability insurance	8,071	6,583
Aircraft liability insurance	(1)	-
Vessel liability insurance	375	336
Other third party liability insurance lines	734	946
Credit insurance	(13)	6
Suretyship insurance	2	3
Insurance of miscellaneous financial losses	72	157
Insurance of legal protection	-	1
Travel insurance	462	518
Total non-life	**25,602**	25,191
Life assurance business		
Life products	19,485	18,794
Annuity insurance	15	-
Life rider products	678	1,073
Index-linked and unit-linked	1,014	978
Total life	**21,192**	20,845
Total non-life and life	**46,794**	46,036

37 Administrative expenses

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Depreciation of property and equipment (Note 12)	**5,067**	4,685	**3,870**	3,539
Amortisation of other intangible assets (Note 15)	**3,101**	3,011	**3,101**	3,011
Travel expenses and daily allowances	**7,929**	5,429	**7,929**	5,429
Maintenance	**3,704**	2,938	**3,624**	2,458
Software	**21,533**	7,158	**21,533**	7,158
Telecommunication and post services	**6,114**	5,210	**6,114**	5,210
Personnel expenses	**81,427**	66,931	**80,734**	66,400
Energy and utilities	**6,458**	5,341	**5,707**	4,429
Rentals (Note 41)	**11,000**	9,934	**16,507**	14,822
Lawyers' fees	**1,897**	2,448	**1,897**	2,448
Audit fees	**697**	822	**670**	769
Provision for termination benefits and jubilee awards (Note 29)	**312**	86	**312**	86
Management fees – related parties (Note 42)	**912**	-	**912**	-
Provision for restructuring costs (Note 29)	**-**	5,701	**-**	5,701
Other expenses	**9,543**	8,121	**9,395**	6,717
	159,694	127,815	**162,305**	128,177

In 2013, the average number of employees of the Group was 819 *(2012: 622)* and of the Company was 816 *(2012: 619)*. In 2013, the Group paid pension contributions of HRK 15,4 million *(2012: HRK 11.9 million)* into obligatory pension funds.

Analysis by class of business	**Group 2013 HRK'000**	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Non-life insurance business				
Personal accident insurance	4,996	4,286	5,226	4,309
Health insurance	4	98	4	99
Insurance of motor vehicles	5,277	5,293	5,521	5,321
Insurance of aircrafts	6	2	6	2
Insurance of vessels	6,305	4,228	6,596	4,250
Insurance of goods in transit	688	797	719	801
Insurance against fire and natural disasters	13,091	10,797	13,696	10,854
Other property insurance lines	15,084	11,996	15,781	12,059
Motor third party liability insurance	29,914	25,005	30,105	25,137
Aircraft liability insurance	16	5	17	5
Vessel liability insurance	1,207	876	1,263	881
Other third party liability insurance lines	3,543	3,016	3,707	3,032
Credit insurance	6	16	6	16
Suretyship insurance	8	11	9	11
Insurance of miscellaneous financial losses	821	1,053	859	1,059
Insurance of legal protection	1	2	1	2
Travel insurance	1,334	1,123	1,396	1,128
Total non-life	**82,301**	68,604	**84,912**	68,966
Life assurance business				
Life products	66,935	49,587	66,935	49,587
Life rider products	5,701	4,807	5,701	4,807
Index linked and unit linked	4,757	4,817	4,757	4,817
Total life	**77,393**	59,211	**77,393**	59,211
Total non-life and life	**159,694**	127,815	**162,305**	128,177

38 Other operating expenses

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Compulsory motor third party liability insurance contribution to the Croatian health fund	**4,328**	5,986	**4,328**	5,986
Fire brigade contributions	**1,264**	1,492	**1,264**	1,492
Credit cards payment fee	**2,952**	2,790	**2,952**	2,790
Other technical expenses	**2,252**	4,404	**2,252**	4,404
Guarantee – fund levies	**3,743**	330	**3,743**	330
Prevention costs	**945**	798	**945**	798
Provision for impairment of land and buildings (Note 12)	**177**	-	**177**	-
Intangible assets write off (Note 15)	**1,461**	-	**1,461**	-
Provision for other receivables impairment (Note 20)	**452**	673	**452**	673
Other receivables written off during the year as uncollectible	**696**	-	**696**	-
Provision for legal claims (Note 29)	**1,240**	2,665	**1,240**	2,615
Legal enforcement collection of receivables from contract holders	**2,443**	86	**2,443**	86
	21,953	19,224	**21,953**	19,174

39 Financial expenses

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Interest expense	**3,842**	2,900	**1,195**	1,184
Interest expense on reinsurance deposit	**8,936**	9,048	**8,936**	9,048
Depreciation of investment property (Note 13)	**355**	608	**236**	36
Impairment of available-for-sale financial assets	**1,033**	3,963	**1,033**	3,963
Impairment of loans to customers (Note 17)	**7,000**	11,738	**7,000**	11,738
Impairment of deposits with banks (Note 17)	**9,454**	-	**9,454**	-
Impairment of interest receivables (Note 20)	**6,423**	8,946	**6,423**	8,946
Interest receivables write off	**244**	-	**244**	-
Other expenses	**1,234**	2,533	**1,233**	2,533
	38,521	39,736	**35,754**	37,448

Group

	Non-life 2013 HRK'000	**Life 2013 HRK'000**	**Investment property 2013 HRK'000**	**Total 2013 HRK'000**	Non-life 2012 HRK'000	Life 2012 HRK'000	Investment property 2012 HRK'000	Total 2012 HRK'000
Expenses from assets backing share capital	**8,459**	**2,390**	**2,767**	**13,616**	19,162	3,405	2,288	24,855
Expenses from assets backing life assurance provision	**-**	**22,517**	**-**	**22,517**	-	12,397	-	12,397
Expenses from assets backing other technical provisions	**2,388**	**-**	**-**	**2,388**	2,484	-	-	2,484
	10,847	**24,907**	**2,767**	**38,521**	21,646	15,802	2,288	39,736

39 Financial expenses (continued)

Company

	Non-life 2013 HRK'000	**Life 2013 HRK'000**	**Total 2013 HRK'000**	Non-life 2012 HRK'000	Life 2012 HRK'000	Total 2012 HRK'000
Expenses from assets backing share capital	**8,459**	**2,390**	**10,849**	19,162	3,405	22,567
Expenses from assets backing life assurance provision	**-**	**22,517**	**22,517**	-	12,397	12,397
Expenses from assets backing other technical provisions	**2,388**	**-**	**2,388**	2,484	-	2,484
	10,847	**24,907**	**35,754**	21,646	15,802	37,448

40 Income taxes

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Current income tax	**(144)**	(383)	**-**	-
Deferred income tax	**8,083**	-	**8,083**	-
Total income tax benefit/(expense)	**7,939**	(383)	**8,083**	-

a. Reconciliation of accounting profit for the period and income tax expense

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2012 HRK'000**	Company 2012 HRK'000
Profit before tax	**18,378**	1,800	**16,414**	1,162
Income tax at 20% (2012: 20%)	**(3,676)**	(360)	**(3,283)**	(232)
Tax effects of:				
Non-deductible expenses	**(5,173)**	(10,026)	**(5,173)**	(9,771)
Income not subject to tax	**3,003**	5,072	**2,754**	5,072
Utilisation of previously unrecognised tax losses	**5,702**	4,931	**5,702**	4,931
Effect of recognized tax losses	**5,829**	-	**5,829**	-
Origination of temporary tax differences	**2,254**	-	**2,254**	-
Total income tax benefit/(expense)	**7,939**	(383)	**8,083**	-

40 Income taxes (continued)

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

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000
At income tax rate of 20%				
Unused tax losses brought forward	**8,741**	13,672	**8,741**	13,672
Acquired on merger with Helios VIG	**2,790**	-	**2,790**	-
Use of tax losses brought forward	**(5,702)**	(4,931)	**(5,702)**	(4,931)
Unused tax losses carried forward	**5,829**	8,741	**5,829**	8,741

c. Tax losses brought forward

Deferred income tax asset is recognised in amount of HRK 5.8 million (2012: nil) for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. A tax loss may be carried forward for five years subsequent to the year in which it was incurred. The availability of tax losses against future periods, subject to review by the Ministry of Finance, is as follows:

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	HRK'000	HRK'000	**HRK'000**	HRK'000
At income tax rate of 20%				
No more than 1 year	-	-	-	-
No more than 2 years	-	1,000	-	1,000
No more than 3 years	**5,829**	565	**5,829**	565
No more than 4 years	-	7,176	-	7,176
No more than 5 years	-	-	-	-
Total potential benefit of tax losses carried forward	**5,829**	8,741	**5,829**	8,741
Unrecognised benefit of tax loss carried forward	-	8,741	-	8,741
Deferred tax asset recognized in the statement of financial position	**5,829**	-	**5,829**	-

41 Operating leases

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

During the year ended 31 December 2013, HRK 11,0 million was recognised as an expense in the Group's profit or loss *(2012: HRK 9,9 million)* and HRK 16,5 million was recognised in the Company's profit or loss *(2012: HRK 14,8 million)* in respect of operating leases.

42 Related parties

The Company is the parent of the Wiener osiguranje Vienna Insurance Group. The key shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe with a holding of 99.47% (2012: 99.36%) of the Company's shares at year end. The remaining 0.53% (2012: 0.64%) of the shares are held by minority shareholders. The Company considers that it has an immediate related party relationship with the ultimate parent of its key shareholders, and their subsidiaries; its subsidiaries and associate; 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.

Parent company and other related companies within VIG Group

The Group had subordinated loan obtained from the parent company in the amount of HRK 15.3 million until 17 February 2012 when subordinated loan was transferred to related company LVB Holding GmbH with unchanged conditions. Subordinated loan bears 8% interest per annum. In addition, significant portion of the Group's reinsurance is ceded to the ultimate parent company.

In 2013 management fee charged to the Group amounted to HRK 0.9 million (2012: nil) and software maintenance services amounted to HRK 18.6 million (2012: HRK 4.6 million).

In addition to parent company, the Group cedes reinsurance to other related companies, VIG Re, DONAU and Wiener Städtische Versicherung AG. The results of transactions with parent company and related companies are reinsurance premiums and recoveries during the year as well as receivable and payable balances at the end of the year, as follows:

Group and Company	**2013**	2012
	HRK'000	HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of the year	**(121,351)**	(142,156)
Acquired on merger of Helios VIG	**(20,581)**	-
Reinsurance premiums ceded during the year	**(153,597)**	(170,971)
Reinsurance premiums paid during the year	**174,905**	191,776
Reinsurance premiums payable at the end of the year	**(120,624)**	(121,351)
Reinsurance recoveries:		
At the beginning of the year	**40,858**	36,418
Acquired on merger of Helios VIG	**185**	-
Invoiced during the year	**70,706**	72,493
Received during the year	**(68,378)**	(68,053)
Outstanding at the end of the year	**43,371**	40,858
Reinsurance commission:		
At the beginning of the year	**20,599**	34,182
Acquired on merger of Helios VIG	**8,965**	-
Invoiced during the year	**48,821**	56,509
Received during the year	**(60,104)**	(70,092)
Outstanding at the end of the year	**18,281**	20,599
Receivables from deposit retained from reinsurance business	**15,628**	15,056
Deposit retained from reinsurance business	**(344,247)**	(308,009)
Accrued interest on deposit retained from reinsurance business	**8,936**	8,447

42 Related parties (continued)

Parent company and other related companies within VIG Group

As at 17 February 2012 subordinated debt obtained from the parent company in 2010 was transferred to other related company, LVB Holding GmbH Austria. As of 31 December 2013 subordinated loan amounts to HRK 15.3 million *(2012: HRK 15.1 million)* and bears 8% interest per annum. Maturity of subordinated loan is indefinite.

As of 20 December 2011, borrowings obtained from the parent company ware transferred to related company, LVB Holding GmbH, Austria. Under the new terms of borrowing, the repayment of principal was changed from repayment in instalments to bullet repayment. Interest continues to be payable on semi-annual basis at unchanged interest rate of 5% per annum, fixed. Final maturity of borrowing was rescheduled from 30 June 2019 to 31 December 2015. As a result, the Group recorded HRK 3.4 million *(2012: HRK 2.3 million*) of interest expenses on borrowings and subordinated loan.

Through the merger of Helios VIG the Group acquired HRK 10,106 thousand of Erste osiguranje Vienna Insurance Group d.d., related company, representing 5% of shareholding in Erste osiguranje Vienna Insurance. In 2013 there was no dividend paid by Erste osiguranje Vienna Insurance Group d.d. to the Company.

Subsidiaries

During 2013 the Company charged to Wiener nekretnine d.o.o. gross written premium of HRK 70 thousand *(2012: HRK 70 thousand)* on property insurance policy and paid incurred claims in amount of HRK 35 thousands. In the same period the Company incurred HRK 7.8 million (*2012: HRK 6.37 million*) of rent expense from Wiener nekretnine d.o.o.

The Company grants short term loans to Wiener nekretnine d.o.o. at interest rate of 6% which at 31 December 2013 amounted to HRK 6,000 thousand (*2012: HRK 6,000 thousand).*

In 2013 there was no dividend paid by Wiener nekretnine d.o.o. to the Company (*2012: nil*).

