

Allianz Hrvatska d.d.

Annual report for 2021

Contents

Management Report	1
Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual financial statements, Management Report and HANFA schedules	14
Independent Auditors' report to the shareholders of Allianz Hrvatska d.d.	15
Financial statements	
Statements of financial position	21
Statements of comprehensive income	22
Statements of changes in equity	24
Cash flow statements	26
Notes to the financial statements	27
Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1	142
Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2	159

Management Report

Management Report

After corona virus pandemic left a significant negative footprint in 2020 with GDP falling by 8.1%, Croatian economy experienced a strong rebound in economic activity in 2021, with an estimated GDP growth of around 9%. Better epidemiological situation as well as vaccine distribution translated to much better than expected touristic season, increased private consumption and elevated exports (mainly services which relate to tourism activity).

Government measures directed toward jobs preservation were widely spread in first half of the year, while later in the year measures became more focused on specific activities that were still in difficult situation. Labour market remained in solid position during the worst phase of the pandemic, and since then unemployment rate started dropping while employment rose. Unemployment rate stood at 7.0% in December 2021 (Eurostat), 1.6 p.p. lower than one year ago, while the number of persons employed increased by 2.3% on an annual basis. Gross nominal wage increased by 4% in 2021.

Together with GDP growth and better epidemiological situation as well as due to the Croatia interconnection with global economy, inflation picked up in 2H 2021. Average rate of inflation in 2021 stood at 2.6% (after 0.1% in 2020), with energy prices soaring by 7.2% on average. In the last quarter of the year inflation has gathered momentum, with average rate of 4.7%.

Export of services (mainly tourism) was the primary reason for the improved picture of current account in 2021., but export of goods also had a positive contribution.

In spite of public budget deficit, public debt measured as percentage of GDP was decreased. A praise for relatively good public finance management in recent years and institutional improvement came later in 2021 with rating upgrade from Fitch (upgrade from BBB- to BBB with positive outlook). Currently, Croatia has IG status at 2 of 3 major credit rating agencies, Fitch and S&P, while Moody's is still considering Croatia rating below IG.

EUR/HRK exchange rate stood at 7.52 at the end of 2021 and the average annual EUR/HRK rate was also 7.52, slightly lower than 7.53 in 2020. Croatia is set to enter the euro area on 1st of January 2023 and the EUR/HRK conversion rate is set at 7.5345.

EC expects GDP growth of 5.6% in 2022, while CNB expects somewhat lower level of growth (4.1%) due to stronger base effects. Beside private consumption's further support to growth, investment activity is expected to increase, supported by capital inflows from EU funds. NGEU fund should reflect positively on economic activity and spur new investments in sustainable production as well as higher value-added services. Strength of the investment climate should additionally be supported by recovering corporate profitability, positive economic sentiment and euro adoption. GDP growth till 2023 could lead to higher inflation rates. Inflation is projected in the range of 3.5%-4% (CNB), but in harmony with global easing of supply bottlenecks inflation should become more subdued in the second half of the year. Labour market should stay strong and further recovery and growth of tourism sector will likely lead to higher levels of employment. Public finances are likely to continue the positive trend from 2021 and relative indebtedness should decline (public debt to GDP ratio is projected around 75%).

The Company's main focus in 2021, as in previous years, was maintaining profitability on stable portfolio as well as maintaining a high level of capital adequacy to ensure a safe and stable continuation of the business operations.

After 2020, in which profitability was under pressure due to Supreme Court decision increasing the criteria for the body injury claims in motor and negative impact coming from earthquakes in Zagreb and Petrinja, in 2021 environment effect on Company profitability was more favourable, and except from storm in Požega in June 2021, there was no significant adverse effects on the result. In this environment, Company achieved significantly better result, primarily in non-life insurance segment, with this showing the quality of insurance portfolio and excellence in expenses control.

Pressure on the investment result caused by low yield environment continued in 2021, but despite negative effects, investment result for the year was slightly higher than planned. The Company, as in previous years, remained profitable with high liquidity level and strong solvency ratio.

The Company in 2021 continued the work on simplifying products and processes with aim of excellent user experience in all touch points and contacts with clients. Also, the Company continued with improvements of the claims management process as with optimization, harmonization and further digitalization of other business processes aiming to increase efficiency and ensure high level and timely service for our clients. At the same time, the Company was also deeply focused on expenses control so the results of optimization of the processes could be visible in the Company's end result and the value offered to the clients. Decrease of expense ratio is the result of optimization in all segments of the business, in sales network and also in administration.

Management Report (continued)

The Company continued by expanding the business on the Slovenian market where it operates through the branch established in July 2018. The Company has significant expectations in future premium growth both in retail and corporate segment due to high share of insurance premium in GDP on Slovenian market, good services recognized under Allianz brand and support by experienced Croatian team. In 2021, the Company did not realize planned premium growth on Slovenian market, due to continued negative effects of COVID 19 on entire macroeconomic environment which were stronger in Slovenia due to stricter restrictions. However, in 2021 the Company continued the work on improving the processes and setting a stable foundation for future growth and market share increase in 2022 and in the future.

In accordance with the rules and regulations that apply to our profession, we still plan to attend to careful running of the entire business of the company through simplification of our products and processed, satisfying the needs of our clients, minimizing risks, achieving planned profitability and maintaining the adequate capital position in order to prevent the impairment of the financial stability of the Company at any time and in order to ensure the active, constructive and fair role of the Company on the insurance market and the financial market in the Croatia and Slovenia.

The business results accomplished during the year 2021 and during the previous years prove that we are on a good way to achieve our medium-term business plans and strengthen the position of Company both in the Croatian insurance market and Slovenia as well, all in line with the position of the Company brand in the global market.

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

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

Management Report (continued)***2021 financial performance***

In 2021, the Company achieved a total gross premium in the amount of HRK 1.229,5 million (including impairment of receivables), which is 7,7% % higher than in the previous year.

In non-life insurance, Company generated gross premium income in the amount of HRK 792,1 million (including net bad debt provision), which represents growth compared to previous year of 4.0%. The growth in premium comes from almost all lines of business. Decrease of premium was only realised in marine insurance due to continued policy of strong selection of risks and in travel insurance due to decrease in travel in general as a result of COVID 19 pandemic. Strong growth was achieved in health insurance through all sales channels. Growth on property and motor insurance lines, in spite of strong selection of risks, is the proof of potential of the Company to further increase the profitability in years to follow.

Total premium income generated in Slovenia slightly decreased as a result of restrictions connected with COVID 19 pandemic, which hampered development of sales channels as planned, and decrease of liability line of business on big corporate clients, which was partially offset with growth of premium on the rest of portfolio.

In life insurance, total realized gross premium income in 2021 was HRK 437,4 million which represents growth compared to previous year of 15,1%. Growth of life insurance premium is a result of bank assurance channel, one of the most important distribution channels for the life business. At the beginning of 2021 significant premium was achieved through the sales of new traditional life insurance product Allianz Executive which had a strong positive impact on growth of life insurance premium.

The Group's gross profit in 2021 amounted to HRK 125,4 million (Company: HRK 125,1 million), which increased in relation to the last year by 86%. The Company's gross profit in life segment is slightly lower compared to 2020 due to different structure of the portfolio where significant growth was achieved through the sales of new traditional life insurance product Allianz Executive.

In non-life insurance, after strong negative effects in 2020 through the Supreme Court decision increasing the criteria for non-material claims in motor insurance and claims from earthquakes in Zagreb and Petrinja, in 2021 the Company achieved strong growth of gross profit. Improvement of the result is visible on all lines of business with emphasis on property and motor lines. Slovenian branch still has a negative result due to limited opportunity for growth in 2020 and 2021 due to strong COVID 19 restrictions.

The Company realized combined ratio (net of reinsurance) in non-life insurance business of 89,8%, including both markets in Croatia and Slovenia which represents better expense ratio of 7,8% compared to 2020.

At the same time, the solvency ratio, which is an important business and financial quality indicator, increased to 201% (2020: 195%) primarily due to the reduction of Solvency Capital Requirement; decrease in market risk and non-life underwriting risk.

Management Report (continued)

Expected future development

When comparing the Croatian market with markets in the rest of Europe, we can freely say that the Croatian insurance industry is still underdeveloped, which is particularly pronounced in the segment of life insurance with the share of insurance premium in GDP of around 1%. Taking these facts into account, the Croatian insurance market is characterized by a significant growth potential that the Company intends to take advantage of. Life insurance taking into account ageing population and the greater need of provision of pensions, represents high potential for growth, but it is still a question when this potential will be achieved through rise of awareness of the population about needs for life insurance.

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

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

Focus remains to be development and sales of "unit linked" and "risk" products, and further education and development of the sales channels in this segment.

In non-life insurance, the goal is to further improve the technical excellence supporting the profitable growth in motor and work on further simplification of products and services to our clients.

By entering the new market in 2018, the Company intends to acquire a 3% of the Slovenian insurance market in next three years through non-life and life insurance. Increase in market share intends to be achieved in the following manner:

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

There are significant expectations of growth in the next period in relation to Slovenian branch and sources of growth expected are both retail and commercial segments.

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

Management Report (continued)

Research and development activities

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

Shares of the Company

The share capital is divided into 254,306 ordinary shares with a nominal value of HRK 400 each. At the reporting date, the shareholders of the Company are Allianz Holding eins GmbH, a limited liability company seated in Austria, with an 83.2% of share and Zagrebačka banka d.d. with a 16.8% of share in the share capital and voting rights of the Company. Until October 7, 2021, when ceased to exist due to the acquisition by Allianz Holding eins GmbH, the majority shareholder of the Company was Allianz New Europe Holding GmbH with 83.2% of share in the share capital and voting rights of the Company. Shares of the Company are not listed on the capital market. The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

Information on the purchase of own shares

Till the end of 2021 the Company did not acquire and release any treasury shares.

The Company subsidiaries

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

Allianz Invest, d.o.o., za upravljanje investicijskim fondovima, managing Allianz Short Term Bond, open-ended investment fund, Allianz Portfolio, open-ended investment fund and Allianz Equity, open-ended investment fund, AZ Servisni centar d.o.o. za procjenu i usluge and Autoelektro tehnički pregledi d.o.o. za trgovinu i usluge.

Total investment in subsidiaries at the end of 2021 amounted to HRK 195,5 million. There were no new acquisitions in 2021, only changes in share of the investment funds. Details about structure of the ownership are shown under note 1.14.

Post balance sheet events

Post balance sheet events have been disclosed in Note 1.41.

Non financial report

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

Management Report (continued)***The objectives and policies related to the management of financial risks***

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

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

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

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

The exposure of the Company to interest rate changes within the market risk is driven by both investment portfolio and liabilities arising from life insurance.

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

The Company is managing the asset portfolio by matching it with the liabilities taking into account the inherent interest rate as well as current and expected market conditions. Insurance liabilities that primarily expose the Company to interest rate risk are mathematical reserves under long-term contracts of life insurance.

The interest rate used in the calculation of mathematical reserves is lower or equal to the technical interest rate included in the price of premiums and interest rates prescribed by the legislation. Thus, fully complying the life insurance portfolio with the relevant legislation.

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

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

The Company monitors continuously the investment portfolio and market conditions to address the movement of interest rates in order to manage interest rate risk within investment decision making.

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

The portfolio's holdings are diversified across industries, while the concentration of a single entity and the overall size of the portfolio is limited by parameters aligned the Finance Committee or legislation.

The portfolio is monitored and analysed daily.

The Company has other measures for reducing market risk, such as diversification of investment portfolios reducing the concentration of the exposure to the Croatian government bonds. Before decision on the change in allocation, the estimation of the impact on the capital position of the Company is performed (Solvency II). Moreover, the Company has been actively dedicated to reduce the guarantee in the portfolio of life insurance including activities to gradually reshape the structure of the portfolio.

Management Report (continued)***The objectives and policies related to the management of financial risks (continued)***

Market risks are identified and measured through an established process for top risks assessment, although such risks are already addressed within Solvency II Standard formula as a part of market risk capital requirements. Most significant market risks identified for Company are interest rate risk, equity risk and currency risk, monitored on quarterly basis.

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

The Company has adopted investment policies and procedures in order to manage risks. They contain the protection measures from larger losses (stop loss scenario), whose purpose is to minimize risk and ensure adequate yield.

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

The Company holds strong liquidity position having higher cash inflow than cash outflow generating liquidity surplus supporting further investments.

Transactions of the financial instruments lead to overtaking financial risks such as market risk, credit risk (including reinsurance credit risk) and liquidity risk.

The Company holds liquid assets in the portfolio as a part of the strategy for liquidity risk management insuring business continuity within given regulatory conditions. Significant investments in government securities classified as available for sale (bonds and treasury bills) and investment funds, including investments in bank deposits with the clause of early termination represent highly liquid financial instruments with daily inflows to cash accounts. Thus, allowing the Company a strong liquidity position with limited exposure to liquidity risk while complying with legal liquidity requirements.

A key area in which the Company is exposed to credit risk are investments in financial assets, primarily in fixed income securities, mortgage loans, deposits, and other short-term and long-term investments. The Company applies a low-risk investment policy by investing its assets mainly in investments with good credit rating with the majority of the portfolio relating to the securities of the Republic of Croatia and EU member states. Term deposits are invested in leading Croatian banks owned by international banking groups. Allocation of asset in investment funds including exposure to leading banks are mitigating credit risk and increasing portfolio diversification.

The Company continuously monitors the credit risk exposure. The portfolio manager actively manages the portfolio on a daily basis in line with market trends while considering further transactions on purchase / sale. Transactions of purchase / sales are limited by internal and legal regulations and decisions of the Finance Committee. Through regular meetings, Finance Committee ensures proper credit risk management is implemented at the operational level in daily business.

The Company considers prudent investment policy when granting loans by issuing a separate policy assessing customer credit scoring and assuming collateral before the loan is originated, prolonged or paid.

To reduce the risk of reinsurers not settling the obligations on time and in accordance with the contractual obligations, the Company complies with the Allianz Group standards to conduct business with high-quality reinsurers. Credit risks are also identified and measured through an established process for top risks, although such risks are already addressed within Solvency II Standard formula as a part of capital requirements. One of the identified most significant risks is the risk of lower credit rating of government bonds the Company has in a portfolio, primarily Croatia, Romania, Indonesia and Mexico.

Management Report (continued)***Statement on the corporate governance Code***

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

General Assembly

The General Assembly is generally convened by the Management Board.

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

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

The General Assembly decides on the election and revocation of the Supervisory Board members, profit distribution, the listing of the Company's shares on the regulated market for trading and withdrawal of shares from the market, approval of conduct to members of Supervisory Board and members of Management Board, appointment of the company's auditor, change of the Statute, increasing and decreasing of the share capital of the Company, appointment of auditors to examine the actions performed in the establishment of the Company or management of the Company, the appointment and revocation of members of the Audit Committee as well as about the remuneration for their contribution, Company's membership in the insurance associations, termination of the Company and on all other matters as are prescribed by law and the Statute.

The Supervisory Board

The Supervisory Board consists of 3 (three), 5 (five) or 7 (seven) members. The Supervisory Board members are elected by the General Assembly and may be re-elected after their mandates expire. Number of The Supervisory Board members must be odd number. The Supervisory Board elects the Chairman and the Deputy Chairman of the Supervisory Board among its members.

Pursuant to the Insurance Act, a supervisory board member of an insurance company may be a person who meets the prescribed conditions of expertise and suitability to perform that function at all times. Given the above, the expertise and suitability of the members of the Supervisory Board of the Company is regularly assessed and confirmed by a decision of the General Assembly.

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

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

Management Report (continued)***The Supervisory Board (continued)***

In addition to the competences and obligations of the Supervisory Board defined by Companies Act and the Statute of the Company, in accordance with the Insurance act the Supervisory Board: gives approval on the Management Board on the business policy and strategic goals of the Company; on the financial plan of the Company; on strategies and policy of underwriting and risk management; on own risk and solvency assessment; on the internal control system; on the framework annual program of internal audit and to decide on other matters specified by the Insurance Act.

The Supervisory Board members are obliged to monitor the adequacy of the procedures and the effectiveness of internal audit; fulfill their obligations taking into account the facts found by the Croatian Financial Services Supervisory Agency (hereinafter: the Agency), the tax authorities and other supervisory bodies during the supervision of the Company; monitor the implementation and effectiveness of the system of governance; monitor the implementation of the business policy of the Company, strategic goals and strategies and policy of underwriting and risk management; monitor procedure of publishing information; examine the financial statements of Company and submit a written report to the General Assembly on their findings; to explain to the General Assembly of shareholders their opinion on annual internal audit report and annual Management Board report.

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

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

Members of the Supervisory Board for business year 2021 and up to the date of issuing of these financial statements were as follows:

- Mr. Petros Papanikolaou, Chairman of the Supervisory Board,
- Mr. Goran Gašparić, Supervisory Board Member until April 19, 2021
- Ms. Tamara Kolega, Supervisory Board Member as of April 20, 2021
- Mr. Mario Ferrero, Supervisory Board Member.

Management Board of the Company

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

Pursuant to the Insurance Act, a management board member of an insurance company may be a person who meets the prescribed conditions of expertise and suitability to perform that function at all times. Given the above, the expertise and suitability of the members of the Management Board of the Company is regularly assessed and confirmed by a decision of the Supervisory Board.

Management Report (continued)***Management Board of the Company (continued)***

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

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

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

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

Members of the Management Board for business year 2021 were the following:

- Mr. Daniel Matić, President of the Management Board
- Mr. Slaven Dobrić, member of the Board,
- Mr. Lukas Oliver Pavić, member of the Board
- Mr. Wassim El Helou, member of the Board
- Ms. Marijana Jakovac, member of the Board

The Audit Committee

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

In the fiscal year 2021, the members of the Audit Committee were:

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

Management Report (continued)

The Audit Committee (continued)

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

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

1. reports to the Supervisory Board on the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and explains the role of the Audit Committee in this process
2. monitors the financial reporting process and submits recommendations or proposals to ensure its integrity
3. regarding to financial reporting, monitors the effectiveness of internal quality controls, risk management systems and internal audit, without violating its own independence
4. supervises the execution of the statutory audit of the annual financial statements and the annual consolidated financial statements
5. examines and monitors the independence of the audit firm, and in particular, the appropriateness of providing non-audit services subject to Committee's prior approval
6. is responsible for the selection process of the audit firm and proposes the appointment of an audit firm.

Financial Committee

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

Governance and control Committee (GovCC)

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

Key functions

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

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

Management Report (continued)***Conflict of interest***

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

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

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

Transactions with related parties

Pursuant to Article 497, paragraph 3 of the Companies Act, and in addition to the aforementioned legal affairs and actions, the Management Board of Allianz Hrvatska d.d. gives the following statement:

We believe that for all legal transactions and actions taken during 2021, and according to the circumstances that were known at the time when a particular legal transaction or action with related companies was undertaken or when it was missed to be undertaken, it received appropriate counteraction and without damages for the Company regardless of whether any action was taken or missed.



Member of the Management Board

Marijana Jakovac



Member of the Management Board

Slaven Dobrić



Member of the Management Board

Lukas Oliver Pavić



Member of the Management Board

Wassim El Helou



President of the Management Board

Daniel Matic

Allianz 
1
Allianz Hrvatska d.d.

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

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

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

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

The separate and consolidated financial statements set out on pages 21 to 141 together with the schedules prepared in accordance with the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20) (“the Schedules”), presented on pages 142 to 158, and the reconciliation, presented on pages 159 to 170, of the Schedules with the financial statements were authorised by the Management Board on 30th March 2022 for issue to the Supervisory Board and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the other information (Management Report as required by the Croatian Accounting Act and Corporate Governance Information). The Management Report set out on pages 1 to 13 were authorised by the Management Board on 30th March 2022 and signed accordingly.



Member of the Management Board

Marijana Jakovac



Member of the Management Board

Slaven Dobrić



Member of the Management Board

Lukas Oliver Pavić



Member of the Management Board

Wassim El Helou



President of the Management Board

Daniel Matić

Allianz 
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Allianz Hrvatska d.d.



Independent Auditor's Report

To the Shareholders of Allianz Hrvatska dioničko društvo za osiguranje d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of Allianz Hrvatska d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Company's and the Group's separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 22 March 2022.

What we have audited

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

- the separate and consolidated statements of financial position as at 31 December 2021;
- the separate and consolidated statements of comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated cash flow statements for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company and the Group in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Overview



- Overall Company materiality: HRK 10,2 million, which represents 1% of net assets.
- Overall Group materiality: HRK 10,2 million, which represents 1% of net assets.
- We audited the parent company, and five domestic direct subsidiaries. Our audit scope addressed over 99% of the Group's revenues and over 99% of the Group's absolute value of underlying profit.
- Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT).

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

Materiality

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

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

Overall materiality for the Company and the Group	The Company: HRK 10,2 million The Group: HRK 10,2 million
How we determined it	The Company: 1 % of net assets The Group: 1 % of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because it is the benchmark which is closely monitored and there is a strong focus on regulatory compliance measured by the adequacy of the capital (net assets).



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)</i></p> <p>Refer to note 1.6 'Principal assumptions that have the greatest effect on recognized insurance assets, liabilities, income and expenses', note 1.7 "Liability adequacy test" and note 1.20 'Insurance contract liabilities'.</p> <p>Insurance contract liabilities are an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may increase the inherent risk as a result of inadequate / incomplete data or the design or application of the models.</p> <p>Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions.</p> <p>The Company's IFRS liability adequacy test was performed in order to confirm that insurance contract liabilities were adequate in the context of expected future cash outflows.</p>	<p>In particular, our audit was focused on the more complex models and/or requiring significant judgement in determining the assumptions used in calculating technical provisions or performing the liability adequacy test.</p> <p>We used our own actuarial specialists to assist us in performing our audit procedures.</p> <p>We obtained an understanding of the internal actuarial process and assessed how management determined and approved economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, the specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied and comparing them with applicable industry practices.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the product features. We also assessed whether the models comply with the applicable accounting standards.</p> <p>Furthermore, in our recalculations we determined whether the technical provisions calculations performed by the models and systems are accurate and complete.</p> <p>We tested the validity of the management's liability adequacy testing, which is a key test performed to verify whether the liabilities are adequate as compared to expected future contract liabilities. The inputs used were reconciled with the accounting records.</p> <p>All our procedures were performed on a sample basis.</p> <p>Our work on the liability adequacy tests included challenging the assumptions in projected cash flows adopted both by the Group and the Company considering industry practices and specific product features.</p>



How we tailored our Group audit scope

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

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises the Management Report and Forms in accordance with Regulatory Requirements but does not include the separate and consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report or in the Forms in accordance with Regulatory Requirements that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

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

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

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



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

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

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

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

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

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



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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 7 December 2017. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of 4 years.

Forms in accordance with Regulatory Requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), "Ordinance"), the Management Board of the Company prepared the forms presented in Appendix 1, entitled the Statement of financial position of the Company as at 31 December 2021, and the Statement of comprehensive income, Statement of Cash flow and Statement of changes in equity of the Company for the year then ended together with information to reconcile the Forms to the Company's financial statements as presented in Appendix 2. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's separate audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages from 21 to 141 and adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
30 March 2022

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

Statements of financial position

As at 31 December

	Note	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Assets					
Property and equipment	1.10	83,693	96,844	80,747	93,717
Investment property	1.11	23,254	24,524	23,254	24,524
Intangible assets					
- Deferred acquisition costs	1.12	70,212	74,110	70,212	74,110
- Other intangible assets	1.13	149,971	163,640	147,978	161,126
Investments in subsidiaries	1.14	-	-	195,553	185,952
Held-to-maturity investments	1.15	118,378	118,775	61,724	61,641
Available-for-sale financial assets	1.15	3,681,796	3,868,968	3,681,796	3,868,968
Financial assets at fair value through profit or loss	1.15	950,914	991,579	779,360	809,456
Loans and receivables	1.15	31,636	38,264	34,039	40,930
Reinsurers' share of insurance contract liabilities	1.16	198,315	235,673	198,315	235,673
Current tax asset		-	9,971	-	9,971
Insurance contracts and other receivables	1.18	198,639	202,608	196,088	202,411
Cash and cash equivalents	1.19	234,581	161,461	182,126	118,186
Total assets		5,741,389	5,986,416	5,651,192	5,886,665
Liabilities					
Insurance contract liabilities	1.20	4,269,703	4,351,957	4,269,703	4,351,957
Liabilities arising from insurance contracts, other liabilities and deferred income	1.21	352,734	291,031	264,424	192,866
Lease liabilities	1.35	53,086	63,994	53,086	63,994
Deferred tax liability	1.17	44,836	70,946	44,836	70,946
Current income tax liability		1,571	14	1,572	-
Total liabilities		4,721,930	4,777,942	4,633,621	4,679,763
Equity attributable to owners of the Company					
Issued share capital	1.22 (a)	101,722	101,722	101,722	101,722
Share premium	1.22 (b)	112,001	112,001	112,001	112,001
Fair value reserve	1.22 (c)	288,273	381,632	288,273	381,608
Legal reserve	1.22 (d)	25,053	25,053	25,053	25,053
Retained earnings		492,397	587,959	490,522	586,518
		1,019,446	1,208,367	1,017,571	1,206,902
Non-controlling interests		13	107	-	-
Total equity		1,019,459	1,208,474	1,017,569	1,206,902
Total liabilities and equity		5,741,389	5,986,416	5,651,192	5,886,665

Statements of comprehensive income

For the year ended 31 December

	Note	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Gross premiums written	1.23	1,229,511	1,141,640	1,229,511	1,141,640
Written premiums ceded to reinsurers	1.23	(116,547)	(101,200)	(116,547)	(101,200)
Net premiums written	1.23	1,112,964	1,040,440	1,112,964	1,040,440
Change in the gross provision for unearned premiums	1.23	(8,383)	(3,074)	(8,383)	(3,074)
Reinsurers' share of change in the provision for unearned premiums	1.23	6,630	(7,374)	6,630	(7,374)
Net earned premiums	1.23	1,111,211	1,029,992	1,111,211	1,029,992
Fee and commission income	1.24	7,010	5,950	7,010	5,950
Investment income	1.25	153,306	123,137	140,261	125,479
Other operating income	1.26	15,028	9,856	11,438	7,528
Claims incurred	1.27	(794,580)	(909,515)	(794,580)	(909,515)
Reinsurers' share of claims incurred claims incurred	1.27	43,245	175,196	43,245	175,196
Net policyholder claims incurred claims incurred	1.27	(751,335)	(734,319)	(751,335)	(734,319)
Acquisition costs	1.28	(185,241)	(199,432)	(184,613)	(199,317)
Administrative expenses	1.29	(178,816)	(162,656)	(170,249)	(155,932)
Other operating expenses	1.30	(18,619)	(19,234)	(18,030)	(19,293)
Financial expenses	1.31	(22,616)	(17,328)	(15,878)	(24,166)
Net foreign exchange translation gains on financial assets	1.32	(4,489)	31,655	(4,751)	31,444
Profit before income tax		125,439	67,621	125,064	67,366
Income tax expense	1.33	(18,549)	(13,078)	(18,514)	(13,049)
Profit for the year		106,890	54,543	106,550	54,317
Profit attributable to:					
- Owners of the Company		106,984	54,608	106,550	54,317
- Non-controlling interests		(94)	(65)	-	-
		106,890	54,543	106,550	54,317

