



**Annual Report  
for 2020**

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## **Management Report**

## Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial statements present fairly, in all material respect, the financial position of UNIQA osiguranje d.d. (the "Company") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

#### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 in accordance with the International Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and information, 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 in the period from 1 January 2020 to 31 December 2020.

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#### TPA Audit d.o.o.

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## Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

### Our audit approach

<b>Materiality</b>	<ul style="list-style-type: none"> <li>Overall Company materiality: HRK 5.7 million, which represents 1% of gross written premiums.</li> </ul>
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Estimates used in calculation of insurance provisions and liability adequacy test (LAT)</li> </ul>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made estimates and judgements; for example, in respect of significant accounting estimates involved in 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 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

<b>Overall Company materiality</b>	HRK 5.7 million
<b>How we determined it</b>	1 % of gross premium
<b>Rationale for the materiality benchmark applied</b>	We selected gross premium as the benchmark since it is the benchmark against which the performance of the Company is measured.

## Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

### Key audit matters

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

Key audit matter	How we addressed the key audit matter during our audit
<p><b>Estimates used in calculation of insurance provisions and liability adequacy test (LAT)</b></p> <p><b>Refer to note 11 "Insurance provisions".</b></p> <p>The Company presented insurance contracts provisions of HRK 2.5 billion at 31 December 2020 representing 86% of the Company's total liabilities.</p> <p>This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities, and therefore we considered it a key audit matter in performing our audit.</p> <p>Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contracts provisions. The complexity of the models may give rise to errors as a result of inadequate or 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, morbidity and cancellation rates 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 contracts provisions were adequate in the context of expected future cash outflows.</p>	<p>We used our own actuarial expert to assist us in performing our audit procedures.</p> <p>In particular, our audit focused on the models considered more complex or requiring significant judgement in the setting of assumptions used in calculation of insurance contracts provisions or performing liability adequacy test. We obtained the understanding of the actuarial process of the Company including management's determination and approval process for setting of economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management's rationale for the the actuarial judgments applied along with comparison to applicable industry experiences.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards.</p> <p>Furthermore, by performing our recalculations we have determined whether the models and systems were calculating the insurance contracts provisions accurately and completely.</p> <p>We tested the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The inputs used were reconciled to the accounting records.</p> <p>Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Company and industry experience and specific product features.</p> <p>We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements.</p>

## **Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.**

### **Reporting on other information including the Management Report**

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

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

In connection with our audit of the 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 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 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 financial statements are prepared is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

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

### **Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Company'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 or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

## **Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.**

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 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 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.





## **Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.**

### **Report on other legal and regulatory requirements**

#### ***Appointment***

We were first appointed as auditors of the Company on 9th June 2020. Our appointment is renewed once a year by a decision of the general assembly. The total audit engagement period amounts to one year.

#### ***Forms in accordance with regulatory requirements***

Based on the rulebook on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 50/19 and 98/20), ("Rulebook"), the Management Board of the Company prepared forms presented on pages 112 to 126, named Statement of financial position as at 31 December 2020, and the Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2020, together with information on reconciliation of these forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Rulebook. The financial information in the forms is derived from the Company's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union as presented on pages 19 to 106 adjusted for the purposes of the Rulebook.

The engagement partner responsible for this independent auditor's report is Igor Arbutina.

April 21<sup>th</sup>, 2021

TPA Audit d.o.o. za reviziju

Prelog

OIB: 82899666867

Igor Arbutina

Partner, Croatian Certified Auditor, FCCA

**TPA AUDIT d.o.o.**

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Republika Hrvatska

## Management Board's Responsibility for the Financial Statements

Based on the Accounting Act, the Management Board is required to prepare financial statements for UNIQA osiguranje d.d. (hereinafter: the 'Company') for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the financial position and operating results of the Company for that period.

After performing enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Management Board continues to adopt the going concern basis in preparing these financial statements.

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

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

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

Moreover, in accordance with the Accounting Act, the Management Board is obliged to prepare an Annual Report comprising the financial statements and the Management Report. The Management Report was prepared in line with the requirements of Article 21 of the Accounting Act.

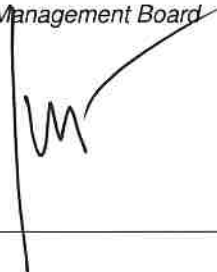
The financial statements of the Company were authorised by the Management Board on 31 March 2021 and submitted to the Supervisory Board for approval.

UNIQA osiguranje d.d.

Tatjana Račić Žilbar  
President of the Management Board



Luka Matošić  
Member of the Management Board



Statement of financial position  
As at 31 December 2020

(all amounts are expressed in thousands of HRK)

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Property and equipment	4	26,076	32,009
Investment property	5	43,583	53,458
Intangible assets:			
- Deferred acquisition costs	6	98,836	94,545
- Other intangible assets		4,320	3,811
Financial assets:			
- Financial assets held to maturity	7	263,862	660,737
- Available-for-sale financial assets	7	2,128,994	1,920,850
- Financial assets at fair value through profit or loss	7	170,079	146,795
- Loans and receivables	7	70,783	32,249
Reinsurers' share of insurance provisions	8	368,433	314,655
Current tax assets		6,255	3,472
Insurance contract and other receivables	9	267,055	202,462
Cash and cash equivalents		93,547	87,133
<b>Total assets</b>		<b>3,541,823</b>	<b>3,552,176</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance provisions	11	2,534,358	2,628,161
Insurance liabilities and other payables	12	367,339	311,174
Deferred tax liability	10	31,015	31,780
<b>Total liabilities</b>		<b>2,932,712</b>	<b>2,971,116</b>
<b>Capital and reserves</b>			
Share capital	13	62,700	62,700
Legal reserves		2,269	2,269
Other reserves		230,448	230,448
Fair value reserve	13	154,577	150,879
Retained earnings		159,117	134,765
<b>Total capital and reserves</b>		<b>609,111</b>	<b>581,061</b>
<b>Total liabilities and equity</b>		<b>3,541,823</b>	<b>3,552,176</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of comprehensive income  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

	Note	2020	2019
Gross insurance premiums	14	572,683	634,804
Premiums transferred to reinsurance	14	(153,489)	(144,444)
<b>Net insurance premiums</b>		<b>419,194</b>	<b>490,360</b>
Change in provision for unearned premiums	14	(7,246)	(69,959)
Reinsurers' share of change in provision for unearned premiums	14	1,972	(493)
<b>Net earned premium</b>		<b>413,920</b>	<b>419,908</b>
Investment income	15	102,418	140,489
Investment costs	15	(6,539)	(7,511)
<b>Net investment income</b>		<b>95,879</b>	<b>132,978</b>
Reinsurance commission		43,567	43,589
Other operating income		5,499	4,132
<b>Net income</b>		<b>558,865</b>	<b>600,607</b>
Claims incurred	16	(457,963)	(457,545)
Reinsurers' share of claims incurred	16	149,337	100,920
<b>Net claims incurred</b>		<b>(308,626)</b>	<b>(356,625)</b>
Acquisition costs	17	(126,707)	(122,729)
Administration costs	18	(85,408)	(91,813)
Provisions for legal disputes, net	12	367	22,105
Other operating expenses		(13,325)	(6,198)
<b>Profit before tax</b>		<b>25,166</b>	<b>45,347</b>
Income tax	19	(814)	(7,500)
<b>Profit for the year</b>		<b>24,352</b>	<b>37,847</b>
<b>Other comprehensive income</b>			
<i>Items that can be subsequently recognised in profit or loss</i>			
Changes in fair value of available-for-sale financial assets, net of deferred tax		3,698	24,998
<b>Comprehensive income</b>		<b>28,050</b>	<b>62,845</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of changes in equity  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