Associate

Vile Baredina is associate company of Wiener nekretnine d.o.o.. The Company grated loan to Vile Baredine which become due on 31 December 2010. Loan receivable is sued and is subject to penalty interest of 15%. Wiener nekretnine d.o.o. rents office premises to Vile Baredina. Total impairment loss recognised by the Group in respect of loan in 2013 amounted to HRK 360 thousand *(2012: HRK 430 thousand).*

Key management personnel

Included in key management personnel are Management and Supervisory Board members. The remuneration of the Management Board amounted to HRK 6.3 million *(2012: HRK 5.0 million)*, and comprises the total gross amount of their compensation including short-term and long-term benefits, such as basic salary, bonuses and benefits in kind.

42 Related parties (continued)

Group 2013	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel	-	780	-	6.332
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	8.888	59.221	59.981	85.259
Associate				
Vile Baredine	524	-	-	165
Related companies				
LVP Holding GmbH	-	59.238	-	3.369
Wiener Staedtische Versicherung AG	789	2.135	-	238
VIG Re	52.890	418.866	64.888	80.661
DONAU	20	323	474	990
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	1	1	-	5
Erste Osiguranje Vienna Insurance Group d.d.	60	-	104	1.366
	63.172	**540.564**	**125.447**	**178.385**

Company 2013	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel	-	741	-	5.815
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	8.888	59.221	59.981	85.259
Associate				
Vile Baredine	524	-	-	165
Subsidiary				
Wiener nekretnine d.o.o.	6.861	305	430	9.717
Related companies				
LVP Holding GmbH	-	15.275	-	1.194
Wiener Staedtische Versicherung AG	789	2.135	-	238
VIG Re	52.890	418.866	64.888	80.661
DONAU	20	323	474	990
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	1	1	-	5
Erste Osiguranje Vienna Insurance Group d.d.	60	-	104	1.366
	70.033	**496.867**	**125.877**	**185.410**

42 Related parties (continued)

Group 2012	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel	-	258	-	5,024
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	7,056	42,519	56,761	79,372
Associate				
Vile Baredine	513	-	-	627
Related companies				
LVP Holding GmbH	-	58,525	-	1,973
Wiener Staedtische Versicherung AG	971	2,663	3,592	5,162
VIG Re	43,292	389,677	25,451	25,758
DONAU	363	148	337	732
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	2	3	4	2
Erste Osiguranje Vienna Insurance Group d.d.	5	-	85	1,388
Helios Vienna Insurance Group d.d.	7	-	153	55
	52,209	**493,793**	**86,383**	**120,093**

Company 2012	**Assets HRK'000**	**Liabilities HRK'000**	**Income HRK'000**	**Expense HRK'000**
Key management personnel	-	229	-	4,704
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	7,056	42,519	56,761	79,372
Associate				
Vile Baredine	513	-	-	627
Subsidiary				
Wiener nekretnine d.o.o.	-	124	70	8,266
Related companies				
LVP Holding GmbH	-	15,091	-	888
Wiener Staedtische Versicherung AG	971	2,663	3,592	5,162
VIG Re	43,292	389,677	25,451	25,758
DONAU	363	148	337	732
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group, Warsaw	2	3	4	2
Erste Osiguranje Vienna Insurance Group d.d.	5	-	85	1,388
Helios Vienna Insurance Group d.d.	7	-	153	55
	52,209	**450,454**	**86,453**	**126,954**

43 Financial Risk Management

The primary objective of the Group's risk and financial management framework is to protect the Group's policyholders and shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

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

Market risk

Market risk includes three types of risk:

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

Market risk embodies the potential loss as well as the potential gain.

Asset and liability matching

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

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

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

Interest rate risk

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

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

43 Financial risk management (continued)

Interest rate risk (continued)

Deposits retained from reinsurance bear both variable and fixed interest rates.

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

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

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

The Group is presently contractually committed to accrue interest at rates of 2.5% to 7% per annum on premiums paid under life assurance policies for distribution to policyholders upon maturity of such policies, and is not able currently to hedge the future interest rate on assets invested to meet those future liabilities. Currently, market interest rates and rates on return that the Group earns by investing its long term funds are higher.

Note 45 discloses the effective interest rates and repricing analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within the scope of IAS 39 at 31 December 2013 and 31 December 2012.

Since the majority of interest earning assets and majority of interest bearing liabilities on those dates, had fixed interest rate, there would be no direct effect on the Group's profit or loss. Indirect effect would be reflected in the change of fair value of debt securities at fair value through profit or loss, therefore there are no disclosures on interest rate sensitivity analysis.

Price risk

The Group is exposed to price risk on its portfolio of marketable equity securities carried in the statement of financial position at fair value. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market.

The Group's objective is to earn competitive returns by investing in a diverse portfolio of securities. Portfolio characteristics are analysed regularly. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

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

Group and Company	**Impact on profit or loss after tax 2013 HRK'000**	**Impact on other comprehensive income after tax 2013 HRK'000**	Impact on profit or loss after tax 2012 HRK'000	Impact on other comprehensive income after tax 2012 HRK'000
Change in price by ± 1%	**1,549/(1,549)**	**408/(408)**	1,388/(1,388)	263/(263)
Change in price by ± 3%	**4,648/(4,648)**	**1,225/(1,225)**	4,163/(4,163)	790/(790)
Change in price by ± 5%	**7,747/(7,747)**	**2,041/(2,041)**	6,938/(6,938)	1,317/(1,317)

43 Financial risk management (continued)

Foreign exchange risk

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

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

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

Note 46 discloses the currency analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities as at 31 December 2013 and 31 December 2012.

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

All the Group's assets and liabilities are denominated either in HRK, EUR or USD. The EUR/HRK rate is targeted in an interval of between 7.35 HRK for 1 EUR and 7.70 HRK for 1 EUR (2012: between 7.39 HRK for 1 EUR and 7.70 HRK for 1 EUR). The EUR/HRK rate was most of the time in the past within that range.

Group EUR / HRK rate	**Impact on profit or loss after tax 2013 HRK'000**	**Impact on other comprehensive income after tax 2013 HRK'000**	Impact on profit or loss after tax 2012 HRK'000	Impact on other comprehensive income after tax 2012 HRK'000
Change in fx rate by ± 1%	**8.397/(8.397)**	**68/(68)**	5,357/(5,357)	143/(143)
Change in fx rate by ± 2%	**16.795/(16.795)**	**136/(136)**	10,714/(10,714)	285/(285)

Company EUR / HRK rate	**Impact on profit or loss after tax 2013 HRK'000**	**Impact on other comprehensive income after tax 2013 HRK'000**	Impact on profit or loss after tax 2012 HRK'000	Impact on other comprehensive income after tax 2012 HRK'000
Change in fx rate by ± 1%	**8.803/(8.803)**	**68/(68)**	5,728/(5,728)	143/(143)
Change in fx rate by ± 2%	**17.607/(17.607)**	**136/(136)**	11,457/(11,457)	285/(285)

43 Financial risk management (continued)

Credit risk

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

The Group's portfolios of fixed income securities, mortgage loans and to a lesser extent short-term deposits with banks and other investments are subject to credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans.

Maximum exposure to credit risk at the reporting date

	Note	**Group 2013 HRK'000**	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Cash and cash equivalents	**22**	**11,063**	7,046	**10,910**	6,513
Debt securities	**17**	**1,943,756**	1,114,849	**1,943,756**	1,114,849
Deposits with banks	**17**	**56,730**	45,219	**56,730**	45,219
Loans to customers	**17**	**80,193**	56,445	**86,193**	62,445
Current income tax prepayment		**195**	-	**-**	-
Insurance and other receivables		**260,693**	224,879	**261,431**	225,946
		2,352,630	1,448,438	**2,359,020**	1,454,972

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

	Group 2013 HRK'000	Group 2012 HRK'000	**Company 2013 HRK'000**	Company 2012 HRK'000
Government bonds	**1,749,225**	1,028,844	**1,749,225**	1,028,844
Accrued interest thereon	**36,598**	21,112	**36,598**	21,112
Current income tax prepayment	**195**	-	**-**	-
Current tax liability	**-**	(111)	**-**	-
	1,786,018	1,049,845	**1,785,823**	1,049,956

The total exposure to Croatian state risk represents 54% of the total assets of the Group (2012: 48%) and 55% of the total assets of the Company (2012: 49%).

43 Financial risk management (continued)

Credit risk *(continued)*

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

Group 2013

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
Financial assets at fair value through profit or loss				
Debt securities	19,564	391	-	**19,955**
Debt securities – assets backing index-linked products	47,049	43,017	-	**90,066**
Available-for-sale financial assets				
Debt securities	18,457	887,280	33,116	**938,853**
Held-to-maturity investments				
Debt securities	-	892,494	1,788	**894,282**
Bills of exchange	-	-	600	**600**
Loans and receivables				
Deposits with banks	-	-	56,730	**56,730**
Loans to customers	-	-	80,193	**80,193**
Insurance and other receivables	92,240	522	167,931	**260,693**
Current income tax prepayment	-	195	-	**195**
Cash and cash equivalents	-	-	11,063	**11,063**
Total exposure to credit risk	**177,310**	**1,823,899**	**351,421**	**2,352,630**

Group 2012

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
Financial assets at fair value through profit or loss				
Debt securities	1,294	4,856	-	**6,150**
Debt securities – assets backing index-linked products	27,233	6,529	-	**33,762**
Available-for-sale financial assets				
Debt securities	-	502,304	44,071	**546,375**
Held-to-maturity investments				
Debt securities	-	526,540	2,022	**528,562**
Loans and receivables				
Deposits with banks	-	-	45,219	**45,219**
Loans to customers	-	-	56,445	**56,445**
Insurance and other receivables	76,788	40	148,051	**224,879**
Current income tax prepayment	-	-	-	**-**
Cash and cash equivalents	-	-	7,046	**7,046**
Total exposure to credit risk	**105,315**	**1,040,269**	**302,854**	**1,448,438**

43 Financial risk management (continued)

Credit risk (continued)

Company 2013	**AAA – A HRK'000**	**BBB – B HRK'000**	**Not rated HRK'000**	**Total HRK'000**
Financial assets at fair value through profit or loss				
Debt securities	19,564	391	-	**19,955**
Debt securities – assets backing index-linked products	47,049	43,017	-	**90,066**
Available-for-sale financial assets				
Debt securities	18,457	887,280	33,116	**938,853**
Held-to-maturity investments				
Debt securities	-	892,494	1,788	**894,282**
Bills of excange	-	-	600	**600**
Loans and receivables				
Deposits with banks	-	-	56,730	**56,730**
Loans to customers	-	-	86,193	**86,193**
Insurance and other receivables	92,240	522	168,669	**261,431**
Cash and cash equivalents	-	-	10,910	**10,910**
Total exposure to credit risk	**177,310**	**1,823,704**	**358,006**	**2,359,020**

Company 2012				
Financial assets at fair value through profit or loss				
Debt securities	1,294	4,856	-	**6,150**
Debt securities – assets backing index-linked products	27,233	6,529	-	**33,762**
Available-for-sale financial assets				
Debt securities	-	502,304	44,071	**546,375**
Held-to-maturity investments				
Debt securities	-	526,540	2,022	**528,562**
Loans and receivables				
Deposits with banks	-	-	45,219	**45,219**
Loans to customers	-	-	62,445	**62,445**
Insurance and other receivables	76,788	40	149,118	**225,946**
Cash and cash equivalents	-	-	6,513	**6,513**
Total exposure to credit risk	**105,315**	**1,040,269**	**309,388**	**1,454,972**

43 Financial risk management (continued)

Credit risk (continued)

To mitigate the risk of reinsurance counterparties not paying amounts due, the Group established business and financial standards for reinsurers and broker approvals, incorporating ratings by major rating agencies and considering current market information (Standard&Poor's, A.M. Best).

Reinsurers as of 31 December 2013	**Credit rating (Standard&Poor's)**
American Agricultural Insurance Company	A-
ACE Tempest Re Europe	AA-
CCR / Caisse Centrale de Reassurance	AA+
Randall and Quilter Group Investment Holdings Ltd. (ex - Chevanstell Limited)	Not rated
SCOR Deutschland Ruckversicherungs Aktiengesellschaft	A+
DONAU Allgemeine Versicherungs-Aktiengesellschaft (rating VIG group)	A+
Glacier Reinsurance AG	BBB
Hannover Rückversicherungs-AG	AA-
Helvetia Schweizerische Versicherungsgesellschaft AG	A-
Korean Reinsurance Co.	A-
Liberty Mutual Insurance Europe Ltd.	A-
Mapfre Re, Compania de Reaseguros, S.A.	BBB+
Münchener Rückversicherungsgesellschaft	AA-
New Reinsurance Company	AA-
Odyssey America Reinsurance Corporation	A-
Partner Reinsurance Europe Ltd.	A+
Polish Re / Polskie Towarzystwo Reasekuracyjne S.A.	BBB+
R + V Versicherung AG	AA-
Sava / Pozavarovalnica Sava, d.d.	BBB+
SCOR Global P&C	A+
Sirius International Insurance Corporation	A-
Swiss Re Europe S.A.	AA-
Toa Reinsurance Company Limited	A+
Transatlantic Reinsurance Company Ltd.	A+
VIG Holding	A+
VIG Re zajistovna a.s.	A+
Wiener Städtische Versicherung AG Vienna Insurance Group (rating VIG group)	A+
XL Re Europe Limited	A
Compensa (rating VIG group)	A+
Zurich Re	AA-
American Agricultural Insurance Company	A-
ACE Tempest Re Europe	AA-
CCR / Caisse Centrale de Reassurance	AA+
Randall and Quilter Group Investment Holdings Ltd. (ex - Chevanstell Limited)	Not rated
SCOR Deutschland Ruckversicherungs Aktiengesellschaft	A+

43 Financial risk management (continued)

Liquidity risk

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

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

The Group's liquidity position is satisfactory and the Group met statutory requirements for claims settlement during the year.