Statements of comprehensive income (continued)

For the year ended 31 December

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Profit for the year	106,890	54,543	106,550	54,317
Other comprehensive income for the year				
<i>Items that may be reclassified subsequently to profit or loss:</i>	(93,359)	(1,783)	(93,335)	(1,783)
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax (Note 1.22c)	(93,359)	(1,783)	(93,335)	(1,783)
Total comprehensive income for the year	13,531	52,760	13,215	52,534
Attributable to:				
- Owners of the Company	13,625	52,825	13,215	52,534
- Non-controlling interests	(94)	(65)	-	-
	13,531	52,760	13,215	52,534

Statements of changes in equity

For the year ended 31 December

Group

	Attributable to owners of the Company					Total	Non controlling interests	Total equity
	Issued share capital	Share premiu m	Fair value reserve	Legal reserve	Retained earnings			
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January 2020	101,722	112,001	383,415	25,053	533,351	1,155,542	172	1,155,714
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(2,169)	-	-	(2,169)	-	(2,169)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	386	-	-	386	-	386
<i>Total other comprehensive income</i>	-	-	(1,783)	-	-	(1,783)	-	(1,783)
<i>Profit for the year</i>	-	-	-	-	54,608	54,608	(65)	54,543
Total comprehensive income for the year	-	-	(1,783)	-	54,608	52,825	(65)	52,760
At 31 December 2020	101,722	112,001	381,632	25,053	587,959	1,208,367	107	1,208,474
At 1 January 2021	101,722	112,001	381,632	25,053	587,959	1,208,367	107	1,208,474
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(113,847)	-	-	(113,847)	-	(113,847)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	20,488	-	-	20,488	-	20,488
<i>Total other comprehensive income</i>	-	-	(93,359)	-	-	(93,359)	-	(93,359)
<i>Profit for the year</i>	-	-	-	-	106,984	106,984	(94)	106,890
Total comprehensive income for the year	-	-	(93,359)	-	106,984	13,625	(94)	13,531
Transactions with owners recognised directly in equity								
Paid dividend	-	-	-	-	(202,546)	(202,546)	-	(202,546)
At 31 December 2021	101,722	112,001	288,273	25,053	492,397	1,019,446	13	1,019,459

Statements of changes in equity

For the year ended 31 December

Company

	Issued share capital HRK'000	Share premium HRK'000	Fair value reserve HRK'000	Legal reserve HRK'000	Retained earnings HRK'000	Total HRK'000
At 1 January 2020	101,722	112,001	383,392	25,053	532,201	1,154,369
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-		(2,169)	-	-	(2,169)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	386	-	-	386
<i>Total other comprehensive income</i>	-	-	(1,783)	-	-	(1,783)
<i>Profit for the year</i>	-	-	-	-	54,317	54,317
Total comprehensive income for the year	-	-	(1,783)	-	54,317	52,534
At 31 December 2020	101,722	112,001	381,609	25,053	586,518	1,206,903
At 1 January 2021	101,722	112,001	381,608	25,053	586,518	1,206,903
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(113,823)	-	-	(113,823)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	20,488	-	-	20,488
<i>Total other comprehensive income</i>	-	-	(93,335)	-	-	(93,335)
<i>Profit for the year</i>	-	-	-	-	106,550	106,550
Total comprehensive income for the year	-	-	(93,335)	-	106,550	13,215
Transactions with owners recognised directly in equity						
Paid dividend	-	-	-	-	(202,546)	(202,546)
At 31 December 2021	101,722	112,001	288,273	25,053	490,522	1,017,571

Cash flow statement

For the year ended 31 December		Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
	Notes				
Cash flow from operating activities					
Profit after tax		106,890	54,543	106,550	54,317
Adjustments for:					
- Tax	-	18,550	13,078	18,514	13,049
- Depreciation of property and equipment	1.29	13,845	13,194	13,633	12,892
- Depreciation of investment property	1.31	1,270	1,257	1,270	1,257
- Amortisation of other intangible assets	1.29	20,228	18,179	18,317	17,201
- Net foreign exchange losses (gains) on financial assets	1.32	4,489	(31,655)	4,751	(31,444)
- Loss on intangible assets write off	1.10	414	70	414	70
- Gains on disposal of property and equipment		(809)	-	(809)	-
- Net gains from from financial assets at fair value through profit or loss and AFS	1.25	(31,534)	(527)	(23,037)	(7,255)
- Impairment losses on financial assets	1.31	5,968	14,360	5,968	14,315
- (Reversal of)/impairment losses on insurance receivables and other assets	1.18	(420)	4,516	(420)	4,516
- Interest income and dividend income	1.25	(103,906)	(105,942)	(90,501)	(102,491)
Changes in operating assets and liabilities					
- Change in deferred acquisition costs	1.28	3,898	(3,574)	3,898	(3,574)
Net decrease in held-to-maturity investments		-	228,548	-	228,459
Net decrease/(increase) in available-for-sale financial assets		51,847	(308,368)	51,847	(308,123)
Net decrease/(increase) in financial assets at fair value through profit or loss		68,353	(30,191)	42,378	(38,229)
Net decrease in loans and receivables		53,500	1,520	53,614	1,750
Net decrease/(increase) in reinsurance share in technical provisions		37,358	(75,479)	37,358	(75,479)
Net decrease in insurance receivables and other assets		10,696	89,039	(6,802)	88,643
Net (decrease)/increase in insurance contract provisions		(82,254)	83,094	(82,254)	83,094
Net increase/(decrease) in insurance and other payables		56,917	(34,886)	71,869	32,601
Net cash from operating activities before income tax paid		235,300	(69,224)	226,558	(14,431)
Interest received		101,498	11,052	99,736	106,387
Dividend received and fund fee - kick back		12,705	109,002	12,705	9,698
Income tax paid		(12,591)	(22,349)	(12,591)	(22,338)
Net cash from operating activities		336,912	28,481	326,408	79,316
Cash flows from investing activities					
Purchase of property and equipment	1.10	(427)	(8,728)	(397)	(8,585)
Purchase of other intangible assets	1.13	(3,868)	(1,253)	(3,764)	(846)
Purchase of investment property	1.11	-	(418)	-	(418)
Proceeds from sale of property and equipment		1,185	96	1,185	96
Increase in investment in subsidiaries carried at fair value	1.14	-	-	(118,747)	(32,196)
Decrease in investment in subsidiaries carried at fair value	1.14	-	-	119,937	22,279
Cash flows from investing activities		(3,110)	(10,303)	(1,786)	(19,670)
Cash flows from financing activities					
Repayment of lease liabilities		(10,908)	(4,129)	(10,908)	(4,129)
Dividend paid	1.22f	(202,546)	-	(202,546)	-
Net cash from financing activities		(213,454)	(4,129)	(213,454)	(4,129)
Net (decrease)/increase in cash and cash equivalents		120,348	14,049	111,168	55,517
Cash and cash equivalents at 1 January		114,233	147,412	70,958	62,669
Cash and cash equivalents at 31 December	1.19	234,581	161,461	182,126	118,186

1. Notes to the financial statements

1.1 Reporting entity

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

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

The Company’s major shareholder (83,2% of voting rights) is Allianz Holding eins GmbH, Wien, Austria (2020: Allianz New Europe Holding GmbH, Austria with 83,2% of voting rights). On 7 October 2021, a status change of merger was carried out in the register of the Vienna Commercial Court, merging Allianz New Europe Holding GmbH with Allianz Holding eins GmbH. As a result, Allianz Holding eins GmbH, as the universal legal successor of the merged company, became a shareholder in the Company, and Allianz New Europe Holding GmbH ceased to exist. Ultimate parent company is Allianz SE, which is a joint stock company, incorporated and domiciled in Germany.

1.2 Basis of preparation

a) Statement of compliance

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

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

The financial statements were authorised for issue by the Management Board on 30 March 2022. The financial statements are prepared in English and Croatian language.

b) Basis of measurement

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

c) Functional and presentation currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Croatian kuna („HRK“), which is Allianz Hrvatska d.d. functional and presentation currency.

d) Use of estimates and judgements

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

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

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

1.2 Basis of preparation (continued)

e) Consolidation

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

Business combinations

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

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

Subsidiaries

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

The Company has investments in investment funds managed by the Company’s subsidiary Allianz Invest d.o.o. The Company reassessed its previous conclusion to consolidate funds managed by the subsidiary company Allianz Invest d.o.o. Based on the fact that the Company in terms of IFRS 10 has control over these funds through ownership of Allianz Invest and either holding majority of investment stakes or being the largest individual investment stake holder, the Company continues to consolidate these funds.

In its separate financial statements, the Company accounts for its investments in investment funds at fair value and classifies them as financial assets designated by management as at fair value through profit or loss at inception or as available-for-sale investments. The accounting policies applicable to subsidiaries measured at fair value are disclosed in Note 1.3 d). Other subsidiaries are carried at cost less any impairment in the separate financial statements of the Company.

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

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

Non-controlling interests

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

Non-controlling interests in subsidiaries are included in the total equity of the Group.

Loss of control

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

1.2 Basis of preparation (continued)

e) Consolidation (continued)

Transactions eliminated on consolidation

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

f) Foreign currency transactions

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

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

The most significant currency in which the Group holds assets and liabilities is Euro. The exchange rates used for translation at 31 December 2021 was EUR 1 = HRK 7,517174 (31 December 2020 was EUR 1 = HRK 7,536898) and USD 1 = HRK 6,643548 (31 December 2020: USD 1 = HRK 6,139039).

1.3 Significant accounting policies

(a) Property and equipment

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

Recognition and measurement

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

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

Reclassification to investment property

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

Subsequent costs

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

Depreciation

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

1.3 Significant accounting policies (continued)

(a) Property and equipment (continued)

The estimated useful lives are as follows:

	2021	2020
• Buildings	40 years	40 years
• Motor vehicles	5 years	5 years
• Furniture	5 years	5 years
• Other equipment	4 years	4 years

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

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

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

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

(b) Leased assets

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

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

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

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

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

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

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

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

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

- right of use for the office building 15 years
- right of use for the parking 4 years
- right of use for the cars 5 years.

1.3 Significant accounting policies (continued)

(b) Leased assets (continued)

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

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

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

(c) Intangible assets

Deferred acquisition costs – insurance contracts

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

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

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

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

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

Research and development

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

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

Goodwill

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

1.3 Significant accounting policies (continued)

(c) Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible asset consist of internally developed software, computer software and exclusive distribution right.

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

Subsequent expenditure

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

Amortisation

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

	2021	2020
● Internally developed software	5 years	5 years
● Computer software	5 years	5 years
● Exclusive distribution right	15 years	15 years

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

(d) Investment property

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

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

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

	2021	2020
● Investment property	40 years	40 years

1.3 Significant accounting policies (continued)

(e) Financial instruments

Classification

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

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

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

As stated above this category 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 and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

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

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

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

Loans and receivables

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

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

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

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. The Group does not have financial liabilities designated at fair value through profit or loss except those related to the index-linked products described in accounting policy 1.3 (x) and the share of the net assets of investment funds attributable to unitholders in those funds, which are classified as a financial liability and measured at fair value based on the value of investment portfolio of the funds. Payables arising from insurance contracts are accounted for under *IFRS 4 Insurance Contracts*. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables and deferred income".

Reclassification

During 2021, there was no reclassification of debt securities from available for sale to held to maturity. In previous years the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments. On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss only when the financial asset is disposed of or impaired. The impact of this reclassification is shown in Note 1.15 (b).

Recognition and derecognition

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

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

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Initial and subsequent measurement

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

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

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

Gains and losses

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

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

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

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

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

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

Fair value measurement

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

In accordance with the HANFA valuation rules and as permitted under IFRS 13 the following prices are used:

- closing Bloomberg Generic (BGN) price for debt and equity securities
- prices quoted per unit by investment management companies for units in investment funds.

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. At the reporting date the Company did not have such financial instruments.

Impairment of financial assets

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

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

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

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

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Specific instruments

Embedded derivatives within insurance contracts

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

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

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

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

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

Debt securities

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

Deposits with banks

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

Loans to customers

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

Loans and receivables from policyholders

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

Equity securities

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Investments in funds

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

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

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

Trade and other receivables

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

Investments in subsidiaries

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

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

Trade and other payables

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

Offsetting of financial instruments

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

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

(f) Cash and cash equivalents

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

(g) Employee benefits

Pension obligations

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

1.3 Significant accounting policies (continued)

g) Employee benefits (continued)

Share-based payment transactions

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

The main terms and conditions of the RSUs include the following:

- Service period: 5 years.
- Vesting period: 4 years after final grant.
- Exercise period: None – Allianz will exercise on the first day succeeding the vesting period.
- Performance conditions: None.
- Limits on value: the payout is capped at 200% share price growth over the price at grant.
- Settlement: cash settlement is anticipated

Allianz Group treats the RSU plan as a cash-settled share-based award. The individual companies that grant RSUs must accrue a liability, and recognize a corresponding compensation expense, as of each balance sheet date in accordance with the treatment for cash-settled share-based awards. The total RSU liability is measured based on the fair value of the RSUs at each balance sheet date, and is accrued over the 5-year service period. This liability is adjusted as the fair value of the RSUs fluctuates due to changes in the Allianz share price.

Short-term employee benefits

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

Other employee benefits

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

(h) Income tax

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

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

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

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

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

1.3 Significant accounting policies (continued)

(i) Provisions

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

Restructuring

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

Onerous contracts

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

(j) Equity

Issued share capital

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

Share premium

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

Repurchase of share capital

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

Dividends

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

Legal reserve

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

Fair value reserve

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

Retained earnings

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

1.3 Significant accounting policies (continued)

(k) Impairment of non-financial assets

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

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

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

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

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

(l) Revenue

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

Investment income

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

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

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

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

Fee and commission income

Commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies. Fee and commission income includes reinsurance commission income. Non-life reinsurance commissions that meet the definition as acquisition costs are accounted for in accordance with the deferred acquisition costs accounting policy.

1.3 Significant accounting policies (continued)

(m) Expenses

Operating expenses

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

Acquisition costs

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

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

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

Administrative expenses

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

Financial expenses

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

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

(n) Classification of contracts

For classification of contracts the Group uses Group Accounting Manual from Allianz Group.

Contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

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

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

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

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

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

1.3 Significant accounting policies (continued)

(n) Classification of contracts (continued)

Contracts with discretionary participation features

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

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

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

At the reporting date the Group accounted for HRK 36,7 million of provision for discretionary profit participation bonuses (2020: HRK 40,4 million) which is included within the life assurance provision. From this amount HRK 3,5 million (2020: HRK 2,5 million) is not allocated to individual policyholders.

(o) Premiums

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

Premiums written include adjustments to reflect impairment of amounts due from policyholders (older than 120 days) e.g.: change of the premium amount in the following year and the movement in impairment allowances for premiums due from policyholders.

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

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

(p) Unearned premium reserve

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

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

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

1.3 Significant accounting policies (continued)

(q) Unexpired risk reserve

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

(r) Claims provisions

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

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

(s) Life assurance provisions

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

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

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

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

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

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

1.3 Significant accounting policies (continued)

(t) Claims

Claims arising from non-life business

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

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

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

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

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

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

Claims and benefits arising from life assurance business

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

(u) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in the profit and loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are recorded using the deposit method of accounting. During 2021 and 2020 the Group had no such contracts. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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

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

1.3 Significant accounting policies (continued)

(u) Reinsurance (continued)

Reinsurance commissions and profit participations

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

(v) Liabilities and related assets under the liability adequacy test

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

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

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

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

(x) Insurance receivables and payables

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

1.3 Significant accounting policies (continued)

(y) Adoption of New or Revised Standards and interpretations

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021, and there is no substantive change to other terms and conditions of the lease.

The following amended standards became effective from 1 January 2021, but did not have a material impact on the Group and Company:

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- **Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:** For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform. **End date for Phase 1 relief for non contractually specified risk components in hedging relationships:** The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- **Additional temporary exceptions from applying specific hedge accounting requirements:** The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Additional IFRS 7 disclosures related to IBOR reform:** The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Effect of IBOR reform. Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023. Company and Group does not have effects from IBOR reform.

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group and Company has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17 as discussed below). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group and Company expect to apply the standard to performance guarantees that it issues and is currently assessing the impact of the new standard on its consolidated financial statements. Potential impact on insurance products embedded in loans and similar instruments is also under consideration.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- ***Effective date:*** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023, and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- ***Expected recovery of insurance acquisition cash flows:*** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- ***Reinsurance contracts held – recovery of losses:*** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfillment cash flows; and selected transition reliefs and other minor amendments.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfill a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37.

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

IFRS 17 and IFRS 9 implementation

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

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

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

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

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

The following table provides an overview of the fair values as of 31 December 2021 and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

Business model has been shown below:

	Business model		
	Hold	Sell	Hold and Sell
HTM	X		
AFS			X
FVTPL		X	
Loans and receivables	X		

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

31 Decmeber 2021		Assets that are not solely payments of principal and interest (Non-SPPI)		Assets that are solely payments of principal and interest (SPPI)		Carrying value (IAS 39) of assets that are SPPI and analysed by credit rating								
		Fair value	Fair value gain / (loss) for the year	Fair value	Fair value gain / (loss) for the year	A+	A-	A	AAA	AA+	BBB	BBB-	not rated	
Cash and cash-equivalents	LO&RE			182,126										182,126
Debt securities														
Government and government agency bonds	AFS			3,319,515	-129,932	117,076	17,974	169,274	166,795	88,827	301,975	2,457,594		
Government and government agency bonds	HTM			64,066	32							64,066		
Corporate bonds	AFS	477	50	11,569	-41									11,569
Subtotal		477	50	3,577,276	129,941	117,076	17,974	169,274	166,795	88,827	301,975	2,521,660		193,695
Equity securities	AFS	121,439	19,620											
Financial assets for unit-linked contracts	FVTPL	808,126	-18,612											
Derivative financial instruments	FVTPL	17,796	3,337											
Funds	AFS	241,383	7,013											
Funds	FVTPL	130,717	964											
Loans & deposits	LO&RE			33,531										
Total		1,319,461	12,322	3,610,807	129,941	117,076	17,974	169,274	166,795	88,827	301,975	2,521,660		193,695

31 December 2020

		Assets that are not solely payments of principal and interest (Non-SPPI)		Assets that are solely payments of principal and interest (SPPI)		Carrying value (IAS 39) of assets that are SPPI and analysed by credit rating								
		Fair value	Fair value gain / (loss) for the year	Fair value	Fair value gain / (loss) for the year	A+	A-	A	AAA	AA+	BBB	BBB-	not rated	
Cash and cash-equivalents	LO&RE			118,411										118,411
Debt securities														
Government and government agency bonds	AFS			3,440,961	561	132,040	19,503	183,768	178,229	99,216	309,470	2,518,735		
Government and government agency bonds	HTM			68,270	169							68,270		
Corporate bonds	AFS	912	188	8,603	506									8,603
Subtotal		912	188	3,636,245	114	132,040	19,503	183,768	178,229	99,216	309,470	2,587,005		127,014
Equity securities	AFS	88,242	1,447											
Financial assets for unit-linked contracts	FVTPL	848,853	6,772											
Derivative financial instruments	FVTPL	7,515	7											
Funds	AFS	340,7	766											
Funds	FVTPL	122,903	873											
Loans & deposits	LO&RE			39,658	39,658									39,658
Total		1,068,425	7,145	3,675,903	39,544	132,040	19,503	183,768	178,229	99,216	309,470	2,587,005		166,672

The Company started the preparation on IFRS 17 implementation project, together with Allianz SE, several years ago. The Company monitors the process of updating IFRS 17 by the International Accounting Standards Board (IASB), and performs an impact assessment on its financial statements together with an assessment of the effects of IFRS 9. The Company expects the new standard to result in a material change in accounting policies for insurance contract liabilities, will have an impact on profit and equity, and will result in changes in presentation and disclosures in the financial statements. Given the significant impact of the standard, the Company has hired additional resources in terms of human resources (experts) and has implemented IT systems to support actuarial calculations and accounting process while policies and procedures are in progress to meet the requirements of the standard and has strong support from Regional and Group Allianz members. At the balance sheet date, given the early stage of the implementation project, the potential combined effect of the two standards on the financial position and performance of the Company is being calculated and more detailed assessments of the impact of the standard on the financial statements will be made during the following periods. Higher impact is expected on retained earnings and profit in L&H business while in P&C business more impact will come from the new presentation in financial reports. The Company intends to adopt the standard with the effective date and already runs parallel testing reporting.

1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 1.37) and insurance risk management (Note 1.5).

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

1.4.1 Key sources of estimation uncertainty

Estimation of uncertainty in relation to reserving for the Company

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

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

Major assumptions in calculating the life assurance provision are set out in Note 1.6. Insurance risk management is discussed in detail in Note 1.5, whilst insurance contract liabilities are analysed in Note 1.20.

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

A significant source of estimation uncertainty stems from court claims. At 31 December 2021, the Group was involved in 625 (2020: 708) court cases for which HRK 98,832 thousand (2020: HRK 105,529 thousand) was provided as part of the claims reserve for reported but not yet settled claims

1.4 Accounting estimates and judgements (continued)

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

Financial asset and liability classification for the Group and the Company

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

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (d). The Group designates financial assets and liabilities at fair value through profit or loss when the assets or liabilities are managed, evaluated and reported internally on a fair value basis.

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

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

Control over Allianz Invest managed, open ended investment funds

The Company's stakes in Allianz Portfolio at 31 December 2021 was 9.5% (along with unit linked investments 76.6%) (2020: 10.03% and 74.4%), in Allianz Short Term Bond 74.9% (2020: 63.3%) and in Allianz Equity 32.7% (2020: 30.0%) .

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one of the open-ended funds at 31 December 2021, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor.

1.5 Insurance risk management

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

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

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

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

Risk management

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

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

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources.

The Group contracts a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk or event, depending on line of business, but with a maximum net exposure of EUR 1,0 million (HRK 7,5 million). For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 130 million equivalent to HRK 975 million (2020: EUR 140 million equivalent to HRK 1,050 million) of losses exceeding the first EUR 1,5 million equivalent to HRK 11,25 million (2020: EUR 1,5 million equivalent to HRK 11,25 million).

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

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

1.5 Insurance risk management (continued)

Concentration of insurance risk

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

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

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

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

	2021 Group and Company			2020 Group and Company		
	Gross claims incurred HRK'000	Reinsurers' share of claims incurred HRK'000	Net claims incurred HRK'000	Gross claims incurred HRK'000	Reinsurers' share of claims incurred HRK'000	Net claims incurred HRK'000
<i>Non-life insurance business</i>						
Motor (third party)	(65,524)	(530)	(66,054)	(87,307)	3,286	(84,021)
Motor (other classes)	(85,694)	402	(85,292)	(86,964)	2,164	(84,800)
Property	(177,828)	36,787	(141,041)	(313,524)	161,854	(151,670)
Personal lines	(45,468)	4,835	(40,633)	(35,901)	4,851	(31,050)
Other	(5,692)	1,035	(4,657)	(11,254)	2,627	(8,627)
Total non-life	(380,206)	42,529	(337,677)	(534,950)	174,782	(360,168)
<i>Life assurance business</i>						
Periodic premiums	(215,297)	715	(214,581)	(229,623)	414	(229,209)
Single premiums	(199,058)	-	(199,058)	(144,942)	-	(144,942)
Total life	(414,355)	715	(413,640)	(374,565)	414	(374,151)
<i>Thereof unit linked and index linked</i>	117,245	-	117,245	89,613	-	89,613
Grand total	(794,561)	43,244	(751,317)	(909,515)	175,196	(734,319)

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

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

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

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

Non-life insurance

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

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

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

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

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

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

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

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

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

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

Expected claims ratio

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

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

Non-life insurance (continued)

Tail factors

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

Discounting

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

Annuities

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of 0.8% per annum (2020: 0.8%). Annuities are calculated using the Republic of Croatia mortality tables from 2010-12. Annuity claims are fixed at their nominal value over the length of the period of payment.

Claims handling provisions

The provision for claims handling expenses is computed as a certain percentage (percentage is based on information on the ratio of claims handling expenses and settled claims) of the NOCR provision and the IBNR provision. For computing the provision for claims handling expenses as at 31 December 2021 a percentage of 6% (2020: 6%) was used for both provisions except for claims greater than HRK 6.5 million, which are provided for individually.

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

Life assurance

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

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

According to the same guidelines issued by HANFA, maximum interest rate for insurance reserve calculation is:

- 3.3% for portfolio issued before 2010
- 3% for policies issued in 2010
- 2.75% for policies issued between 1 January 2011 and 30 June 2016
- 1.75% for policies issued between 1 July 2016 and 31 December 2017
- 1% for policies issued after 1 January 2018

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

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

Product	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020
M1, M2, M2-J	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
M1-J	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
MZ1	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
S1, S1-J	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
S1, S1-J	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
S3, S3-J, SDJ03	2.50%	MT RH 2000-02	2.50%	MT RH 2000-02
S3U, S3U-J, SDJU03	2.50%	MT RH 2000-02	2.50%	MT RH 2000-02
S3U, S3U-J, SDJU03	1.75%	MT RH 2000-02	1.75%	MT RH 2000-02
M3, M3-J	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
MZ2	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
MZ2-J	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
M4, M4-J, M6J, M6DJ	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
MZ4, MZ4-J	2.60%	MT RH 1989-91(less 30% smoothed)	2.60%	MT RH 1989-91(less 30% smoothed)
M5	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
M5-50	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
MZ5	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020
MZ5-50	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
MB1-J	2.50%	MT RH 2000-02	2.50%	MT RH 2000-02
M5U, M4U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
M5U-50	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2010-12, unisex
MZ5U, MZ4U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
MZ5U-50	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2010-12, unisex
M7U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
M6U, M8U-J	0.00%	MT RH 2010-12, unisex	0.00%	MT RH 2010-12, unisex
MZ6U, MZ8U-J	0.00%	MT RH 2010-12, unisex	0.00%	MT RH 2010-12, unisex
MB1U-J	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
MB2U-J	0.00%	MT RH 2010-12, unisex	0.00%	MT RH 2010-12, unisex
M5U-J, MZ5U-J, M6UJ, M6DUJ	2.60%	MT RH 2000-02, unisex	2.60%	MT RH 2000-02, unisex
M9U-J	0.74%	MT RH 2010-12, unisex	0.74%	MT RH 2010-12, unisex
D1	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
D1	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
DJ01, DJ01-J	2.60%	MT RH 2010-12	2.60%	MT RH 2010-12
DJ02, DJ02-J	2.50%	MT RH 2010-12, unisex	2.50%	MT RH 2010-12, unisex
DJ03, DJ03-J	0.00%	MT RH 2010-12, unisex	0.00%	MT RH 2010-12, unisex
RM1	2.60%	Mix of German tables DAV1994R and MT RH 1989-91	2.60%	Mix of German tables DAV1994R and MT RH 1989-91
RND-100, RND-150	2.50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2.50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP-150	2.50%	MT RH 2000-02, unisex	2.50%	MT RH 2000-02, unisex
RND1-100, RND1-150, RND2-100, RND2-150	0.00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	0.00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP1-150	0.00%	MT RH 2000-02, unisex	0.00%	MT RH 2000-02, unisex
TB1, DJTB01, DJTB01-J	2.60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.60%	MT RH 2010-12, incidence rates from Republic of Slovakia
TBZ1	2.60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.60%	MT RH 2010-12, incidence rates from Republic of Slovakia
TB5, TB5-U	2.60%	MT RH 2010-12, incidence rates from GenRe	2.60%	MT RH 2010-12, incidence rates from GenRe
TBZ5, TBZ5-U	2.60%	MT RH 2010-12, incidence rates from GenRe	2.60%	MT RH 2010-12, incidence rates from GenRe
DJTB02, DJTB02-J	2.50%	MT RH 2010-12, incidence rates from Republic of Slovakia	2.50%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB02, DJTB02-J	1.75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1.75%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB03	1.75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1.75%	MT RH 2010-12, incidence rates from Republic of Slovakia

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020
TB5U, TB5U-U, TBZ5U, TBZ5U-U	1.75%	MT RH 2010-12, incidence rates from GenRe, unisex	1.75%	MT RH 2010-12, incidence rates from GenRe, unisex
TBZ5, TBZ5-U	2.50%	MT RH 2010-12, incidence rates from GenRe, unisex	2.50%	MT RH 2010-12, incidence rates from GenRe, unisex
TB6UJ-U	0.00%	MT RH 2010-12, incidence rates from GenRe, unisex	0.00%	MT RH 2010-12, incidence rates from GenRe, unisex
IL, SPI-01	2.60%	MT RH 2000-02	2.60%	MT RH 2000-02
ULNZ, ULR	0.00%	MT RH 2010-12, unisex	0.00%	MT RH 2010-12, unisex
ULD	1.00%	MT RH 2010-12, unisex	1.00%	MT RH 2010-12, unisex
BD1	2.60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health	2.60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health
BD1U	2.50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	2.50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
BD1U	1.75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	1.75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
S4UN, S4UN-J	1.00%	MT RH 2010-12	1.00%	MT RH 2010-12
S4UP, S4UP-J	1.00%	MT RH 2010-12, adjusted for smoking according to WHO	1.00%	MT RH 2010-12, adjusted for smoking according to WHO
SS1US	1.00%	MT from Swiss RE, adjusted, unisex	1.00%	MT from Swiss RE, adjusted, unisex
SS1UN, SS1UPN	1.00%	MT SLO 2007	1.00%	MT SLO 2007
STB1UN, STB1UPN	1.00%	MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex	1.00%	MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex
STB1US	1.00%	MT SLO 2007, adjusted, MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex	1.00%	MT SLO 2007, adjusted, MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex

Policyholder bonuses

Discretionary bonuses

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

Guaranteed bonus

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

1.7 Liability adequacy test

Life assurance

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

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

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

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

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

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

The principal assumptions used are:

Segmentation

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

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

Mortality and morbidity

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

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

Persistency

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

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

Expenses

Estimations of future renewal and maintenance expenses included in the liability adequacy test are derived from the Group’s current experience. For future periods cash flows for expenses have been increased by a factor equal to the Group’s estimate of annual inflation (1.85%).