	Share capital	Legal reserves	Other reserves	Fair value reserve	Retained earnings	Total
<b>Year ended 31 December 2019</b>						
<b>Balance at 1 January 2019</b>	<b>62,700</b>	<b>2,269</b>	<b>230,448</b>	<b>125,881</b>	<b>120,626</b>	<b>541,924</b>
Profit for the year	-	-	-	-	37,847	37,847
<i>Other comprehensive income:</i>						
Gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	30,485	-	30,485
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))				(5,487)	-	(5,487)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,998</b>	<b>37,847</b>	<b>62,845</b>
<b>Transactions with owner:</b>						
Dividends paid	-	-	-	-	(23,708)	(23,708)
<b>Balance at 31 December 2019</b>	<b>62,700</b>	<b>2,269</b>	<b>230,448</b>	<b>150,879</b>	<b>134,765</b>	<b>581,061</b>
<b>Year ended 31 December 2020</b>						
<b>Balance at 1 January 2020</b>	<b>62,700</b>	<b>2,269</b>	<b>230,448</b>	<b>150,879</b>	<b>134,765</b>	<b>581,061</b>
Profit for the year	-	-	-	-	24,352	24,352
<i>Other comprehensive income:</i>						
Gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	4,510	-	4,510
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))		-	-	(812)	-	(812)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,698</b>	<b>24,352</b>	<b>28,050</b>
<b>Transactions with owner:</b>						
Dividends paid	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>62,700</b>	<b>2,269</b>	<b>230,448</b>	<b>154,577</b>	<b>159,117</b>	<b>609,111</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of cash flows  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

	Note	2020	2019
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>25,166</b>	<b>45,347</b>
<i>Adjustments for:</i>			
Depreciation of property and equipment	4	6,663	6,917
Amortisation of other intangible assets		1,365	2,272
Expenses from write-off and sale of tangible and intangible assets		762	91
Investment income	15	(95,879)	(132,978)
Other		-	(19)
Interest expense		195	299
<i>Changes in assets and liabilities:</i>			
Decrease/(increase) in insurance and other receivables		(61,760)	(13,757)
Decrease in investments in securities and investment Funds		181,636	80,206
Decrease in investments in loans and receivables		(38,392)	12,093
(Increase)/decrease in insurance provisions		(93,803)	23,354
Increase)/decrease in reinsurers' share of insurance provision		(53,788)	(22,161)
Increase in deferred acquisition costs		(4,291)	(31,115)
Decrease in insurance, other payables and deferred income		52,063	(23,406)
<b>Cash flow from operating activities</b>		<b>(80,053)</b>	<b>(52,857)</b>
Interest received		85,170	114,153
Income tax paid		(3,394)	(11,276)
<b>Net cash used in operating activities</b>		<b>1,723</b>	<b>50,020</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment property		12,211	2,063
Investments in intangible assets		(1,875)	(2,007)
Investment property		-	(463)
Investments in equipment	4	(1,262)	(772)
<b>Net cash from investing activities</b>		<b>9,074</b>	<b>(1,179)</b>
<b>Cash flows from financing activities</b>			
Lease payments		(4,383)	(4,457)
Interest paid on leases		-	(299)
Dividend paid		-	(23,708)
<b>Net cash inflow from financing activities</b>		<b>(4,383)</b>	<b>(28,464)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,414</b>	<b>20,377</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>87,133</b>	<b>66,756</b>
<b>Cash and cash equivalents at end of year</b>		<b>93,547</b>	<b>87,133</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

## Notes to the financial statements For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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### **1. GENERAL INFORMATION**

UNIQA osiguranje d.d. (the 'Company') is a public limited liability company incorporated and domiciled in Croatia, Planinska 13a, Zagreb.

The Company is a composite insurer offering life and non-life insurance products in Croatia, regulated by the Croatian Financial Services Supervision Agency ('HANFA'), and provides cross-border insurance services in the Republic of Slovenia.

The sole shareholder of the Company until 22<sup>nd</sup> December 2020 was UNIQA International AG, with its registered office in the Republic of Austria, A-1029 Vienna, Untere Donaustrasse 21, registered in the court register of the Commercial Court in Vienna under the code FN 180177t, PIN: 50605731171. On 23<sup>rd</sup> December 2020 at the court register of the Commercial Court in Zagreb, a change of sole shareholder was registered to UNIQA Österreich Versicherungen AG, Austria, registered in the court register of the Commercial Court in Vienna under the code FN63197m, PIN: 58413684599, based on the approval of the Croatian Financial Supervisory Agency for acquiring a qualified holding in the Company from 8<sup>th</sup> October 2020, case: UP / I 974-02 / 20-01 / 09.

Ultimate parent company is UNIQA Insurance Group AG, Vienna, a joint stock company established and domiciled in the Republic of Austria.

#### **Management Board on 31<sup>th</sup> December 2020**

Saša Krbavac – President of the Management Board

Tatjana Račić Žlibar – Member of the Management Board

Luka Matošić – Member of the Management Board

#### **Management Board on 31<sup>th</sup> March 2021**

Tatjana Račić Žlibar – President of the Management Board

Luka Matošić – Member of the Management Board

Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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## **2. BASIS OF PREPARATION**

### **Statement of compliance**

UNIQA osiguranje d.d. prepares its financial statements in accordance with the Insurance Act (OG 30/15, 112/18, 63/20 and 133/20) and the Accounting Act (OG 78/15, 134/15, 120/16, 116/18, 42/20 and 47/20).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

### **Functional and presentation currency**

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

### **Basis of measurement**

These financial statements are prepared on the historical or amortised cost basis, except for financial assets available for sale, at fair value through profit or loss, and investment property which are stated at their fair value. Other financial assets and liabilities, and non-monetary assets and liabilities, are stated at amortised or historical cost, less impairment, where appropriate.

### **Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, 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 judgements on 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 of accounting estimates are recognised in the period in which the estimate is revised and in any future periods.