Note 44 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities.

Note 25 discloses the maturity analysis of the Group's and the Company's technical provisions.

Fair values

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price).

Financial assets at fair value through profit or loss and financial assets available for sale are measured at fair value based average market prices at the reporting date.

Loans and receivables are measured at amortised cost less impairment. Market value of loans and receivables with residual maturities of less than 12 months approximates book value due to short remaining maturities.

The market value of held-to-maturity investments is estimated to be HRK 52,8 million higher than the carrying amount (*2012: HRK 53.4 million higher*).

Hierarchy of fair values

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted price (unadjusted) in an active market;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial assets, either directly (for example prices) or indirectly (for example derived from prices);
- Level 3: inputs for assets are not based on observable market data (for example valuation techniques using significant unobservable inputs).

43 Financial risk management (continued)

Hierarchy of fair values (continued)

Group and Company

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
31 December 2013				
Financial assets at fair value through profit or loss				
Debt securities	-	19,955	-	**19,955**
Debt securities – assets backing index-linked products	-	90,066	-	**90,066**
Equity securities	885	-	-	**885**
Investment funds	161,906	-	-	**161,906**
Investment funds – assets backing unit-linked products	30,893	-	-	**30,893**
Available-for-sale financial assets				
Debt securities	938,853	-	-	**938,853**
Equity securities	2,100	18,583	-	**20,683**
Investment funds	40,453	-	-	**40,453**
Total financial assets	**1,175,090**	**128,604**	**-**	**1,303,694**
31 December 2012				
Financial assets at fair value through profit or loss				
Debt securities	-	6,150	-	**6,150**
Debt securities – assets backing index-linked products	-	33,762	-	**33,762**
Investment funds	146,664	-	-	**146,664**
Investment funds – assets backing unit-linked products	26,795	-	-	**26,795**
Available-for-sale financial assets				
Debt securities	546,375	-	-	**546,375**
Equity securities	2,754	-	-	**2,754**
Investment funds	30,169	-	-	**30,169**
Total financial assets	**752,757**	**39,912**	**-**	**792,669**

In both 2013 and 2012 there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy and there were no any transfers to or from Level 3.

Level 2 category includes instruments valued using: quoted market prices in active markets for underlying financial assets of index-linked debt securities or other valuation techniques as discounted cash flows in which all significant inputs are directly or indirectly observable from market data.

44 Maturity analysis

The tables below analyses the financial assets and liabilities within the scope of IAS 39 of the Group and the Company at 31 December 2013 and 31 December 2012 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date, except for non-monetary financial assets at fair value through profit or loss which are classified as short term and non-monetary financial assets available for sale carried at cost which are classified as long term. The estimated remaining contractual maturities of insurance provisions are analysed in Note 25 i).

Group - 2013

	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						
Financial assets at fair value through profit or loss						
Debt securities	-	-	-	14,164	5,791	**19,955**
Debt securities – assets backing index-linked products	-	-	-	14,594	75,472	**90,066**
Equity securities	885	-	-	-	-	**885**
Investment funds	161,906	-	-	-	-	**161,906**
Investment funds – assets backing unit-linked products	-	-	-	-	30,893	**30,893**
Available-for-sale financial assets						
Debt securities	16,682	-	83,076	402,078	437,017	**938,853**
Equity securities	2,100	-	-	-	18,583	**20,683**
Investment funds	40,453	-	-	-	-	**40,453**
Held-to-maturity investments						
Debt securities	92,804	-	20,120	8,521	772,837	**894,282**
Bills of exchange	600	-	-	-	-	**600**
Loans and receivables						
Deposits with banks	32,076	24,654	-	-	-	**56,730**
Loans to customers	27,065	3,588	5,265	9,446	34,829	**80,193**
Insurance and other receivables	116,340	27,985	116,368			**260,693**
Cash and cash equivalents	11,063	-	-	-	-	**11,063**
Total financial assets	**501,974**	**56,227**	**224,829**	**448,803**	**1,375,422**	**2,607,255**
Financial liabilities						
Subordinated loan*	-	-	-	-	15,275	**15,275**
Borrowings**	1,285	3,300	48,451	3,520	-	**56,556**
Insurance and other payables	81,633	94,964	33,761	104,553	210,045	**524,956**
Total financial liabilities	**82,918**	**98,264**	**82,212**	**108,073**	**225,320**	**596,787**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousand in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

44 Maturity analysis (continued)

Group – 2012

	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						
Financial assets at fair value through profit or loss						
Debt securities	-	-	-	881	5,269	**6,150**
Debt securities – assets backing index-linked products	-	-	-	10,950	22,812	**33,762**
Equity securities	-	-	-	-	90	**90**
Investment funds	146,664	-	-	-	-	**146,664**
Investment funds – assets backing unit-linked products	-	-	-	-	26,795	**26,795**
Available-for-sale financial assets						
Debt securities	-	10,166	30,503	183,842	321,864	**546,375**
Equity securities	2,754	-	-	-	-	**2,754**
Investment funds	30,169	-	-	-	-	**30,169**
Held to maturity investments						
Debt securities	-	-	91,984	21,825	414,753	**528,562**
Loans and receivables						
Deposits with banks	-	35,787	2,264	7,168	-	**45,219**
Loans to customers	46,312	7,427	1,728	978	-	**56,445**
Insurance and other receivables	182,453	40,152	1,478	796	-	**224,879**
Cash and cash equivalents	7,046	-	-	-	-	**7,046**
Total financial assets	**415,398**	**93,532**	**127,957**	**226,440**	**791,583**	**1,654,910**
Financial liabilities						
Subordinated loan*						
Borrowings**	-	-	-	-	15,091	**15,091**
Insurance and other payables	1,320	3,327	4,549	51,395	-	**60,591**
	131,351	69,059	13,561	57,737	201,927	**473,635**
Total financial liabilities	**132,671**	**72,386**	**18,110**	**109,132**	**217,018**	**549,317**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

44 Maturity analysis (continued)

Company – 2013

	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						
Financial assets at fair value through profit or loss						
Debt securities	-	-	-	14,164	5,791	**19,955**
Debt securities – assets backing index-linked products	-	-	-	14,594	75,472	**90,066**
Equity securities	885	-	-	-	-	**885**
Investment funds	161,906	-	-	-	-	**161,906**
Investment funds – assets backing unit-linked products	-	-	-	-	30,893	**30,893**
Available-for-sale financial assets						
Debt securities	16,682	-	83,076	402,078	437,017	**938,853**
Equity securities	2,100	-	-	-	18,583	**20,683**
Investment funds	40,453	-	-	-	-	**40,453**
Held-to-maturity investments						
Debt securities	92,804	-	20,120	8,521	772,837	**894,282**
Bills of exchange	600	-	-	-	-	**600**
Loans and receivables						
Deposits with banks	32,076	24,654	-	-	-	**56,730**
Loans to customers	28,065	8,588	5,265	9,446	34,829	**86,193**
Insurance and other receivables	117,078	27,985	116,368			**261,431**
Cash and cash equivalents	10,910	-	-	-	-	**10,910**
Total financial assets	**503,559**	**61,227**	**224,829**	**448,803**	**1,375,422**	**2,613,840**
Financial liabilities						
Subordinated loan*	-	-	-	-	15,275	**15,275**
Insurance and other payables	81,633	94,964	33,761	104,553	209,842	**524,753**
Total financial liabilities	**81,633**	**94,964**	**33,761**	**104,553**	**225,117**	**540,028**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

44 Maturity analysis (continued)

Company – 2012

	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						
Financial assets at fair value through profit or loss						
Debt securities	-	-	-	881	5,269	**6,150**
Debt securities – assets backing index-linked products	-	-	-	10,950	22,812	**33,762**
Equity securities	-	-	-	-	90	**90**
Investment funds	146,664	-	-	-	-	**146,664**
Investment funds – assets backing unit-linked products	-	-	-	-	26,795	**26,795**
Available-for-sale financial assets						
Debt securities	-	10,166	30,503	183,842	321,864	**546,375**
Equity securities	2,754	-	-	-	-	**2,754**
Investment funds	30,169	-	-	-	-	**30,169**
Held-to-maturity investments						
Debt securities	-	-	91,984	21,825	414,753	**528,562**
Loans and receivables						
Deposits with banks	-	35,787	2,264	7,168	-	**45,219**
Loans to customers	52,312	7,427	1,728	978	-	**62,445**
Insurance and other receivables	183,520	40,152	1,478	796	-	**225,946**
Cash and cash equivalents	6,513	-	-	-	-	**6,513**
Total financial assets	**421,932**	**93,532**	**127,957**	**226,440**	**791,583**	**1,661,444**
Financial liabilities						
Subordinated loan*	-	-	-	-	15,091	**15,091**
Insurance and other payables	130,657	69,059	13,561	57,737	201,927	**472,941**
Total financial liabilities	**130,657**	**69,059**	**13,561**	**57,737**	**217,018**	**488,032**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

45 Interest rate repricing analysis

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

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2013 and 31 December 2012 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of the mathematical reserve is based (Note 6), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

Group – 2013

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non – interest bearing	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Debt securities	**n/a**	-	-	-	-	-	19,955	**19,955**	-
Debt securities – assets backing index-linked products	**n/a**	-	-	-	-	-	90,066	**90,066**	-
Equity securities	**n/a**	-	-	-	-	-	885	**885**	-
Investment funds	**n/a**	-	-	-	-	-	161,906	**161,906**	-
Investment funds – assets backing unit-linked products	**n/a**	-	-	-	-	-	30,893	**30,893**	-
Available-for-sale financial assets									
Debt securities	5.81	26,532	-	83,076	392,228	437,017	-	**938,853**	**929,003**
Equity securities	**n/a**	-	-	-	-	-	20,683	**20,683**	-
Investment funds	**n/a**	-	-	-	-	-	40,453	**40,453**	-
Held-to-maturity investments									
Debt securities	6.25	92,804	-	20,120	8,521	772,837	-	**894,282**	**894,282**
Bills of exchange	n/a	-	-	-	-	-	600	**600**	**-**
Loans and receivables									
Deposits with banks	6.14	32,076	24,654	-	-	-	-	**56,730**	**56,730**
Loans to customers	7.34	27,065	3,588	5,265	9,446	34,829	-	**80,193**	**36,486**
Insurance and other receivables	n/a	-	-	-	-	-	260,693	**260,693**	-
Cash and cash equivalents	0.38	11,063	-	-	-	-	-	**11,063**	-
Total financial assets		**189,540**	**28,242**	**108,461**	**410,195**	**1,244,683**	**626,134**	**2,607,255**	**1,916,501**
Financial liabilities									
Subordinated loan*	8	-	-	-	-	15,275	-	**15,275**	**15,275**
Borrowings**	5.15	3,653	2,511	47,653	2,739	-	-	**56,556**	**54,163**
Insurance and other payables	**3**	81,633	94,964	33,761	104,553	84,896	125,149	**524,956**	-
Total financial liabilities		**85,286**	**97,475**	**81,414**	**107,292**	**100,171**	**125,149**	**596,787**	**69,438**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

45 Interest rate repricing analysis (continued)

Group – 2012

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non – interest bearing	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Debt securities	**n/a**	-	-	-	-	-	6,150	**6,150**	-
Debt securities – assets backing index-linked products	**n/a**	-	-	-	-	-	33,762	**33,762**	-
Equity securities	**n/a**	-	-	-	-	-	90	**90**	-
Investment funds	**n/a**	-	-	-	-	-	146,664	**146,664**	-
Investment funds – assets backing unit-linked products	**n/a**	-	-	-	-	-	26,795	**26,795**	-
Available-for-sale financial assets									
Debt securities	**6.15**	9,975	10,166	30,503	173,867	321,864	-	**546,375**	**536,400**
Equity securities	**n/a**	-	-	-	-	-	2,754	**2,754**	-
Investment funds	**n/a**	-	-	-	-	-	30,169	**30,169**	-
Held-to-maturity investments									
Debt securities	**5.99**	-	-	91,984	21,825	414,753	-	**528,562**	**528,562**
Loans and receivables									
Deposits with banks	**4.27**	-	35,787	2,264	7,168	-	-	**45,219**	**45,219**
Loans to customers	**12.14**	46,312	7,427	1,728	978	-	-	**56,445**	**56,445**
Insurance and other receivables	**n/a**	-	-	-	-	-	224,879	**224,879**	-
Cash and cash equivalents	**0.41**	7,046	-	-	-	-	-	**7,046**	-
Total financial assets		**63,333**	**53,380**	**126,479**	**203,838**	**736,617**	**471,263**	**1,654,910**	**1,166,626**
Financial liabilities									
Subordinated loan*	**8**	-	-	-	-	15,091	-	**15,091**	**15,091**
Borrowings**	**5.09**	4,473	2,538	3,744	49,836	-	-	**60,591**	**57,406**
Insurance and other payables	**2.76**	46,815	4,729	11,983	42,032	201,927	166,149	**473,635**	**270,249**
Total financial liabilities		**51,288**	**7,267**	**15,727**	**91,868**	**217,018**	**166,149**	**549,317**	**342,746**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