1.7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

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

Interest rate guarantee

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

Profit sharing

Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the credited rate over the guaranteed technical interest rate on individual policies.

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

LAT result

At year end the Company recognised HRK 934 thousand (2020: HRK 981 thousand) as a result of liability adequacy test for life assurance:

	2021	2020
	HRK'00	HRK'00
	0	0
Insurance with profit participation (without RM1)	0	0
Index linked and unit-linked insurance	0	0
Other life insurance	0	0
Annuity product RM1	934	981
Total	934	981

Non-life insurance

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

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

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

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

At year end no reserves for unexpired risk have been recognized as a result of liability adequacy testing (2020: none).

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

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

In 2021 the Group has estimated the impact on the Best Estimate Liabilities (“BEL”) at the end of the year of changes in key variables that may have a material effect, aligned with the parent company instructions and guidelines. For each time in the projection period cash flows are calculated and BEL were calculated as best estimated liabilities.

Life assurance

Company	Impact on profit or loss after tax	Impact on other comprehensive income after tax	Impact on profit or loss after tax	Impact on other comprehensive income after tax
	2021	2021	2020	2020
	HRK'000	HRK'000	HRK'000	HRK'000
Risk free rate +100bp	-146,878	-146,748	-59,189	-59,060
Risk free rate –100bp	162,756	162,613	269,069	268,926
Mortality (for products with death risk) +15%	6,196	6,190	104,675	104,670
Policy maintenance expenses +10%	28,192	28,167	126,272	126,247
Expense inflation +1%	17,441	17,426	115,210	115,195

Impact on profit or loss after tax is the same as impact on equity.

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

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

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

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

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

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

Non-life insurance

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

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

Non-life insurance contracts

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

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

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

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

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

Motor insurance

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

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

MTPL is regulated by the Act on Compulsory Insurance within the Transport Sector.

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

Property insurance

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

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

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

Non-life insurance contracts (continued)

Liability insurance

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

Accident insurance

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

Life assurance contracts

Bonuses

About 72.16% (2020: 72.88%) of the Group's life assurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders bonuses are guaranteed.

Premiums

There is a currency clause for all life products (amount of premium and sum assured is given in EUR or USD) and may be payable in regular installments or as a single premium at inception of the policy. The premium is paid and sum assured payable in Croatian kuna with EUR or USD currency clause. Some endowment and pure endowment - type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums and sum assured are not increased with inflation.

Term life insurance products

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

Endowment products

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

The Group also offered Capital Efficient Alternative Guarantee, ("CEAG" endowment product, which is a single premium product with guarantee of paid premium at maturity. The product offered potential upside at maturity on the Equity Index via a long-dated Call option.

Pure endowments

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

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

Life assurance contracts (continued)

Unit-linked and index-linked life assurance

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

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

Annuity insurance

The Group does not actively sell annuity products.

In the portfolio the Group has immediate lifelong annuity, immediate temporary risk annuity, both with single premium payment, and deferred lifelong annuity product. Policyholders can regularly pay premiums for deferred lifelong annuity under the existing contracts.

1.10 Property and equipment

Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets – cars HRK'000	Right-of-use assets - building HRK'000	Total HRK'000
Cost						
At 1 January 2020	41,133	2,077	31,114	-	77,684	152,008
Additions	-	-	3,429	5,936	-	9,370
Disposals	(19)	-	(441)	-	-	(460)
At 31 December 2020	41,114	2,077	34,107	5,936	77,684	160,918
At 1 January 2021	41,114	2,077	34,102	5,936	77,684	160,918
Additions	-	-	434	-	-	440
Disposals	(1,554)	(1,531)	(11,187)	-	-	(14,272)
At 31 December 2021	39,560	546	23,382	5,936	77,684	147,086
Depreciation						
At 1 January 2020	8,912	1,944	29,751	-	10,734	51,341
Depreciation charge for the year (Note 1.29)	1,006	13	2,049	821	9,305	13,194
Disposals	(7)	-	(454)	-	-	(461)
At 31 December 2020	9,911	1,957	31,346	821	20,039	64,074
At 1 January 2021	9,911	1,957	31,346	821	20,039	64,074
Depreciation charge for the year (Note 1.29)	775	-	1,097	1,207	10,038	13,117
Disposals	(1,086)	(1,531)	(11,187)	-	-	(13,804)
At 31 December 2021	9,600	426	21,254	2,028	30,077	63,387
Carrying amounts						
At 1 January 2020	32,221	133	1,363	-	66,950	100,667
At 31 December 2020	31,220	120	2,729	5,115	57,645	96,844
At 1 January 2021	31,220	120	2,729	5,115	57,645	96,844
At 31 December 2021	29,977	120	2,009	3,908	47,607	83,693

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,874 thousand (2020: HRK 4,874 thousand).

During 2021 and 2020 there were no capitalized borrowing costs related to the acquisition of property and equipment.

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

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

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

1.10 Property and equipment (continued)

Company

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets – cars HRK'000	Right-of-use assets - building HRK'000	Total HRK'000
Cost						
At 1 January 2020	37,376	1,944	29,454	0	77,684	146,458
Additions	-	-	3,288	5,936	-	9,224
Disposals	(19)	-	(441)	-	-	(460)
At 31 December 2020	37,357	1,944	32,301	5,936	77,684	155,222
At 1 January 2021	37,357	1,944	32,301	5,936	77,684	155,222
Additions	-	-	410	-	-	410
Disposals	(1,554)	(1,531)	(11,187)	-	-	(14,272)
At 31 December 2021	35,803	413	21,524	5,936	77,684	141,360
Depreciation and impairment losses						
At 1 January 2020	8,053	1,944	28,342	0	10,734	49,073
Depreciation charge for the year (Note 1.29)	925	-	1,841	821	9,305	12,892
Disposals	(7)	-	(454)	-	-	(461)
At 31 December 2020	8,971	1,944	29,729	821	20,039	61,504
At 1 January 2021	8,971	1,944	29,729	821	20,039	61,504
Depreciation charge for the year (Note 1.29)	696	-	964	1,207	10,038	12,905
Disposals	(1,086)	(1,531)	(11,180)	-	-	(13,797)
At 31 December 2021	8,581	413	19,513	2,028	30,077	60,612
Carrying amounts						
At 1 January 2020	29,323	-	1,112	0	66,950	97,385
At 31 December 2020	28,386	-	2,572	5,115	57,645	93,718
At 1 January 2021	28,386	-	2,572	5,115	57,654	93,717
At 31 December 2021	27,222	-	2,011	3,908	47,607	80,747

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,288 thousand (2020: HRK 4,288 thousand).

During 2021 and 2020 there were no capitalised borrowing costs related to the acquisition of property and equipment.

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

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

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

1.11 Investment property

	Group and Company HRK'000
Cost	
At 1 January 2020	51,382
Additions	418
At 31 December 2020	51,800
At 1 January 2021	51,800
Additions	-
At 31 December 2021	51,800
Depreciation	
At 1 January 2020	26,019
Depreciation charge for the year (Note 1.31)	1,257
Disposals	-
At 31 December 2020	27,276
At 1 January 2021	27,276
Depreciation charge for the year (Note 1.31)	1,270
Disposals	-
At 31 December 2021	28,546
Carrying amounts	
At 1 January 2020	25,363
At 31 December 2020	24,524
At 1 January 2021	24,524
At 31 December 2021	23,254

The rental income arising during the year amounted to HRK 3,285 thousand (2020: HRK 3,329 thousand), which is recognised in “Investment income” (Note 1.25). The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.31). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to HRK 956 thousand (2020: HRK 514 thousand) and are recognised in profit or loss within “Financial expenses” (Note 1.31).

The fair value of investment property is higher than carrying amount and amounts to HRK 31,903 thousand (2020: HRK 42,071 thousand).

The depreciation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).
Table below shows rental income from investment property in next 5 years:

in thousand HRK	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years
Group	3,285	2,1195	2,1195	2,1195	2,1195	649
Company	2,029	811	811	811	811	649

1.12 Deferred acquisition costs

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

An analysis of these deferred costs is set out below:

Group and Company

	Non-life		Life rider		Total	
	2021 HRK'000	2020 HRK'000	2021 HRK'000	2020 HRK'000	2021 HRK'000	2020 HRK'000
At 1 January	72,771	69,006	1,339	1,530	74,110	70,536
Capitalization of acquisition costs	65,505	66,669	469	459	65,973	67,128
Amortization of acquisition costs	(69,089)	(62,904)	(784)	(650)	(69,873)	(63,554)
Net change recognised in profit or loss (Note 1.28)	(3,269)	3,765	(315)	(191)	(3,584)	3,574
At 31 December	69,187	72,771	1,025	1,339	70,212	74,110

1.13 Other intangible assets

Group

	Goodwill HRK'000	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost						
At 1 January 2020	24	55,986	50,963	3,646	165,702	276,321
Additions	-	7,334	1,067	187	-	8,588
Transfer into use	-	3,511	135	(3,646)	-	-
Write off	-	-	(1,333)	-	-	(1,333)
At 31 December 2020	24	66,831	50,832	187	165,702	283,576
At 1 January 2021	24	66,831	50,832	187	165,702	283,576
Additions	-	2,010	1,371	2,644	-	6,025
Transfer into use	-	98	-	(98)	-	-
Write off	-	(821)	-	-	-	(821)
At 31 December 2021	24	68,118	52,203	2,733	165,702	288,780
Amortisation						
At 1 January 2020	-	44,378	45,823	-	12,887	103,088
Amortisation charge for the year (Note 1.29)	-	5,228	1,900	-	11,052	18,180
Write off	-	-	(1,332)	-	-	(1,332)
At 31 December 2020	-	49,606	46,391	-	23,939	119,936
At 1 January 2021	-	49,606	46,391	-	23,939	119,936
Amortisation charge for the year (Note 1.29)	-	6,388	2,789	-	11,051	20,228
Write off	-	(407)	-	-	-	(407)
At 31 December 2021	-	55,587	49,180	-	34,990	139,757
Carrying amounts						
At 1 January 2020	24	11,608	5,140	3,646	152,815	173,233
At 31 December 2020	24	17,225	4,441	187	141,763	163,639
At 1 January 2021	24	17,225	4,441	187	141,762	164,639
At 31 December 2021	-	12,531	3,998	2,733	130,711	149,974

During 2021 and 2020 there were no capitalized borrowing costs related to the acquisition of software.

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

1.13 Other intangible assets (continued)

Company

	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost					
At 1 January 2020					
	55,986	41,747	3,646	165,702	267,081
Additions	7,334	795	52	-	8,181
Transfer into use	3,511	-	(3,511)	-	-
Write off	-	(1,332)	-	-	(1,332)
At 31 December 2020	66,831	41,210	187	165,702	273,930
At 1 January 2021	66,831	41,210	187	165,702	273,930
Additions	2,010	930	2,644	-	5,584
Transfer into use	98	-	(98)	-	0
Write off	(821)	-	-	-	(821)
At 31 December 2021	68,118	42,140	2,733	165,702	278,693
Amortisation					
At 1 January 2020	44,378	39,667	-	12,888	96,933
Amortisation charge for the year (Note 1.29)	5,228	921	-	11,052	17,201
Write off	-	(1,332)	-	-	(1,332)
At 31 December 2020	49,606	39,256	-	23,940	112,802
At 1 January 2021	49,606	39,256	-	23,940	112,802
Amortisation charge for the year (Note 1.29)	6,388	876	-	11,051	18,315
Write off	(407)	-	-	-	(407)
At 31 December 2021	55,587	40,132	-	34,991	130,710
Carrying amounts					
At 1 January 2020	11,608	2,079	3,646	152,814	170,147
At 31 December 2020	17,225	1,954	187	141,762	161,128
At 1 January 2021	17,225	1,954	187	141,762	161,128
At 31 December 2021	12,531	2,008	2,733	130,711	147,978

During 2021 and 2020 there were no capitalized borrowing costs related to the acquisition of software.

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

1.14 Investments in subsidiaries

a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2021	Group ownership at 31 December 2020
<i>Investments in subsidiaries - held at cost</i>				
Allianz Invest d.o.o.	Investment	Croatia	100%	100%
AZ Servisni centar d.o.o.	Claim evaluation and IT services	Croatia	100%	100%
Autoelektro tehnički pregledi d.o.o.	Car evaluation services	Croatia	49%	49%
<i>Investments in subsidiaries - held at fair value through profit or loss</i>				
Allianz Short Term Bond, open-ended investment fund	Investment	Croatia	74.89%	63.3%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	76.56%	74.4%
<i>Investments in subsidiaries – available for sale</i>				
Allianz Equity, open-ended investment fund	Investment	Croatia	33%	30%

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

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one open-ended fund at 31 December 2020 and 31 December 2021, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor. Investment in Allianz Portfolio relates also to investments made through unit linked products. At 31 December 2021 total investment in Allianz Portfolio, related to unit linked investments, amounted to HRK 82,573 thousands (2020: HRK 70,420 thousands).

b) Investments in subsidiaries are as follows:

	Company 2021 HRK'000	Company 2020 HRK'000
<i>Investments in subsidiaries - held at cost</i>		
Allianz Invest d.o.o.	5,000	5,000
AZ Servisni centar d.o.o.	200	200
Autoelektro tehnički pregledi d.o.o.	488	488
Total subsidiaries at cost	5,688	5,688
<i>Investments in subsidiaries - designated at fair value through profit or loss</i>		
Allianz Short Term Bond, open-ended investment fund	82,996	88,413
Allianz Portfolio, open-ended investment fund	94,283	81,401
Total subsidiaries at fair value through profit or loss	177,279	169,814
<i>Investments in subsidiaries - available for sale</i>		
Allianz Equity, open-ended investment fund	12,586	10,450
Total subsidiaries available for sale	12,586	10,450
	195,553	185,952

1.14 Investments in subsidiaries (continued)

c) Movements in investments in subsidiaries was as follows:

	<i>Investments in subsidiaries - held at cost</i>	<i>Investments in subsidiaries - designated at fair value through profit or loss</i>	<i>Investments in subsidiaries - available for sale</i>	TOTAL
At 1 January 2020	5,688	160,435	11,417	177,540
Acquisition	-	32,196	-	32,196
Disposal	-	(22,279)	-	(22,279)
Fair value gains/loss	-	(538)	(967)	(1,505)
At 31 December 2020	5,688	169,814	10,450	185,952
At 1 January 2021	5,688	169,814	10,450	185,952
Acquisition	-	118,747	-	118,747
Disposal	-	(119,937)	-	(119,937)
Fair value gains/loss	-	8,665	2,136	10,791
At 31 December 2021	5,688	177,279	12,586	195,553

d) Non-controlling interest

The following is summarized financial information for the Autoelektro tehnički pregledi d.o.o. The information is before intercompany eliminations with other companies in the Group:

	2021 HRK'000	2020 HRK'000
Revenue	607	534
Profit	193	131
Profit attributable to NCI	94	65
Current assets	650	489
Non-current assets	2,758	2,842
Current liabilities	(136)	(107)
Non-current liabilities	(2,302)	(2,529)
Net assets	970	694
Net assets attributable to NCI	495	340

	2021 HRK'000	2020 HRK'000
Profit	192	131
Adjustment for:		
Amortization	83	84
Interest expense	149	-
Decrease/increase in receivables	(7)	1
Decrease/increase in accounts payable and other payables	-	(12)
Net cash from operating activities	(7)	1
Loan repayment	(264)	(107)
Net cash from finance activities	(264)	(107)
Net increase in cash and cash equivalents	153	109
Cash and cash equivalents at 1 January	425	328
Cash and cash equivalents at 31 December	578	425

1.15 Financial investments (continued)

a) Loans and receivables

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Deposits with banks	5,500	6,173	5,500	6,173
Loans to customers and policyholders	26,663	32,629	26,638	32,604
Subordinated loan to subsidiary	-	-	2,428	2,692
Impairment allowance on loans to customers	(527)	(539)	(527)	(539)
	31,636	38,264	34,039	40,930

Loans to customers mainly consist of loans to policyholders which are predominantly collateralised by the redemption value of life assurance policies or by real estate.

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
At 1 January	539	584	539	584
Impairment losses on loans	5	99	5	99
Release of impairment allowance	(17)	(9)	(17)	(9)
Collection of amounts previously provided	-	-	-	-
Net impairment losses/(reversal of impairment losses) recognised in profit or loss (Note 1.31)	(12)	90	(12)	90
Amounts written off	-	(135)	-	(135)
At 31 December	527	539	527	539

1.15 Financial investments (continued)

b) Reclassifications

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

Reclassification date	Net book value at the reclassification date HRK'000	Effective interest rate at the reclassification date %	Other comprehensive income up to the reclassification date HRK'000
21 August 2008	127,607	5.66	(9,173)
6 October 2008	99,367	5.66	(1,306)
26 March 2010	156,691	6.06	8,518
4 July 2011	77,388	6.06	4,047
10 October 2011	57,927	6.96	(356)
Total	518,980	5.87	(1,730)

	At the reclassification date		31 December 2021		31 December 2020	
	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000
Assets reclassified in 2008:						
Debt securities	226,974	226,974	-	-	-	-
Assets reclassified in 2010:						
Debt securities	156,691	156,691	-	-	-	-
Assets reclassified in 2011:						
Debt securities	135,315	135,315	61,724	64,066	59,904	66,535
	518,980	518,980	61,724	64,066	59,904	66,535

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

	2021		2020	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	3,912	-	6,538	-
Amortisation of premium	245	-	410	-
Amortisation of fair value reserve to profit or loss	(32)	-	(251)	-
Fair value reserve balance, net of income tax	-	(26)	-	(206)
	4,125	(26)	6,697	(206)

1.15 Financial investments (continued)

b) Reclassifications (continued)

The following table shows the amounts that would have been recognised in profit or loss and other comprehensive income from reclassified assets in 2020 and 2019 if there had been no reclassification:

	2021		2020	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	3,912	-	6,538	-
Amortisation of premium	245	-	410	-
Change in fair value reserve, net of income tax	-	(4,200)	-	(2,949)
	<u>4,157</u>	<u>(4,200)</u>	<u>6,948</u>	<u>(2,949)</u>

1.15 Financial investments (continued)

c) Breakdown

Group

	Held-to-maturity investments HRK '000	Available-for-sale financial assets HRK '000	Fair value through profit or loss HRK'000	Loans and receivables HRK '000	Total HRK '000
31 December 2021					
Shares	-	-	87,689	-	87,689
Shares relating to share-based payments	-	-	8,386	-	8,386
Call option /i/	-	-	9,410	-	9,410
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	118,378	2,225,679	50,313	-	2,394,370
Bonds – Governments of EU member states – listed	-	862,931	27,419	-	890,350
Bonds – Governments of other states – listed	-	230,905	-	-	230,905
Foreign and domestic corporate bonds – listed	-	12,046	32	-	12,078
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	-	-
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	-	-
	118,378	3,331,561	77,764	-	3,527,703
Investment funds – quoted					
Open – ended investment funds	-	128,311	42,111	-	170,422
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	725,553	-	725,553
Close – ended investment funds – quoted	-	100,485	-	-	100,485
	-	228,796	767,664	-	996,460
Loans and receivables					
Deposits with credit institutions	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	10,185	10,185
Mortgage loans	-	-	-	13,050	13,050
Other loans	-	-	-	2,876	2,876
	118,378	3,681,796	950,913	32,208	4,780,295
31 December 2020					
Shares	-	88,240	60,028	-	148,270
Shares relating to share-based payments	-	-	7,514	-	7,514
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	118,775	2,314,885	75,474	-	2,509,134
Bonds – Governments of EU member states – listed	-	885,271	41,904	-	927,175
Bonds – Governments of other states – listed	-	240,803	-	-	240,803
Foreign and domestic corporate bonds – listed	-	9,516	35	-	9,551
	118,775	3,450,475	117,413	-	3,686,663
Investment funds - quoted					
Open – ended investment funds	-	225,805	28,191	-	253,996
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	778,432	-	778,432
Close – ended investment funds – quoted	-	104,446	-	-	104,446
	-	330,251	806,623	-	1,136,874
Loans and receivables					
Deposits with credit institutions	-	-	-	6,173	6,173
Loans to policyholders	-	-	-	12,045	12,045
Mortgage loans	-	-	-	16,834	16,834
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	2,692	2,692
Other loans	-	-	-	514	514
	118,775	3,868,968	991,578	38,258	5,017,579

Fair value Call option in the amount of 9,410 thousand HRK (2002: - HRK) has been valued at fair value, level 3.

1.15 Financial investments (continued)

c) Breakdown (continued)

Company	Investments	Held-to-	Available-for-	Financial assets at	Loans and	Total
	in subsidiaries at cost	maturity investments	sale financial assets	fair value through profit or loss	receivables	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2021						
Shares	-	-	121,439	-	-	121,439
Shares relating to share-based payments	-	-	-	8,386	-	8,386
Call option	-	-	-	9,410	-	9,410
Investments in subsidiaries	5,688	-	12,586	177,279	-	195,553
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	61,724	2,225,679	-	-	2,287,403
Bonds – Governments of EU member states – listed	-	-	862,931	-	-	862,931
Bonds – Governments no EU member states – listed	-	-	230,905	-	-	230,905
Foreign and domestic corporate bonds – listed	-	-	12,046	-	-	12,046
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	-	-	-
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	-	-	-
	5,688	61,724	3,465,586	195,075	-	3,728,073
Investment funds - quoted						
Open – ended investment funds	-	-	128,311	36,011	-	164,322
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	725,553	-	725,553
Close – ended investment funds – quoted	-	-	100,485	-	-	100,485
	-	-	228,796	761,564	-	990,360
Loans and receivables						
Deposits with credit institutions	-	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	-	10,185	10,185
Mortgage loans	-	-	-	-	13,050	13,050
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	-	2,428	2,428
Other loans	-	-	-	-	2,876	2,876
	-	-	-	-	34,039	34,039
	195,553	61,724	3,681,796	779,360	34,039	4,752,473
31 December 2020						
Shares	-	-	88,242	-	-	88,242
Shares relating to share-based payments	-	-	-	7,514	-	7,514
Investments in subsidiaries	5,688	-	10,450	169,814	-	185,952
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	61,641	2,314,886	-	-	2,376,527
Bonds – Governments of EU member states – listed	-	-	885,271	-	-	885,271
Bonds – Governments of other states – listed	-	-	240,803	-	-	240,803
Foreign and domestic corporate bonds – listed	-	-	9,515	-	-	9,515
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	-	-	-
	-	61,641	3,549,167	177,328	-	3,512,116
Investment funds - quoted						
Open – ended investment funds	-	-	225,805	23,509	-	249,314
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	778,432	-	778,432
Close – ended investment funds – quoted	-	-	104,446	-	-	104,446
	-	-	330,251	801,941	-	1,132,192
Loans and receivables						
Deposits with credit institutions	-	-	-	-	6,173	6,173
Loans to policyholders	-	-	-	-	12,045	12,045
Mortgage loans	-	-	-	-	19,363	19,363
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	-	2,692	2,692
Other loans	-	-	-	-	657	657
	185,952	61,641	3,868,968	809,455	40,930	4,966,946

1.15 Financial investments (continued)

c) Breakdown (continued)

Bonds issued by governments of EU member states include bonds of the Republic of Germany of HRK 170,748 thousand (2020: HRK 182,192 thousand), Republic of Poland of HRK 18,314 thousand (2020: 19,884 thousand), Slovak Republic of HRK 102,860 thousand (2020: 108,438 thousand) and the Kingdom of Spain of 172,937 thousand (2020: HRK 187,442 thousand), Romania of HRK 215,037 thousand (2020: HRK 160,882 thousand), Portugal of HRK 73,408 thousand (2020: HRK 78,668 thousand), Austria of HRK 89,776 thousand (2020: HRK 100,168 thousand).