# Notes to the financial statements

## For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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### 2. BASIS OF PREPARATION (CONTINUED)

#### Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (Croatian kuna) at the middle exchange rate of the Croatian National Bank prevailing 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 middle exchange rate of the Croatian National Bank prevailing at that date. The foreign currency gains or losses from monetary items represent the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising from translation are recognised in profit or loss, except for equity instruments classified as financial asset available for sale.

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between foreign exchange differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Foreign exchange differences on changes in amortised cost are recognised in profit or loss, as part of the investment income or costs. Foreign exchange 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.

The most significant currency in which the Company holds assets and liabilities is the euro. The EUR exchange rate used for translation as at 31 December 2020 was EUR 1 = HRK 7.536898 (2019: EUR 1 = HRK 7.442580).

#### New and amended standards adopted by the Company

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)

As of 1 January 2019, the Company has adopted IFRS 16 Leases, which led to changes in accounting policies and to the reconciliation of amounts recognised in the financial statements.

IFRS16 was first issued in January 2016.

## Notes to the financial statements For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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### 2. BASIS OF PREPARATION (CONTINUED)

#### Standards and interpretations not yet adopted

Certain new standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2022. In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 17 application for the periods beginning on 1 January 2023. This change was announced in the second quarter of 2020.)

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. The Standard requires a current measurement model, where estimates are remeasured in each reporting period.

The contracts are measured by using the following parameters:

- (probability) weighted discounted cash flows
- explicit risk adjustment and
- contractual service margin - CSM which represents the unearned profit under the contract which is recognised as income over the coverage period.

According to the Standard, one may choose where to present the change in the discount rates - either in profit or loss or directly in other comprehensive income. The final choice is likely to reflect the manner in which insurers disclose their financial assets in accordance with IFRS 9.

An alternative, simplified approach to premium allocation is permitted for the liability for remaining coverage for insurance contracts with short-term coverage, frequently drawn up by non-life insurers.

There is an amendment to the general measurement model called "access to variable fee approach" for certain contracts drawn up by life insurers where the policyholders have a share of returns on the underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the results of the insurers using this model will likely be less unstable than with the general model.

In 2019, the Company embarked on a comprehensive and complex project to introduce IFRS 17 regulation into its operations. The project will last for a minimum of two years and in 2020 the Company mostly dealt with organising the project itself. The project was divided into six main units (project management, actuarial part, accounting part, IFRS 9, IT and project reporting). In each of these units, the Company and the Group have made significant progress in the preparation and implementation of IFRS 17 regulations. In addition, the Company and the Group have created a risk matrix that is regularly updated and evaluated. Organisational preparations have been made to bring these regulations into effect (SAP implementation, IT solutions, various IT upgrades etc.). Due to the size and complexity of the project, it will continue at full intensity throughout 2021.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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## 2. BASIS OF PREPARATION (CONTINUED)

The Company plans to adopt this standard on its effective date.

- *IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018).* For insurance companies, the adoption of this standard is deferred until 1 January 2022 when the adoption of the new insurance standard is expected. (In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 9 application for the periods beginning on 1 January 2023 in order to be applied together with IFRS 17. This change was announced in the second quarter of 2020.)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new model for impairment of financial assets.

- *Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020).*

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- *Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020).*

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on the financial statements.

Certain new accounting standards and interpretations have been issued that are not mandatory for the Reporting Periods of 31 December 2020 and have not been early adopted. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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### 3. ACCOUNTING POLICIES

#### 3.1. Property and equipment

##### *Recognition and measurement*

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

##### *Subsequent costs*

The cost of replacing part 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 asset will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation of assets is recognised in profit or loss on a straight-line basis to allocate their cost to their residual values over the estimated useful lives of each item of equipment. Assets not put into use are not depreciated. The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated selling expenses, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements	4 - 10 years
Motor vehicles	3 - 4 years
Computers	3 - 5 years
Furniture and equipment	3 - 10 years

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 the carrying amount of the related asset and are included in the income statement.

The accounting policies for right-of-use assets disclosed within property and equipment are set out in Note 3.9.

## Notes to the financial statements For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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### **3.2. Investment property**

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property comprises land and buildings and is carried at fair value denominated in HRK in accordance with the estimate. Fair value estimates are based on valuations performed periodically by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g. due to the inability to access property which is not owned), the fair value stated in the value information provided by the independent valuation expert is also applied for valuation purposes. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair value are recorded in the statement of comprehensive income.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably.

Investment property is initially carried at cost. An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Investment property is reclassified to property and equipment when the Company begins to use it for its own purposes. The acquisition cost for further accounting purposes is the fair value expressed in HRK in accordance with the latest valuation made by a certified valuation expert.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of property and equipment. However, if fair value gains reverse a previous impairment loss, these gains are recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recognised in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

### 3. ACCOUNTING POLICIES (continued)

#### 3.3. Intangible assets

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

Acquisition costs comprise direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of existing contracts. Deferred acquisition costs for non-life insurances comprise charged commissions incurred in concluding insurance policies during an accounting period, but which relate to a subsequent accounting period. General selling expenses, other variable underwriting and policy issue costs and line of business costs are not deferred.

For non-life insurance business, the deferred acquisition costs at the reporting date have been calculated individually for each policy active at the reporting date by deferring the total charged commission using the pro-rata temporis method, adjusted, if appropriate, for specific risk distributions over the period covered by the contract.

For life insurance business, deferred acquisition costs are taken into account in calculating life insurance provisions by means of Zillmerisation. As such, deferred acquisition costs for life insurances are not recognised at the reporting date as a separate item of assets.

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

##### *Other intangible assets*

Other intangible assets (software) that are acquired by the Company, which all have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

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 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. The estimated useful life of software is 5 - 10 years. Useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**3. ACCOUNTING POLICIES (continued)**

**3. 4. Financial instruments**

***Classification and recognition***

The Company classifies its financial instruments into the following categories: financial assets 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 liabilities were acquired. The Management Board determines the classification of financial assets and financial liabilities at initial recognition and, where appropriate, re-evaluates this designation at every date of the statement of financial position.

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

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities which are classified as held for trading, as well as the financial assets and liabilities which the Company initially designated as at fair value through profit or loss. Financial derivatives are classified as held for trading. The Company does not apply hedge accounting. Trading assets and liabilities are those assets and liabilities that the Company 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 Company designates financial assets and liabilities at fair value through profit or loss when either:

- the assets and 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.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable arise when the Company provides money to a debtor with no intention of trading with the receivable and include deposits with banks and loans based on life policy surrender values.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Any sale or reclassification of a significant amount of held-to-maturity investments, provided that it occurs prior to their maturity, their amounts are not insignificant or the instrument is not close to its maturity or there is a public call for sale of financial assets, would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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**3. ACCOUNTING POLICIES (continued)**

**3. 4. Financial instruments (continued)**

*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.

*Other financial liabilities*

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss.

***Recognition and derecognition***

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

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

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

***Initial and subsequent measurement***

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

After initial recognition, the Company measures financial assets at fair value through profit or loss and financial assets available for sale at their current fair value without any deduction for costs to sell.



Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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**3. ACCOUNTING POLICIES (continued)**

**3. 4. Financial instruments (continued)**

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method realised at each initial individual investment, less impairment losses.

Financial liabilities not designated at fair value through profit or loss 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 profit or loss.

Gains and losses from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and are disclosed in the statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. Foreign exchange differences on revaluation of non-monetary financial assets (e.g. equity instruments or investment funds) denominated in or linked to foreign currency classified as available for sale are recognised in the statement of financial position.

Dividend income is recognised in profit or loss.

Upon sale or other derecognition of available-for-sale financial assets, any cumulative gains or losses are transferred from the statement of financial position to profit or loss.

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

***Fair value measurement principles***

The Company adopts prices from the Bloomberg Generic Network (BGN) and Bloomberg Valuation Service (BVAL) by the SimCorp Dimension accounting software, which is automatically linked to the Bloomberg Information and Financial Service.

The Bloomberg Generic Network (BGN) provides market consensus prices for state and corporate bonds that are determined based on market prices collected from different sources, taking into account the reliability of each individual source.

The Bloomberg Valuation Service (BVAL) provides estimates of fair prices for debt securities based on market data.

Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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**3. ACCOUNTING POLICIES (continued)**

**3. 4. Financial instruments (continued)**

The criteria of determining the active and inactive market refer to equity and debt securities, which are categorised as assets at fair value through profit or loss or available-for-sale financial assets.

The market for a particular equity security is regarded as active if its prices are readily and regularly available in a regulated market and those prices represent actual and regularly occurring market transactions on an arm's length basis, within fifteen (15) days from the date of valuation of the financial instrument.

If the price of the security has been available in a regulated market for a period exceeding fifteen (15) days and if it represents an actual and regular transaction on an arm's length basis, the market is considered to be inactive.

The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive.

For debt securities that are actively traded on regulated markets, fair value is defined on the basis of the latest consensus price available at the financial information service for the valuation date of the security. The source of the latest consensus price is the Bloomberg Generic Network (BGN).

Debt securities that are not quoted in an active market are valued according to the following price hierarchy:

- a) Bloomberg Valuation Service (BVAL)
- b) The price obtained by estimation techniques.

For equity securities that are actively traded on a regulated market, fair value is defined based on the last bid price realised on the stock exchange of the issuer or the stock exchange defined as the primary source of pricing, i.e. source of the security, and the price is officially quoted at the financial information service.

For equity securities whose price is not quoted in an active market the Company establishes fair value by using valuation techniques. Valuation techniques include the use of prices achieved in comparable and recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimate and the discount rate is a market rate related to the date of the statement of financial position for a financial instrument with similar terms and conditions. Where a pricing model is used, inputs are based on market related measures at the date of the statement of financial position.

Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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**3. ACCOUNTING POLICIES (continued)**

**3.4. Financial instruments (continued)**

If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially quoted at the financial information service, that is the price published for a particular fund by the management company that manages the particular fund.

The fair value of derivative instruments that are not traded in an active market is estimated based on the value of proceeds or expenditures that the Company would have if it would terminate the contract at the date of the statement of financial position, taking into account current market assessments and the credit worthiness of the other contracting party.

**3.5. Impairment of financial assets**

*Financial assets carried at amortised cost*

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes default or delinquency by a borrower, restructuring of a loan by the Company on terms that the Company 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, prolonged or significant decrease in fair value of securities.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management's judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised through profit or loss and reflected in impairment provisions for loans and receivables. Interest 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.

### **3. ACCOUNTING POLICIES (continued)**

#### **3.5. Impairment of financial assets (continued)**

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

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between its cost and current fair value – is removed from the statement of financial position and recognised in profit or loss.

Impairment losses on equity instruments recognised in profit or loss are not subsequently reversed in profit or loss.

The impairment loss is reversed through 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.

#### **3.6. Impairment of non-financial assets**

The net carrying amounts of the Company's assets, other than deferred acquisition costs, financial assets and deferred tax assets, are reviewed at the date of the statement of financial position to determine whether there is any indication of impairment. If any such 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 date of the statement of financial position. An impairment loss is recognised if the net 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 other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each date of the statement of financial position 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 accumulated depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**3. ACCOUNTING POLICIES (continued)**

**3.7. Specific instruments**

*Derivative financial instruments*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate.

All derivatives are carried as assets when their fair value is positive and as liabilities when negative. Changes in the fair value of derivatives are included in the statement of comprehensive income.

The Company does not hold or issue derivative financial instruments for trading purposes.

*Debt securities*

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

*Bank deposits*

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

*Equity securities*

Equity securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

*Loans to policyholders*

Loans to policyholders are classified as loans and receivables and are carried at amortised cost using the effective interest method net of impairment losses.

*Structured securities*

Structured securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

*Investments in investment funds*

Investments in open and close ended funds are classified as equity instruments in financial assets available for sale or at fair value through profit or loss and are carried at fair value. If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially published for a particular fund by the management company that manages the particular fund.

### 3. ACCOUNTING POLICIES (continued)

#### 3.7. Specific instruments (continued)

##### *Investments held on account and at risk of life insurance policyholders*

Investments held on account and at risk of *unit-linked* life insurance policyholders are classified as financial assets at fair value through profit or loss and are carried at fair value; they comprise policyholders' investments linked to the value of the investment fund share ('unit-linked'), i.e. structured products (index-linked).

##### *Trade and other receivables*

Trade and other receivables are carried at amortised cost using the effective interest method, less impairment.

##### *Trade and other payables*

Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest method.

#### 3.8. Offsetting 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.

#### 3.9. Leases

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.

The right-of-use assets are presented in the statement of financial position together with property and equipment, except for right-of-use assets that meet the definition of investment property which is presented in the statement of financial position in a separate line item – investment property.

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.

Notes to the financial statements  
For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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**3. ACCOUNTING POLICIES (continued)**

**3.9. Leases (continued)**

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 the 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 straight-line basis. The depreciation periods for right-of-use for assets are as follows:

- right of use for office building 5 years
- right of use for vehicles 4 years

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low-value assets, 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.

**3.10. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid instruments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

## Notes to the financial statements

### For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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### 3. ACCOUNTING POLICIES (continued)

#### 3.11. Staff costs

##### *Pension obligations and post-employment benefits*

The Company pays mandatory pension funds contributions on the basis of contracts. In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

##### *Short-term employee benefits*

The Company recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company recognises liabilities for accumulated compensated absences based on unused vacation days at the reporting date.

#### 3.12. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 balance sheet liability 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 measured at the tax rates that are expected to be applied to the temporary differences when they reverse or are settled, based on laws that have been enacted or substantively enacted by the date of the statement of financial position.

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.

#### 3.13. Provisions

A provision is recognised if, as a result of a past event, the Company 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.