45 Interest rate repricing analysis (continued)

Company – 2013

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non - interest bearing	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Debt securities	n/a	-	-	-	-	-	19,955	**19,955**	-
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	90,066	**90,066**	-
Equity securities	n/a	-	-	-	-	-	885	**885**	-
Investment funds	n/a	-	-	-	-	-	161,906	**161,906**	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	30,893	**30,893**	-
Available-for-sale financial assets									
Debt securities	5.81	26,532	-	83,076	392,228	437,017	-	**938,853**	**929,003**
Equity securities	n/a	-	-	-	-	-	20,683	**20,683**	-
Investment funds	n/a	-	-	-	-	-	40,453	**40,453**	-
Held-to-maturity investments									
Debt securities	6.25	92,804	-	20,120	8,521	772,837	-	**894,282**	**894,282**
Bills of exchange	n/a	-	-	-	-	-	600	**600**	**-**
Loans and receivables									
Deposits with banks	6.14	32,076	24,654	-	-	-	-	**56,730**	**56,730**
Loans to customers	7.24	28,065	8,588	5,265	9,446	34,829	-	**86,193**	**42,486**
Insurance and other receivables	n/a	-	-	-	-	-	261,431	**261,431**	**-**
Cash and cash equivalents	0.38	10,910	-	-	-	-	-	**10,910**	-
Total financial assets		**190,387**	**33,242**	**108,461**	**410,195**	**1,244,683**	**626,872**	**2,613,840**	**1,922,501**
Financial liabilities									
Subordinated loan*	8	-	-	-	-	15,275	-	**15,275**	**15,275**
Insurance and other payables	**3**	81,633	94,964	33,761	104,553	84,896	124,946	**524,753**	**-**
Total financial liabilities		**81,633**	**94,964**	**33,761**	**104,553**	**100,171**	**124,946**	**540,028**	**15,275**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

45 Interest rate repricing analysis (continued)

Company – 2012

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non - interest bearing	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Debt securities	**n/a**	-	-	-	-	-	6,150	**6,150**	-
Debt securities – assets backing index-linked products	**n/a**	-	-	-	-	-	33,762	**33,762**	-
Equity securities	**n/a**	-	-	-	-	-	90	**90**	-
Investment funds	**n/a**	-	-	-	-	-	146,664	**146,664**	-
Investment funds – assets backing unit-linked products	**n/a**	-	-	-	-	-	26,795	**26,795**	-
Available-for-sale financial assets									
Debt securities	**6.15**	9,975	10,166	30,503	173,867	321,864	-	**546,375**	**536,400**
Equity securities	**n/a**	-	-	-	-	-	2,754	**2,754**	-
Investment funds	**n/a**	-	-	-	-	-	30,169	**30,169**	-
Held-to-maturity investments									
Debt securities	**5.99**	-	-	91,984	21,825	414,753	-	**528,562**	**528,562**
Loans and receivables									
Deposits with banks	**4.27**	-	35,787	2,264	7,168	-	-	**45,219**	**45,219**
Loans to customers	**11.55**	52,312	7,427	1,728	978	-	-	**62,445**	**62,445**
Insurance and other receivables	**n/a**	-	-	-	-	-	225,946	**225,946**	-
Cash and cash equivalents	**0.41**	6,513	-	-	-	-	-	**6,513**	-
Total financial assets		**68,800**	**53,380**	**126,479**	**203,838**	**736,617**	**472,330**	**1,661,444**	**1,172,626**
Financial liabilities									
Subordinated loan*	**8**	-	-	-	-	15,091	-	**15,091**	**15,091**
Insurance and other payables	**2.76**	46,815	4,729	11,983	42,032	201,927	165,455	**472,941**	**270,249**
Total financial liabilities		**46,815**	**4,729**	**11,983**	**42,032**	**217,018**	**165,455**	**488,032**	**285,340**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

46 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within the scope of IAS 39 were denominated as follows as at 31 December 2013 and 31 December 2012.

Group - 2013

	EURO	EURO linked	EURO and EURO linked total	USD	CZK	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets							
Financial assets at fair value through profit or loss							
Debt securities	19,955	-	**19,955**	-	-	-	**19,955**
Debt securities – assets backing index-linked products	90,066	-	**90,066**	-	-	-	**90,066**
Equity securities	-	-	**-**	-	-	885	**885**
Investment funds	-	38,402	**38,402**	-	-	123,504	**161,906**
Investment funds – assets backing unit-linked products	-	30,893	**30,893**	-	-	-	**30,893**
Available-for-sale financial assets							
Debt securities	78,716	376,642	**455,358**	7,091	-	476,404	**938,853**
Equity securities	8,470	-	**8,470**	-	7	12,206	**20,683**
Investment funds	12,030	15,671	**27,701**	-	-	12,752	**40,453**
Held-to-maturity investments							
Debt securities	12,212	625,111	**637,323**	-	-	256,959	**894,282**
Bills of exchange	-	-	**-**	-	-	600	**600**
Loans and receivables							
Deposits with banks	-	-	**-**	-	-	56,730	**56,730**
Loans to customers	-	56,579	**56,579**	267	-	23,347	**80,193**
Insurance and other receivables	-	63.976	**63,976**	-	-	196,717	**260,693**
Cash and cash equivalents	243	-	**243**	209	-	10,611	**11,063**
Total financial assets	**221,692**	**1,207,274**	**1,428,966**	**7,567**	**7**	**1,170,715**	**2,607,255**
Financial liabilities							
Subordinated loan*	15,275	-	**15,275**	-	-	-	**15,275**
Borrowings**	50,752	-	**50,752**	-	-	5,804	**56,556**
Insurance and other payables	-	328,647	**328,647**	-	-	196,309	**524,956**
Total financial liabilities	**66,027**	**328,647**	**394,674**	**-**	**-**	**202,113**	**596,787**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

46 Currency risk analysis (continued)

Group – 2012

	EURO	EURO linked	EURO and EURO linked total	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets					
Financial assets at fair value through profit or loss					
Debt securities	6,150	-	**6,150**	-	**6,150**
Debt securities – assets backing index-linked products	33,762	-	**33,762**	-	**33,762**
Equity securities	-	-	**-**	90	**90**
Investment funds	-	40,263	**40,263**	106,401	**146,664**
Investment funds – assets backing unit-linked products	-	26,795	**26,795**	-	**26,795**
Available-for-sale financial assets					
Debt securities	60,249	251,775	**312,024**	234,351	**546,375**
Equity securities	-	-	**-**	2,754	**2,754**
Investment funds	-	17,821	**17,821**	12,348	**30,169**
Held-to-maturity investments					
Debt securities	12,055	484,837	**496,892**	31,670	**528,562**
Loans and receivables					
Deposits with banks	2,264	7,168	**9,432**	35,787	**45,219**
Loans to customers	-	54,195	**54,195**	2,250	**56,445**
Insurance and other receivables	-	52,062	**52,062**	172,817	**224,879**
Cash and cash equivalents	-	216	**216**	6,830	**7,046**
Total financial assets	**114,480**	**935,132**	**1,049,612**	**605,298**	**1,654,910**
Financial liabilities					
Subordinated loan*	15,091	-	**15,091**	-	**15,091**
Borrowings**	53,133	-	**53,133**	7,458	**60,591**
Insurance and other payables	-	324,410	**324,410**	149,225	**473,635**
Total financial liabilities	**68,224**	**324,410**	**392,634**	**156,683**	**549,317**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

** Borrowings include all foreseeable future cash outflows, including interest payable.

46 Currency risk analysis (continued)

Company – 2013

	EURO	EURO linked	EURO and EURO linked total	USD	CZK	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets							
Financial assets at fair value through profit or loss							
Debt securities	19,955	-	**19,955**	-	-	-	**19,955**
Debt securities – assets backing index-linked products	90,066	-	**90,066**	-	-	-	**90,066**
Equity securities	-	-	**-**	-	-	885	**885**
Investment funds	-	38,402	**38,402**	-	-	123,504	**161,906**
Investment funds – assets backing unit-linked products	-	30,893	**30,893**	-	-	-	**30,893**
Available-for-sale financial assets							
Debt securities	78,716	376,642	**455,358**	7,091	-	476,404	**938,853**
Equity securities	8,470		**8,470**	-	7	12,206	**20,683**
Investment funds	12,030	15,671	**27,701**	-	-	12,752	**40,453**
Held-to-maturity investments							
Debt securities	12,212	625,111	**637,323**	-	-	256,959	**894,282**
Bills of exchange	-	-	**-**	-	-	600	**600**
Loans and receivables							
Deposits with banks	-	-	**-**	-	-	56,730	**56,730**
Loans to customers	-	56,579	**56,579**	267	-	29,347	**86,193**
Insurance and other receivables	-	63.976	**63.976**	-	-	197,455	**261,431**
Cash and cash equivalents	224	-	**224**	209		10,477	**10,910**
Total financial assets	**221,673**	**1,207,274**	**1,428,947**	**7,567**	**7**	**1,177,319**	**2,613,840**
Financial liabilities							
Subordinated loan*	15,275	-	**15,275**	-	-	-	**15,275**
Insurance and other payables	-	328,647	**328,647**	-	-	196,106	**524,753**
Total financial liabilities	**15,275**	**328,647**	**343,922**	**-**	**-**	**196,106**	**540,028**

* Subordinated loan bears annual interest of 8%, or HRK 1,072 thousands in 2013. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

46 Currency risk analysis (continued)

Company – 2012

	EURO	EURO linked	EURO and EURO linked total	HRK	Total
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**	**HRK'000**
Financial assets					
Financial assets at fair value through profit or loss					
Debt securities	6,150	-	**6,150**	-	**6,150**
Debt securities – assets backing index-linked products	33,762	-	**33,762**	-	**33,762**
Equity securities	-	-	**-**	90	**90**
Investment funds	-	40,263	**40,263**	106,401	**146,664**
Investment funds – assets backing unit-linked products	-	26,795	**26,795**	-	**26,795**
Available-for-sale financial assets					
Debt securities	60,249	251,775	**312,024**	234,351	**546,375**
Equity securities	-	-	**-**	2,754	**2,754**
Investment funds	-	17,821	**17,821**	12,348	**30,169**
Held-to-maturity investments					
Debt securities	12,055	484,837	**496,892**	31,670	**528,562**
Loans and receivables					
Deposits with banks	2,264	7,168	**9,432**	35,787	**45,219**
Loans to customers	-	54,195	**54,195**	8,250	**62,445**
Insurance and other receivables	-	52,062	**52,062**	173,884	**225,946**
Cash and cash equivalents	-	214	**214**	6,299	**6,513**
Total financial assets	**114,480**	**935,130**	**1,049,610**	**611,834**	**1,661,444**
Financial liabilities					
Subordinated loan*	15,091	-	**15,091**	-	**15,091**
Insurance and other payables	-	324,410	**324,410**	148,531	**472,941**
Total financial liabilities	**15,091**	**324,410**	**339,501**	**148,531**	**488,032**

* Subordinated loan bears annual interest of 8%, or HRK 1,184 thousands in 2012. As subordinated loan has unlimited maturity, future cash flows in respect of interest payable are not included.

47 Contingent assets and liabilities

Off-balance sheet accounts

The Group had no off-balance sheet accounts as at 31 December 2013 (2012: -).

Capital liabilities

The Group had no capital liabilities as at 31 December 2013 (2012: -).

Litigations and claims

The Group is sued in several litigations (excluding court claims) for which provision was made in the financial statements when the Management believes that is probable that the Group will lose the court case.