1.16 Reinsurers' share of insurance contract liabilities

Group and Company

	<i>Note</i>	2021 HRK'000	2020 HRK'000
Non-life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	97,400	90,760
Reinsurance share in notified outstanding claims reserve	1.20 b)	68,640	68,407
Reinsurance share in incurred but not reported claims reserve	1.20 c)	31,288	75,444
		<hr/>	<hr/>
Total non-life insurance		197,328	234,611
		<hr/>	<hr/>
Life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	113	123
Reinsurance share incurred but not reported claims reserve	1.20 c)	500	612
Reinsurance share in life assurance provision	1.20 d)	372	327
		<hr/>	<hr/>
Total life insurance		985	1,062
		<hr/>	<hr/>
Total reinsurance share of insurance		198,313	235,673
		<hr/> <hr/>	<hr/> <hr/>

1.17 Deferred tax liability

Group

	Temporary differences						Deferred tax asset on tax losses HRK'000
	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000	
Balance as at 1 January 2020	(73,692)	(2,318)	5,879	(84,160)	2,687	1,848	2,372
Recognised in profit or loss (Note 1.33)	2,355	(305)	-	-	-	-	2,660
<i>Total recognised in in profit and loss</i>	2,355	(305)	-	-	-	-	2,660
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	391	-	-	391	-	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-	-
Balance as at 31 December 2020	(70,946)	(2,623)	5,879	(83,769)	2,687	1,848	5,032
Balance as at 1 January 2021	(70,946)	(2,623)	5,879	(83,769)	2,687	1,848	5,032
Recognised in profit or loss (Note 1.33)	5,621	-	48	-	-	-	5,573
<i>Total recognised in in profit and loss</i>	5,621	-	-	-	-	-	5,573
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	20,488	-	-	20,488	-	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-	-
Balance as at 31 December 2021	(44,837)	(2,623)	5,927	(63,281)	2,687	1,848	10,605

Company

	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000	Deferred tax asset on tax losses HRK'000
	Balance as at 1 January 2020	(73,692)	54	5,879	(84,160)	2,687	1,848
Recognised in profit or loss (Note 1.33)	-	-	-	-	-	-	2,660
<i>Total recognised in profit and loss</i>	2,355	2,355	-	-	-	-	2,660
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	391	-	-	391	-	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-	-
Balance as at 31 December 2020	(70,946)	2,409	5,879	(83,769)	2,687	1,848	2,660
Balance as at 1 January 2021	(70,946)	2,409	5,879	(83,769)	2,687	1,848	2,660
Recognised in profit or loss (Note 1.33)	5,621	5,574	48	-	-	-	5,573
<i>Total recognised in profit and loss</i>	5,621	5,574	-	-	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	20,488	-	-	20,488	-	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-	-
Balance as at 31 December 2021	(44,837)	7,983	5,927	(63,281)	2,687	1,848	8,233

1.18 Insurance receivables and other assets

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Receivables arising from insurance contracts				
- from contract holders (from policyholders)	156,499	162,481	156,499	162,481
- from agents, brokers and intermediaries	-	-	-	-
Receivables from reinsurance				
- for claims recoveries	30,627	34,562	30,627	34,562
- for reinsurance commission	1,625	2,667	1,625	2,668
- for reinsurance premium paid in advance		-		-
Other receivables and prepayments	47,361	48,007	44,810	47,903
Impairment allowance				
- for insurance receivables	(33,101)	(39,703)	(33,101)	(39,703)
- for reinsurance receivables	(1,128)	(1,128)	(1,128)	(1,128)
- for other receivables	(3,244)	(4,278)	(3,244)	(4,372)
	198,639	202,608	196,088	202,411

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Neither past due nor impaired	149,758	106,602	148,412	153,611
Past due 0-30	18,047	31,75	17,797	21,151
Past due 31-60	7,616	11,71	7,51	7,802
Past due 61-90	5,725	9,6	5,645	6,392
Past due 91-120	6,493	10,301	6,403	6,863
Past due more than 120 days	48,473	77,754	47,794	51,795
Impairment allowance	(37,473)	(45,109)	(37,473)	(45,203)
	198,639	202,608	196,088	202,411

1.18 Insurance receivables and other assets (continued)

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

	Group and Company 2021 HRK'000	Group and Company 2020 HRK'000
At 1 January	39,701	41,868
Increase in impairment losses	10,133	12,401
Collection of amounts previously provided	(9,434)	(7,885)
Reversal of impairment losses recognised in profit or loss (Note 1.23)	699	4,516
Amounts written off	(7,299)	(6,683)
At 31 December	33,101	39,701

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

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

	Group and Company 2021 HRK'000	Group and Company 2020 HRK'000
At 1 January	5,500	6,512
Increase in provisions for other receivables	71	3,455
Collection of amounts previously provided	(1,154)	(2,769)
Impairment losses recognised in profit or loss (Note 1.30)	(1,083)	686
Amounts written off	(45)	(1,698)
At 31 December	4,372	5,500

1.19 Cash and cash equivalents

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Cash at bank	234,581	107,008	182,126	70,733
Deposits in banks with original maturity up to three months	-	54,453	-	47,453
	234,581	161,461	182,126	118,186

1.20 Insurance contract liabilities

Group and Company

	2021 HRK'000	2020 HRK'000
Non-life insurance		
Provision for unearned premiums (Note 1.20a)	452,728	442,511
Notified outstanding claims reserve (Note 1.20b)	255,545	267,927
Incurred but not reported claims reserve (Note 1.20c)	246,882	264,822
Other provisions	6,149	4,811
Total non-life	961,304	980,071
Life assurance		
Provision for unearned premiums (Note 1.20a)	8,449	10,282
Life assurance provision (Note 1.20d)	2,425,958	2,428,603
Provision arising from liability adequacy test (Note 1.20d)	934	981
	2,426,892	2,429,584
Life assurance provision for unit-linked and index-linked products (Note 1.20e)	808,126	848,853
Notified outstanding claims reserve (Note 1.20b)	62,304	80,366
Incurred but not reported claims reserve (Note 1.20c)	2,629	2,801
Other provisions	-	-
Total life	3,308,399	3,371,886
Total insurance contract liabilities	4,269,703	4,351,957

Other provisions relate to provisions for bonuses and rebates and unexpired risk reserve. As at 31 December 2021 there is no unexpired risk reserve (2020: no unexpired risk reserve).

a) Analysis of movement on provision for unearned premium

Group and Company	2021			2020		
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsuran ce HRK'000	Net HRK'000
<i>Non-life business</i>						
At 1 January	442,512	90,760	351,752	437,188	98,125	339,063
Premiums written during the year	792,816	115,194	677,622	766,289	98,197	668,092
Premiums earned during the year	(782,600)	(108,554)	(674,046)	(760,965)	(105,562)	(655,403)
At 31 December	452,728	97,400	355,328	442,512	90,760	351,752
<i>Life assurance business</i>						
At 1 January	10,282	123	10,159	12,532	131	12,401
Premiums written during the year	26,359	308	26,052	27,273	1,668	25,605
Premiums earned during the year	(28,192)	(317)	(27,875)	(29,523)	(1,676)	(27,847)
At 31 December	8,449	113	8,336	10,282	123	10,159

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

1.20 Insurance contract liabilities (continued)

b) Analysis of movements in notified outstanding claims reserve

	Group and Company			Group and Company		
	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000	2020 Gross HRK'000	2020 Reinsurance HRK'000	2020 Net HRK'000
<i>Non-life business</i>						
At 1 January	267,927	68,407	199,520	271,681	53,958	217,723
Current year claims	395,508	116,131	279,377	442,506	113,128	329,378
Change in previous year claims	1,300	(29,475)	30,775	(7,094)	(6,718)	(376)
Claims paid	(409,190)	(86,423)	(322,767)	(439,166)	(91,961)	(347,205)
At 31 December	255,545	68,640	186,905	267,927	68,407	199,520
<i>Life assurance business</i>						
At 1 January	80,366	-	80,366	71,610	-	71,610
Current year claims	497,069	-	497,069	424,525	-	424,525
Change in previous year claims	(39,103)	-	(39,103)	(25,441)	-	(25,441)
Claims paid	(476,028)	-	(476,028)	(390,328)	-	(390,328)
At 31 December	62,304	-	62,304	80,366	-	80,366

In Croatia there were two earthquakes in Petrinja (December 2020) and Zagreb (March 2020) which led to increase in reinsurance in 2021, increase in claims in 2020 and increase in claims paid in 2021.

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

	Group and Company			Group and Company		
	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000	2020 Gross HRK'000	2020 Reinsurance HRK'000	2020 Net HRK'000
<i>Non-life business</i>						
At 1 January	264,822	75,444	189,378	166,871	7,072	159,799
Increase	98,628	(4,752)	103,380	157,586	71,927	85,659
Less transfer to claims reported provision	(116,567)	(39,404)	(77,163)	(59,636)	(3,555)	(56,081)
At 31 December	246,883	31,288	215,595	264,821	75,444	189,377
<i>Life assurance business</i>						
At 1 January	2,801	612	2,189	2,772	610	2,162
Increase	331	(84)	415	847	77	770
Less transfer to claims reported provision Transfer	(503)	(28)	(475)	(818)	(75)	(743)
At 31 December	2,629	500	2,129	2,801	612	2,189

1.20 Insurance contract liabilities (continued)

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

Group and Company	2021	2021	2021	2020	2020	2020
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsurance HRK'000	Net HRK'000
At 1 January	2,429,584	327	2,487,875	2,488,173	298	2,487,875
Premium allocation	221,844	634	220,155	206,788	1,151	205,637
Release of liabilities due to benefits paid, surrenders and other terminations	(275,873)	(589)	(275,285)	(322,360)	(1,122)	(321,238)
Unwinding of discount/accretion of interest	53,664	-	53,664	64,892	-	64,892
Change in liability arising from liability adequacy test	(45)	-	(45)	(17)	-	(17)
Change in Zillmer adjustment	9,011	-	9,011	9,364	-	9,364
Allocation of discretionary and guaranteed bonuses	(9,343)	-	(9,343)	(13,921)	-	(13,921)
Change in unearned premium reserve	(1,950)	-	(1,950)	(3,335)	-	(3,335)
At 31 December	2,426,892	372	2,484,082	2,429,584	327	2,429,257

Life assurance provision amounted to HRK 2,425,958 thousand (2020: HRK 2,428,603 thousand), Provision arising from liability adequacy test amounted to HRK 934 thousand (2020: HRK 981 thousand).

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

Group and Company	2021	2020
	Gross and Net HRK'000	Gross and Net HRK'000
At 1 January	848,853	814,657
Premium allocation	105,257	88,630
Release of liabilities due to benefits paid, surrenders and other terminations	(157,336)	(47,927)
Net gains from change in fair value of assets backing life assurance provision for unit-linked and index-linked products	11,352	(6,507)
At 31 December	808,126	848,853

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR)

For the year ended 31 December 2021

Group and Company	Prior 2015	2015	2016	2017	2018	2019	2020	2021	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year	-	388,045	324,124	349,596	330,955	408,403	593,671	430,929	-
One year later	-	360,853	314,515	341,451	336,138	378,951	553,408		-
Two years later	-	340,217	304,410	324,316	315,752	367,224			-
Three years later	-	340,149	296,470	325,332	321,956				-
Four years later	-	335,504	295,212	324,090					-
Five years later	-	335,115	293,180						-
Six years later	-	330,000							-
Estimate of cumulative claims	-	330,000	293,180	324,090	321,956	367,224	553,408	430,929	2,620,787
Cumulative payments	-	308,670	273,750	297,690	286,322	324,522	426,357	234,712	2,152,023
Provisions for prior years	70,293	-	-	-	-	-	-	-	70,293
Claims handling costs	4,243	1,233	1,123	1,519	2,024	2,379	7,329	8,454	28,304
Value recognised in the statement of financial position	74,535	22,563	20,553	27,918	37,658	45,082	134,379	204,671	567,359
Non life	Prior 2015	2015	2016	2017	2018	2019	2020	2021	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year	-	367,811	301,975	326,046	297,264	368,626	536,991	395,010	-
One year later	-	353,145	304,704	330,660	318,804	366,280	540,942		-
Two years later	-	334,391	297,250	315,844	308,695	358,891			-
Three years later	-	335,040	290,206	319,895	316,361				-
Four years later	-	331,005	291,122	319,562					-
Five years later	-	332,427	289,581						-
Six years later	-	325,682							-
Estimate of cumulative claims	-	325,682	289,581	319,562	316,361	358,891	540,942	395,010	2,546,029
Cumulative payments	-	306,786	271,578	295,774	284,650	323,049	424,667	233,802	2,140,306
Provisions for prior years	70,293	-	-	-	-	-	-	-	70,293
Claims handling cost	4,243	1,160	1,080	1,440	1,906	2,173	7,005	7,403	26,410
Value recognised in the statement of financial position	74,535	20,056	19,083	25,228	33,617	38,015	123,281	168,611	502,426

1.20 Insurance contract liabilities (continued)**f) Development of claims (NOCR and IBNR continued)**

For the year ended 31 December 2021

Life	Prior 2015	2015	2016	2017	2018	2019	2020	2021	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year	-	20,234	22,149	23,551	33,692	39,777	56,680	35,919	-
One year later	-	7,708	9,811	10,791	17,335	12,671	12,465		-
Two years later	-	5,826	7,160	8,472	7,057	8,334			-
Three years later	-	5,109	6,263	5,437	5,595				-
Four years later	-	4,500	4,090	4,527					-
Five years later	-	2,687	3,598						-
Six years later	-	4,318							-
Estimate of cumulative claims	-	4,318	3,598	4,527	5,595	8,334	12,465	35,919	74,757
Cumulative payments	-	1,883	2,172	1,916	1,672	1,472	1,691	910	11,716
Provisions for prior years	-	-	-	-	-	-	-	-	-
Claims handling cost	-	73	43	78	118	206	323	1,050	1,891
Value recognised in the statement of financial position	-	2,508	1,469	2,689	4,041	7,067	11,098	36,060	64,932

1.20 Insurance contract liabilities (continued)

g) Remaining maturities of insurance liabilities

Group and Company 2021

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	355,679	103,281	1,896	254	66	-	461,176
NOCR & IBNR	294,695	167,050	55,863	25,140	11,971	12,641	567,360
Life assurance provisions, provision for unit linked products and provision arising from LAT	923,704	672,995	726,800	545,260	259,459	106,801	3,235,019
Other insurance provisions	6,149	-	-	-	-	-	6,149
Insurance liabilities	1,580,227	943,326	784,559	570,654	271,496	119,442	4,269,704

Group and Company 2020

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	347,175	103,116	2,341	148	14	-	452,794
NOCR & IBNR	347,452	167,493	53,596	24,012	10,009	13,352	615,914
Life assurance provisions, provision for unit linked products and provision arising from LAT	300,636	1,253,634	646,178	558,303	302,008	217,672	3,278,431
Other insurance provisions	4,812	-	-	-	-	-	4,812
Insurance liabilities	1,000,075	1,524,243	702,115	582,463	312,031	231,024	4,351,951

UPR stands for unearned premium reserve.

NOCR stands for notified outstanding claims reserve, also known as reported but not settled (RBNS) claims reserve.

IBNR stands for incurred but not reported claims reserve.

LAT stands for liability adequacy test.

1.20 Insurance contract liabilities (continued)

h) Analysis of claims ratio, gross

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

Non-life insurance business	Claims ratio gross	Costs ratio gross	Combined ratio gross	Claims ratio gross	Costs ratio gross	Combined ratio gross
	2021	2021	2021	2020	2020	2020
Motor vehicle liability insurance	52,28%	40,23%	92,51%	68,95%	39,97%	108,92%
Other motor insurance	62,99%	34,40%	97,40%	64,71%	32,45%	97,15%
Fire and other damage to property insurance	52,91%	39,81%	92,71%	123,60%	46,20%	169,80%
General liability insurance	44,05%	31,19%	75,24%	31,70%	34,60%	66,30%
Marine, aviation and transport	30,01%	36,32%	66,33%	48,93%	31,44%	80,36%
Credit and suretyship insurance	10,38%	23,07%	33,45%	-1,65%	19,71%	18,07%
Personal accident insurance	17,48%	38,94%	56,42%	21,72%	47,29%	69,01%
Health insurance	47,82%	31,86%	79,69%	37,56%	31,95%	69,51%
Miscellaneous financial loss	21,17%	29,20%	50,36%	26,93%	29,09%	56,02%
Assistance	28,30%	39,41%	67,71%	26,48%	30,69%	57,18%
TOTAL - NON LIFE	48,45%	36,58%	85,03%	70,51%	38,80%	109,31%

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

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

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

Combined ratio = claims ratio + costs ratio

1.21 Insurance and other payables and deferred income

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Direct insurance contract payables				
- to policyholders	30,017	12,418	30,017	12,418
- to agents, brokers and intermediaries	18,565	22,290	18,565	22,290
Reinsurance contract payables	29,732	58,409	29,732	58,409
Reinsurance commission deferral	4,435	4,168	4,435	4,168
Commission expenses accrual	3,226	2,985	3,226	2,985
Provision for bonuses to employees	9,528	7,819	8,941	7,009
Liabilities for salaries	5,884	7,281	5,573	6,903
Liabilities for premium paid in advance	90,224	17,647	90,224	17,647
Liabilities for share based payments (Note 1.34)	8,384	6,087	8,384	6,087
Liabilities to investment funds non-controlling unitholders	83,118	95,868	-	-
Trade payables	6,132	11,178	5,678	11,177
Liabilities to Croatian Insurance Bureau	12,896	12,896	12,896	12,896
Accrued expenses	20,952	13,137	20,726	12,706
Other payables	29,908	18,848	26,027	18,171
	<u>353,001</u>	<u>291,031</u>	<u>264,424</u>	<u>192,866</u>

1.22 Equity

a) Issued share capital

	2021 HRK'000	2020 HRK'000
Authorised, issued and fully paid		
254,306 (2020:254,306) ordinary shares of HRK 400	<u>101,722</u>	<u>101,722</u>

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

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

	2021 % ownership	2020 % ownership
Allianz Holding eins GmbH, Austria	83,16	-
Allianz New Europe Holding GmbH, Austria	-	83,16
Zagrebačka banka d.d., Croatia	16,84	16,84
	<u>100,00</u>	<u>100,00</u>

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

b) Share premium

As a result of the shares issues in period from 1999 to 2008, the Company recognised total share premium in the amount of HRK 112,001 thousand (2020: HRK 112,001 thousand) representing the excess of the paid-in amount over the nominal value of the issued shares. In 2013 the Company increased its issued share capital by converting share premium amounting to HRK 7,500 thousand into share capital (bonus share issue) by issuing 18,750 new ordinary shares each with the nominal amount of HRK 400. New shares were awarded to the existing shareholders in proportion to their current shareholdings. There were no subsequent changes.

1.22 Equity (continued)

c) Fair value reserve

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
At 1 January				
Gross fair value reserve	465,401	467,575	465,377	467,551
Deferred tax (Note 1,17)	(83,769)	(84,160)	(83,769)	(84,160)
Net	381,632	383,415	381,608	383,391
Net gains from change in fair value of available-for-sale financial assets	(111,482)	(9,736)	(111,458)	(9,576)
Net gains on disposal of available-for-sale financial assets - transfer to profit or loss (Note 1,25)	(8,324)	(6,799)	(8,324)	(6,914)
Impairment loss on financial assets available for sale (Note 1,31)	5,959	14,360	5,959	14,315
	(113,847)	(2,175)	(113,823)	(2,175)
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1,17)	20,488	391	20,488	391
<i>Total result net of deferred tax</i>	<i>(93,359)</i>	<i>(1,784)</i>	<i>(93,335)</i>	<i>(1,784)</i>
At 31 December				
Gross fair value reserve	351,554	465,401	351,554	465,377
Deferred tax (Note 1,17)	(63,281)	(83,769)	(63,281)	(83,769)
Net	288,273	381,632	288,273	381,608

d) Legal reserve

The legal reserve (HRK 25,053 thousand at 31 December 2021 and 2020) represents accumulated appropriations from retained earnings in accordance with Insurance Law effective until 31 December 2005, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable statutory reserve until the reserve reaches half of the average of earned premium of the preceding two years.

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

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

e) Retained earnings

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

1.22 Equity (continued)

f) Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Company (the Company has no preference shares). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares (no treasury shares in either 2021 or 2020). The weighted average number of ordinary shares used for basic earnings per share was 254,306 (2020: 254,306). Given that there is no effect of options, convertible bonds or similar effect, the weighted average number of ordinary shares used for diluted earnings per share was the same as used to calculate basic earnings per share: 254,306 (2020: 254,306).

	Group 2021	Group 2020	Company 2021	Company 2020
Profit attributable to ordinary shareholders of the Company for earnings per share in HRK '000	106,890	54,543	106,550	54,317
Weighted average number of ordinary shares at 31 December	254,306	254,306	254,306	254,306
Basic and diluted earnings per share attributable to equity holders of the Company in HRK	420,32	214,48	418,98	213,59

g) Dividends per share

During 2021, the Company declared and paid a dividend in amount 202,546 thousand (796,47 per share).

During 2020, the Company paid no dividend. Due to the COVID 19 crisis, the Regulatory Agency made a decision in March 2020 to stop the dividend payout for all insurance companies in Croatia till 30th April 2021.

1.23 Premiums

	Group and Company 2021 HRK'000	Group and Company 2020 HRK'000
<i>Non-life insurance</i>		
Gross premium written	792,126	761,773
Written premiums ceded to reinsurers	(115,194)	(98,197)
Net premiums written from non-life insurance	676,931	663,576
Change in unearned premiums, gross	(10,217)	(5,324)
Change in unearned premiums, reinsurance share	6,640	(7,365)
Total premium income net, (earned) from non-life insurance	673,354	650,887
<i>Life assurance</i>		
Gross premium written	437,385	379,867
Written premiums ceded to reinsurers	(1,353)	(3,003)
Net premiums written from life assurance	436,033	376,864
Change in unearned premiums, gross	1,833	2,250
Change in unearned premiums, reinsurance share	(10)	(8)
Total premium income net, (earned) from life assurance	437,856	379,106
Total gross premiums written	1,229,511	1,141,640
Total premiums ceded to reinsurers	(116,547)	(101,200)
Total net premiums written	1,112,964	1,040,440
Total change in the gross provision for unearned premiums	(8,383)	(3,074)
Total reinsurers' share of change in the provision for unearned premiums	6,630	(7,374)
Net earned premiums non-life and life	1,111,211	1,029,992

Gross premiums written for the Group and the Company have been presented after deducting net impairment losses of HRK 690 thousand (2020: HRK 4,516 thousand), as presented in Note 1.18.

1.23 Premiums (continued)

Analysis by class of business

Group and Company

2021	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1.28) HRK'000	Administrativ e expenses (Note 1.29) HRK'000	Result from reinsurance business HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	51,854	51,378	8,982	12,753	7,301	30
Health insurance	68,672	61,381	29,353	9,317	9,999	735
Insurance of motor vehicles - full comprehensive motor (casco)	138,534	135,680	85,554	27,629	19,499	657
Full comprehensive motor insurance (casco) of track vehicles	-	-	(83)	-	-	-
Hull insurance of aircrafts	437	354	563	122	64	420
Marine and inland marine hull insurance	7,340	8,573	2,839	2,166	1,025	1,164
Insurance of goods in transport	4,402	4,248	976	875	619	1,107
Insurance of property against fire and allied perils	158,706	157,293	90,805	34,543	22,360	21,739
Other property insurances	70,173	73,757	32,776	24,647	9,662	10,385
Motor third-party liability insurance	126,664	125,326	65,524	26,755	17,862	2,463
Aviation third-party liability insurance	387	414	1	36	54	386
Shipowners' liability insurance	4,064	4,209	962	797	541	706
Other liability insurances	119,204	118,046	52,005	19,412	16,845	49,935
Credit insurance	3,329	3,369	355	313	487	2,744
Suretyship insurance	(1)	-	(5)	1	-	-
Insurance of financial losses	15,728	15,720	3,327	2,220	2,294	8,289
Travel insurance	22,633	22,162	6,271	4,486	3,589	14,433
Total non life	792,126	781,909	380,205	166,073	112,200	115,194
<i>Life assurance business</i>						
Traditional life	300,191	300,191	294,224	8,841	39,597	856
Annuity contracts	807	807	1,935	14	107	-
Supplementary insurance	24,526	26,359	959	2,640	3,498	494
Unit linked and index-linked	111,861	111,861	117,255	7,045	14,846	12
Total life	437,385	439,218	414,373	18,540	58,049	1,362
Grand total	1,229,511	1,221,127	794,578	184,613	170,249	116,556

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

1.23 Premiums (continued)

Analysis by class of business (continued)

Group and Company

<i>2020</i>	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisitio n costs (Note 1.28)	Administrati ve expenses (Note 1.29)	Result from reinsuranc e business
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	50,948	51,507	11,220	17,419	6,912	92
Health insurance	48,856	44,337	17,247	6,797	7,005	1,888
Insurance of motor vehicles - full comprehensive motor (casco)	132,400	134,054	87,041	25,577	18,211	905
Full comprehensive motor insurance (casco) of track vehicles	-	16	(77)	3	-	-
Hull insurance of aircrafts	434	391	224	97	59	552
Marine and inland marine hull insurance	11,847	12,531	6,949	1,922	1,643	1,931
Insurance of goods in transport	5,767	5,728	2,183	1,161	814	607
Insurance of property against fire and allied perils	151,102	150,079	242,004	43,407	20,941	(75,576)
Other property insurances	72,654	71,993	33,164	27,441	9,992	15,939
Motor third-party liability insurance	124,234	126,660	87,307	27,740	16,939	6,650
Aviation third-party liability insurance	380	338	448	29	51	(71)
Shipowners' liability insurance	3,744	4,116	1,506	739	570	685
Other liability insurances	113,688	106,351	33,756	21,009	15,655	114,362
Credit insurance	3,173	3,312	(11)	275	434	2,381
Suretyship insurance	3	73	(45)	4	2	-
Insurance of financial losses	15,179	16,900	4,600	2,708	2,136	8,185
Travel insurance	27,364	28,063	7,434	4,855	3,802	11,109
Total non life	761,773	756,449	534,950	181,183	105,166	89,639
<i>Life assurance business</i>						
Traditional life	255,600	255,600	276,590	9,475	36,253	1,235
Annuity contracts	1,508	1,508	5,270	118	1,344	-
Supplementary insurance	27,273	29,523	3,091	2,603	259	1,677
Unit linked and index-linked	95,486	95,486	89,614	5,938	12,910	98
Total life	379,867	382,117	374,565	18,134	50,766	3,010
Grand total	1,141,640	1,138,566	909,515	199,317	155,932	92,649

1.24 Fee and commission income

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Commission income				
Reinsurance commission	7,010	5,950	7,010	5,950
Total fee and commission income	7,010	5,950	7,010	5,950

1.25 Investment income

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
<i>Interest income</i>				
- Available for sale	85,015	86,392	85,015	85,198
- Held-to-maturity	4,958	7,771	4,125	6,697
- Loans and receivables	1,364	1,715	1,361	1,694
	92,430	95,878	90,501	93,589
Dividend income	11,476	10,064	9,347	8,903
Rental income from investment property	3,285	3,329	3,285	3,329
Net realised gains from available-for-sale financial assets (Note 1,22c)	10,671	9,566	10,671	9,566
Net gains from fair-value-through-P&L assets	31,534	527	23,038	7,255
Net realized gains from fair-value-through-P&L assets	294	84	42	84
Other	3,616	3,689	3,377	2,753
Total investment income	153,306	123,137	140,261	125,479

1.25 Investment income (continued)

Company	Non-life	Life	Total	Non-life	Life	Total
	2021	2021	2021	2020	2020	2020
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Net investment income						
Income from assets backing equity	4,257	1,488	5,746	5,744	1,942	7,686
Income from assets backing life assurance provision	-	91,977	91,977	-	85,577	85,577
Income from assets backing other technical provisions	14,883	3,406	21,666	20,020	2,724	22,744
Income from asset backing index linked products	-	20,873	20,873	-	9,472	9,472
	<u>19,140</u>	<u>117,744</u>	<u>140,262</u>	<u>25,764</u>	<u>99,715</u>	<u>125,479</u>

1.26 Other operating income

	Group	Group	Company	Company
	2021	2020	2021	2020
	HRK'000	HRK'000	HRK'000	HRK'000
Service claims	1,696	3,978	1,696	1,905
IT Services	7,329	2,614	3,435	1,001
Other	6,003	3,264	6,307	4,622
	<u>15,028</u>	<u>9,856</u>	<u>11,438</u>	<u>7,528</u>

1.27 Net policyholder claims incurred

	Group and Company 2021 HRK'000	Group and Company 2020 HRK'000
<i>Non-life insurance</i>		
Claims paid		
Gross amount	409,190	439,166
Reinsurers' share	(86,423)	(91,961)
Change in notified outstanding claims reserve		
Gross amount	(12,382)	(3,754)
Reinsurers' share	(233)	(14,449)
Change in incurred but not reported claims reserve		
Gross amount	(17,939)	97,952
Reinsurers' share	44,156	(68,372)
Change in other technical provisions		
Gross amount	1,337	1,586
Reinsurers' share	-	-
	<hr/>	<hr/>
Total gross claims incurred from non-life insurance	380,206	534,950
Total reinsurance share in claims incurred from non-life insurance	(42,500)	(174,782)
	<hr/>	<hr/>
Total net claims incurred from non-life insurance	337,706	360,168
	<hr/> <hr/>	<hr/> <hr/>
<i>Life assurance</i>		
Claims paid (benefits and surrenders)		
Gross amount	321,722	338,329
Reinsurers' share	(781)	(383)
Claims paid for unit linked products, gross and net	154,306	51,996
Change in life assurance provision and provision arising from LAT		
Gross amount	(2,692)	(58,589)
Reinsurers' share	(47)	(29)
Change in life assurance provision for unit linked products, gross and net	(40,726)	34,196
Change in notified outstanding claims reserve, gross and net	(18,175)	8,756
Change in incurred but not reported claims reserve		
Gross amount	(60)	29
Reinsurers' share	112	(2)
Change in other provisions, gross and net	-	(152)
	<hr/>	<hr/>
Total gross claims incurred from life assurance	414,374	374,565
Total reinsurance share in claims incurred from life assurance	(715)	(414)
	<hr/>	<hr/>
Total net claims incurred from life assurance	413,659	374,151
	<hr/> <hr/>	<hr/> <hr/>
Total gross claims incurred	794,580	909,515
Total reinsurers' share in claims incurred	(43,245)	(175,196)
	<hr/>	<hr/>
Total non-life and life	751,335	734,319
	<hr/> <hr/>	<hr/> <hr/>

Reinsurance share of claims increased in 2020 due to impact of two earthquakes in Croatia.