#### 3.14. Discretionary bonus provision

Policyholders or beneficiaries of endowment policies are entitled to a discretionary share in the profits of the Company realised through the management of life insurance funds. Such entitlements are presented within the discretionary bonus provision and are recorded as part of mathematical provisions.



Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**3. ACCOUNTING POLICIES (continued)**

**3.15. Capital and reserves**

*Share capital*

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

*Dividends*

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

*Legal and other reserves*

Legal and other reserves represent cumulative transfers from retained earnings from previous years and are formed in accordance with the provisions of effective laws. Legal and other reserves can be used for covering prior period losses, if they are not covered by profit in the current period or if other reserves are not available.

*Other reserves*

Other reserves are formed and used by the decision of the General Assembly and can be used for capital contributions, payment of dividends, covering of losses or for other purposes.

*Fair value reserve*

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

*Retained earnings and accumulated loss*

Any profit for the year retained after appropriations is transferred to reserves based on the shareholders' decision or left in retained earnings. Retained earnings are available for distribution to shareholders. Loss for the current year is covered from the Company's reserves or by capital contribution.

**3.16. Income**

*Investment income*

Interest income is recognised in profit or loss for all interest-bearing financial instruments measured at amortised cost and for debt securities classified as available for sale, using the effective interest method, i.e. the interest rate that discounts expected future cash flows to the net present value over the period of the related contract or currently effective variable interest rate.

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

Investment income also includes net foreign exchange gains resulting from translation of monetary assets and liabilities using the exchange rate at the reporting date, dividends, net gains from change in fair value of financial assets classified as at fair value through profit or loss and realised net gains at derecognition of available-for-sale financial assets.

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**3. ACCOUNTING POLICIES (continued)**

**3.16. Income (continued)**

*Fee and commission income*

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

*Operating leases*

Income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

**3.17. Expenses**

*Operating expenses*

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

*Acquisition costs*

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, commission and other direct costs incurred at the conclusion of insurance contracts.

Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related revenue recognition criteria.

*Administration costs*

Administration costs include personnel expenses, depreciation of equipment and amortisation of other intangible assets, marketing and advertising expenses and other administration costs. Other costs consist mainly of costs of premium collection, policy termination costs and portfolio management costs.

*Operating lease payments*

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease benefits are recognised in the statement of comprehensive income as part of the total lease expense.

*Investment expenses*

Financial expenses include interest expenses recognised using the effective interest rate method and the net foreign exchange losses resulting from translating monetary assets and liabilities using the exchange rate at the reporting date. Financial expenses also include net losses from changes in fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale.

### 3. ACCOUNTING POLICIES (continued)

#### 3.18. Classification of contracts

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

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

As a general guideline, the Company defines as significant insurance risk the possibility of having to pay compensation on the occurrence of an insured event that is at least 5% more than the compensation payable if the insured event did not occur. Contracts where the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

##### *Contracts with discretionary participation features*

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

- the performance of a specified pool of contracts or a specified type of contract; or
- realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or
- the profit or loss of the insurer.

The discretionary element of those contracts is accounted for as a discretionary bonus provision and is recorded within the mathematical provision.

#### 3.19. Premiums

Gross non-life premiums written comprise the premiums on contracts entered into during the current accounting period with a maturity of up to one year, irrespective of whether they relate in whole or in part to a later accounting period. The limitation of the period to one year does not relate to insurance premiums contracted for a period exceeding one year due to its risk characteristics, for example, insurance of buildings under construction, facilities being assembled, credit insurance, etc. regardless of whether the premium has been fully paid, and to insurance premiums contracted for a period exceeding one year where the premium has been fully paid as a lump sum at the inception of insurance. Premiums include commissions payable to intermediaries and exclude taxes and contributions based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Premiums written include adjustments to reflect write-offs of amounts due from policyholders and the movement in impairment provisions for premiums due from policyholders.

### **3. ACCOUNTING POLICIES (continued)**

#### **3.19. Premiums (continued)**

The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. The Company cancels life insurance policies for which premiums from policyholders are not paid 90 days upon maturity and which do not satisfy the criteria for capitalisation. During both mentioned periods, the Company undertakes all available means to collect the respective amounts. Amounts that are not written off and not collected from non-life insurance policyholders with defaults in payment of more than 180 days are wholly impaired (100%). The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of the risk occurrence during the insurance period, based on the assumption of risk patterns. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The reinsurance premium calculation is based on reinsurance contracts.

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

#### **3.20. Provision for unearned premiums**

The provision for unearned premiums comprises the proportion of gross premiums written which are expected to be collected in subsequent accounting periods and are calculated using the “pro-rata temporis” method, adjusted if necessary, to reflect any specific distributions of risk during the period covered by the contract.

The unearned premium provision is calculated in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the Croatian Financial Services Supervisory Agency (HANFA). Unearned premiums in respect of life insurance and life riders for which a mathematical provision is calculated is included within the mathematical provision. Unearned premiums of life riders for which a mathematical provision is not calculated are recorded in the provision for unearned premiums and accounted for in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). If, due to the nature of risks, methods from the Minimum standards, methods of calculating and guidelines for calculating the unearned premium provision are not appropriate, the appointed certified actuary defines the calculation method and describes and explains it in the annual Opinion of the appointed certified actuary on the calculation of the technical provision. The reinsurers' share in the provisions for unearned premiums is calculated according to reinsurance contracts.

#### **3.21. Unexpired risk provision**

A provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition costs and administration costs likely to arise after the end of the accounting period) attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premiums in relation to such policies after the deduction of 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.

### 3. ACCOUNTING POLICIES (continued)

#### 3.22. Mathematical provision

The mathematical provision is accounted in the amount of the present value of estimated future liabilities of the insurance company based on concluded life insurance contracts less the present value of future premiums that will be received based on these insurance contracts. The mathematical provision is calculated separately for each policy active at the date of the calculation and each cancelled policy that is eligible for reactivation in accordance with the technical insurance basics and the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). The mathematical provision also takes into account the allocated profit. In basic life insurances, it is allowed to decrease the mathematical provision by unamortised actual acquisition costs of insurance – zillmerisation. The maximum allowed zillmerisation rate in the Republic of Croatia is 3.5%. In tariffs where the actual acquisition costs are higher than 3.5% for zillmerisation, the maximum allowed rate is used. A liability adequacy test (LAT) is performed quarterly by the Company in order to verify whether the established mathematical provision is sufficient for covering corresponding insurance liabilities. In case of a negative test result, the mathematical provision is increased by the indicated amount and recorded in the statement of comprehensive income.

#### 3.23. Claims

Total claims incurred in a financial period consist of claims settled net of recourses, claims handling costs paid during the accounting period together with the movement in the provision for incurred claims.

##### *Settled claims*

Settled claims are recorded in the moment of settling the claim and are recognised (determined) as the amount to be paid to settle the claim plus claims handling expenses. Recovered claims recoverable from third parties are deducted from settled claims (recourses).