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

ASSETS *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	**A**	**RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID**						
002		1	Called up capital						
003		2	Uncalled capital						
004	005+006	**B**	**INTANGIBLE ASSETS**	**3,342,525**	**9,419,732**	**12,762,257**	**1,316,945**	**8,275,462**	**9,592,407**
005		1	Goodwill		4,586,917	**4,586,917**		4,241,869	**4,241,869**
006		2	Other intangible assets	**3,342,525**	4,832,815	**8,175,340**	**1,316,945**	4,033,593	**5,350,538**
007	008+009+ 010	**C**	**TANGIBLE ASSETS**	**325,356**	**18,513,034**	**18,838,390**	**4,571,186**	**52,010,565**	**56,581,750**
008		1	Land and buildings intended for company business operations	325,356	9,635,570	**9,960,926**	4,494,053	42,107,028	**46,601,081**
009		2	Equipment		6,264,315	**6,264,315**	77,132	7,014,077	**7,091,209**
010		3	Other tangible assets and stock		2,613,149	**2,613,149**		2,889,460	**2,889,460**
011	012+013+ 017+036	**D**	**INVESTMENTS**	**991,583,285**	**382,805,279**	**1,374,388,565**	**1,786,417,871**	**480,405,009**	**2,266,822,880**
012		**I**	**Investments in land and buildings not intended for company business operations**		**4,361,416**	**4,361,416**	**19,942,328**	**24,740,134**	**44,682,462**
013	014+015+ 016	**II**	**Investments in subsidiaries, associates and joint ventures**	**50,000**	**1,550,000**	**1,600,000**	**50,000**	**1,550,000**	**1,600,000**
014		1	Shares and stakes in subsidiaries	50,000	1,550,000	**1,600,000**	50,000	1,550,000	**1,600,000**
015		2	Shares and stakes in associates						
016		3	Joint venture participation						
017	018+021+ 026+032	**III**	**Other financial investments**	**991,533,285**	**376,893,863**	**1,368,427,148**	**1,766,425,543**	**454,114,875**	**2,220,540,418**
018	019+020	**1**	**Investments held-to-maturity**	**483,331,771**	45,230,006	**528,561,776**	**818,887,919**	**75,994,858**	**894,882,777**
019		*1.1*	*Debt securities and other securities with fixed revenue*	483,331,771	45,230,006	**528,561,776**	818,887,919	75,994,858	**894,882,777**
020		*1.2*	*Other investments held to maturity*						
021	022+023+ 024+025	**2**	**Investments available-for-sale**	**380,256,047**	**199,042,024**	**579,298,071**	**706,402,029**	**293,586,866**	**999,988,895**
022		*2.1*	*Shares, stakes and other securities with variable revenue*	2,685,212	68,904	**2,754,116**	20,682,755		**20,682,755**
023		*2.2*	*Debt securities and other securities with fixed revenue*	353,489,175	192,886,128	**546,375,303**	651,552,154	287,300,788	**938,852,942**

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

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Unconsolidated statement of financial position (balance sheet) 31 December 2013

ASSETS *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
024		*2.3*	*Investment fund units*	24,081,661	6,086,992	**30,168,653**	34,167,120	6,286,078	**40,453,198**
025		*2.4*	Other investments available for sale						
026	027+028 +029+030+031	**3**	**Investments at fair value through profit and loss account**	**100,506,215**	**52,397,250**	**152,903,466**	**146,122,830**	**36,622,846**	**182,745,675**
027		*3.1*	*Shares, stakes and other securities with variable revenue*		90,000	**90,000**		884,792	**884,792**
028		*3.2*	*Debt securities and other securities with fixed revenue*	6,149,766		**6,149,766**	19,955,323		**19,955,323**
029		*3.3*	*Derivative financial instruments*						
030		*3.4*	*Investment fund units*	94,356,450	52,307,250	**146,663,700**	126,167,506	35,738,054	**161,905,560**
031		*3.5*	*Other investments*						
032	033+034 +035	**4**	**Deposits, loans and receivables**	**27,439,252**	**80,224,583**	**107,663,835**	**95,012,766**	**47,910,305**	**142,923,071**
033		*4.1*	*Deposits with credit institutions (banks)*	9,432,025	35,787,307	**45,219,332**	32,076,086	24,653,735	**56,729,821**
034		*4.2*	*Loans*	7,424,019	44,437,276	**51,861,295**	53,457,816	23,256,570	**76,714,386**
035		*4.3*	*Other loans and receivables*	10,583,208		**10,583,208**	9,478,864		**9,478,864**
036		**IV**	**Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)**						
037		**E**	**INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS**	**60,557,629**		**60,557,629**	**120,958,045**		**120,958,045**
038	039+040 +041+042 +043+044+045	**F**	**REINSURANCE SHARE IN TECHNICAL PROVISIONS**	**263,632,571**	**152,116,402**	**415,748,973**	**274,409,412**	**208,715,947**	**483,125,359**
039		1	Unearned premiums, reinsurance share	936,142	54,251,554	**55,187,696**	872,817	60,232,713	**61,105,530**
040		2	Mathematical provision, reinsurance share	260,591,001		**260,591,001**	270,328,936		**270,328,936**
041		3	Provision for claims outstanding, reinsurance share	2,105,428	97,864,849	**99,970,277**	3,207,659	148,483,234	**151,690,893**
042		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
043		5	Equalisation provisions, reinsurance share						

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

ASSETS *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
044		6	Other insurance technical provisions, reinsurance share						
045		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
046	047+048	**G**	**DEFERRED AND CURRENT TAX ASSET**				**4,058,582**	**4,024,058**	**8,082,639**
047		1	Deferred tax asset				4,058,582	4,024,058	**8,082,639**
048		2	Current tax asset						
049	050+053+054	**H**	**RECEIVABLES**	**80,747,385**	**122,583,659**	**203,331,044**	**57,064,419**	**149,951,906**	**207,016,325**
050	051+052	**1**	**Receivables from direct insurance business**	**135,550**	**57,563,706**	**57,699,256**		**63,203,747**	**63,203,747**
051		*1.1*	*From policyholders*		57,563,706	**57,563,706**		63,203,747	**63,203,747**
052		*1.2*	*From insurance agents, or insurance brokers*	135,550		**135,550**			
053		**2**	**Receivables from co-insurance and reinsurance business**	**52,062,048**	**24,770,911**	**76,832,959**	**49,200,302**	**43,565,977**	**92,766,278**
054	055+056+057	**3**	**Other receivables**	**28,549,787**	**40,249,042**	**68,798,829**	**7,864,117**	**43,182,183**	**51,046,300**
055		*3.1*	*Receivables from other insurance business*		36,633,866	**36,633,866**		37,146,568	**37,146,568**
056		*3.2*	*Receivables for return on investments*	317,187	32,327	**349,514**	369,240	57,067	**426,307**
057		*3.3*	*Other receivables*	28,232,601	3,582,848	**31,815,449**	7,494,877	5,978,548	**13,473,425**
058	059+063+064	**I**	**OTHER ASSETS**	**2,436,552**	**21,298,817**	**23,735,369**	**20,264,291**	**3,885,546**	**24,149,837**
059	060+061+062	**1**	**Cash at bank and in hand**	**2,436,552**	**4,076,421**	**6,512,973**	**7,025,155**	**3,885,546**	**10,910,701**
060		*1.1*	*Funds in the business account*	1,638,362	4,076,421	**5,714,783**	5,978,030	3,885,546	**9,863,577**
061		*1.2*	*Funds in the account of assets covering mathematical provision*	798,190		**798,190**	1,047,125		**1,047,125**
062		*1,3*	*Cash in hand*						
063		**2**	**Long-term assets intended for sale and business cessation**		17,222,397	**17,222,397**	13,239,136		**13,239,136**
064		**3**	**Other**						
065	066+067+068	**J**	**PREPAYMENTS AND ACCRUED INCOME**	**19,327,061**	**21,317,658**	**40,644,720**	**48,224,584**	**24,165,387**	**72,389,971**
066		1	Deferred interest and rent	18,952,605	4,881,507	**23,834,111**	47,944,638	7,312,809	**55,257,447**
067		2	Deferred acquisition costs	374,457	15,992,053	**16,366,510**	279,946	16,369,176	**16,649,123**

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

ASSETS *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
068		3	Other prepayments and accrued income		444,098	**444,098**		483,401	**483,401**
069	001+004+ 007+011 +037+038 +046 +049+058 +065	**K**	**TOTAL ASSETS (A+B+C+D+E+F+G+H+I+ J)**	**1,421,952,364**	**728,054,583**	**2,150,006,947**	**2,317,285,334**	**931,433,880**	**3,248,719,214**
070		**L**	**OFF BALANCE SHEET ITEMS**						

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

EQUITY AND LIABILITIES *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
071	072+076+077+081+085+088	**A**	**CAPITAL AND RESERVES**	**161,350,647**	**157,944,742**	**319,295,389**	**290,824,937**	**220,303,234**	**511,128,171**
072	073+074+075	**1**	**Subscribed capital**	**134,303,825**	**101,491,315**	**235,795,140**	**134,303,825**	**101,491,315**	**235,795,140**
073		*1,1*	*Paid-up capital - ordinary shares*	134,303,825	101,491,315	**235,795,140**	134,303,825	101,491,315	**235,795,140**
074		*1,2*	*Paid-up capital - preference shares*						
075		*1,3*	*Called up capital*						
076		**2**	**Issued shares premiums (capital reserves)**		**43,699,922**	**43,699,922**	**6,752,671**	**43,699,922**	**50,452,593**
077	078+079+080	**3**	**Revaluation reserve**	**18,831,453**	**10,491,150**	**29,322,603**	**18,851,195**	**6,899,840**	**25,751,035**
078		*3,1*	*Land and buildings*						
079		*3,2*	*Financial investments*	18,831,453	10,491,150	**29,322,603**	18,851,195	6,899,840	**25,751,035**
080		*3,3*	*Other revaluation reserves*						
081	082+083+084	**4**	**Reserves**	**1,462,698**		**1,462,698**	**92,528,105**	**34,497,964**	**127,026,069**
082		*4,1*	*Legally stipulated reserves*	591,136		**591,136**	2,755,583	560,571	**3,316,154**
083		*4,2*	*Statutory reserve*	871,562		**871,562**	871,562		**871,562**
084		*4,3*	*Other reserve*				88,900,960	33,937,392	**122,838,353**
085	086+087	**5**	**Transferred (retained) profit or loss**	**7,853,197**		**7,853,197**	**32,946,584**	**14,659,847**	**47,606,432**
086		*5,1*	*Retained profit*	7,853,197		**7,853,197**	32,946,584	14,659,847	**47,606,432**
087		*5,2*	*Transferred loss (-)*						
088	089+090	**6**	**Profit or loss of the current accounting period**	**-1,100,526**	**2,262,356**	**1,161,830**	**5,442,556**	**19,054,347**	**24,496,903**
089		*6,1*	*Profit of the current accounting period*		2,262,356	**2,262,356**	5,442,556	19,054,347	**24,496,903**
090		*6,2*	*Loss of the current accounting period (-)*	-1,100,526		**-1,100,526**			
091		**B**	**SUBORDINATED LIABILITIES**		**15,091,240**	**15,091,240**		**15,275,280**	**15,275,280**
092	093+094+095+096+097+098	**C**	**TECHNICAL PROVISIONS**	**872,712,724**	**358,261,543**	**1,230,974,266**	**1,567,397,020**	**455,709,002**	**2,023,106,022**

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

EQUITY AND LIABILITIES

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
093		1	Unearned premiums, gross amount	2,609,401	116,730,316	**119,339,717**	2,729,730	132,009,487	**134,739,217**
094		2	Mathematical provision, gross amount	861,392,526		**861,392,526**	1,550,094,373		**1,550,094,373**
095		3	Provision for claims outstanding, gross amount	8,710,797	238,831,226	**247,542,023**	14,572,917	320,701,340	**335,274,257**
096		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount						
097		5	Equalisation provision, gross amount					398,176	**398,176**
098		6	Other insurance technical provisions, gross amount		2,700,000	**2,700,000**		2,600,000	**2,600,000**
099		**D**	**LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount**	**60,557,629**		**60,557,629**	**120,958,045**		**120,958,045**
100	101+102	**E**	**OTHER RESERVES**		**9,207,398**	**9,207,398**		**9,413,328**	**9,413,328**
101		1	Provisions for pensions and similar liabilities		511,096	**511,096**		751,653	**751,653**
102		2	Other provisions		8,696,303	**8,696,303**		8,661,674	**8,661,674**
103	104+105	**F**	**DEFERRED AND CURRENT TAX LIABILITY**	**4,707,863**	**2,622,788**	**7,330,651**	**4,712,799**	**1,724,960**	**6,437,759**
104		1	Deferred tax liability	4,707,863	2,622,788	**7,330,651**	4,712,799	1,724,960	**6,437,759**
105		2	Current tax liability						
106		**G**	**DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE**	**262,209,188**	**45,800,217**	**308,009,405**	**271,828,153**	**72,418,623**	**344,246,776**
107	108+109 +110	**H**	**FINANCIAL LIABILITIES**	**325,318**		**325,318**			
108		1	Liabilities on the basis of loans						
109		2	Liabilities on the basis of issued securities						
110		3	Other financial liabilities	325,318		**325,318**			
111	112+113 +114+115	**I**	**OTHER LIABILITIES**	**59,522,196**	**93,760,633**	**153,282,829**	**61,336,108**	**108,677,114**	**170,013,222**
112		1	Liabilities from direct insurance business	1,081,257	3,738,085	**4,819,343**	5,644,854	8,741,982	**14,386,836**
113		2	Liabilities from co-insurance and reinsurance business	57,776,222	55,220,282	**112,996,504**	55,560,175	71,059,598	**126,619,773**

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

Unconsolidated statement of financial position (balance sheet) 31 December 2013

EQUITY AND LIABILITIES *in HRK*

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
114		3	Liabilities for sale and ceased business						
115		4	Other liabilities	664,717	34,802,265	**35,466,982**	131,079	28,875,534	**29,006,613**
116	117+118	**J**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**566,800**	**45,366,023**	**45,932,823**	**228,272**	**47,912,339**	**48,140,611**
117		1	Deferred reinsurance commission						
118		2	Other accrued expenses and deferred income	566,800	45,366,023	**45,932,823**	228,272	47,912,339	**48,140,611**
119	071+091+092+099+100+103+106+107+111+116	**K**	**TOTAL LIABILITIES (A+B+C+D+E+F+G+H+I+J)**	**1,421,952,364**	**728,054,583**	**2,150,006,947**	**2,317,285,334**	**931,433,880**	**3,248,719,214**
120		**L**	**OFF BALANCE SHEET ITEMS**						

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2013.- 31.12.2013.