1.28 Acquisition costs

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
<i>Non-life</i>				
Commission expenses paid	152,160	165,295	148,682	165,177
Other acquisition costs paid	14,122	19,771	14,122	19,771
Changes in deferred acquisition costs (Note 1,12)	3,269	(3,765)	3,269	(3,765)
Total acquisition costs, non-life	169,551	181,301	166,073	181,183
<i>Life</i>				
Commission expenses paid	13,062	14,354	15,912	14,357
Other acquisition costs paid	2,313	3,586	2,313	3,586
Changes in deferred acquisition costs (Note 1,12)	315	191	315	191
Total acquisition costs, life	15,690	18,131	18,540	18,134
	185,241	199,432	184,613	199,317

Included within acquisition costs for the Group and the Company are internal sales staff costs amounting to HRK 27 million (2020: HRK 30 million). Breakdown of total acquisition cost per line of business of the Company is also analysed in Note 1.23.

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

<i>For 2021</i>	Commission HRK'000	Other acquisition costs HRK'000	Change in deferred acquisition costs (+/-) HRK'000	Total acquisition costs HRK'000
Non-life insurance business				
Personal accident insurance	(11,618)	(919)	(217)	(12,754)
Health insurance	(8,852)	(1,259)	794	(9,317)
Motor hull	(24,097)	(2,454)	(1,078)	(27,629)
Hull insurance of aircrafts	(143)	(8)	29	(122)
Marine and inland marine hull	(1,741)	(129)	(295)	(2,165)
Insurance of goods in transport	(866)	(78)	69	(875)
Insurance of property against fire and allied perils	(34,950)	(2,814)	3,221	(34,543)
Other property insurances	(19,014)	(1,216)	(4,417)	(24,647)
Motor third-party liability	(23,784)	(2,248)	(723)	(26,755)
Aviation third-party liability	(30)	(7)	0	(36)
Shipowners' liability insurance	(649)	(68)	(80)	(797)
Other liability insurances	(16,962)	(2,120)	(330)	(19,412)
Credit insurance	(245)	(61)	(6)	(313)
Suretyship insurance	(1)	-	-	(1)
Insurance of financial losses	(1,834)	(289)	(97)	(2,220)
Assistance (Travel insurance) Deferred acquisition costs	(3,896)	(452)	(138)	(4,486)
Total Non-life insurance business	(148,682)	(14,122)	(3,269)	(166,073)
Life insurance business				
Traditional life	(7,263)	(1,578)	-	(8,841)
Annuity contracts	(10)	(4)	-	(14)
Supplementary insurance	(2,186)	(139)	(315)	(2,640)
Unit linked	(6,453)	(592)	-	(7,045)
Total life insurance business	(15,912)	(2,313)	(315)	(18,540)
Grand total	(164,594)	(16,435)	(3,584)	(184,613)

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

1.28 Acquisition costs (continued)

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

For 2020

	Commission HRK'000	Other acquisition costs HRK'000	Change in deferred acquisition costs (+/-) HRK'000	Total acquisition costs HRK'000
Non-life insurance business				
Personal accident insurance	(12,450)	(738)	(4,231)	(17,419)
Health insurance	(6,725)	(894)	822	(6,797)
Motor hull	(28,822)	(4,582)	7,825	(25,579)
Track vehicles hull	(3)	-	-	(3)
Hull insurance of aircrafts	(132)	(14)	49	(97)
Marine and inland marine hull	(2,828)	(148)	1,055	(1,921)
Insurance of goods in transport	(1,059)	(73)	(29)	(1,161)
Insurance of property against fire and allied perils	(35,725)	(4,084)	(3,598)	(43,407)
Other property insurances	(25,424)	(1,599)	(418)	(27,441)
	(26,142)	(4,432)	2,834	(27,740)
Motor third-party liability	(25)	(4)	-	(29)
Aviation third-party liability	(884)	(54)	199	(739)
Shipowners' liability insurance	(17,536)	(2,521)	(953)	(21,009)
Other liability insurances	(290)	(37)	52	(275)
Credit insurance	(4)	-	-	(4)
Suretyship insurance	(2,270)	(192)	(246)	(2,708)
Insurance of financial losses	(4,858)	(399)	404	(4,854)
Assistance (Travel insurance)				
Total Non-life insurance business	(165,177)	(19,771)	3,765	(181,183)
Life insurance business				
Traditional life	(7,132)	(2,343)	-	(9,475)
Annuity contracts	(45)	(73)	-	(118)
Supplementary insurance	(2,358)	(55)	(190)	(2,603)
Unit linked	(4,821)	(1,117)	-	(5,938)
Total life insurance business	(14,356)	(3,588)	(190)	(18,134)
Grand total	(179,533)	(23,359)	3,574	(199,317)

1.29 Administrative expenses

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Depreciation of property and equipment (Note 1,10)	13,117	13,194	12,905	12,892
Amortisation (Note 1,13)	20,228	18,179	18,317	17,201
Staff costs	72,157	72,346	70,595	68,053
Cash-settled-share-based staff costs (Note 1,34)	2,881	1,796	2,881	1,796
Goods and services	21,294	19,629	20,399	20,860
Software maintenance costs	29,416	23,847	28,407	21,816
Other costs	19,723	13,665	16,745	13,314
	178,816	162,656	170,249	155,932

In 2021, the average number of employees of the Group was 400 (2020: 421).

In 2021, the Group paid HRK 11,3 million (2020: HRK 14,1 million) of pension contributions into obligatory pension funds, and for the Company HRK 10,6 million (2020: HRK 13,4 million).

Included within administrative expenses is audit fee for the Group HRK 0,88 million (2020: HRK 0,88 million) and for the Company HRK 0,82 million (2020: HRK 0,82 million).

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

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

<i>For 2021</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
Non-life insurance business				
Personal accident insurance	1,031	3,443	2,827	7,301
Health insurance	1,412	4,715	3,872	9,999
Motor hull	2,754	9,195	7,550	19,499
Track vehicles hull	-	-	-	-
Hull insurance of aircrafts	9	30	25	64
Marine and inland marine hull	145	483	397	1,025
Insurance of goods in transport	87	292	239	619
Insurance of property against fire and allied perils	3,158	10,544	8,658	22,360
Other property insurances	1,365	4,556	3,741	9,662
Motor third-party liability	2,523	8,423	6,916	17,862
Aviation third-party liability	8	26	21	54
Shipowners' liability insurance	76	255	209	541
Other liability insurances	2,379	7,943	6,522	16,845
Credit insurance	69	230	189	487
Suretyship insurance	-	-	-	-
Insurance of financial losses	324	1,082	888	2,294
Travel insurance	507	1,693	1,390	3,589
	15,848	52,909	43,443	112,200
Life insurance business				
Traditional life	11,189	14,029	14,379	39,597
Annuity contracts	29	38	41	107
Supplementary insurance	932	1,239	1,327	3,498
Unit linked	3,954	5,260	5,632	14,846
	16,103	20,567	21,380	58,049
Grand total	31,950	73,476	64,823	170,249

1.29 Administrative expenses (continued)

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

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

<i>For 2020</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
Non-life insurance business				
Personal accident insurance	1,035	3,267	2,610	6,912
Health insurance	1,049	3,311	2,645	7,005
Motor hull	2,727	8,607	6,877	18,211
Track vehicles hull	-	-	-	-
Hull insurance of aircrafts	9	28	22	59
Marine and inland marine hull	246	777	620	1,643
Insurance of goods in transport	122	385	307	814
Insurance of property against fire and allied perils	3,228	9,898	7,815	20,941
Other property insurances	1,496	4,723	3,773	9,992
Motor third-party liability	2,536	8,007	6,396	16,939
Aviation third-party liability	8	24	19	51
Shipowners' liability insurance	85	270	215	570
Other liability insurances	2,344	7,399	5,912	15,655
Credit insurance	65	205	164	434
Suretyship insurance	-	1	1	2
Insurance of financial losses	320	1,010	806	2,136
Travel insurance	569	1,797	1,436	3,802
Total Non-life insurance business	15,839	49,709	39,618	105,166
Life insurance business				
Traditional life	10,178	14,385	11,690	36,253
Annuity contracts	378	533	433	1,344
Supplementary insurance	73	103	83	259
Unit linked	3,624	5,123	4,163	12,910
Total life insurance business	14,253	20,144	16,369	50,766
Grand total	30,092	69,853	55,987	155,932

1.30 Other operating expenses

	Group	Group	Company	Company
	2021	2020	2021	2020
	HRK'000	HRK'000	HRK'000	HRK'000
Health care charges from functional premiums	4,204	4,188	4,204	4,188
Charges for guarantee fund	784	880	784	880
Fire brigade contributions	1,595	1,452	1,595	1,452
Impairment losses of other receivables (Note 1,18)	71	3,454	71	3,455
Other charges	11,965	9,260	11,378	9,318
	18,619	19,234	18,032	19,293

1.31 Financial expenses

	Group	Group	Company	Company
	2021	2020	2021	2020
	HRK'000	HRK'000	HRK'000	HRK'000
Depreciation of investment property (Note 1,11)	1,270	1,257	1,270	1,257
Interest expense on finance lease	2,257	1,402	2,257	1,402
Impairment losses on financial assets available for sale (1,22c)	5,968	14,360	5,968	14,315
Impairment losses / (reversal) on loans to customers (Note 1,15a)	(10)	95	(10)	90
Net realised losses from available-for-sale financial assets (Note 1,22c)	2,348	2,726	2,348	2,726
Net realised losses from fair-value-through-P&L assets	1	164	1	164
Other expenses	2,332	4,384	4,043	4,212
Allocation (from)/to investment fund non-controlling unitholders	8,450	(7,060)	-	-
	22,616	17,328	15,877	24,166

Company

	Non-life	Life	Total	Non-life	Life	Total
	2021	2021	2021	2020	2020	2020
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial expenses				0	0	0
Expenses from assets backing equity	3,225	442	3,667	11,526	7,205	18,731
Expenses from assets backing life assurance provision	-	11,334	11,334	-	4,561	4,561
Expenses from assets backing other technical provisions	759	117	876	834	40	874
	3,984	11,893	15,877	12,360	11,806	24,166

1.32 Net foreign exchange translation gains/losses on financial assets

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
<i>Net foreign exchange translation gains/losses on financial assets:</i>				
- Held-to-maturity	(159)	1,276	(159)	1,276
- Available for sale	(6,020)	30,357	(6,020)	30,282
- Fair value through profit or loss	(40)	88	38	88
- Loans and receivables	(738)	116	(738)	116
- Other	2,468	(182)	2,128	(318)
	(4,489)	31,655	(4,751)	31,444

Company

	Non-life 2021 HRK'000	Life 2021 HRK'000	Total 2021 HRK'000	Non-life 2020 HRK'000	Life 2020 HRK'000	Total 2020 HRK'000
Net foreign exchange translation gains/losses on financial assets			0	0	0	0
- from assets backing equity	1,353	787	2,140	218	-	218
- from assets backing life assurance provision	-	(6,555)	(6,555)	-	29,583	29,583
- from assets backing other technical provisions	(176)	(160)	(336)	778	865	1,643
	1,177	(5,928)	(4,751)	996	30,448	31,444

1.33 Income taxes

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Current tax expense	24,170	15,433	24,135	15,404
Deferred tax expense/(income) (Note 1.17)	(5,621)	(2,355)	(5,621)	(2,355)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total income tax expense	<u>18,549</u>	<u>13,078</u>	<u>18,514</u>	<u>13,049</u>

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Accounting profit for the period before income taxes	125,439	67,621	125,064	67,366
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax at 18% (2020: 18%)	(23,469)	(14,801)	(23,437)	(14,786)
Non-deductible expenses /i/	(2,369)	(4,491)	(2,326)	(4,443)
Non-taxable income/ii/	8,202	6,499	8,162	6,454
Correction tax from previous years	(913)	(107)	(913)	(107)
Income tax losses not recognised as deferred tax asset	-	(11)	-	-
Difference in abroad tax rates	-	(167)	-	(167)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total income tax expense	<u>(18,549)</u>	<u>(13,078)</u>	<u>(18,514)</u>	<u>(13,049)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Effective income tax rate	<u>(15%)</u>	<u>19%</u>	<u>(15%)</u>	<u>19%</u>

/i/ Non deductible expenses are related to unrealised losses, impairment of receivables and accruals.

/ii/ Non taxable income are related to unrealised gains and dividend income.

Income tax recognised in other comprehensive income:

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
On available-for-sale financial assets				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1,22c; 1,17)	20,488	391	20,488	391
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

1.34 Share based payments

The Group and the Company

Restricted stock units

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

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

	Number of items	Fair value at grant date EUR per RSU	Fair value at 31 December 2021 EUR per option	Fair value at 31 December 2021 HRK ‘000	End of vesting period
AEI 2018/RSU	1,442	207,65	299,43	2,251	04.03.2022
AEI 2019/RSU	1,571	197,03	309,53	2,327	03.03.2023
AEI 2020/RSU	1,464	185,87	272,11	2,046	01.03.2024
AEI 2020/2021 RSU	1,346	174,18	234,45	1,762	07.03.2025

	Number of items	Fair value at grant date EUR per option	Fair value at 31 December 2020 EUR per option	Fair value at 31 December 2020 HRK ‘000	End of vesting period
AEI 2017/RSU	937	200,7	188,06	1,417	05.03.2021
AEI 2018/RSU	1,442	191,08	275,54	2,077	04.03.2022
AEI 2019/RSU	1,571	181,01	284,37	2,143	03.03.2023
AEI 2020/RSU	1,464	170,15	249,1	1,877	01.03.2024

Share appreciation rights

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

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

Liabilities for share based remuneration (RSU) to management amounted to HRK 7,313 thousand at 31 December 2021 (2020: HRK 6,087 thousand) (Note 1.21), while expense recognised in 2021 amounted to HRK 2.881 thousand (2020: HRK 1,796 thousand) (Note 1.29).

1.35 Leases

The maturity analysis of the finance lease payments receivable is as follows:

	2021
	HRK'000
No later than 1 year	11,836
Later than 1 year and no later than 5 years	41,251
Later than 5 year and no later than 10 years	-
	<hr/>
	53,087
	<hr/> <hr/>

1.36 Related parties

The Company is the parent of the Allianz Hrvatska Group.

The key shareholder of the Company and of the Group is Allianz Holding eins GmbH, Austria with holdings of 83,2% of the Company's shares at year end (2020: Allianz New Europe Holding GmbH, Austria with holdings of 83,2%). On 7 October 2021, a status change of merger was carried out in the register of the Vienna Commercial Court, merging Allianz New Europe Holding GmbH with Allianz Holding eins GmbH. As a result, Allianz Holding eins GmbH, as the universal legal successor of the merged company, became a shareholder in the Company, and Allianz New Europe Holding GmbH ceased to exist. Ultimate parent of the Company is Allianz SE, Munich, Germany.

The Company considers that it has immediate related party relationship with its ultimate controlling party and companies under control, under common control or under influence of key management personnel and their close family members in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24).

(a) Relationship with Zagrebačka banka d.d.

Zagrebačka Banka d.d. has non controlling interest in Allianz Hrvatska d.d. holding 16.8% shares of the Company Allianz Hrvatska d.d. The Group holds deposits and current accounts in the amount of HRK 174,667 million (2020: HRK 34,904 million) with Zagrebačka banka d.d. with interest rate of 1%. Deposits attract standard commercial rates of interest, and are subject to standard commercial transaction and service fees and charges.

During 2021, gross written premium acquired through the Zagrebačka banka Group distribution channels amounted to HRK 302,7 million (2020: HRK 244,5 million). Commission paid to Zagrebačka banka Group relating to bank assurance sales amounted to HRK 18,5 million (2020: HRK 19,3 million).

Zagrebačka banka Group has property, motor, life and personal lines insurance policies with the Company. Policies written for Zagrebačka banka Group during 2021 amounted to HRK 24,1 million (2020: HRK 18,9 million) of gross written premiums.

Contracts for policies and commission paid has been agreed under standard commercial terms.

In 2019, the Company signed a 15 years exclusive distribution contract with Zagrebačka banka d.d. and Unicredit bank in Slovenia under the umbrella of the Allianz & Unicredit regional partnership. The value of exclusive distribution right has been capitalized and disclosed in Note 1.13 Other intangible assets. Unicredit bank in Slovenia and Allianz Hrvatska d.d. are entities under common control.

(b) Relationship with key management personnel

Gross emoluments paid or payable by the Group to the members of the Management Board for the year ended 31 December 2021 amounted to HRK 12 million (2020: HRK 12,1 million), including fixed salary, accrued bonuses for 2021, RSU and SAR costs and life assurance premiums paid by the Group. Out of this amount HRK 579 thousand (2020: HRK 724 thousand) relate to pension contributions. Value of units in the Group investment funds owned by Management Board at 31 December 2021 amounted to HRK 348 thousand (31 December 2020: HRK 292 thousand).

1.36 Related parties (continued)

(c) Relationship with Allianz SE, Munich (ultimate owner)

Liabilities to Allianz SE, Munich as at 31 December 2021 amounted to HRK 616,1 thousand (31 December 2020: HRK 183,8 thousand), while expense recognised in 2021 amounted to HRK 5,071 thousand (2020: HRK 4,715 thousand) and relate to group charges for services provided.

As at 31 December 2021 Group also holds Allianz SE shares in relation to its Share based payment arrangements in amount of HRK 8,386 thousand (2020: HRK 7,515 thousand).

(d) Relationship with fellow subsidiaries of Allianz SE Group

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

	Company and Group 2021 HRK'000	Company and Group 2020 HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of year	50,236	26,533
Reinsurance premiums ceded during the year	96,620	85,766
Reinsurance premiums paid during the year	(122,519)	(62,063)
	<u>24,337</u>	<u>50,236</u>
Reinsurance recoveries:		
Statement of changes in equity	31,561	20,956
Invoiced during the year	83,797	89,775
Received during the year	(90,619)	(79,170)
	<u>24,739</u>	<u>31,561</u>
Reinsurance commission:		
At the beginning of the year	2,315	1,203
Invoiced during the year	5,791	9,824
Received during the year	(6,813)	(8,712)
	<u>1,293</u>	<u>2,315</u>

(e) Relationship with subsidiaries of the Company

Receivables from AZ Servisni Centar d.o.o. as at 31 December 2021 amounted to HRK 0,00 thousand (31 December 2020: HRK 167 thousand), while income recognised in 2021 amounted to HRK 70 thousand (2020: HRK 59 thousand) and relate to sublease of office space. Liabilities to AZ Servisni Centar d.o.o. as at 31 December 2021 amounted to HRK 148 thousand (31 December 2020: HRK 39 thousand), while expenses recognised in 2021 amounted to HRK 481 thousand (2020: HRK 511 thousand) and relate to IT services provided.

Receivables from Autoelektro tehnički pregledi d.o.o. as at 31 December 2021 amounted to HRK 2,416 thousand (31 December 2020: HRK 2,529 thousand), while income recognised in 2021 amounted to HRK 148 thousand (2020: HRK 155 thousand) and relates to the loan given.

Open receivables from Allianz Invest d.o.o. as at 31 December 2021 amounted 238 thousand HRK (31 December 2020: HRK 199 thousand), while income recognised in 2021 amounted to HRK 1,099 (2020: HRK 986 thousand) and relate to sublease of office space. Liabilities to Allianz Invest d.o.o. as at 31 December 2021 amounted 179 thousand (31 December 2020: 179 HRK), while expense recognised in 2021 amounted to HRK 1,720 thousand (2020: HRK 1,720 thousand) and relate to management fee.

1.36 Related parties (continued)

Group 2021	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>	-	-	-	-
<i>Ultimate parent company</i>				
Allianz SE, Munich	327	110,563	2,201	6,389
<i>Owners</i>				
Zagrebačka banka d.d,	174,667	-	24,053	21,199
<i>Related companies</i>	109,945	327	1,317	2,202
Other subsidiaries of Allianz SE Group - Reinsurers	26,032	24,338	89,588	96,620
<i>Other related companies</i>	23	3,304	3,743	22,216
	310,996	138,532	120,902	148,626
Company 2021	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	327	110,563	2,201	6,389
<i>Owners</i>				
Zagrebačka banka d.d,	174,667	-	24,053	21,199
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o,	-	148	70	482
Allianz Short Term Bond, open-ended investment fund	82,996	-	-	-
Allianz Portfolio, open-ended investment fund	11,710	-	-	-
Allianz Equity, open-ended investment fund	12,586	-	-	-
Autoelektro tehnički pregledi d.o.o,	2,416	-	147	-
Allianz Invest d.o.o,	239	179	1,100	1,720
<i>Related companies</i>	-	-	-	-
Other subsidiaries of Allianz SE Group - Reinsurers	26,032	24,338	89,588	96,620
<i>Other related companies</i>	23	3,304	3,743	22,216
	310,996	138,532	120,902	148,626

1.36 Related parties (continued)

Group 2020	Assets	Liabilities	Income	Expense
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Key management personnel (including remuneration)</i>	-	292	-	-
<i>Ultimate parent company</i>				
Allianz SE, Munich	218	183,811	2,231	4,715
<i>Owners</i>				
Zagrebačka banka d.d,	41,904	-	18,950	22,449
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	33,876	50,236	99,600	85,766
<i>Other related companies</i>	333	8,763	5,609	17,780
	76,331	243,102	126,390	130,710

Company 2020	Assets	Liabilities	Income	Expense
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>	-	-	-	-
Allianz SE, Munich	-	651	-	3,515
<i>Owners</i>				
Zagrebačka banka d.d,	34,904	-	18,950	22,429
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o,	167	39	59	511
Allianz Short Term Bond, open-ended investment fund	88,413	-	-	-
Allianz Portfolio, open-ended investment fund	81,401	-	-	-
Allianz Equity, open-ended investment fund	10,450	-	-	-
Autoelektro tehnički pregledi d.o.o,	2,529	-	155	-
Allianz Invest d.o.o,	199	179	986	1,720
<i>Related companies</i>	-	-	-	-
Other subsidiaries of Allianz SE Group - Reinsurers	33,876	50,236	99,600	85,766
<i>Other related companies</i>	333	8,763	2,212	17,780
	252,272	59,868	121,962	131,721

1.37 Financial Risk Management

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

Market risk

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

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

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

Asset and liability matching

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

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

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

Interest rate risk

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

Interest rate risk is the risk of fluctuation in fair value or cash flows under financial instruments resulting from changes in market interest rates. The Group is exposed to interest rate risk on the basis of financial instruments whose value is sensitive to interest rate changes.

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

1.37 Financial Risk Management (continued)

Interest rate risk (continued)

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

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

An increase in 100 basis points in interest yields would be recognised as loss in other comprehensive income of the Group in the amount of HRK 215,083 thousand (2020: loss of HRK 245,658 thousand). A decrease in 100 basis points in interest yields would be recognised as gain in other comprehensive income of the Group in the amount HRK 270,053 thousand (2020: gain of HRK 313,360 thousand).

Note 1.39 discloses the effective interest rates and re-pricing analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities.

Price risk

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

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

Group	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on profit or loss after tax 2020 HRK'000	Impact on other comprehensive income after tax 2020 HRK'000	Impact on other components of equity	Impact on other components of equity
					2021	2020
					HRK'000	HRK'000
Change in price by \pm 3%	20,528/(20,528)	3,554/(3,554)	19,247/(19,247)	2,917/(2,917)	3,554/(3,554)	2,917/(2,917)
Change in price by \pm 5%	34,214/(34,214)	5,923/(5,923)	32,078/(32,078)	4,862/(4,862)	5,923/(5,923)	4,862/(4,862)

Company	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on profit or loss after tax 2020 HRK'000	Impact on other comprehensive income after tax 2020 HRK'000	Impact on other components of equity	Impact on other components of equity
					2021	2020
					HRK'000	HRK'000
Change in price by \pm 3%	18,278/(18,278)	3,554/(3,554)	19,247/(19,247)	2,917/(2,917)	3,554/(3,554)	2,917/(2,917)
Change in price by \pm 5%	30,463/(30,463)	5,923/(5,923)	32,078/(32,078)	4,862/(4,862)	5,923/(5,923)	4,862/(4,862)

1.37 Financial Risk Management (continued)

Foreign exchange risk

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

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

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

Note 1.40 discloses the currency analysis at the statement of financial position for Group's and the Company's financial assets and financial liabilities.