The reinsurers' share in claims settled for reinsured policies is calculated on the basis of gross claims settled under these policies in accordance with the terms and conditions of the reinsurance contracts.

##### *Claims provision*

Claims provisions represent the estimated final cost of settling all claims, including direct and indirect settlement costs, arising from events occurred until the date of the statement of financial position. These provisions include the provision for reported but not settled claims, provision for incurred but not reported claims and the provision for claims handling costs. Claims provisions are formed in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA).

Claims provisions are assessed by reviewing individual reported claims and making provisions for claims incurred but not reported, taking into account 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. The reinsurers' share in the claims provision is calculated on the basis of gross claims provisions in accordance with the terms and conditions of the reinsurance contracts.

### **3. ACCOUNTING POLICIES (continued)**

#### **3.23. Claims (continued)**

Whilst the Management Board of the Company considers that the gross claims provisions and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them and relevant events, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts of provisions.

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 material.

The methods used, and the estimates made, are reviewed regularly.

#### **3.24. Special provision for unit-linked life insurance products**

A special provision for unit-linked life insurance products is recorded at fair value of the underlying investment.

#### **3.25. Reinsurance**

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

Premiums ceded and recoverable amounts are presented separately in the Company's statement of comprehensive income and the statement of financial position on the gross basis.

Receivables under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance 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 accounted for as deposits.

Reinsurance assets include receivables due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims provisions or provisions for settled claims associated with the reinsured policy.

Reinsurance assets comprise the actual or estimated amounts, which, under reinsurance contracts, are recoverable from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company forms provisions for estimated uncollectible assets from reinsurance, if required.

The cost of reinsurance related to life insurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

The calculation of the reinsurers' share in the mathematical provisions calculated in accordance with terms and conditions of reinsurance contracts.

### **3. ACCOUNTING POLICIES (continued)**

#### **3.25. 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 line with the provisions of reinsurance contracts, in a manner consistent with the deferral of acquisition costs in non-life insurance.

#### **3.26. Liability adequacy test**

Insurance contracts are tested for liability 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 case of liability inadequacy, an additional provision is created and the Company recognises the loss in the statement of comprehensive income. Estimations of future cash flows are based on actuarial presumptions taking into account experience of claims occurrence, latest demographic tables, aspects of mortality, morbidity, return on investments, costs and inflation.

#### **3.27. Comparative information and reclassifications**

Where necessary, comparative figures have been reclassified to achieve consistency in presentation with current year figures and other information.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

4. PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and other assets	Right-of-use assets		Total
			Land and buildings	Vehicles	
<b>As at 1 January 2019</b>	<b>17,730</b>	<b>5,539</b>	-	-	<b>23,269</b>
Effects from adoption of IFRS 16	-	-	13,530	1,398	14,928
New lease agreements	-	-	269	186	455
Termination of agreements	-	-	(782)	-	(782)
Other movements	-	19	270	-	289
Write-off and impairment	-	(5)	-	-	(5)
Depreciation	(491)	(1,890)	(4,065)	(471)	(6,917)
Additions	-	772	-	-	772
<b>As at 31 December 2019</b>	<b>17,239</b>	<b>4,435</b>	<b>9,222</b>	<b>1,113</b>	<b>32,009</b>
Cost	24,940	33,393	13,287	1,584	73,204
Accumulated depreciation	(7,701)	(28,958)	(4,065)	(471)	(41,195)
<b>Net book value</b>	<b>17,239</b>	<b>4,435</b>	<b>9,222</b>	<b>1,113</b>	<b>32,009</b>

	Land and buildings	Equipment and other assets	Right-of-use assets		Total
			Land and buildings	Vehicles	
<b>As at 1 January 2020</b>	<b>17,239</b>	<b>4,435</b>	<b>9,222</b>	<b>1,113</b>	<b>32,009</b>
Effects from adoption of IFRS 16	-	-	-	-	-
New lease agreements	-	-	690	-	690
Termination of agreements	-	-	(386)	(74)	(460)
Other movements	(703)	(55)	-	-	(758)
Write-off and impairment	-	(4)	-	-	(4)
Depreciation	(451)	(1,962)	(3,775)	(474)	(6,663)
Additions	-	1,262	-	-	1,262
<b>As at 31 December 2020</b>	<b>16,084</b>	<b>3,676</b>	<b>5,751</b>	<b>565</b>	<b>26,076</b>
Cost	24,019	33,462	13,120	1,466	72,067
Accumulated depreciation	(7,934)	(29,786)	(7,369)	(901)	(45,991)
<b>Net book value</b>	<b>16,084</b>	<b>3,676</b>	<b>5,751</b>	<b>565</b>	<b>26,076</b>

The item land and buildings include land that is not depreciated, with the total value of HRK 279 thousand as at 31 December 2020 (2019: HRK 436 thousand).

As at 31 December 2020 and 2019, the Company did not have land and buildings pledged as collateral for the Company's liabilities.

The depreciation charge for the period is recognised under "Administration costs" in the statement of comprehensive income (Note 18).



Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**5. INVESTMENT PROPERTY**

	2020	2019
<b>At 1 January</b>	<b>53,458</b>	<b>56,460</b>
Disposals	(9,779)	(1,902)
Additions	-	463
Reversal of impairment (Note 15)	-	349
Change in fair value (Note 15)	(96)	(1,912)
<b>At 31 December</b>	<b>43,583</b>	<b>53,458</b>

Land and buildings included in this category have been acquired for investment purposes. Any income arising from this investment is primarily the fair value gain expected as a result of market appreciation in value and is included in net investment income. Fair value losses are included in investment costs. As a rule, land and buildings are annually (at least once every five years) and independently valued and their carrying value is reconciled with the fair value of land and buildings, calculated by certified court valuers using the comparable method and/or income approach as the methods for property valuation. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g. due to the inability to access property which is not owned), the fair value amount stated in the value information provided by the independent valuation expert is also applied for valuation purposes.

Rental income is included in the investment income and amounts to HRK 2,719 thousand (2019: HRK 2,844 thousand). Property management expenses are included in investment costs, and amount to HRK 655 thousand (2019: HRK 699 thousand) (Note 15). Expenses (including repairs and maintenance, security, etc.) arising from investment property that generated income during the period amount to HRK 513 thousand (2019: HRK 570 thousand), and expenses arising from investment property that did not generate income amount to HRK 143 thousand (2019: HRK 123 thousand).

As at 31 December 2020, one of the Company's properties has been pledged as collateral with a carrying value of HRK 209 thousand.

**6. DEFERRED ACQUISITION COSTS**

As part of the Company's insurance business, certain acquisition costs are deferred. For life insurance business, deferred acquisition costs are taken into account in calculating mathematical provisions by means of Zillmersation. As such, deferred acquisition costs for life insurances are not recognised at the reporting date as a separate item of assets.