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003 +004+005+006+007+008+009	**I**	**Earned premiums (recognized in revenue)**	**117,480,243**	**129,956,405**	**247,436,649**	**174,743,795**	**137,862,740**	**312,606,535**
002		1	Written gross premiums	170,535,556	241,474,259	**412,009,815**	223,602,305	254,187,623	**477,789,928**
003		2	Co-insurance premiums						
004		3	Value adjustment and charged adjustment of insurance/co-insurance premium value		-3,592,938	**-3,592,938**		-3,999,318	**-3,999,318**
005		4	Premiums ceded to reinsurance (-)	-53,007,547	-115,909,224	**-168,916,771**	-49,325,665	-119,919,015	**-169,244,680**
006		5	Premiums ceded to co-insurance (-)						
007		6	Change in gross provisions for unearned premiums (+/-)	-146,368	10,981,217	**10,834,850**	721,862	17,711,488	**18,433,350**
008		7	Change in provisions for unearned premiums, reinsurance share (+/-)	98,602	-2,996,909	**-2,898,307**	-254,707	-10,118,039	**-10,372,746**
009		8	Change in provisions for unearned premiums, co-insurance share (+/-)						
010	011+012 +016+017+018+022+023	**II**	**Income from investments**	**70,436,567**	**25,405,885**	**95,842,452**	**106,339,220**	**28,159,525**	**134,498,745**
011		1	Income from subsidiaries, associates and joint ventures						
012	013+014 +015	2	Income from investment in land and buildings		44,699	44,699	479,340	151,263	630,603
013		*2,1*	*Income from rent*		44,699	44,699	479,340	151,263	630,603
014		*2,2*	*Income from increased value of land and buildings*						
015		*2,3*	*Income from sale of land and buildings*						
016		3	Interest income	53,675,618	23,157,501	76,833,120	78,832,672	23,028,263	101,860,935
017		4	Unrealized profits from investment valued at fair value through profit and loss account	5,325,503	77,947	5,403,450	4,813,022	118,299	4,931,321
018	019+020 +021	5	Profits from sale (realization) of financial investments	7,676,811	1,176,794	8,853,605	7,363,269	3,923,077	11,286,346
019		*5,1*	*Investment valued at fair value through profit and loss account*	917,283	1,051,876	1,969,160	1,304,200	386,402	1,690,602
020		*5,2*	*Investments available-for-sale*	6,742,232	124,918	6,867,149	6,047,798	3,536,675	9,584,473
021		*5,3*	*Other profits from sale of financial investments*	17,296		17,296	11,272		11,272
022		6	Net positive exchange rate differentials	3,149,352	454,327	3,603,680	14,269,203	673,531	14,942,735

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2013.- 31.12.2013.

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
023		7	Other investment profits	609,283	494,617	1,103,900	581,714	265,092	846,805
024		**III**	**Income from commissions and fees**	**9,179,620**	**41,550,926**	**50,730,546**	**9,393,649**	**47,875,050**	**57,268,699**
025		**IV**	**Other insurance-technical income, net of reinsurance**	**501,856**	**1,563,189**	**2,065,046**	**554,107**	**4,088,896**	**4,643,003**
026		**V**	**Other income**	**66,208**	**1,339,542**	**1,405,750**	**367,594**	**3,481,850**	**3,849,445**
027	028+032	**VI**	**Expenditures for insured events, net**	**-60,060,228**	**-64,319,927**	**-124,380,155**	**-111,233,638**	**-64,296,359**	**-175,529,997**
028	029+030 +031	1	Settled claims	-61,319,741	-82,289,402	-143,609,142	-111,234,576	-82,606,373	-193,840,949
029		*1,1*	*Gross amount (-)*	-91,777,129	-129,328,816	-221,105,944	-147,965,346	-127,692,246	-275,657,591
030		*1,2*	*Co-insurer share (+)*					198,035	198,035
031		*1,3*	*Reinsurer share(+)*	30,457,388	47,039,414	77,496,802	36,730,769	44,887,838	81,618,608
032	033+034 +035	2	Change in provisions for claims outstanding (+/-)	1,259,513	17,969,475	19,228,987	938	18,310,014	18,310,952
033		*2,1*	*Gross amount (-)*	1,442,859	2,691,777	4,134,637	-256,959	5,900,002	5,643,044
034		*2,2*	*Co-insurer share (+)*		-204,095	-204,095			
035		*2,3*	*Reinsurer share(+)*	-183,347	15,481,792	15,298,445	257,897	12,410,012	12,667,909
036	037+040	**VII**	**Change in other technical provisions, net of reinsurance**	**-18,916,623**	**-500,000**	**-19,416,623**	**-32,445,004**	**114,787**	**-32,330,217**
037	038+039	1	Change in mathematical provision (+/-)	-18,916,623		-18,916,623	-32,445,004		-32,445,004
038		*1,1*	*Gross amount (-)*	-35,583,820		-35,583,820	-42,182,939		-42,182,939
039		*1,2*	*Reinsurer share(+)*	16,667,197		16,667,197	9,737,935		9,737,935
040	041+042 +043	2	Change in other technical provisions, net of reinsurance (+/-)		-500,000	-500,000		114,787	114,787
041		*1,1*	*Gross amount (-)*		-500,000	-500,000		114,787	114,787
042		*1,2*	*Co-insurer share (+)*						
043		*1,3*	*Reinsurer share(+)*						
044	045+046 +047	**VIII**	**Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+/-)**	**-15,438,214**		**-15,438,214**	**-9,146,233**		**-9,146,233**
045		1	*Gross amount (-)*	-15,438,214		-15,438,214	-9,146,233		-9,146,233
046		2	*Co-insurer share (+)*						
047		3	*Reinsurer share(+)*						

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2013.- 31.12.2013.

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
048			**Expenses for premium refund (bonuses and discounts), net of reinsurance**						
049		1	Depending on the result (bonuses)						
050		2	Not depending on the result (rebates)						
051	052+056	**X**	**Business expenditures (for business operations), net**	**-80,055,521**	**-94,157,933**	**-174,213,454**	**-98,583,952**	**-110,515,237**	**-209,099,188**
052	053+054+055	1	Acquisition costs	-20,845,185	-25,190,851	-46,036,035	-21,191,695	-25,602,782	-46,794,477
053		*1,1*	*Commission*	-17,708,401	-18,622,033	-36,330,434	-16,619,592	-17,846,995	-34,466,587
054		*1,2*	*Other acquisition costs*	-3,176,225	-3,404,141	-6,580,366	-4,477,592	-6,016,840	-10,494,432
055		*1,3*	*Change in deferred acquisition costs (+/-)*	39,441	-3,164,677	-3,125,236	-94,510	-1,738,948	-1,833,458
056	057+058+059	2	Administration costs	-59,210,337	-68,967,082	-128,177,419	-77,392,257	-84,912,454	-162,304,711
057		*2,1*	*Depreciation of tangible assets*	-4,452,226	-4,004,590	-8,456,816	-3,527,948	-3,694,194	-7,222,142
058		*2,3,*	*Salaries, taxes and contributions to and from salaries*	-27,359,717	-35,895,534	-63,255,251	-32,361,546	-48,372,753	-80,734,299
059		*2,4,*	*Other administration costs*	-27,398,394	-29,066,958	-56,465,352	-41,502,764	-32,845,507	-74,348,271
060	061+062+063+064+065+066+067	**XI**	**Investment expenses**	**-21,757,788**	**-21,938,582**	**-43,696,371**	**-36,034,868**	**-12,360,134**	**-48,395,001**
061		1	Depreciation (buildings not intended for business operations of the company)		-36,568	-36,568	-123,761	-111,703	-235,464
062		2	Interest	-7,975,744	-2,255,633	-10,231,377	-7,923,861	-2,206,654	-10,130,515
063		3	Investment value adjustment (reduction)	-7,295,108	-17,801,992	-25,097,100	-15,262,353	-8,242,075	-23,504,427
064		4	Losses from sale (realization) of financial assets	-3,130,945	-127,062	-3,258,008	-5,174,435	-900,447	-6,074,881
065		5	Adjustment of financial assets at fair value through profit and loss account	-776,494		-776,494	-470,187	-242,034	-712,220
066		6	Net negative exchange rate differences	-2,048,192	-164,752	-2,212,945	-5,484,268	-370,695	-5,854,964
067		7	Other investment expenses	-531,304	-1,552,574	-2,083,879	-1,596,003	-286,527	-1,882,529
068	069+070	**XII**	**Other technical expenses, net of reinsurance**	**-2,523,031**	**-13,092,029**	**-15,615,059**	**-986,284**	**-16,873,564**	**-17,859,847**
069		1	Expenses for preventive operations		-2,289,345	-2,289,345		-2,209,463	-2,209,463
070		2	Other technical expenses of insurance	-2,523,031	-10,802,684	-13,325,715	-986,284	-14,664,101	-15,650,385
071		**XIII**	**Other expenses including value adjustments**	**-13,615**	**-3,545,121**	**-3,558,737**	**-1,584,413**	**-2,507,266**	**-4,091,680**
072	001+010+024+025+026+027+036+044+048+051+060+068+071	**XIV**	**Profit or loss of the accounting period before taxation (+/-)**	**-1,100,526**	**2,262,356**	**1,161,830**	**1,383,974**	**15,030,290**	**16,414,264**

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

Unconsolidated statement of comprehensive income (income statement) for period 01.01.2013.- 31.12.2013.

in HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
073	074+075	**XV**	**Profit or loss tax**				**4,058,582**	**4,024,058**	**8,082,639**
074		1	Current tax expense						
075		2	Deferred tax expense (income)				4,058,582	4,024,058	8,082,639
076	072+073	**XVI**	**Profit or loss of the accounting period after taxation (+/-)**	**-1,100,526**	**2,262,356**	**1,161,830**	**5,442,556**	**19,054,347**	**24,496,903**
077		1	Attributable to owners of the parent						
078		2	Attributable to non-controlling interests						
079	001+010+024+025+026+075	**XVII**	**TOTAL INCOME**	197,664,495	199,815,947	397,480,442	295,456,947	225,492,119	520,949,066
080	027+036+044+048+051+060+068+071+074	**XVIII**	**TOTAL EXPENDITURE**	-198,765,021	-197,553,592	-396,318,613	-290,014,391	-206,437,772	-496,452,163
081	082+083+084+085+086+087+088+089	**XIX**	**Other comprehensive income**	**36,863,871**	**12,719,060**	**49,582,931**	**-20,195,982**	**-5,520,791**	**-25,716,773**
082		1	Profits/losses on translation of financial statements on foreign operating activities						
083		2	Profits/losses on revaluation of financial assets available for sale	46,079,838	15,898,825	**61,978,663**	-25,244,978	-6,900,989	**-32,145,967**
084		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
085		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
086		5	Effects from cash flow hedging instruments						
087		6	Actuarial profits/losses on defined benefit pension plans						
088		7	Share in other comprehensive income of associated companies						
089		8	Profit tax on other comprehensive income	-9,215,968	-3,179,765	**-12,395,733**	5,048,996	1,380,198	**6,429,193**
090	076+081	**XX**	**Total comprehensive income**	**35,763,345**	**14,981,415**	**50,744,760**	**-14,753,426**	**13,533,556**	**-1,219,870**
091		1	Attributable to owners of the parent						
092		2	Attributable to non-controlling interests						
093		**XXI**	**Reclassification adjustments**						

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

Unconsolidated statement of cash flow (indirect method) for period 01.01.2013. - 31.12.2013.