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

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

Group	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on profit or loss after tax 2020 HRK'000	Impact on other	Impact on other	Impact on other
				comprehensive income after tax 2020 HRK'000	components of equity 2021 HRK'000	components of equity 2020 HRK'000
EUR / HRK rate						
Change in fx rate by ± 1%	23,969 / (23,969)	1,876 / (1,876)	24,036 / (24,036)	2,708 / (2,708)	1,876 / (1,876)	2,708 / (2,708)
Change in fx rate by ± 2%	47,939 / (47,939)	3,752 / (3,752)	48,073 / (48,073)	5,416 / (5,416)	3,752 / (3,752)	5,416 / (5,416)

Company	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on profit or loss after tax 2020 HRK'000	Impact on other	Impact on other	Impact on other
				comprehensive income after tax 2020 HRK'000	components of equity 2021 HRK'000	components of equity 2020 HRK'000
EUR / HRK rate						
Change in fx rate by ± 1%	1,110 / (1,110)	2,032 / (2,032)	1,852 / (1,852)	2,794 / (2,794)	1,876 / (1,876)	2,708 / (2,708)
Change in fx rate by ± 2%	2,220 / (2,220)	4,064 / (4,064)	3,704 / (3,704)	5,587 / (5,587)	3,752 / (3,752)	5,416 / (5,416)

Currency structure of asset and liability is shown in detail in 1.40.

Credit risk

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

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans. Collateral is as prescribed by the Insurance Law. At 31 December 2021 Company held collateral in total amount HRK 103,880 thousand (2020: HRK 111,572 thousand).

The Group has adopted a conservative investment policy.

Company:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2021						
Loans given based on life insurance policies	9,724	9,724	-	-	9,724	9,724
Loans given to legal entities	15,879	90,890	-	-	15,879	90,890
Loans given to related parties	2,428	3,186	-	-	2,428	3,186
31 December 2020						
Loans given based on life insurance policies	11,793	11,793	-	-	11,793	11,793
Loans given to legal entities	18,985	96,429	-	-	18,985	96,429
Loans given to related parties	2,706	3,349	-	-	2,706	3,349

Group:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2021						
Loans given based on life insurance policies	9,724	9,724	-	-	9,724	9,724
Loans given to legal entities	15,879	90,890	-	-	15,879	90,890
Loans given to related parties	2,428	3,186	-	-	2,428	3,186
31 December 2020						
Loans given based on life insurance policies	11,793	11,793	-	-	11,793	11,793
Loans given to legal entities	18,985	96,429	-	-	18,985	96,429
Loans given to related parties	2,706	3,349	-	-	2,706	3,349

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Government bonds and bonds issued by local authorities	2,369,883	2,480,031	2,258,103	2,345,772
Investment in debt fund	56,654	57,134	56,654	57,134
Treasury bills	20,000	-	-	-
Accrued interest on Government bonds and bonds issued by local authorities	29,300	30,755	29,300	30,755
	<u>2,475,837</u>	<u>2,567,920</u>	<u>2,344,057</u>	<u>2,433,661</u>

The total exposure to Croatian state risk represents 50% of the total assets of the Group (2020: 50%) and 48% of the Company (2020: 50%).

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Debt securities				
Available for sale (Note 1,15c)	3,331,561	3,450,475	3,331,561	3,450,475
Held to maturity (Note 1,15c)	118,378	118,775	61,724	61,641
Loans and receivables				
Deposits with credit institutions (Note 1,15c)	5,500	6,173	5,500	6,173
Loans (Note 1,15c)	28,538	32,085	28,538	34,757
Investment in debt fund	56,654	57,134	56,654	57,134
Cash and cash equivalents (Note 1,19)	234,581	161,461	182,126	118,186
Insurance receivables and other assets (Note 1,18)	198,639	202,617	196,088	202,354
Reinsurers' share of insurance contract liabilities (Note 1,16)	198,315	235,673	198,315	235,673
	<u>4,172,166</u>	<u>4,264,399</u>	<u>4,060,506</u>	<u>4,166,393</u>
Total assets bearing credit risk	4,172,166	4,264,399	4,060,506	4,166,393

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

	Group 2021 HRK'000	Group 2020 HRK'000	Company 2021 HRK'000	Company 2020 HRK'000
Debt securities /i/				
AAA	170,749	182,192	170,749	182,192
AA	89,776	100,168	89,776	100,168
A	310,721	341,810	310,721	341,810
BBB	307,554	314,918	307,554	314,918
Below BBB	2,559,061	2,612,914	2,502,440	2,555,814
Not rated	12,078	17,248	12,046	17,213
Total debt securities	3,449,939	3,569,250	3,393,285	3,512,115
Investment in debt funds				
BBB -	56,654	57,134	56,654	57,134
	56,654	57,134	56,654	57,134
Loans and receivables**				
Not rated	34,039	38,264	34,039	40,930
Total loans and receivables	34,039	38,264	34,039	40,930
Cash and cash equivalents*				
Below BBB	-	-	-	-
Not rated	234,581	161,461	182,126	118,186
Total cash and cash equivalents	234,581	161,461	182,126	118,186
Insurance receivables and other assets				
AA	33,958	35,044	33,958	35,044
Not rated	162,681	167,573	162,130	167,310
Total Insurance receivables and other assets	196,639	202,617	196,088	202,354
Reinsurers' share of insurance contract liabilities				
AA	64,577	76,742	64,577	76,742
AA-	40,172	47,740	40,172	47,740
A+	2,630	3,125	2,630	3,125
A	87,566	104,062	87,566	104,062
BBB+	657	649	657	649
BBB	417	-	417	-
Not rated	2,297	3,355	2,297	3,355
Total reinsurance share of insurance contract liabilities	198,315	235,673	198,315	235,673
Total financial asset bearing credit risk	4,172,166	4,264,399	4,060,506	4,166,393

Only one debt security (government bonds from the Republic of Croatia) is in the HTM portfolio in amount of 62 million HRK with rating BB- (2020: 61 million: BB-).

* Other banks and financial institutions mostly include banks and financial institutions that have no rating and banks and financial institutions that have no rating, but their parent banks have a rating.

** Loans and receivables with no rating relate to loans to related parties, domestic companies with no rating and retail loans that are insured.

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

The following is an analysis of credit quality of reinsurance receivables as at 31 December 2021:

	Company 2021 HRK'000	Company 2020 HRK'000	Financial Strength Rating
Allianz Global Automotive Division	14,729	14,729	AA
Allianz SE	6,576	6,576	AA
Allianz Global Corporate & Specialty SE	4,325	4,325	AA
Jardine Lloyd Thompson Limited	1,108	1,108	NR
Other	11,048	11,048	
	37,786	37,786	

Liquidity risk

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

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

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

Note 1.38 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within scope of IAS 39.

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

1.37 Financial Risk Management (continued)

Fair values

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

The fair value hierarchy has the following levels:

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

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value at 31 December 2020 and 31 December 2021:

Group

For the year ended 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>	148,077	3,454,372	91,933	3,694,383
-Equity securities	121,435	4	-	121,439
-Debt securities	-	3,331,561	-	3,331,561
-Investment funds	26,642	122,807	91,933	241,382
<i>Financial assets at fair value through profit or loss</i>	134,075	948,913	23,672	1,116,660
-Foreign corporate bonds backing index linked products	-	-	9,410	9,410
-Equity securities	81,845	-	5,844	87,689
-Debt securities	42,556	10,070	32	52,658
-Financial assets relating to share-based payments	-	-	8,386	8,386
-Investment funds	9,674	938,843	-	948,517
Total Assets	282,152	4,412,695	115,605	4,810,452

Group

For the year ended 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>	150,507	3,628,851	89,609	3,868,968
-Equity securities	86,055	2,186	-	88,241
-Debt securities	-	3,450,475	-	3,450,475
-Investment funds	64,452	176,190	89,609	330,251
<i>Financial assets at fair value through profit or loss</i>	152,926	831,103	7,550	991,579
-Foreign corporate bonds backing index linked products	-	-	-	-
-Equity securities	60,028	-	-	60,028
-Debt securities	88,216	29,162	35	117,413
-Financial assets relating to share-based payments	-	-	7,515	7,515
-Investment funds	4,682	801,941	-	806,623
Total Assets	303,433	4,459,955	97,159	4,860,547

Fair value of all financial liabilities approximates amortised cost.

1.37 Financial Risk Management (continued)

Fair values (continued)

Group (continued)

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

- Multiple (Peer group)
- Discounted Cash Flow Method

The fair value of above mentioned financial instruments is measured using different methods depending on available data. Estimated final value is calculated using the weighted average of the methods used. Valuation of funds units has been done with discounted cash flows.

Group	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	Available for sale	Total
	-Foreign corporate bonds backing index linked products	-Equity securities	-Debt securities	-Financial assets relating to share-based payments	Investment funds	
	in HRK'000			in HRK'000	in HRK'000	in HRK'000
31 December 2019	-	5,402	35	7,473	23,359	36,269
Net gains recognised in profit and loss				(7)	(6,485)	(6,492)
Purchase/Sale/Expiration				(1,604)	72,734	71,130
Transfers to/from level 3		(5,402)		1,653		(3,749)
						-
31 December 2020	-	-	35	7,515	89,609	97,159
Net gains recognised in profit and loss	2,689			625	2,805	6,119
Purchase/Sale/Expiration	6,721		(3)	(1,441)	(481)	4,796
Transfers to/from level 3		5,844		1,687		7,531
						-
31 December 2021	9,410	5,844	32	8,386	91,933	115,605

1.37 Financial Risk Management (continued)

Fair values (continued)

Company

For the year ended 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Investments in subsidiaries at fair value</i>	-	195,553	-	195,553
<i>Available-for-sale financial assets</i>	148,077	3,454,372	91,933	3,694,382
-Equity securities	121,435	4	-	121,439
-Debt securities	-	3,331,561	-	3,331,561
-Investment funds	26,642	122,807	91,933	241,382
<i>Financial assets at fair value through profit or loss</i>	-	938,843	17,796	956,639
-Foreign corporate bonds backing index linked products – Call option	-	-	9,410	9,410
- Debt securities	-	-	-	-
-Financial assets relating to share-based payments	-	-	8,386	8,386
-Investment funds	-	938,843	-	938,843
Total Assets	148,077	4,588,768	109,729	4,846,574

Company

For the year ended 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Investments in subsidiaries at fair value</i>	-	185,952	-	185,952
<i>Available-for-sale financial assets</i>	150,507	3,628,851	89,609	3,868,967
-Equity securities	86,055	2,186	-	88,241
-Debt securities	-	3,450,475	-	3,450,475
-Investment funds	64,452	176,190	89,609	330,251
<i>Financial assets at fair value through profit or loss</i>	-	801,941	7,515	809,456
-Foreign corporate bonds backing index linked products	-	-	-	-
- Debt securities	-	-	-	-
-Financial assets relating to share-based payments	-	-	7,515	7,515
-Investment funds	-	801,941	-	801,941
Total Assets	150,507	4,616,744	97,124	4,864,375

At 31 December 2021, investments classified as Level 2 comprise approximately 91,73% (2020: 91,76%) of Group's financial assets measured as fair value on recurring basis. At 31 December 2021, investments classified as Level 2 comprise approximately 94,68% (2020: 94,98%) of the Company's financial assets measured as fair value on recurring basis. Financial assets classified as Level 3 include shares relating to share-based payments, Cordiant Emerging loan fund, Allianz Global Diversified private debt fund and Real estate fund for the Company and domestic bonds for the Group in 2020 and 2021.

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

None of available for sale equity securities in level 1 at the year end (2020: -) were included in level 2 during the year. There were no available for sale equity securities in level 2 at the year end (2020: -) that were included in level 1 during the year.

Starting with 1st of January 2020 Company changed price policy for domestic debt securities and securities of foreign issuers. All debt securities are valuated using Allianz standard security price provided by IDS system, closing Bloomberg Generic (BGN) price which placed all debt securities in level 2 (During 2020: level 2 HRK 3,450,475 thousand).

1.37 Financial Risk Management (continued)

Fair values (continued)

There were no available for sale debt securities at year end (2020: -) and available for sale equity securities at year end (2020: -) that were during the year directly included in level 2.

Group	2021		2020	
	Book value HRK '000	Fair value HRK '000	Book value HRK '000	Fair value HRK '000
Held-to-maturity investments	61,724	64,066	118,775	125,404
Available for sale financial assets	3,681,796	3,681,796	3,868,968	3,868,968
Financial assets at fair value through profit or loss	779,360	779,360	991,579	991,579
Loans and receivables	31,611	31,611	38,263	38,263
	<u>4,554,491</u>	<u>4,556,833</u>	<u>5,017,584</u>	<u>5,024,214</u>
Investment property	23,254	27,814	24,524	24,524
	<u>4,577,745</u>	<u>4,584,647</u>	<u>5,042,108</u>	<u>5,000,908</u>
Financial liabilities (including liabilities to investment funds non-controlling unitholders)	(21,524)	(21,524)	(21,678)	(21,678)
Company				
Held-to-maturity investments	61,724	64,066	61,641	68,270
Available for sale financial assets	3,681,796	3,681,796	3,868,968	3,868,968
Financial assets at fair value through profit or loss	779,360	779,360	809,456	809,456
Loans and receivables	31,611	31,611	40,929	40,929
	<u>4,554,491</u>	<u>4,556,833</u>	<u>4,780,994</u>	<u>4,787,623</u>
Investments in subsidiaries at cost	5,688	5,688	5,688	5,688
Investments in subsidiaries at fair value	177,279	177,279	180,264	180,264
Investments in subsidiaries AFS	12,586	12,586	10,449	10,449
Investment property	23,254	27,814	24,524	24,524
	<u>218,807</u>	<u>223,367</u>	<u>220,925</u>	<u>220,925</u>
Financial liabilities	(111,587)	(111,587)	(174,533)	(174,533)

Loans and receivables are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses. Fair value of loans and receivables is determined by the inputs other than quoted prices that are observable for the assets therefore these would be classified as level 3 within fair value hierarchy.

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

Valuation of investment property carried at cost is based on management's best estimate of the recoverable amount of investment property. Recoverable amount is the higher of fair value less cost to sell and the value in use and is annually reassessed by chartered surveyors. The estimated fair value of investment property held by the Company and Group amounts to HRK 31.348 thousand as of 31 December 2021 (2020: HRK 42.071 thousand). Fair value is determined by an independent external valuator having an appropriate professional qualification. Fair values were determined using *income method*, which is based on sustainable annual income that the real estate generates or can generate due to regular operations, which would in hierarchy of fair value be classified as Level 3.

Valuation techniques used for determining fair value on Level 3

The fair value of investment property is derived primarily on the characteristics of the property including assumptions about ownership, urban planning, parts of equipment and condition and maintenance of the land.

The most significant inputs in the valuations were prices or rental income per square meter, generated based on comparable properties in the immediate vicinity and then adjusted by differences in key characteristics.

Information on fair value measurement of investment property which included significant parameters that are not available on the market (level 3)

Description	Fair value as at 31 December 2021	Fair value as at 31 December 2020	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2021	2020
Company and Group	31.348	42.071	Income approach	Capitalization rate	8.25%	6.25%
			Income approach	Average price per m2 (HRK)	71,41	81,32

A significant increase (decrease) in the estimated capitalization rate, average building price and the average price per m2, with other variables held constant, would have an impact on a significant increase (decrease) in the fair value of investment property. A significant increase (decrease) in the discount rate, with other variables held constant, would have an impact on a significant decrease (increase) in the fair value of investment property.

There is no significant interaction between invisible inputs used in estimates that would have a significant effect on fair value.

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

1.37 Financial Risk Management (continued)

Capital management

In 2016 new Solvency II regulatory came into force.

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

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

The Group is in compliance with legislation and by-laws which regulate capital, regulatory capital, capital adequacy and solvency margin. In addition to the stated, for the purpose of securing the quality of the capital base, the Group performs a ALM tests on a regular basis, as well as an stress testing with respect to capital and its adequacy in order to prevent possible capital deficiency.

At 31 December 2021 and 2020, guarantee capital of the Company was higher than minimum core capital required by Act 19 of Insurance law, and as far from solvency margin calculated based on Act 98 Insurance law, as follows:

	Unaudited 31.12.2021. HRK'000 Company	Unaudited 31.12.2020. HRK'000 Company
Basic own funds	902,328	953,641
Ordinary share capital	101,722	101,722
Share premium account related to ordinary share capital	112,001	112,001
Reconciliation reserve	688,605	739,918
Excess of assets over liabilities	1,008,782	1,155,065
Total assets	5,293,647	5,516,692
Total liabilities	4,284,865	4,361,627
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	106,454	201,424
Other basic own fund items	213,723	213,723
Ancillary own funds	-	-
Total available own funds to meet the SCR	902,328	953,641
Total available own funds to meet the MCR	902,328	953,641
SCR	448,125	488,109
MCR	201,656	214,067
Ratio of Eligible own funds to SCR	201%	195%
Ratio of Eligible own funds to MCR	447%	445%

Company has a strong capital base and in 2021 met all regulatory requirements for capital adequacy. As at 31 December 2021, the solvency ratio was 201% (2020: 195%) thus reducing the insolvency risk. The internally defined target solvency ratio for the Company is 142%.

As at 31 December 2021, the solvency ratio excluding the foreseeable dividend would be 225% (2020: 237%).

1.38 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Group and the Company at 31 December 2021 and 31 December 2020 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. Highly liquid investments without contractual maturity are classified as up to 6 months. Investments in subsidiaries are classified as over 5 years. Estimated remaining contractual maturities of insurance provisions are analysed in Note 1.21 h). The amounts of financial liabilities disclosed in the table (all non-interest bearing) are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows and outflows.

Group – 2021

	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						
<i>Held-to-maturity investments</i>	66,776	-	31,014	10,169	10,419	118,378
Debt securities	66,776	-	31,014	10,169	10,419	118,378
<i>Available-for-sale financial assets</i>	5,270	424,158	268,847	802,423	2,181,098	3,681,796
Debt securities	5,270	195,362	147,408	802,423	2,181,098	3,331,561
Equity securities	-	-	121,439	-	-	121,439
Investment funds	-	228,796	-	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>	205,712	547,541	4,294	26,684	166,682	950,914
Debt securities	-	-	-	20,158	54,033	74,191
Equity securities	-	-	-	-	87,689	87,689
Foreign corporate bonds backing index linked products	-	-	-	-	9,410	9,410
Shares relating to share-based payments	2,251	-	2,327	3,808	-	8,386
Investment funds	203,461	547,541	1,967	2,718	15,550	771,238
<i>Loans and receivables</i>	10,770	3,033	1,967	2,718	13,147	31,636
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,270	3,033	1,967	2,718	13,147	26,136
Reinsurers' share of insurance contract liabilities	61,950	58,560	32,774	37,454	7,577	198,315
Receivables	171,361	7,565	19,711	-	-	198,637
Cash and cash equivalents	234,581	-	-	-	-	234,581
Total financial assets	756,420	1,040,857	358,607	879,449	2,378,923	5,414,257
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income	397,911	-	1,210	-	-	399,121
Lease liabilities	5,950	5,886	11,376	29,875	-	53,086
Insurance liabilities	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Financial liabilities	1,193,975	796,000	248,148	737,370	1,746,151	4,721,911
Maturity gap	(358,462)	244,857	67,202	142,079	632,772	800,310

1.38 Maturity analysis (continued)

Group – 2020

	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						
<i>Held-to-maturity investments</i>	-	-	66,767	31,254	20,755	118,775
Debt securities	-	-	66,767	31,254	20,755	118,776
<i>Available-for-sale financial assets</i>	-	467,707	302,232	828,166	2,270,863	3,868,968
Debt securities	-	137,456	213,990	828,166	2,270,863	3,450,475
Equity securities	-	-	88,242	-	-	88,242
Investment funds	-	330,251	-	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	66,127	839,925	2,077	14,040	69,410	991,579
Debt securities	-	37,984	-	10,019	69,410	117,413
Equity securities	60,028	-	-	-	-	60,028
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	1,417	-	2,077	4,021	-	7,515
Investment funds	4,682	801,941	-	-	-	806,623
<i>Loans and receivables</i>	13,182	3,589	1,924	2,681	16,889	38,264
Deposits with banks	6,173	-	-	-	-	6,173
Loans to customers	7,009	3,589	1,924	2,681	16,889	32,091
Reinsurers' share of insurance contract liabilities	73,643	69,591	38,948	44,510	8,981	235,673
Receivables	174,298	7,680	20,639	-	-	202,617
Cash and cash equivalents	161,461	-	-	-	-	161,461
Total financial assets	488,711	1,388,492	432,586	920,651	2,386,898	5,617,338
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income	289,948	-	1,210	-	-	291,156
Lease liabilities	5,478	5,478	19,395	31,000	2,643	63,994
Insurance liabilities	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Financial and insurance liabilities liabilities	1,085,540	795,592	299,424	707,526	1,748,794	4,624,854
Maturity gap	(596,829)	592,900	133,162	213,125	638,104	992,484

1.38 Maturity analysis (continued)

Company – 2021

	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						
<i>Investments in subsidiaries</i>	-	-	-	-	195,553	195,553
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	177,279	177,279
AFS	-	-	-	-	12,586	12,586
<i>Held-to-maturity investments</i>	61,724	-	-	-	-	61,724
Debt securities	61,724	-	-	-	-	61,724
<i>Available-for-sale financial assets</i>	5,270	424,158	268,847	802,423	2,181,098	3,681,796
Debt securities	5,270	195,362	147,408	802,423	2,181,098	3,331,561
Equity securities	-	-	121,439	-	-	121,439
Investment funds	-	228,796	-	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>	2,251	761,564	2,327	3,808	9,410	779,360
Debt securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products ; OPCJA	-	-	-	-	9,410	9,410
Shares relating to share-based payments	2,251	-	2,327	3,808	-	8,386
Investment funds	-	761,564	-	-	-	761,564
<i>Loans and receivables</i>	10,770	3,033	1,967	2,718	15,550	34,039
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,270	3,033	1,967	2,718	15,550	28,538
<i>Reinsurers' share of insurance contract liabilities</i>	61,950	58,560	32,774	37,454	7,577	198,315
<i>Receivables</i>	169,073	7,464	19,551	-	-	196,088
<i>Cash and cash equivalents</i>	182,126	-	-	-	-	182,126
Total financial assets	493,164	1,254,779	325,466	864,403	2,409,188	5,329,001
Financial liabilities						
<i>Liabilities arising from insurance contracts, other liabilities and deferred income</i>	156,931	107,492	-	-	156,931	264,423
<i>Lease liabilities</i>	5,950	5,886	11,376	29,875	-	53,087
<i>Insurance liabilities</i>	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Financial liabilities	981,865	903,492	247,208	737,370	1,746,151	4,587,214
Maturity gap	(488.701)	351.287	78.258	127.033	663.037	741.787

1.38 Maturity analysis (continued)

Company – 2020

	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						
<i>Investments in subsidiaries</i>	-	-	-	-	185,953	185,953
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	169,815	169,815
AFS	-	-	-	-	10,450	10,450
<i>Held-to-maturity investments</i>	-	-	61,641	-	-	61,641
Debt securities	-	-	61,641	-	-	61,641
<i>Available-for-sale financial assets</i>	-	467,707	302,232	828,166	2,270,863	3,868,968
Debt securities	-	137,456	213,990	828,166	2,270,863	3,450,475
Equity securities	-	-	88,242	-	-	88,242
Investment funds	-	330,251	-	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	1,417	801,941	2,077	4,021	-	809,456
Debt securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	1,417	-	2,077	4,021	-	7,515
Investment funds	-	801,941	-	-	-	801,941
<i>Loans and receivables</i>	10,708	6,186	2,216	3,948	17,872	40,930
Deposits with banks	6,173	-	-	-	-	6,173
Loans to customers	4,535	6,186	2,216	3,948	17,872	34,757
Reinsurers' share of insurance contract liabilities	73,620	69,591	38,948	44,510	9,004	235,673
Receivables	174,075	7,685	20,651	-	-	202,411
Cash and cash equivalents	118,186	-	-	-	-	118,186
Total financial assets	378,006	1,353,110	427,765	880,645	2,483,692	5,523,218
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income	192,866	-	-	-	-	192,866
Lease liabilities	5,478	5,478	19,395	31,000	2,643	63,994
Insurance liabilities	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Financial liabilities	895,388	795,592	255,227	707,526	1,748,794	4,433,494
Maturity gap	-517,382	557,518	172,538	173,119	734,898	1,089,724

1.39 Interest rate repricing analysis

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

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2021 and 31 December 2020 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of mathematical reserve is based (Note 1.21 (f)), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

Group – 2021

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Other*	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets				0	0				
<i>Held-to-maturity investments</i>		66,776	-	31,014	10,169	10,419	-	118,378	118,378
Debt securities		66,776	-	31,014	10,169	10,419	-	118,378	118,378
<i>Available-for-sale financial assets</i>		5,270	424,158	268,847	802,423	2,181,098	-	3,681,796	3,331,561
Debt securities		5,270	195,362	147,408	802,423	2,181,098	-	3,331,561	3,331,561
Equity securities		-	-	121,439	-	-	-	121,439	-
Investment funds		-	228,796	-	-	-	-	228,796	-
<i>Financial assets at fair value through profit or loss</i>		2,251	761,564	2,327	23,966	54,033	106,773	950,914	74,191
Debt securities		-	-	-	20,158	54,033	0	74,191	74,191
Equity securities		-	-	-	-	-	87,689	87,689	-
Foreign corporate bonds backing index linked products		-	-	-	-	-	9,410	9,410	-
Shares relating to share-based payments		2,251	-	2,327	3,808	-	-	8,386	-
Investment funds		0	761,564	-	-	-	9,674	771,238	-
<i>Loans and receivables</i>		10,770	3,033	1,967	2,718	13,147	-	31,636	31,636
Deposits with banks		5,500	-	-	-	-	-	5,500	5,500
Loans to customers		5,270	3,033	1,967	2,718	13,147	-	26,136	26,147
Reinsurers' share of insurance contract liabilities		61,950	58,560	32,774	37,454	7,577	-	198,315	-
Receivables		-	-	-	-	-	198,637	198,637	-
Cash and cash equivalents		234,581	-	-	-	-	-	234,581	234,581
Total financial assets		381,598	1,247,315	336,929	876,730	2,266,274	305,410	5,414,257	3,790,347
Financial liabilities									
Payables		-	-	-	-	-	105,119	105,119	-
Other liabilities		-	-	-	-	-	159,304	159,304	-
Lease liabilities		5,950	5,886	11,376	29,875	-	-	53,087	53,087
Total financial liabilities		5,950	5,886	11,376	29,875	-	264,423	317,510	53,087
Repricing gap		375,648	1,241,429	325,553	846,855	2,266,274	40,987	5,096,747	3,737,260