	2020	2019
<b>At 1 January</b>	<b>94,545</b>	<b>63,430</b>
Increase (Note 17)	75,090	93,457
Decrease (Note 17)	(70,799)	(62,342)
<b>As at 31 December</b>	<b>98,836</b>	<b>94,545</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS

2020	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
<b>Debt securities – fixed interest rate, listed</b>					
Government bonds	256,979	1,438,464	-	-	1,695,443
Corporate bonds	-	298,790	-	-	298,790
Accrued interest	6,883	24,280	-	-	31,163
<b>Total debt securities</b>	<b>263,862</b>	<b>1,761,534</b>	<b>-</b>	<b>-</b>	<b>2,025,396</b>
<b>Investment funds</b>					
Mixed funds	-	-	4,576	-	4,576
Bond funds	-	212,890	6,357	-	219,247
Equity funds	-	36,146	90,490	-	126,636
Alternative funds	-	115,792	1,620	-	117,412
<b>Total investment funds</b>	<b>-</b>	<b>364,828</b>	<b>103,043</b>	<b>-</b>	<b>467,871</b>
<b>Other</b>					
Structured products	-	2,632	67,036	-	69,668
<b>Other</b>	<b>-</b>	<b>2,632</b>	<b>67,036</b>	<b>-</b>	<b>69,668</b>
<b>Deposits</b>					
Bank deposits	-	-	-	60,000	60,000
Accrued interest	-	-	-	384	384
<b>Total deposits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,384</b>	<b>60,384</b>
<b>Loans</b>					
Loans based on life insurance policy repurchase value	-	-	-	8,456	8,456
Mortgage loans	-	-	-	438	438
Other loans	-	-	-	1,461	1,461
Accrued interest	-	-	-	44	44
<b>Total loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,399</b>	<b>10,399</b>
<b>Total</b>	<b>263,862</b>	<b>2,128,994</b>	<b>170,079</b>	<b>70,783</b>	<b>2,633,718</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS (continued)

2019	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
<b>Debt securities – fixed interest rate, listed</b>					
Government bonds	645,752	1,471,763	-	-	2,117,515
Corporate bonds	-	187,250	-	-	187,250
Accrued interest	14,985	27,291	-	-	42,276
<b>Total debt securities</b>	<b>660,737</b>	<b>1,686,304</b>	<b>-</b>	<b>-</b>	<b>2,347,041</b>
<b>Investment funds</b>					
Mixed funds	-	-	2,848	-	2,848
Bond funds	-	186,343	6,220	-	192,563
Equity funds	-	32,727	76,576	-	109,303
Alternative funds	-	4,004	1,616	-	5,620
<b>Total investment funds</b>	<b>-</b>	<b>223,074</b>	<b>87,260</b>	<b>-</b>	<b>310,334</b>
<b>Other</b>					
Structured products	-	11,472	59,535	-	71,007
<b>Other</b>	<b>-</b>	<b>11,472</b>	<b>59,535</b>	<b>-</b>	<b>71,007</b>
<b>Deposits</b>					
Bank deposits	-	-	-	20,000	20,000
Accrued interest	-	-	-	3	3
<b>Total deposits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,003</b>	<b>20,003</b>
<b>Loans</b>					
Loans based on life insurance policy repurchase value	-	-	-	10,266	10,266
Mortgage loans	-	-	-	574	574
Other loans	-	-	-	1,355	1,355
Accrued interest	-	-	-	51	51
<b>Total loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,246</b>	<b>12,246</b>
<b>Total</b>	<b>660,737</b>	<b>1,920,850</b>	<b>146,795</b>	<b>32,249</b>	<b>2,760,631</b>

Notes to the financial statements  
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(all amounts are expressed in thousands of HRK)

**7. FINANCIAL INVESTMENTS (continued)**

The fair value disclosure and information on credit quality is set out in Note 22.

Financial assets at fair value through profit or loss are designated at fair value at initial recognition since they are managed, evaluated and reported internally on a fair value basis.

**Analysis of loans**

	2020	2019
<b>Loans based on life insurance policy repurchase value</b>		
- Gross	8,525	10,335
- Impairment provisions	(69)	(69)
<b>Total loans based on life insurance policy repurchase value</b>	<b>8,456</b>	<b>10,266</b>
<b>Loans secured by mortgage or bank guarantee</b>		
- Gross	6,466	6,665
- Impairment provisions	(6,028)	(6,091)
<b>Total loans secured by mortgage or bank guarantee</b>	<b>438</b>	<b>574</b>
<b>Other loans</b>		
- Gross	1,741	1,634
- Impairment provisions	(279)	(279)
<b>Total other loans</b>	<b>1,461</b>	<b>1,355</b>
Accrued interest	44	51
<b>Total</b>	<b>10,399</b>	<b>12,246</b>

**Movements in loans impairment**

	Loans based on life policy surrender values	Loans secured by mortgage or bank guarantee	Other loans	Total
<b>At 1 January 2019</b>	<b>(72)</b>	<b>(6,317)</b>	<b>(308)</b>	<b>(6,697)</b>
Collection of impaired loans	-	226	29	255
Write-off	3	-	-	3
<b>At 31 December 2019</b>	<b>(69)</b>	<b>(6,091)</b>	<b>(279)</b>	<b>(6,439)</b>
<b>At 1 January 2020</b>	<b>(69)</b>	<b>(6,091)</b>	<b>(279)</b>	<b>(6,439)</b>
Collection of impaired loans	-	1	-	1
Write-off	-	62	-	62
<b>At 31 December 2020</b>	<b>(69)</b>	<b>(6,028)</b>	<b>(279)</b>	<b>(6,376)</b>

In 2020, the Company made a final write-off of loans principal in the amount of HRK 62 thousand.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**8. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS**

	2020	2019
<b>Non-life insurance</b>		
Reinsurers' share in unearned premium	67,916	65,919
Reinsurers' share in provisions for RBNS claims	116,532	88,522
Reinsurers' share in provisions for IBNR claims	87,933	63,366
Reinsurers' share in provision for bonuses and discounts	239	153
	<b>272,620</b>	<b>217,960</b>
<b>Life insurance</b>		
Reinsurers' share in unearned premium	173	199
Reinsurers' share in provisions for RBNS claims	180	166
Reinsurers' share in provisions for IBNR claims	-	4
Reinsurers' share in life insurance mathematical provision	95,459	96,326
	<b>95,812</b>	<b>96,695</b>
	<b>368,433</b>	<b>314,655</b>

The reinsurers' share in technical provisions represents expected future claims that will be charged to the Company's reinsurers and the reinsurers' share in unearned premiums, the mathematical provision and the provision for bonuses and discounts.