in HRK

Position number	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**2,276,725**	**(1,304,393)**
002	003+004	**1**	**Cash flow before the change in assets and liabilities**	**(50,677,432)**	**(36,835,487)**
003		1.1	Profit/loss before taxation	16,414,264	1,161,830
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	(67,091,696)	(37,997,316)
005		*1.2.1*	*Depreciation of real estate and equipment*	4,356,642	3,575,310
006		*1.2.2*	*Depreciation of intangible assets*	3,100,963	3,010,966
007		*1.2.3*	*Value impairment and profits/losses on reduction to fair value*	26,070,552	20,470,145
008		*1.2.4*	*Interest expense*	10,130,515	10,231,377
009		*1.2.5*	*Interest income*	(101,860,935)	(76,833,120)
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)*	(122,417)	310,928
012		*1.2.8*	*Other adjustments*	(8,767,016)	1,237,078
013	014+015+…+ 030	**2**	**Increase/decrease in assets and liabilities**	**52,954,157**	**35,531,093**
014		2.1	Increase/decrease in investments available-for-sale	(79,808,352)	(15,219,493)
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	(2,565,171)	(68,590,708)
016		2.3	Increase/decrease in deposits, loans and receivables	27,015,410	23,591,084
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	(5,511,381)	(15,438,214)
019		2.6	Increase/decrease in reinsurance share in technical provisions	(12,033,098)	(28,863,240)
020		2.7	Increase/decrease in tax assets		5,065,082
021		2.8	Increase/decrease in receivables	121,865,934	158,127,619
022		2.9	Increase/decrease in other assets	3,983,260	(10,423)
023		2.10	Increase/decrease in prepayments and accrued income	1,876,939	5,793,777
024		2.11	Increase/decrease in technical provisions	17,991,758	21,114,333
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	9,146,233	15,438,214
026		2.13	Increase/decrease in tax liabilities		7,330,651
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	9,566,507	15,964,393
028		2.15	Increase/decrease in financial liabilities	(1,552,497)	28,227
029		2.16	Increase/decrease in other liabilities	(26,378,804)	(88,854,579)
030		2.17	Increase/decrease in accruals and deferred income	(10,642,582)	54,370
031		**3**	**Paid profit tax**	-	-

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

Unconsolidated statement of cash flow (indirect method) for period 01.01.2013. - 31.12.2013. (continued)

in HRK

Position number	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
032	033+034+…+046	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**(3,381,000)**	**4,156,705**
033		1	Inflows from sale of tangible assets	311,200	380,820
034		2	Outflows for purchase of tangible assets	(1,879,783)	(1,801,558)
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	(1,274,692)	(3,176,545)
037		5	Inflows from sale of land and buildings not intended for business operations of the company		8,826,100
038		6	Outflows for purchase of land and buildings not intended for business operations of the company	(1,215,641)	(72,112)
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Inflows from investments held to maturity	340,334	
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	337,582	
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**	**(987,555)**	**-**
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	(987,555)	
053	001+032+047		**NET CASH FLOW**	**(2,091,831)**	**2,852,312**
054		**IV**	**EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS**	**6,489,559**	
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**4,397,729**	**2,852,312**
056		1	Cash and cash equivalents at the beginning of the period	6,512,973	3,660,661
057	**055+056**	**2**	**Cash and cash equivalents at the end of the period**	**10,910,701**	**6,512,973**

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

Unconsolidated statement of changes in equity for period 01.01.2012. - 31.12.2012.

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**	**235,795,140**	**168,904,910**	**(20,260,328)**	**1,462,698**	**(25,219,814)**	**(92,131,977)**	**268,550,628**		
1.	Changes in accounting policies							-		
2.	Correction of errors from previous periods							-		
II.	**Balance as at 1 January of previous year (corrected)**	**235,795,140**	**168,904,910**	**(20,260,328)**	**1,462,698**	**(25,219,814)**	**(92,131,977)**	**268,550,628**	**-**	
III.	**Comprehensive income/loss of the previous year**	**-**	**-**	**49,582,931**	**-**	**-**	**1,161,830**	**50,744,760**	**-**	
1.	Profit or loss of the period						1,161,830	1,161,830		
2.	**Other comprehensive income or loss of the previous year**	**-**	**-**	**49,582,931**	**-**	**-**	**-**	**49,582,931**	**-**	
2.1.	Unrealised gains or losses from tangible assets (land and buildings)							-		
2.2.	Unrealised gains or losses from financial assets available for sale			49,582,931				49,582,931		
2.3.	Realised gains or losses from financial assets available for sale							-		
2.4.	Other non-owner changes in equity							-		
IV.	**Transactions with owners (previous period)**	**-**	**(125,204,988)**	**-**	**-**	**33,073,011**	**92,131,977**	**-**	**-**	
1.	Increase/decrease in subscribed capital							-		
2.	Other payments by owners							-		
3.	Payment of shares in profit /dividends							-		
4.	Other distributions to owners		(125,204,988)			33,073,011	92,131,977	-		
V.	**Balance as at the last day of the reporting period in previous year**	**235,795,140**	**43,699,922**	**29,322,603**	**1,462,698**	**7,853,197**	**1,161,830**	**319,295,389**	**-**	

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

Unconsolidated statement of changes in equity for period 01.01.2013. - 31.12.2013.

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
VI.	**Balance as at 1 January of the current year**	**235,795,140**	**43,699,922**	**29,322,603**	**1,462,698**	**7,853,197**	**1,161,830**	**319,295,389**	**-**	
1.	Changes in accounting policies							-		
2.	Correction of errors from previous periods							-		
VII.	**Balance as at 1 January of the current year (corrected)**	**235,795,140**	**43,699,922**	**29,322,603**	**1,462,698**	**7,853,197**	**1,161,830**	**319,295,389**	**-**	
VIII.	**Comprehensive income/loss of the current year**	**-**	**-**	**(25,716,773)**	**-**	**-**	**24,496,903**	**(1,219,870)**	**-**	
1.	Profit or loss of the previous period						24,496,903	24,496,903		
2.	**Other comprehensive income or loss of the current year**	**-**	**-**	**(25,716,773)**	**-**	**-**	**-**	**(25,716,773)**	**-**	
2.1.	Unrealised gains or losses from tangible assets (land and buildings)							-		
2.2.	Unrealised gains or losses from financial assets available for sale			(25,716,773)				(25,716,773)		
2.3.	Realised gains or losses from financial assets available for sale							-		
2.4.	Other non-owner changes in equity							-		
IX.	**Transactions with owners (current period)**	**-**	**6,752,671**	**22,145,205**	**125,563,371**	**39,753,235**	**(1,161,830)**	**193,052,652**	**-**	
1.	Increase/decrease in subscribed capital							-		
2.	Other payments by owners							-		
3.	Payment of shares in profit /dividends						(987,555)	(987,555)		
4.	Other transactions with owners		6,752,671	22,145,205	125,563,371	39,753,235	(174,274)	194,040,208		
X.	**Balance as at the last day of the reporting period in the current year**	**235,795,140**	**50,452,593**	**25,751,035**	**127,026,069**	**47,606,432**	**24,496,903**	**511,128,171**	**-**	

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

Unconsolidated statement of financial position – Assets as at 31 December 2013

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other tangible assets to inventories	Transfer of deferred acquisition costs	Transfer of other prepaid expenses and other assets to insurance and other receivables	**Statutory financial statements**	
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-						
Called up capital	-					-	
Uncalled capital	-			16,649,123		**16,649,123**	**Deferred acquisition costs**
INTANGIBLE ASSETS	**9,592,407**					**9,592,407**	**Other intangible assets**
Goodwill	**4,241,869**						
Other intangible assets	**5,350,538**						
TANGIBLE ASSETS	**56,581,750**		(604,212)			**55,977,538**	**Property and equipment**
Land and buildings intended for company business operations	**46,601,081**						
Equipment	**7,091,209**						
Other tangible assets and stock	**2,889,460**						
INVESTMENTS	**2,266,822,880**						
Investments in land and buildings not intended for company business operations	**44,682,462**					**44,682,462**	**Investment property**
Investments in subsidiaries, associates and joint ventures	**1,600,000**					**1,600,000**	**Investment in subsidiary**
Shares and stakes in subsidiaries	**1,600,000**						
Shares and stakes in associates	-						
Joint venture participation	-						
Other financial investments	**2,220,540,418**						
Held-to-maturity financial assets	**894,882,777**					**894,882,777**	**Held-to-maturity financial assets**
Fixed income debt and other securities	**894,882,777**						
Other investments held to maturity	-						
Available-for-sale financial assets	**999,988,895**					**999,988,895**	**Available-for-sale financial assets**
Equities, shares and other securities bearing variable income	**20,682,755**						
Fixed income debt and other securities	**938,852,942**						
Units in investment funds	**40,453,198**						
Other investments available for sale	-						

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

Unconsolidated statement of financial position – Assets as at 31 December 2013 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other tangible assets to inventories	Transfer of deferred acquisition costs	Transfer of other prepaid expenses and other assets to insurance and other receivables	Statutory financial statements	
Financial assets at fair value through profit or loss	**182,745,675**	120,958,045				**303,703,720**	**Financial assets at fair value through profit or loss**
Equities, shares and other securities bearing variable income	**884,792**						
Fixed income debt and other securities	**19,955,323**						
Derivative financial instruments	-						
Units in investment funds	**161,905,560**						
Other investments	-						
Deposits, loans and receivables	**142,923,071**					**142,923,071**	**Loans and receivables**
Deposits with banks	**56,729,821**						
Loans	**76,714,386**						
Other loans and receivables	**9,478,864**						
Deposits assumed in reinsurance business (deposits with ceding company)	-						
INVESTMENTS FOR AND ON BEHALF OF LIFE ASSURANCE POLICYHOLDERS	**120,958,045**	(120,958,045)					
REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS	**483,125,359**					**483,125,359**	**Reinsurers' share of technical provisions**
Provision for unearned premium, reinsurance share	**61,105,530**						
Life assurance provision, reinsurance share	**270,328,936**						
Claims reserve, reinsurance share	**151,690,893**						
Provision for premium refund dependent and not dependent on result (bonuses and discounts), reinsurance share	-						
Equalisation reserve, reinsurance share	-						
Other technical insurance contract provisions, reinsurance share	-						
Life assurance provision for products where policyholders bear investment risk, reinsurance share	-						

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

Unconsolidated statement of financial position – Assets as at 31 December 2013 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other tangible assets to inventories	Transfer of deferred acquisition costs	Transfer of other prepaid expenses and other assets to insurance and other receivables	**Statutory financial statements**	
DEFERRED AND CURRENT TAX ASSET	**8,082,639**						
Deferred tax asset	**8,082,639**						
Current tax asset	**-**		604,212			**604,212**	**Inventories**
RECEIVABLES	**207,016,325**				55,740,848	**262,757,173**	**Insurance and other receivables**
Receivables from direct insurance business	**63,203,747**						
From policyholders	**63,203,747**						
From sales representatives	**-**						
Receivables from coinsurance and reinsurance	**92,766,278**						
Other receivables	**51,046,300**						
Receivables from other insurance business	**37,146,568**						
Receivables for investment yields	**426,307**						
Other receivables	**13,473,425**						
OTHER ASSETS	**24,149,837**						
Cash at bank and in hand	**10,910,701**					**10,910,701**	**Cash and cash equivalents**
Amounts on business account	**9,863,577**						
Amounts on account for backing life assurance provision	**1,047,125**						
Cash in hand	**-**						
Long term assets held for sale	**13,239,136**					**13,239,136**	**Assets held for sale**
Other	**-**						
PREPAID EXPENSES AND ACCRUED INCOME	**72,389,971**						
Accrued interest and rent income	**55,257,447**				(55,257,447)		
Deferred acquisition costs	**16,649,123**			(16,649,123)			
Other prepaid expenses and accrued income	**483,401**				(483,401)		
TOTAL ASSETS	**3,248,719,214**					**3,248,719,214**	**Total assets**
OFF BALANCE SHEET RECORDS	**-**						

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

Unconsolidated statement of financial position – Equity and liabilities as at 31 December 2013

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Transfer of current period profit to retained earnings	Transfer of statutory reserve to other reserves	Transfer of discretionary profit participation from life assurance provision to separate line	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer deposits from reinsurance, accrued expenses and other liabilities to insurance and other payables	Statutory financial statements	
EQUITY	**511,128,171**						**511,128,171**	**Total equity attributable to equity holders of the Company**
Share capital	**235,795,140**						**235,795,140**	**Share capital**
Paid in share capital - ordinary shares	**235,795,140**							
Paid in share capital - preference shares	-							
Called up share capital	-							
Share premium (capital reserves)	**50,452,593**						**50,452,593**	**Share premium**
Revaluation reserve	**25,751,035**						**25,751,035**	**Fair value reserve**
Land and buildings	-							
Financial investments	**25,751,035**							
Other revaluation reserves	-							
Reserves	**127,026,069**						**127,026,069**	**Statutory reserve**
Legal reserve	**3,316,154**		871,562					
Statutory reserve	**871,562**		(871,562)					
Other reserve	**122,838,353**							
Retained earnings or accumulated losses	**47,606,432**	24,496,903					**72,103,335**	**Accumulated losses**
Retained earnings	**47,606,432**							
Accumulated losses (-)	-							
Profit or loss of current reporting period	**24,496,903**	(24,496,903)						
Profit of current reporting period	**24,496,903**							
Loss of current reporting period (-)	-							
SUBORDINATED DEBT	**15,275,280**						**15,275,280**	**Subordinated loan**
TECHNICAL PROVISIONS	**2,023,106,022**			(53,682,282)	120,958,045		**2,090,381,786**	**Technical provisions**
Provision for unearned premiums, gross	**134,739,217**							
Life assurance provision, gross	**1,550,094,373**							
Claims reserve, gross	**335,274,257**							
Provisions for premium refund dependant and not dependant on result (bonuses and discounts), gross	-			53,682,282			**53,682,282**	**Discretionary profit participation provision**
Equalisation reserve, gross	**398,176**							
Other technical insurance contract provisions, gross	**2,600,000**							