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

1.39 Interest rate repricing analysis (continued)

Group – 2020

	Effective interest rate	Up to 6 months	6-12 months	1-2 years HRK'00 0	2-5 years HRK'00 0	More than 5 years HRK'000	Other* HRK'00 0	Total HRK'000	Amounts subject to fixed rates HRK'000
	%	HRK'000	HRK'000						
Financial assets									
<i>Held-to-maturity investments</i>		-	-	66,766	31,254	20,755	-	118,775	118,775
Debt securities	5,99	-	-	66,766	31,254	20,755	-	118,775	118,775
<i>Available-for-sale financial assets</i>		-	467,707	302,232	828,166	2,270,863	-	3,868,968	3,450,475
Debt securities	3,33	-	137,456	213,990	828,166	2,270,863	-	3,450,475	3,450,475
Equity securities		-	-	88,242	-	-	-	88,242	-
Investment funds		-	330,251	-	-	-	-	330,251	-
<i>Financial assets at fair value through profit or loss</i>		64,059	839,925	2,077	14,040	64,679	6,799	991,579	117,413
Debt securities		-	37,984	-	10,019	64,679	4,731	117,413	117,413
Equity securities		60,028	-	-	-	-	-	60,028	-
Foreign corporate bonds backing index linked products	n/a	-	-	-	-	-	-	-	-
Shares relating to share-based payments	n/a	1,417	-	2,077	4,021	-	-	7,515	-
Investment funds		2,614	801,941	-	-	-	2,068	806,623	-
<i>Loans and receivables</i>		13,182	3,589	1,924	2,681	16,889	-	38,264	38,264
Deposits with banks	0,06	6,173	-	-	-	-	-	6,173	6,173
Loans to customers	4,46	7,009	3,589	1,924	2,681	16,889	-	32,091	32,091
Reinsurers' share of insurance contract liabilities		73,643	69,591	38,948	44,510	8,981	-	235,673	-
Receivables		694	-	-	-	-	201,923	202,617	-
Cash and cash equivalents		161,461	-	-	-	-	-	161,461	161,461
Total financial assets		313,039	1,380,812	411,947	920,651	2,382,167	208,722	5,617,337	3,886,388
Financial liabilities									
Liabilities to investment funds		-	-	-	-	-	-	-	-
Payables		-	-	-	-	-	140,501	140,501	140,501
Other liabilities		-	-	-	-	-	150,655	150,655	150,655
Lease liabilities		5,478	5,478	19,395	31,000	2,643	-	63,994	63,994
Total financial liabilities		5,478	5,478	19,395	31,000	2,643	291,156	355,150	355,150
Repricing gap		307,561	1,375,334	392,552	889,651	2,379,524	(82,434)	5,262,187	3,531,238

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

1.39 Interest rate repricing analysis (continued)

Company – 2021

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>		-	-	-	-	-	195,553	195,553	
At cost		-	-	-	-	-	5,688	5,688	
At fair value through P&L		-	-	-	-	-	177,279	177,279	
AFS		-	-	-	-	-	12,586	12,586	
<i>Held-to-maturity investments</i>		61,724	-	-	-	-	-	61,724	61,724
Debt securities	3,80	61,724	-	-	-	-	-	61,724	61,724
<i>Available-for-sale financial assets</i>		5,270	424,158	268,847	802,423	2,181,098	-	3,681,796	
Debt securities	3,10	5,270	195,362	147,408	802,423	2,181,098	-	3,331,561	
Equity securities		-	-	121,439	-	-	-	121,439	
Investment funds		-	228,796	-	-	-	-	228,796	
<i>Financial assets at fair value through profit or loss</i>		2,251	761,564	2,327	3,808	-	9,410	779,360	
Debt securities		-	-	-	-	-	-	-	
Foreign corporate bonds backing index linked products; OPCIIA		-	-	-	-	-	9,410	9,410	
Shares relating to share-based payments		2,251	-	2,327	3,808	-	-	8,386	
Investment funds		-	761,564	-	-	-	-	761,564	
<i>Loans and receivables</i>		10,770	3,033	1,967	2,718	15,550	-	34,039	34,039
Deposits with banks	0,01	5,500	-	-	-	-	-	5,500	5,500
Loans to customers	4,21	5,270	3,033	1,967	2,718	15,550	-	28,538	28,538
Reinsurance share in technical provisions		61,950	58,556	32,774	37,454	7,576	-	198,315	
Receivables		-	-	-	-	-	196,088	196,088	
Cash and cash equivalents		182,126	-	-	-	-	-	182,126	
Total financial assets		262,141	1,188,755	273,141	808,949	2,196,648	204,965	5,329,001	95,763
Financial liabilities									
Payables		-	-	-	-	-	105,119	105,119	-
Other liabilities		-	-	-	-	-	159,304	159,304	-
Lease liabilities		5,950	5,886	11,376	29,875	-	-	53,087	53,087
Total financial liabilities		5,950	5,886	11,376	29,875	-	264,423	317,510	53,087
Repricing gap		256,191	1,182,869	261,765	779,074	2,196,648	(59,458)	5,011,491	42,676

1.39 Interest rate repricing analysis (continued)

Company – 2020

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>									
At cost		-	-	-	-	-	185,953	185,953	-
At fair value through P&L		-	-	-	-	-	5,688	5,688	-
AFS		-	-	-	-	-	169,815	169,815	-
		-	-	-	-	-	10,450	10,450	-
<i>Held-to-maturity investments</i>									
Debt securities	6,99	-	-	61,641	-	-	-	61,641	61,641
<i>Available-for-sale financial assets</i>									
Debt securities	3,33	-	467,707	302,232	828,166	2,270,863	-	3,868,968	3,450,475
Equity securities		-	-	88,242	-	-	-	88,242	-
Investment funds		-	330,251	-	-	-	-	330,251	-
<i>Financial assets at fair value through profit or loss</i>									
Debt securities		-	-	-	-	-	-	-	-
Foreign corporate bonds backing index linked products		-	-	-	-	-	-	-	-
Shares relating to share-based payments		1,417	-	2,077	4,021	-	-	7,515	-
Investment funds		-	801,941	-	-	-	-	801,941	-
<i>Loans and receivables</i>									
Deposits with banks	0,06	-	6,173	-	-	-	-	6,173	6,173
Loans to customers	4,46	4,535	6,186	2,216	3,948	17,872	-	34,757	34,757
Reinsurance share in technical provisions		73,620	69,591	38,948	44,510	9,004	-	235,673	-
Receivables		-	-	-	-	-	202,411	202,411	-
Cash and cash equivalents		118,186	-	-	-	-	-	118,186	118,186
Total financial assets		197,758	1,351,598	407,114	880,645	2,297,739	388,364	5,523,218	3,671,232
Financial liabilities									
Payables		-	-	-	-	-	93,070	93,070	-
Other liabilities		-	-	-	-	-	99,796	99,796	-
Lease liabilities		5,478	5,478	19,395	31,000	2,643	-	63,994	63,994
Total financial liabilities		5,478	5,478	19,395	31,000	2,643	192,866	256,860	63,994
Repricing gap		192,280	1,346,120	387,719	849,645	2,295,096	195,498	5,266,358	3,607,238

1.40 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within scope of IAS 39 were denominated as follows as at 31 December 2021 and 31 December 2020.

Group – 2021

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	-	61,724	61,724	-	56,654	118,378
Debt securities	-	61,724	61,724	-	56,654	118,378
<i>Available-for-sale financial assets</i>	1,636,714	530,170	2,166,884	-	1,514,912	3,681,796
Debt securities	1,388,934	530,170	1,919,104	-	1,412,457	3,331,561
Equity securities	18,983	-	18,983	-	102,455	121,439
Investment funds	228,796	-	228,796	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>	872,121	-	872,121	3,781	75,012	950,914
Debt securities	64,089	-	64,089	-	10,102	74,191
Equity securities	18,998	-	18,998	3,781	64,910	87,689
Foreign corporate bonds backing index linked products	9,410	-	9,410	-	-	9,410
Shares relating to share-based payments	8,386	-	8,386	-	-	8,386
Investment funds	771,238	-	771,238	-	-	771,238
<i>Loans and receivables</i>	10,273	-	10,273	-	21,363	31,636
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	10,273	-	10,273	-	15,863	26,135
Reinsurance share in technical provisions	39,158	1,579	40,738	81	157,496	198,315
Receivables	66,188	10,877	77,064	1,604	119,971	198,739
Cash and cash equivalents	78,880	-	78,880	86,353	148,228	234,581
Total financial assets	2,703,333	604,350	3,307,683	91,918	2,093,636	5,414,257
Insurance liabilities						
Financial liabilities						
Liabilities to investment funds						
Payables	33,946	-	33,946	-	71,173	105,119
Other liabilities	4,435	-	4,435	96,047	88,822	159,304
Lease liabilities	52,970	-	52,970	-	117	53,087
Financial liabilities	91,351	-	91,351	96,047	160,112	317,510
Currency gap on financial assets and financial liabilities	2,611,982	604,350	3,216,332	25,871	1,933,524	5,096,747

1.40 Currency risk analysis (continued)

Group – 2020

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	-	61,640	61,640	-	57,134	118,774
Debt securities	-	61,640	61,640	-	57,134	118,774
<i>Available-for-sale financial assets</i>	1,760,184	574,758	2,334,942	-	1,534,026	3,868,968
Debt securities	1,421,311	574,758	1,996,069	-	1,454,407	3,450,476
Equity securities	8,622	-	8,622	-	79,619	88,241
Investment funds	330,251	-	330,251	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	709,399	-	709,399	108,936	173,246	991,580
Debt securities	50,267	-	50,267	-	67,147	117,414
Equity securities	12,174	-	12,174	-	47,854	60,028
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	7,515	-	7,515	-	-	7,515
Investment funds	639,443	-	639,443	108,936	58,245	806,623
<i>Loans and receivables</i>	15,343	2,420	17,763	-	20,500	38,264
Deposits with banks	227	-	227	-	5,945	6,173
Loans to customers	15,117	2,420	17,536	-	14,555	32,091
Reinsurance share in technical provisions	46,535	1,877	48,412	96	187,165	235,673
Receivables	78,493	-	78,493	1,734	122,390	202,617
Cash and cash equivalents	121,498	-	121,498	7,558	32,405	161,461
Total financial assets	2,731,452	640,695	3,372,146	118,324	2,126,866	5,617,337
Insurance liabilities						
Financial liabilities						
Liabilities to investment funds						
Payables	31,496	-	31,496	373	108,632	140,501
Other liabilities	86	-	86	-	150,569	150,655
Lease liabilities	63,802	-	63,802	-	192	63,994
Financial liabilities	95,384	-	95,384	373	259,392	355,150
Currency gap on financial assets and financial liabilities	2,636,068	640,695	3,276,762	117,951	1,867,473	5,262,187

1.40 Currency risk analysis (continued)

Company – 2021

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>	12,586	-	12,586	-	182,967	195,553
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	177,279	177,279
AFS	12,586	-	12,586	-	-	12,586
<i>Held-to-maturity investments</i>	-	61,724	61,724	-	-	61,724
Debt securities	-	61,724	61,724	-	-	61,724
<i>Available-for-sale financial assets</i>	1,636,714	530,170	2,166,884	-	1,514,912	3,681,796
Debt securities	1,388,934	530,170	1,919,104	-	1,412,457	3,331,561
Equity securities	18,983	-	18,983	-	102,455	121,439
Investment funds	228,796	-	228,796	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>	638,936	-	638,936	97,856	42,568	779,360
Debt securities	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products ; Call option	9,410	-	9,410	-	-	9,410
Shares relating to share-based payments	8,386	-	8,386	-	-	8,386
Investment funds	621,140	-	621,140	97,856	42,568	761,564
<i>Loans and receivables</i>	12,676	-	12,676	-	21,363	34,039
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	12,676	-	12,676	-	15,863	28,538
Reinsurers' share of insurance contract liabilities	39,158	1,579	40,738	81	157,496	198,315
Receivables	65,474	10,759	76,233	1,685	118,168	196,088
Cash and cash equivalents	27,502	-	27,502	86,353	36,553	182,126
Total financial assets	2,433,045	604,232	3,037,278	185,975	2,074,536	5,329,001
Financial liabilities						
Payables	33,946	-	33,946	-	71,173	105,119
Other liabilities	4,435	-	4,435	96,047	88,822	159,304
Lease liabilities	52,970	-	52,970	-	117	53,087
Financial liabilities	91,351	-	91,351	96,047	160,112	317,510
Currency gap on financial assets and financial liabilities	2,341,694	604,232	2,945,927	89,928	1,914,424	5,011,491

1.40 Currency risk analysis (continued)

Company – 2020

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>	10,450	-	10,450	-	175,503	185,953
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	169,815	169,815
AFS	10,450	-	10,450	-	-	10,450
<i>Held-to-maturity investments</i>	-	61,641	61,641	-	-	61,641
Debt securities	-	61,641	61,641	-	-	61,641
<i>Available-for-sale financial assets</i>	1,760,184	574,758	2,334,942	-	1,534,026	3,868,968
Debt securities	1,421,311	574,758	1,996,069	-	1,454,406	3,450,475
Equity securities	8,622	-	8,622	-	79,620	88,242
Investment funds	330,251	-	330,251	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	645,861	-	645,861	107,672	55,922	809,456
Debt securities	-	-	-	-	-	-
Equity securitie	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	7,515	-	7,515	-	-	7,515
Investment funds	638,346	-	638,346	107,672	55,922	801,941
<i>Loans and receivables</i>	17,437	-	17,437	-	23,493	40,930
Deposits with banks	173	-	173	-	6,000	6,173
Loans to customers	17,264	-	17,264	-	17,493	34,757
Reinsurers' share of insurance contract liabilities	46,535	1,877	48,412	96	187,165	235,673
Receivables	78,488	-	78,488	1,735	122,188	202,411
Cash and cash equivalents	88,934	-	88,934	5,532	23,720	118,186
Total financial assets	2,647,889	638,276	3,286,165	115,036	2,122,017	5,523,218
Financial liabilities						
Payables	28,987	-	28,978	-	64,083	93,070
Other liabilities	32	-	32	-	99,764	99,796
Lease liabilities	63,802	-	63,802	-	192	63,994
Financial liabilities	92,821	-	92,812	-	164,039	256,860
Currency gap on financial assets and financial liabilities	2,555,068	638,276	3,193,353	115,036	1,957,978	5,266,358

1.41 Post balance sheet events

National Plan for the Exchange of the Croatian Kuna with the Euro

The company has taken the necessary steps to comply in a timely manner with the draft law planned for adoption in April 2022, which further depends on the decision of the Council of the European Union expected in the summer of 2022.

The Company actively works on IT solutions and business processes.

The Management Board expects that this change will not have a significant impact on profitability or liquidity, but an impact on the change in the Company's solvency position in the coming period is expected given the regulatory obligation to apply the EUR curve for calculation of technical provisions. Based on planning figures, the solvency position of the Company is satisfactory and above all internal and external limits in the next three years, including dividend payment. Company is monitoring the solvency situation and impact of the EUR curve on a quarterly basis.

War in Ukraine

The company is not directly exposed to the Russian and Ukrainian markets. Due to the overall uncertainty related to the war in Ukraine, we are currently assessing the overall consequences for the economy and possible spillover effects on the Company's operations based on defined scenarios. In the worst case scenario (full escalation of conflict, energy crisis, Russia default, inflation) Company has estimated the potential negative impact on solvency ratio based on market movement (inflation, interest rates, equity prices down). In all scenarios, the solvency ratio of the company is above management ratio. Possible risk also comes in view of lower premium due to lower revenue of some clients with business in Russia and Ukraine which is not a significant risk. Company is estimating its risks on a weekly basis and monitoring the situation.

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

Statement of financial position (balance sheet) 31 December 2021

ASSETS				<i>in HRK</i>					
Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003	I	INTANGIBLE ASSETS	111,666,035	49,460,508	161,126,543	102,962,323	45,015,940	147,978,263
002		1	Goodwill						
003		2	Other intangible assets	111,666,035	49,460,508	161,126,543	102,962,323	45,015,940	147,978,263
004	005+006+007	II	TANGIBLE ASSETS		93,717,383	93,717,383		80,746,927	80,746,927
005		1	Land and buildings intended for company business operations		28,386,196	28,386,196		27,221,970	27,221,970
006		2	Equipment		2,537,950	2,537,950		1,988,839	1,988,839
007		3	Other tangible assets and stock		62,793,237	62,793,237		51,536,118	51,536,118
008	009+010+014+033	III	INVESTMENTS	3,197,357,412	991,440,298	4,188,797,710	2,948,826,214	1,018,773,123	3,967,599,337
009		A	Investments in land and buildings not intended for company business operations		24,523,561	24,523,561		23,253,547	23,253,547
010	011+012+013	B	Investments in subsidiaries, associates and joint ventures		5,688,100	5,688,100		5,688,100	5,688,100
011		1	Shares and stakes in subsidiaries		5,688,100	5,688,100		5,688,100	5,688,100
012		2	Shares and stakes in associates						
013		3	Joint venture participation						
014	015+018+023+029	C	Financial investments	3,197,357,412	961,228,637	4,158,586,049	2,948,826,214	989,831,476	3,938,657,690
015	016+017	1	Investments held-to-maturity	61,640,072		61,640,072	61,724,098		61,724,098
016		1.1	<i>Debt securities and other securities with fixed revenue</i>	61,640,072		61,640,072	61,724,098		61,724,098
017		1.2	<i>Other investments held to maturity</i>						

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

Statement of financial position (balance sheet) 31 December 2021 (continued)

ASSETS										<i>in HRK</i>
Position no,	Sum elements	Position code	Position description	Previous business period			Current business period			
				Life	Non life	Total	Life	Non life	Total	
018	019+020+021+022	2	Investments available-for-sale	3,049,810,467	829,606,801	3,879,417,268	2,837,457,958	856,924,106	3,694,382,064	
019		2.1	<i>Shares, stakes and other securities with variable revenue</i>	69,278,818	18,963,055	88,241,873	90,702,323	30,736,236	121,438,559	
020		2.2	<i>Debt securities and other securities with fixed revenue</i>	2,664,905,316	785,569,876	3,450,475,192	2,541,424,717	790,136,227	3,331,560,943	
021		2.3	<i>Investment fund units</i>	315,626,333	25,073,869,880	340,700,203	205,330,918	36,051,643,090	241,382,561	
022		2.4	<i>Other investments available for sale</i>							
023	024+025+026+027+028	3	Investments at fair value through profit and loss account	59,829,825	70,588,408	130,418,233	59,829,825	70,588,408	130,418,233	
024		3.1	<i>Shares, stakes and other securities with variable revenue</i>							
025		3.2	<i>Debt securities and other securities with fixed revenue</i>							
026		3.3	<i>Derivative financial instruments</i>		7,514,736	7,514,736		7,514,736	7,514,736	
027		3.4	<i>Investment fund units</i>	59,829,825	63,073,672	122,903,497	59,829,825	63,073,672	122,903,497	
028		3.5	<i>Other investments</i>							
029	030+031+032	4	Deposits, loans and receivables	26,077,048	61,033,428	87,110,476	23,235,015	10,803,612	34,038,627	
030		4.1	<i>Deposits with credit institutions (banks)</i>		53,626,073	53,626,073		5,500,445	5,500,445	
031		4.2	<i>Loans</i>	26,077,048	7,407,355	33,484,403	23,235,015	5,303,168	28,538,183	
032		4.3	<i>Other loans and receivables</i>							
033		D	Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)							
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	848,852,609		848,852,609	808,126,290		808,126,290	

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

Statement of financial position (balance sheet) 31 December 2021 (continued)

ASSETS

in HRK

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	1,062,317	234,610,443	235,672,760	986,993	197,328,214	198,315,208
036		1	Unearned premiums, reinsurance share	122,724	90,760,110	90,882,834	112,792	97,399,624	97,512,416
037		2	Mathematical provision, reinsurance share	327,693		327,693	374,502		374,502
038		3	Provision for claims outstanding, reinsurance share	611,900	143,850,333	144,462,233	499,700	99,928,590	100,428,290
039		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other insurance technical provisions, reinsurance share						
042		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSET		9,971,392	9,971,392			
044		1	Deferred tax asset						
045		2	Current tax asset		9,971,392	9,971,392			
046	047+050+051	VII	RECEIVABLES	2,389,113	196,768,038	199,157,151	3,141,744	188,963,111	192,104,855
047	048+049	1	Receivables from direct insurance business		123,720,204	123,720,204		123,398,156	123,398,156
048		1.1	<i>From policyholders</i>		123,720,204	123,720,204		123,398,156	123,398,156
049		1.2	<i>From insurance agents, or insurance brokers</i>						
050		2	Receivables from co-insurance and reinsurance business	79,591	36,578,479	36,658,070	147,544	31,039,738	31,187,282

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

Statement of financial position (balance sheet) 31 December 2021 (continued)

ASSETS										<i>in HRK</i>
Position no,	Sum elements	Position code	Position description	Previous business period			Current business period			
				Life	Non life	Total	Life	Non life	Total	
051	052+053+054	3	Other receivables	2,309,522	36,469,355	38,778,877	2,994,200	34,525,217	37,519,416	
052		3.1	Receivables from other insurance business	1,137,389	29,896,430	31,033,819	1,112,479	33,316,994	34,429,473	
053		3.2	Receivables for return on investments	1,172,133	63,398	1,235,531				
054		3.3	Other receivables		6,509,527	6,509,527	1,881,721	1,208,223	3,089,943	
055	056+060+061	VIII	OTHER ASSETS	15,581,310	55,376,756	70,958,065	133,882,433	48,243,310	182,125,743	
056	057+058+059	1	Cash at bank and in hand	15,581,310	55,376,756	70,958,065	133,882,433	48,243,310	182,125,743	
057		1.1	Funds in the business account	13,001,390	55,269,111	68,270,501	119,703,273	48,243,310	167,946,583	
058		1.2	Funds in the account of assets covering mathematical provision	2,462,852		2,462,852	14,179,160		14,179,160	
059		1.3	Cash in hand	117,068	107,645	224,712				
060		2	Long-term assets intended for sale and business cessation	-	-		-	-		
061		3	Other	-	-		-	-		
062	063+064+065	IX	PREPAYMENTS AND ACCRUED INCOME	1,606,770	76,804,994	78,411,764	1,266,575	72,928,507	74,195,081	
063		1	Deferred interest and rent							
064		2	Deferred acquisition costs	1,339,906	72,770,060	74,109,966	1,024,805	69,187,195	70,212,000	
065		3	Other prepayments and accrued income	266,865	4,034,934	4,301,798	241,770	3,741,311	3,983,081	
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS (A+B+C+D+E+F+G+H+I+J)	4,178,515,565	1,708,149,812	5,886,665,377	3,999,192,586	1,651,999,336	5,651,191,704	
067		XI	OFF BALANCE SHEET ITEMS							

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued) Statement of financial position (balance sheet) 31 December 2021 (continued)

EQUITY AND LIABILITIES

in HRK

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
068	069+072+073+077+081+084	XII	CAPITAL AND RESERVES	697,802,602	509,098,378	1,206,900,981	493,567,873	524,001,820	1,017,569,692
069	070+071	1	Subscribed capital	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
070		1.1	<i>Paid-up capital - ordinary shares</i>	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
071		1.2	<i>Paid-up capital - preference shares</i>						
072		2	Issued shares premiums (capital reserves)	80,500,000	31,500,600	112,000,600	80,500,000	31,500,600	112,000,600
073	074+075+076	3	Revaluation reserve	331,672,234	49,936,163	381,608,397	240,724,107	47,548,406	288,272,514
074		3.1	<i>Land and buildings</i>						
075		3.2	<i>Financial investments</i>	331,672,234	49,936,163	381,608,397	240,724,107	47,548,406	288,272,514
076		3.3	<i>Other revaluation reserves</i>						
077	078+079+080	4	Reserves	2,397,219	22,655,124	25,052,343	2,397,219	22,655,124	25,052,343
078		4.1	<i>Legally stipulated reserves</i>	1,300,066	7,098,754	8,398,820	1,300,066	7,098,754	8,398,820
079		4.2	<i>Statutory reserve</i>	1,097,153	15,556,369	16,653,523	1,097,153	15,556,369	16,653,523
080		4.3	<i>Other reserve</i>						
081	082+083	5	Transferred (retained) profit or loss	209,118,024	323,082,670	532,200,694	100,001,160	283,970,489	383,971,649
082		5.1	<i>Retained profit</i>	209,118,024	323,082,670	532,200,694	100,001,160	283,970,489	383,971,649
083		5.2	<i>Transferred loss (-)</i>						
084	085+086	6	Profit or loss of the current accounting period	44,115,126	10,201,422	54,316,548	39,945,387	66,604,800	106,550,187
085		6.1	<i>Profit of the current accounting period</i>	44,115,126	10,201,422	54,316,548	39,945,387	66,604,800	106,550,187
086		6.2	<i>Loss of the current accounting period (-)</i>						
087		XII I	SUBORDINATED LIABILITIES						

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

Statement of financial position (balance sheet) 31 December 2021 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,523,032,767	980,072,070	3,503,104,837	2,500,272,893	961,304,072	3,461,576,965
090		1	Unearned premiums, gross amount	10,281,887	442,511,954	452,793,841	8,448,555	452,728,521	461,177,076
091		2	Mathematical provision, gross amount	2,429,584,391		2,429,584,391	2,426,892,253		2,426,892,253
092		3	Provision for claims outstanding, gross amount	83,166,488	532,748,427	615,914,916	64,932,084	502,426,303	567,358,387
093		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount		4,811,688	4,811,688		6,149,248	6,149,248
094		5	Equalisation provision, gross amount						
095		6	Other insurance technical provisions, gross amount						
096		XVI	LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	848,852,602		848,852,602	808,126,290		808,126,290
097	098+099	XVII	OTHER RESERVES	877,518	2,305,433	3,182,951	458,876	1,496,720	1,955,595
098		1	Provisions for pensions and similar liabilities	838,464	2,226,140	3,064,604	360,421	1,296,827	1,657,248
099		2	Other provisions	39,055	79,293	118,348	98,455	199,893	298,348
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	67,732,816	3,212,568	70,945,384	54,152,985	(7,744,177)	46,408,808
101		1	Deferred tax liability	67,732,816	3,212,568	70,945,384	46,614,445	(1,778,866)	44,835,580
102		2	Current tax liability				7,538,540	(5,965,312)	1,573,228
103		XIX	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES		63,993,942	63,993,942		53,086,137	53,086,137
105		1	Liabilities on the basis of loans						
106		2	Liabilities on the basis of issued securities						
107		3	Other financial liabilities		63,993,942	63,993,942		53,086,137	53,086,137

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of financial position (balance sheet) 31 December 2021 (continued)

EQUITY AND LIABILITIES

in HRK

Position no,	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
108	109+110+111+112	XXI	OTHER LIABILITIES	32,741,519	100,354,702	133,096,221	129,581,224	69,109,898	198,691,122
109		1	Liabilities from direct insurance business	27,017,551	21,332,795	48,350,347	118,853,534	22,193,257	141,046,791
110		2	Liabilities from co-insurance and reinsurance business	889,958	57,472,198	58,362,155	341,856	28,168,641	28,510,497
111		3	Liabilities for sale and ceased business						
112		4	Other liabilities	4,834,011	21,549,709	26,383,719	10,385,834	18,748,000	29,133,834
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	7,475,740	49,112,720	56,588,460	13,032,431	50,744,663	63,777,094
114		1	Deferred reinsurance commission		4,167,615	4,167,615		4,435,267	4,435,267
115		2	Other accrued expenses and deferred income	7,475,740	44,945,105	52,420,845	13,032,431	46,309,397	59,341,828
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL LIABILITIES+Equity (A+B+C+D+E+F+G+H+I+J)	4,178,515,565	1,708,149,812	5,886,665,377	3,999,192,572	1,651,999,132	5,651,191,704
117		XXIV	OFF BALANCE SHEET ITEMS						