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

Unconsolidated statement of financial position – Equity and liabilities as at 31 December 2013 (continued)

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Transfer of current period profit to retained earnings	Transfer of statutory reserve to other reserves	Transfer of discretionary profit participation from life assurance provision to separate line	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer deposits from reinsurance, accrued expenses and other liabilities to insurance and other payables	Statutory financial statements	
LIFE ASSURANCE PROVISION FOR PRODUCTS WHERE POLICYHOLDERS BEAR INVESTMENT RISK, gross	**120,958,045**				(120,958,045)		-	
OTHER PROVISIONS	**9,413,328**						**9,413,328**	**Provisions for liabilities and charges**
Provision for pension contributions and similar liabilities	**751,653**							
Other provisions	**8,661,674**							
DEFERRED AND CURRENT TAX LIABILITY	**6,437,759**						**6,437,759**	**Deferred tax liability**
Deferred tax liability	**6,437,759**							
Current tax liability	-							
DEPOSIT FROM REINSURANCE	**344,246,776**					(344,246,776)		
FINANCIAL LIABILITIES	-							
Liabilities for loans	-							
Liabilities for issued securities	-							
Other financial liabilities	-							
OTHER LIABILITIES	**170,013,222**					392,387,387	**562,400,609**	**Insurance and other payables and deferred income**
Liabilities arising from direct insurance business	**14,386,836**							
Liabilities from coinsurance and reinsurance business	**126,619,773**							
Liabilities for discontinued operations	-							
Other liabilities	**29,006,613**							
ACCRUED EXPENSES AND DEFERRED INCOME	**48,140,611**					(48,140,611)		
Deferred reinsurance commission	-							
Other accrued expenses and deferred income	**48,140,611**							
TOTAL LIABILITIES	**3,248,719,214**						**3,248,719,214**	**Total liabilities and equity**
OFF BALANCE SHEET RECORDS	-						-	

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

Unconsolidated statement of comprehensive income for year ended 31 December 2013

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Comprising other technical income with other operating income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Loss from sale of investment property	Netting off foreign exchange losses on translation of monetary assets and liabilities other than financial investments with foreign exchange gains	Statutory financial statements	
Earned premiums	**312,606,535**									**312,606,535**	**Net earned premiums**
Gross premiums written	**477,789,928**	(3,999,318)								**473,790,610**	**Gross premiums written**
Coinsurance premiums	-										
Impairment loss and collected impairment loss of premium receivables/coinsurance premium	**(3,999,318)**	3,999,318									
Written premiums ceded to reinsurance (-)	**(169,244,680)**									**(169,244,680)**	**Written premiums ceded to reinsurers**
Premiums ceded to coinsurance (-)	-										
Change in gross provision for unearned premium (+/-)	**18,433,350**									**18,433,350**	**Change in the gross provision for unearned premiums**
Reinsurers' share of change in the provisions for unearned premiums (+/-)	**(10,372,746)**									**(10,372,746)**	**Reinsurers’ share of change in the provision for unearned premiums**
Coinsurers' share of change in the provisions for unearned premiums (+/-)	-										
Investment income	**134,498,745**						(12,642,065)			**121,856,679**	**Financial income**
Income from subsidiaries, associates and joint ventures	-										
Income from investment in land and buildings	**630,603**										
Rental income	**630,603**										
Capital appreciation of land and buildings	-										
Gain on disposal of land and buildings	-										
Interest income	**101,860,935**										
Unrealised gains of financial assets at fair value through profit or loss	**4,931,321**										
Income from disposal of financial investments (realised)	**11,286,346**										
Investment in financial assets at fair value through profit or loss	**1,690,602**										
Available-for-sale financial assets	**9,584,473**										
Other income from sale of financial investments	**11,272**										
Net positive foreign exchange differences	**14,942,735**										
Other investment income	**846,805**										

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

Unconsolidated statement of comprehensive income for year ended 31 December 2013 (continued)

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Comprising other technical income with other income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of net claims incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Loss from sale of investment property	Netting off foreign exchange losses on translation of monetary assets and liabilities other than financial investments with foreign exchange gains	Statutory financial statements	
Fees and commission income	**57,268,699**									**57,268,699**	**Fees and commission income**
Other technical income, net of reinsurance	**4,643,003**		(4,643,003)								
Other income	**3,849,445**		4,643,003							**8,492,448**	**Other operating income**
Net claims incurred	**(175,529,997)**										
Claims paid	**(193,840,949)**										
Gross amount (-)	**(275,657,591)**			(45,571,341)						**(321,228,933)**	**Claims and benefits incurred**
Coinsurers' share (+)	**198,035**				(198,035)						
Reinsurers' share(+)	**81,618,608**				22,603,878					**104,222,486**	**Reinsurers' share of claims and benefits incurred**
Change in claims reserves (+/-)	**18,310,952**										
Gross amount (-)	**5,643,044**			(5,643,044)							
Coinsurers' share (+)	**-**				-						
Reinsurers' share(+)	**12,667,909**				(12,667,909)						
Net change in life assurance provision and other technical provisions	**(32,330,217)**										
Change in life assurance provision (+/-)	**(32,445,004)**										
Gross amount (-)	**(42,182,939)**			42,182,939							
Reinsurers' share(+)	**9,737,935**				(9,737,935)						
Change in other technical provisions (+/-)	**114,787**										
Gross amount (-)	**114,787**			(114,787)							
Coinsurers' share (+)	**-**										
Reinsurers' share(+)	**-**				-						
Change in life assurance provisions for products where policyholders bear investment risk, net of reinsurance (+/-)	**(9,146,233)**										
Gross amount (-)	**(9,146,233)**			9,146,233							
Coinsurers' share (+)	**-**										
Reinsurers' share(+)	**-**										
Expenses for premium refund (bonuses and discounts), net of reinsurance	**-**										
Dependant on result (bonuses)	**-**										
Not dependant of result (discounts)	**-**										
Operating expenses (expenses for operations), net	**(209,099,188)**										
Acquisition costs	**(46,794,477)**									**(46,794,477)**	**Acquisition costs**
Commission	**(34,466,587)**										
Other acquisition costs	**(10,494,432)**										
Change in deferred acquisition costs (+/-)	**(1,833,458)**										

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

Unconsolidated statement of comprehensive income for year ended 31 December 2013 (continued)

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Comprising other technical income with other operating income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Loss from sale of investment property	Netting off foreign exchange losses on translation of monetary assets and liabilities other than financial investments with foreign exchange gains	Statutory financial statements	
Administrative expenses	**(162,304,711)**									**(162,304,711)**	**Administrative expenses**
Depreciation of tangible assets	**(7,222,142)**										
Salaries and taxes and contributions on and from salaries	**(80,734,299)**										
Other administration costs	**(74,348,271)**										
Investment expenses	**(48,395,001)**						12,642,065			**(35,752,936)**	**Financial expenses**
Depreciation of investment property	**(235,464)**										
Interest expense	**(10,130,515)**										
Impairment loss of investments	**(23,504,427)**										
Realised loss on disposal of financial investments	**(6,074,881)**										
Adjustment of financial assets at fair value through profit and loss account	**(712,220)**										
Net negative foreign exchange differences	**(5,854,964)**										
Other investment expenses	**(1,882,529)**										
Other technical expenses, net of reinsurance	**(17,859,847)**					(4,091,680)				**(21,951,527)**	**Other operating expenses**
Prevention expenses	**(2,209,463)**										
Other technical charges	**(15,650,385)**										
Other expenses, including impairment losses	**(4,091,680)**					4,091,680					
Profit or loss for the period before income tax (+/-)	**16,414,264**									**16,414,264**	**Profit before income tax**
Income tax on profit or loss	**8,082,639**									**8,082,639**	**Income tax benefit**
Current tax expense	**-**										
Deferred tax expense (benefit)	**8,082,639**										
Profit or loss for the period after income tax (+/-)	**24,496,903**									**24,496,903**	**Profit for the year**
Attributable to owners of the company	**-**										
Attributable to non-controlling interests	**-**										
TOTAL INCOME	**520,949,066**										
TOTAL EXPENSES	**(496,452,163)**										

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

Unconsolidated statement of comprehensive income for year ended 31 December 2013 (continued)

Supplementary information prescribed by a decision of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Comprising other technical income with other operating income	Comprising gross changes in provisions with net claims incurred	Comprising reinsurers share of technical provisions with reinsurers share of claims and benefits incurred	Comprising other expenses and other technical expenses	Netting off of positive and negative foreign exchange differences, unrealised and realised gains and losses and income from sale of real estate with net book value of asset sold	Loss from sale of investment property	Netting off foreign exchange losses on translation of monetary assets and liabilities other than financial investments with foreign exchange gains		**Statutory financial statements**
Other comprehensive income	**(25,716,773)**									**(25,716,773)**	**Other comprehensive income**
Foreign currency translation gains/losses of financial statements of foreign operations	-										
Gains/losses from changes in fair value of available-for-sale financial assets	**(32,145,967)**									**(32,145,967)**	**Net change in fair value of available-for-sale financial assets**
Gains/losses from revaluation of land and buildings used by the company in operations	-										
Gains/losses from revaluation of other tangible and intangible assets (excluding land and buildings)	-										
Effects of cash flow hedges	-										
Actuarial gains/(losses) of defined benefit plan	-										
Share in other comprehensive income of associates	-										
Income tax on other comprehensive income	**6,429,193**									**6,429,193**	**Income tax on other comprehensive income**
Total comprehensive income	**(1,219,870)**									**(1,219,870)**	**Total comprehensive income for the year**
Attributable to owners of the company	-									-	
Attributable to non-controlling interests	-									-	
Reclassification adjustments	-									-	

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

Unconsolidated statement of cash flows for year ended 31 December 2013

Statement of cash flow prepared in accordance with the Regulation on the structure and content of the annual financial statements of insurance and reinsurance companies, the preparation of which is described in detail in the Instructions for preparation of financial statements of insurance and reinsurance companies ("HANFA CF") differ in the presentation from the Statement of cash flows ("CF") forming a part of statutory financial statements.

Differences are as follows:

1. Cash flow from operating activities in CF begins with profit for the year and is adjusted for tax while in HANFA CF begins with profit for the year before tax and doesn't require adjustment for tax.
2. Impairment losses on financial assets and on insurance and other receivables are in CF presented separately while in HANFA CF are presented within Impairment losses and fair value gains/losses.
3. Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within Increase/decrease of prepaid expenses and accrued revenues.
4. Depreciation, amortisation and impairment losses on property and intangible assets in CF are shown collectively, while in CF HANFA they are presented within Depreciation of real estate and equipment, Amortisation of intangible assets and Impairment losses and fair value gains/losses.
5. Depreciation of small inventory is shown separately in CF, while in CF HANFA is shown within Depreciation of property and equipment.
6. Impairment losses on insurance and other receivables in CF are presented separately while in CF HANFA are presented within Impairment losses and fair value gains/losses.
7. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains and losses while in CF HANFA they are presented within Impairment losses and fair value gains/losses and include only unrealised gains and losses.
8. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA are presented only dividend cash receipts within investing activities.
9. Provision for liabilities and charges in CF is shown separately as adjustment of profit while in CF HANFA is shown within Increase/decrease of accrued expenses and deferred income.
10. Net decrease/increase in held-to-maturity investments in CF is shown within cash flow from operating activities, while in HANFA CF within cash flow from investing activities.
11. Net decrease/increase in available-for-sale financial assets and financial assets at fair value through profit or loss in CF are shown after eliminating non-cash items, as opposed to being shown in HANFA CF comprising also realised gains/losses.
12. Net decrease/(increase) in financial assets at fair value through profit and loss in CF is shown comprising investments for the account and risk of life assurance policyholders as opposed to being shown separately in HANFA CF.
13. Net increase in investment property in CF is shown within cash flow from operating activities while in CF HANFA is presented within cash flow from investing activities
14. Net increase/(decrease) in receivables and other assets in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in receivables and Increase/decrease in prepayments and accrued income after deducting Change in differed acquisition costs, Interest received and Dividend received shown separately in CF.
15. Net increase/(decrease) in insurance and other liabilities in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in deposits retained from business ceded to reinsurance, Increase/decrease in other liabilities, Increase/decrease in accruals and deferred income after deducting Provision for liabilities and charges and interest paid which are shown separately in CF.

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

Unconsolidated statement of cash flows for year ended 31 December 2013 (continued)

16. Net increase in technical provision in CF comprise Increase/decrease in technical provisions and Increase/ decrease in life assurance technical provisions where the policyholder bears the investment risk which are shown separately in HANFA CF.
17. Purchases of property and equipment in CF do not include small inventory while in HANFA CF do include.
18. Cash and cash equivalents acquired on merger of Helios VIG d.d. are shown separately in CF while in HANFA CF are shown within Effect of exchange rate changes on cash and cash equivalents.