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

Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021

in HRK

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003+004+005+006	I	Earned premiums (recognized in revenue)	379,105,433	650,887,780	1,029,993,212	437,856,084	673,354,384	1,111,210,469
002		1	Written gross premiums	379,867,108	766,289,341	1,146,156,449	437,385,245	792,816,009	1,230,201,254
003		2	Value adjustment and charged adjustment of insurance/co-insurance premium value		(4,516,161)	4,516,161	0	(690,345)	(690,345)
004		3	Premiums ceded to reinsurance (-)	(3,003,844)	(98,197,044)	(101,200,888)	(1,352,560)	(115,194,227)	(116,546,787)
005		4	Change in gross provisions for unearned premiums (+/-)	2,250,567	(5,323,839)	(3,073,272)	1,833,332	(10,216,567)	(8,383,235)
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	(8,398)	(7,364,517)	(7,372,916)	(9,933)	6,639,514	6,629,582
007	008+009+010+011+012+013+014	II	Income from investments	130,531,278	26,391,207	156,922,484	120,681,178	20,732,928	141,414,107
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings		3,329,587	3,329,587		3,284,859	3,284,859
010		3	Interest income	77,072,041	16,516,414	93,588,454	76,690,354	13,816,924	90,507,278
011		4	Unrealized profits from investment	6,962,188	292,875	7,255,062	22,270,645	766,402	23,037,047
012		5	Realized profits from investment	6,358,876	3,290,650	9,649,526	10,616,334	97,746	10,714,080
013		6	Net positive exchange rate differentials	29,615,922	1,828,361	31,444,283		1,151,318	1,151,318
014		7	Other investment profits	10,522,251	1,133,320	11,655,571	11,103,846	1,615,680	12,719,526

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

Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021 (continued)

in HRK

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
015		III	Income from commissions and fees	635,880	5,314,458	5,950,338	135,988	6,873,633	7,009,621
016		IV	Other insurance-technical income, net of reinsurance	122,172	6,112,318	6,234,490	26,749	10,601,907	10,628,656
017		V	Other income	21,777	93,150	114,927		808,593	808,593
018	019+022	VI	Expenditures for insured events, net	(398,726,829)	(358,582,373)	(757,309,201)	(457,124,687)	(336,337,892)	(793,462,580)
019	020+021	1	Settled claims	(389,945,698)	(347,204,955)	(737,150,653)	(475,246,892)	(322,738,273)	(797,985,165)
020		1,1	Gross amount (-)	(390,327,868)	(439,166,211)	(829,494,079)	(476,027,585)	(409,189,959)	(885,217,544)
021		1,2	Reinsurer share(+)	382,170	91,961,256	92,343,426	780,693	86,451,686	87,232,379
022	023+024	2	Change in provisions for claims outstanding (+/-)	(8,781,131)	(11,377,417)	(20,158,548)	18,122,204	(13,599,619)	4,522,586
023		2,1	Gross amount (-)	(8,783,231)	(94,197,951)	(102,981,182)	18,234,404	30,322,124	48,556,528
024		2,2	Reinsurer share(+)	2,100	82,820,534	82,822,634	(112,200)	(43,921,743)	(44,033,943)
025	026+029	VII	Change in other technical provisions, net of reinsurance	58,771,425		58,771,425	2,738,947		2,738,947
026	027+028	1	Change in mathematical provision (+/-)	58,619,096		58,619,096	2,738,947		2,738,947
027		1,1	Gross amount (-)	58,589,134		58,589,134	2,692,138		2,692,138
028		1,2	Reinsurer share(+)	29,962		29,962	46,809		46,809
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)	152,329		152,329			
030		2,1	Gross amount (-)	152,329		152,329			
031		2,2	Reinsurer share(+)						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021 (continued)

in HRK

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
032	033+034	VIII	Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+)	(34,195,22)2		(34,195,222)	40,726,312		40,726,312
033		1	<i>Gross amount (-)</i>	(34,195,22)		(34,195,222)	40,726,312		40,726,312
034		2	<i>Reinsurer share(+)</i>						
035	036+037	IX	Expenditures for return of premium (bonuses and rebates), net of reinsurance		(1,586,645)	(1,586,645)		(1,337,560)	(1,337,560)
036		1	Depending on the result (bonuses)						
037		2	Not depending on the result (rebates)		(1,586,645)	(1,586,645)		(1,337,560)	(1,337,560)
038	039+043	X	Business expenditures (for business operations), net	(68,899,774)	(286,348,297)	(355,248,071)	(76,589,259)	(278,273,243)	(354,862,502)
039	040+041+042	1	Acquisition costs	(18,133,992)	(181,183,379)	(199,317,371)	(18,540,340)	(166,073,078)	(184,613,418)
040		1,1	<i>Commission</i>	(14,356,278)	(165,176,742)	(179,533,020)	(15,912,274)	(148,682,051)	(164,594,325)
041		1,2	<i>Other acquisition costs</i>	(3,587,601)	(19,517,485)	(23,105,087)	(2,312,965)	(14,121,730)	(16,434,696)
042		1,3	<i>Change in deferred acquisition costs (+/-)</i>	(190,113)	3,510,848	3,320,735	(315,101)	(3,269,296)	(3,584,397)
043	044+045+046	2	Administration costs	(50,765,782)	(105,164,918)	(155,930,700)	(58,048,918)	(112,200,165)	(170,249,084)
044		2,1	<i>Depreciation of tangible assets</i>	(14,252,963)	(15,747,652)	(30,000,614)	(15,459,530)	(15,847,739)	(31,307,269)
045		2,2	<i>Salaries, taxes and contributions to and from salaries</i>	(20,142,705)	(49,706,412)	(69,849,117)	(20,566,885)	(52,909,028)	(73,475,914)
046		2,3	<i>Other administration costs</i>	(16,370,114)	(39,710,854)	(56,080,968)	(22,022,503)	(43,443,399)	(65,465,902)

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

Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
047	048+049+050+051+052+053+054	XI	Investment expenses	(11,750,004)	(12,415,904)	(24,165,907)	(17,795,997)	(3,984,012)	(21,780,009)
048		1	Depreciation (buildings not intended for business operations of the company)		(1,257,274)	(1,257,274)		(1,270,014)	(1,270,014)
049		2	Interest	(457,426)	(944,567)	(1,401,993)	(403,036)	(838,138)	(1,241,173)
050		3	Investment value adjustment (reduction)	(7,205,427)	(7,199,390)	(14,404,817)	(5,932,967)	(25,551)	(5,958,518)
051		4	Losses from sale (realization) of financial assets	(965,522)	(1,760,664)	(2,726,185)	(2,333,960)	(14,949)	(2,348,909)
052		5	Unrealised losses from financial investment	(6)		(6)			
053		6	Net negative exchange rate differences				(5,902,460)		(5,902,460)
054		7	Other investment expenses	(3,121,623)	(1,254,009)	(4,375,632)	(3,223,574)	(1,835,360)	(5,058,934)
055	056+057	XII	Other technical expenses, net of reinsurance	(3,165,329)	(14,951,143)	(18,116,472)	(3,237,101)	(14,292,670)	(17,529,771)
056		1	Expenses for preventive operations	(946,617)	(1,511,695)	(2,458,312)	(583,482)	(1,665,513)	(2,248,995)
057		2	Other technical expenses of insurance	(2,218,712)	(13,439,448)	(15,658,160)	(2,653,619)	(12,627,157)	(15,280,775)
058		XIII	Other expenses including value adjustments				(440)	(499,537)	(499,976)
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss of the accounting period before taxation (+/-)	52,450,807	14,914,550	67,365,358	47,417,775	77,646,532	125,064,307
060	061+062	XV	Profit or loss tax	(8,335,682)	(4,713,128)	(13,048,810)	(7,472,388)	(11,041,731)	(18,514,120)
061		1	Current tax expense	(8,609,249)	(6,791,241)	(15,400,490)	(8,626,536)	(15,509,023)	(24,135,559)
062		2	Deferred tax expense (income)	273,567	2,078,113	2,351,680	1,154,148	4,467,292	5,621,440

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

Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021 (continued)

in HRK

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
063	059-060	XVI	Profit or loss of the accounting period after taxation (+/-)	44,115,126	10,201,422	54,316,548	39,945,387	66,604,800	106,550,187
064		1	Attributable to owners of the parent						
065		2	Attributable to non-controlling interests						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	510,690,106	690,877,024	1,201,567,131	559,854,148	716,838,737	1,276,692,885
067	018+025+032+035+038+047 +055+058+061	XVII I	TOTAL EXPENDITURE	(466,574,981)	(680,675,602)	(1,147,250,583)	(519,908,761)	(650,233,937)	(1,170,142,69 8)

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

Statement of comprehensive income (income statement) 01 January 2021 – 31 December 2021 (continued)

in HRK

Position no,	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	4,450,942	(6,232,561)	(1,781,618)	(90,948,126)	(2,387,756)	(93,335,883)
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	5,427,978	(7,600,684)	(2,172,705)	(110,912,349)	(2,911,898)	(113,824,247)
071		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
072		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associated companies						
076		8	Profit tax on other comprehensive income	(977,036)	1,368,123	391,087	19,964,223	524,142	20,488,364
077	066+067+068	XX	Total comprehensive income	48,566,068	3,968,861	52,534,929	(51,002,740)	64,217,044	13,214,305
078		1	Attributable to owners of the parent						
079		2	Attributable to non-controlling interests						
080		XXI	Reclassification adjustments						

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

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01 January 2021 – 31 December 2021

in HRK

Position no,	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	303,984,947	(209,678,128)
002	003+004	1	Cash flow before the change in assets and liabilities	42,520,310	(29,856,985)
003		1.1	Profit/loss before taxation	125,064,307	67,365,358
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	(82,543,997)	(97,222,343)
005		1.2.1	Depreciation of real estate and equipment	14,261,450	14,149,000
006		1.2.2	Depreciation of intangible assets	18,315,832	17,201,000
007		1.2.3	Value impairment and profits/losses on reduction to fair value	(12,747,051)	11,566,961
008		1.2.4	Interest expense	1,241,173	1,401,993
009		1.2.5	Interest income	(90,501,488)	(93,588,454)
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)	(808,593)	70,096
012		1.2.8	Other adjustments	(12,305,321)	(48,022,938)
013	014+015+...+030	2	Increase/decrease in assets and liabilities	274,055,577	(157,482,430)
014		2.1	Increase/decrease in investments available-for-sale	51,846,517	(292,527,328)
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	(10,293,118)	(14,910,870)
016		2.3	Increase/decrease in deposits, loans and receivables	53,613,555	(42,750,373)
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	53,862,839	(34,195,229)
019		2.6	Increase/decrease in reinsurance share in technical provisions	37,357,552	(75,479,681)
020		2.7	Increase/decrease in tax assets		(9,971,392)
021		2.8	Increase/decrease in receivables	105,987,602	198,355,658
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepayments and accrued income	4,216,683	2,417,727
024		2.11	Increase/decrease in technical provisions	(41,527,872)	48,899,637
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	(40,726,312)	34,195,222
026		2.13	Increase/decrease in tax liabilities		
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	(12,148,979)	(4,267,794)
029		2.16	Increase/decrease in other liabilities	57,202,735	26,075,076
030		2.17	Increase/decrease in accruals and deferred income	14,664,375	6,676,917

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

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01 January 2021 – 31 December 2021

in HRK

Position no,	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
031		3	Paid profit tax	(12,590,939)	(22,338,713)
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	9,728,323	232,651,540
033		1	Inflows from sale of tangible assets	1,184,804	95,958
034		2	Outflows for purchase of tangible assets	(397,192)	(8,585,516)
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	(3,764,380)	(846,269)
037		5	Inflows from sale of land and buildings not intended for business operations of the company		
038		6	Outflows for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Inflows from investments held to maturity		233,084,346
041		9	Outflows for investments held to maturity		
042		10	Inflows from sale of securities and stakes		
043		11	Outflows for investments in securities and stakes		
044		12	Inflows from dividends and shares in profit	12,705,090	8,903,021
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	(202,545,593)	
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	(202,545,593)	
053	001+032+047		NET CASH FLOW	111,167,678	22,973,412
054		IV	EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS	-	(12,684,773)
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	111,167,678	10,288,639
056		1	Cash and cash equivalents at the beginning of the period	70,958,065	60,669,426
057	055+056	2	Cash and cash equivalents at the end of the period	182,125,743	70,958,065

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

STATEMENT OF CHANGES IN EQUITY for period 01 January 2021 – 31 December 2021

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
I.	Balance as at 1 January of previous year	101,722,400	112,000,600	383,390,015	25,052,343	416,401,183	115,799,511	1,154,366,051		1,154,366,051
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
II.	Balance as at 1 January of previous year (corrected)	101,722,400	112,000,600	383,390,015	25,052,343	416,401,183	115,799,511	1,154,366,051		1,154,366,051
III.	Comprehensive income/loss of the previous year			(1,781,618)			54,316,548	52,534,930		52,534,930
1.	Profit or loss of the period						54,316,548	54,316,548		54,316,548
2.	Other comprehensive income or loss of the previous year			(1,781,618)				(1,781,618)		(1,781,618)
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			3,887,788				3,887,788		3,887,788
2.3.	Realised gains or losses from financial assets available for sale			(5,669,406)				(5,669,406)		(5,669,406)
2.4.	Other non-owner changes in equity									
IV.	Transactions with owners (previous period)					115,799,511	(115,799,511)			
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends									
4.	Other distributions to owners					115,799,511	(115,799,511)			
V.	Balance as at the last day of the reporting period in previous year	101,722,400	112,000,600	381,608,397	25,052,343	532,200,694	54,316,548	1,206,900,981		1,206,900,981

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
STATEMENT OF CHANGES IN EQUITY for period 01 January 2021 – 31 December 2021

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
VI.	Balance as at 1 January of the current year	101,722,400	112,000,600	381,608,397	25,052,343	532,200,694	54,316,548	1,206,900,981		1,206,900,981
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
VII.	Balance as at 1 January of the current year (corrected)	101,722,400	112,000,600	381,608,397	25,052,343	532,200,694	54,316,548	1,206,900,981		1,206,900,981
VIII.	Comprehensive income/loss of the current year			(93,335,883)			106,550,187	13,214,304		13,214,304
1.	Profit or loss of the previous period						106,550,187	106,550,187		106,550,187
2.	Other comprehensive income or loss of the current year			(93,335,883)				(93,335,883)		(93,335,883)
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			(113,824,247)				(113,824,247)		(113,824,247)
2.3.	Realised gains or losses from financial assets available for sale			20,488,364				20,488,364		20,488,364
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)					(202,545,593)		(202,545,593)		(202,545,593)
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends					(202,545,593)		(202,545,593)		(202,545,593)
4.	Other transactions with owners									
X.	Balance as at the last day of the reporting period in the current year	101,722,400	112,000,600	288,272,514	25,052,343	329,655,101	160,866,735	1,017,569,692		1,017,569,692

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

Statement of financial position – Assets as at 31 December 2021

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK '000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK '000	Statutory financial statements
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-							
Called up capital	-							
Uncalled capital	-							
INTANGIBLE ASSETS	147,978							
Goodwill								
Other intangible assets	147,978						147,978	Other intangible assets
TANGIBLE ASSETS	80,747						80,747	Property and equipment
Land and buildings intended for company business operations	27,222							
Equipment	1,989							
Other tangible assets and stock	51,536							
INVESTMENTS	3,967,092	808,126	-					
Investments in land and buildings not intended for company business operations	23,254						23,254	Investment property
Investments in subsidiaries, associates and joint ventures	5,688				189,865		195,553	Investment in subsidiaries
Shares and stakes in subsidiaries	5,688							
Shares and stakes in associates	0							
Joint venture participation	0							
Other financial investments	3,938,151	808,126			(189,865)	(1)		
Investments held-to-maturity	61,724						61,724	Held-to-maturity investments
Debt securities and other securities with fixed revenue	61,724							

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

Statement of financial position – Assets as at 31 December 2021

Schedules prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	Statutory financial statements
Investments available-for-sale	3,694,382				(12,586)		3,681,796	Available-for-sale financial assets
<i>Shares, stakes and other securities with variable revenue</i>	121,439							
<i>Debt securities and other securities with fixed revenue</i>	3,331,561							
<i>Investment fund units</i>	241,383							
<i>Other investments available for sale</i>	-							
Investments at fair value through profit and loss account	148,513	808,126			(177,280)	1	779,360	Financial assets at fair value through profit or loss
<i>Shares, stakes and other securities with variable revenue</i>	-							
<i>Debt securities and other securities with fixed revenue</i>	-							
<i>Derivative financial instruments</i>	17,796							
<i>Investment fund units</i>	130,717							
<i>Other investments</i>	-							
Deposits, loans and receivables	34,039						34,039	Loans and receivables
<i>Deposits with credit institutions (banks)</i>	5,500							
<i>Loans</i>	28,538							
<i>Other loans and receivables</i>	-							
<i>Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)</i>	-							
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	808,126	(808,126)						

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

Statement of financial position – Assets as at 31 December 2021

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding differenc e	HRK'000	Statutory financial statements
REINSURANCE SHARE IN TECHNICAL PROVISIONS	198,315						198,315	Reinsurers' share of insurance contract liabilities
Unearned premiums, reinsurance share	97,512							
Mathematical provision, reinsurance share	375							
Provision for claims outstanding, reinsurance share	100,428							
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share	-							
Equalisation provisions, reinsurance share	-							
Other insurance technical provisions, reinsurance share	-							
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-							
DEFERRED AND CURRENT TAX ASSETS	-						-	
Deferred tax asset	-							
Current tax asset	-						-	Current income tax prepayment
RECEIVABLES	192,105		3,983			1	196,086	Insurance receivables and other assets
Receivables from direct insurance business	123,398							
<i>From policyholders</i>	123,398							
<i>From insurance agents, or insurance brokers</i>	-							
Receivables from co-insurance and reinsurance business	31,187							

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

Statement of financial position – Equity and liabilities as at 31 December 2021

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency					Statutory financial statements		
	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Rounding difference (1)	HRK'000	
CAPITAL AND RESERVES	1,017,570					1,017,569	Total equity
Subscribed capital	101,722					101,722	Issued share capital
<i>Paid-up capital - ordinary shares</i>	101,722						
<i>Paid-up capital - preference shares</i>	-						
<i>Called up capital</i>	-						
Issued shares premiums (capital reserves)	112,001					112,001	Share premium
Revaluation reserves	288,273					288,273	Fair value reserve
<i>Land and buildings</i>	0						
<i>Financial investments</i>	288,273						
<i>Other revaluation reserves</i>	-						
Reserves	25,052					25,052	Legal reserve
<i>Legally stipulated reserves</i>	8,399						
<i>Statutory reserves</i>	16,654						
<i>Other reserves</i>	-						
Transferred (retained) profit or loss	383,972	106,549				490,521	Retained earnings
<i>Retained profit</i>	383,972						
<i>Transferred loss (-)</i>	-						
Profit or loss of the current accounting period	106,550						
<i>Profit of the current accounting period</i>	106,550	(106,549)					
<i>Loss of the current accounting period (-)</i>	-						
SUBORDINATED LIABILITIES	-						
TECHNICAL PROVISIONS	3,461,577					4,269,703	Insurance contract liabilities
<i>Unearned premiums, gross amount</i>	461,177			808,126			
<i>Mathematical provision, gross amount</i>	2,426,892						
<i>Provision for claims outstanding, gross amount</i>	567,358						
<i>Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount</i>	6,149						
<i>Equalisation provision, gross amount</i>	-						
<i>Other insurance technical provisions, gross amount</i>	-						

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

Statement of financial position – Equity and liabilities as at 31 December 2021

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Rounding difference	HRK'000	Statutory financial statements
LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	808,126			(808,126)			
OTHER RESERVES	1,956		(1,956)				
Provisions for pensions and similar liabilities	1,657						
Other provisions	298						
DEFERRED AND CURRENT TAX LIABILITY	46,409					46,409	
Deferred tax liability	44,836					44,836	Deffered tax liability
Current tax liability	1,573					1,573	Current income tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	-						
FINANCIAL LIABILITIES	53,086					53,086	
Liabilities on the basis of loans	-						
Liabilities on the basis of issued securities	-						
Other financial liabilities	53,086					53,086	Lease liabilities
OTHER LIABILITIES	198,691		65,733			264,424	Insurance and other payables and deferred income
Liabilities from direct insurance business	141,047						
Liabilities from co-insurance and reinsurance business	28,510						
Liabilities for sale and ceased business	-						
Other liabilities	29,134						
ACCRUED EXPENSES AND DEFERRED INCOME	63,777		(63,777)				
Deferred reinsurance commission	4,435						
Other accrued expenses and deferred income	59,342						
TOTAL LIABILITIES AND EQUITY	5,656,796					5,651,191	Total liabilities and equity
Total liabilities and equity difference	-						
OFF BALANCE SHEET ITEMS	(5,656,796)						

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

Statement of comprehensive income for year ended 31 December 2021

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

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	Statutory financial statements
Earned premiums (recognised in revenue)	1,111,210								1,111,210	Net earned premiums
Written gross premiums	1,230,201			(690)					1,229,511	Gross premiums written
Value adjustment and charged adjustment of insurance/coinsurance premium value	(690)			(690)						
Premiums ceded to reinsurance (-)	(116,547)								(116,547)	Written premiums ceded to reinsurers
Change in gross provisions for unearned premiums +/-	(8,383)								(8,383)	Change in the gross provision for unearned premiums
Change in provisions for unearned premiums, reinsurance share (+/-)	6,630								6,630	Reinsurers' share of change in the provision for unearned premiums
Income from investments	141,414					(1,151)		(1)	140,262	Investment income
Income from subsidiaries, associates and joint ventures	0									
Income from investment in land and buildings	3,285									
Interest income	90,507									
Unrealized profits from investment	23,037									
Realized profits from investment investments	10,714									
Net positive exchange rate differentials	1,151							(5,902)	(4,751)	Net foreign exchange translation gains on financial assets
Other investment profits	12,720									

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

Statement of comprehensive income for year ended 31 December 2021

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

	HRK '000	Transfer of other technical income to other income	Transfer of other expenses to other operating expenses	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK '000		
Income from commissions and fees	7,010								7,010		Fee and commission income
Other insurance-technical income, net of reinsurance	10,629	(10,629)									
Other income	809	10,629								11,438	Other operating income
Expenditures for insured events, net	(793,463)										
Settled claims	(797,985)										
Gross amount (-)	(885,218)		885,218						(794,578)		Claims incurred
Reinsurer share(+)	87,232		(87,232)						43,243		Reinsurers' share of claims and benefits incurred
Change in provisions for claims outstanding (+/-)	4,523										
Gross amount (-)	48,557		44,034								
Reinsurer share(+)	(44,034)		(48,557)								
Change in other technical provisions, net of reinsurance	2,739										
Change in mathematical provision (+/-)	2,739										
Gross amount (-)	2,692		(2,692)								
Reinsurer share(+)	47		(47)								
Change in other technical provisions, net of reinsurance (+/-)											
Gross amount (-)			0								
Reinsurer share(+)											
Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance(+/-)	40,726										
Gross amount (-)	40,726		(40,726)								
Reinsurer share(+)	-										
Expenditures for return of premium (bonuses and rebate), net of reinsurance +/-	(1,338)										
Depending on the result (bonuses)	0		1,338								
Not depending on the result (rebates)	(1,338)										

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

Statement of comprehensive income for year ended 31 December 2021

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

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	Statutory financial statements
Business expenditures (for business operations), net	(354,863)									
Acquisition costs	(184,613)								(184,614)	Acquisition costs
Commission	(164,594)									
Other acquisition costs	(16,435)									
Change in deferred acquisition costs(+/-)	(3,584)									
Administration costs	(170,249)							(1)	(170,249)	Administrative expenses
Depreciation of tangible assets	(31,307)									
Salaries, taxes and contributions to and from salaries	(73,476)									
Other administration costs	(65,466)									
Investment expenses	(21,780)									
Depreciation (buildings not intended for business operations of the company)	(1,270)									
Interest	(1,241)									
Investment value adjustment (reduction)	(5,959)									
Losses from sale (realization) of financial assets	(2,349)									
Unrealised losses from financial investments	0									
FX losses	(5,902)							5,902		
Other investment expenses	(5,059)									
Other technical expenses, net of reinsurance	(17,530)									
Expenses for preventive operations	(2,249)									
Other technical expenses of insurance	(15,281)									
Other expenses including value adjustments	(500)									
Profit or loss of the accounting period before taxation (+/-)	125,064									
							(500)		(18,030)	Other operating expenses
								(1)	125,063	Profit before income tax

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

Statement of comprehensive income for year ended 31 December 2021

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

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims incurred	Netting gross premium written with impairment losses	Transfer of other expenses to operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	
Profit or loss tax	(18,514)								(18,514)	Income tax expense
Current tax expense	(24,136)									
Deferred tax expense (income)	5,621									
Profit or loss of the accounting period after taxation (+/-)	106,550								(1) 106,549	Profit for the year
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
TOTAL INCOME	1,276,693									
TOTAL EXPENDITURE	(1,170,143)									
	(93,336)									Change in fair value of available for sale financial assets, net of amounts realised and net of deferred tax
Other comprehensive income									(93,336)	
Profits/losses on revaluation of available for sale financial assets	(113,824)									
Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets	-									
Effects from cash flow hedging instruments	-									
Actuarial profits/losses on defined benefit pension plans	-									
Share in other comprehensive income of associated companies	-									
Profit tax on other comprehensive income	20,488									
Total comprehensive income	13,214								(1) 13,213	Total comprehensive income for the year
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
Reclassification adjustments	-									

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

Statement of the cash flow for the year ended 31 December 2021

Statement of cash flow prepared in accordance with the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), the preparation of which is described in detail in the Instructions for completing financial statements and additional reports 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. Net impairment losses and write off losses on property and equipment, intangible assets and investment property are shown in CF separately while in CF HANFA they are presented within Impairment losses and fair value gains/losses.

Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within , Increase/decrease in accruals and deferred income .
2. Net impairment losses on financial assets and insurance and other receivables are presented separately in CF while in HANFA CF are presented within Impairment losses and fair value gains/losses.
3. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains/losses while in CF HANFA unrealised gains are presented within Impairment losses and fair value gains/losses and realised gains are presented within Other adjustments.
4. Net foreign exchange losses are presented separately in CF while in HANFA CF are shown within Other adjustments.
5. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA dividend income is presented within Other adjustments and dividend cash receipts within investing activities.
6. Net gain/loss on disposal of property and equipment as well investment property are shown separately in CF, while in CF HANFA they are shown together within Profit/losses on sale of tangible assets (including land and buildings).
7. Net decrease 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.
8. 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.

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

Statement of the cash flow for the year ended 31 December 2021

9. Net (increase) / decrease 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.
10. 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.
11. Net decrease / (increase) 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 Interest received shown separately in CF.
12. Net 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 financial liabilities, Increase/decrease in accruals and deferred income after deducting Interest paid which is shown separately in CF.
13. (Increase) and decrease in investment in subsidiaries carried at fair value in CF is shown separately within investment activities, while in HANFA CF it is stated in Increase/decrease in investments at fair value through profit or loss within operating activities.