**9. INSURANCE CONTRACT AND OTHER RECEIVABLES**

	2020	2019
Receivables from policyholders, gross	116,617	122,747
- from impairment	(24,440)	(23,251)
Receivables from policyholders, net	92,177	99,496
Receivables from reinsurance		
- from claims recoveries	95,608	42,571
- from reinsurance commission	43,583	22,956
Receivables from reinsurance for share in profit	1,067	763
Receivables from reinsurance for participation in impairment and guarantee fund provision	6,040	5,573
Credit card receivables	11,199	10,315
Receivables for service claims	6,375	6,091
Other receivables	11,369	15,267
- from impairment	(4,549)	(5,595)
Prepaid expenses	4,187	5,025
	<b>267,055</b>	<b>202,462</b>

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**9. INSURANCE CONTRACT AND OTHER RECEIVABLES (continued)**

The movement in impairment provisions during the year was as follows:

	<b>Premium</b>	<b>Other</b>	<b>Total</b>
<b>At 1 January 2019</b>	<b>(25,672)</b>	<b>(5,798)</b>	<b>(31,470)</b>
Decrease in impairment provisions	2,421	203	2,624
<b>At 31 December 2019</b>	<b>(23,251)</b>	<b>(5,595)</b>	<b>(28,846)</b>
<b>At 1 January 2020</b>	<b>(23,251)</b>	<b>(5,595)</b>	<b>(28,846)</b>
Decrease in impairment provisions	(1,190)	1,046	(144)
<b>At 31 December 2020</b>	<b>(24,441)</b>	<b>(4,549)</b>	<b>(28,990)</b>

The analysis of the credit quality of insurance contract receivables at the date of the statement of financial position is as follows:

	<b>2020</b>	<b>2019</b>
Neither past due nor impaired	68,536	71,885
Past due but not impaired	23,641	27,611
Impaired	24,440	23,251
Impairment provision	(24,440)	(23,251)
	<b>92,177</b>	<b>99,496</b>

The ageing analysis of receivables past due but not impaired at the reporting date is as follows:

	<b>2020</b>	<b>2019</b>
Less than 30 days	14,289	16,641
30 to 180 days	9,352	10,970
	<b>23,641</b>	<b>27,611</b>

Impairment losses from policyholder's receivables are deducted from gross premium. The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. Unpaid premiums from life insurance policyholders overdue more than 90 days which do not satisfy the criteria for capitalisation, are cancelled. During both presented periods, the Company undertakes all available means to collect the respective amounts.

Amounts that are not written off and not collected from non-life insurance policyholders with defaults in payment of more than 180 days, are impaired in full (100%).

Notes to the financial statements  
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**10. DEFERRED TAX ASSETS AND LIABILITIES**

The deferred tax (liabilities) / assets are as follows:

	2020	2019
<b>Deferred tax (liabilities) / assets</b>		
Available-for-sale financial assets	(33,932)	(33,120)
Effect of temporarily non-deductible expenses	2,917	1,340
	<b>(31,015)</b>	<b>(31,780)</b>

Movement in temporary differences and components of deferred tax (liabilities) / assets recognised in the statement of comprehensive income and in equity:

	Available-for-sale financial assets	Temporarily non- deductible expenses	Deferred tax assets / (liabilities)
<b>At 1 January 2019</b>	<b>(27,633)</b>	<b>3,191</b>	<b>(24,442)</b>
Increase in deferred tax liability recognised in other comprehensive income	(5,487)	-	(5,487)
Increase in deferred tax assets recognised in profit or loss	-	(1,851)	(1,851)
<b>At 31 December 2019</b>	<b>(33,120)</b>	<b>1,340</b>	<b>(31,780)</b>
Increase in deferred tax liability recognised in other comprehensive income	(812)	-	(812)
Increase in deferred tax assets recognised in profit or loss	-	1,577	1,577
<b>At 31 December 2020</b>	<b>(33,932)</b>	<b>2,917</b>	<b>(31,015)</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**11. INSURANCE CONTRACT PROVISIONS**

	2020	2019
<b>Non-life insurance (gross)</b>		
Provision for unearned premiums	342,660	335,227
Provision for reported but not settled claims (RBNS)	215,077	181,912
Provision for incurred but not reported claims (IBNR)	228,584	202,660
Provision for bonuses and discounts	3,726	1,425
	<b>790,046</b>	<b>721,224</b>
<b>Life insurance (gross)</b>		
Provision for unearned premiums	2,567	2,753
Mathematical life insurance provision	1,503,087	1,708,966
Provision for reported but not settled claims (RBNS)	75,155	50,556
Provision for incurred but not reported claims (IBNR)	3,368	6,785
Provisions for unit-linked products	160,136	137,877
	<b>1,744,313</b>	<b>1,906,937</b>
	<b>2,534,358</b>	<b>2,628,161</b>

**(a) Principal assumptions that have the significant effect on recognised insurance assets, liabilities, income and expenses**

**Non-life insurance**

A provision is recognised at the date of the statement of financial position 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) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss appraisers as well as historical evidence of the amounts of similar claims. Each claim is reviewed regularly, and the relevant provision is regularly updated as and when new information is available. The reinsurers' share is determined by individual calculations based on reinsurance contracts effective at the time when the claim occurred. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than for reported claims. IBNR provisions are assessed by actuaries using statistical techniques.

The key methods are:

- chain ladder methods, which use historical data to estimate the future development of unsolved claims;
- expected claims ratio method;
- Bornhuetter-Ferguson method, which, in estimating IBNR provisions, in addition to expected claims, takes into consideration exposure measures;
- benchmarking methods, which use the experience of comparable, more mature, classes to estimate the cost of claims.

The actual method or combination of methods used varies by the year of the claim considered, the class of business and 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.



Notes to the financial statements  
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(all amounts are expressed in thousands of HRK)

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(a) Principal assumptions that have the significant effect on recognised insurance assets, liabilities, income and expenses (continued)**

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 underwritten insurance contracts;
- 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 reinsurers' share.

The assumptions which have the most significant effect on the measurement of non-life insurance provisions are as follows:

*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 their ultimate settlement. These tail factors are estimated prudently based on actuarial judgements and the best fit from a statistical point of view.

*Discounting*

Except for annuities, non-life claims provisions are not discounted. Provisions for annuities are calculated separately for each annuity, based on the amount of annuity from the claim, in the capitalized amount as the present value of all future annuity liabilities. When calculating provisions for annuity claims the Company uses the 2010-2012 mortality tables of the Republic of Croatia published by the Croatian Bureau of Statistics, at an annual discount rate of 3%. Depending on information regarding the claim, the presumption of the increase in annuity amount is taken into account. Annuity claims mainly arise from motor third party liability and liability claims.

*Non-life insurance claims*

Anticipated recoveries from reinsurance have been disclosed as separate assets and are estimated in accordance with the terms of the reinsurance contracts.

The ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided against. The adjustments to the claims provision established in prior years are reflected in the financial statements in the period of the adjustments and are disclosed separately if material.

## **11. INSURANCE CONTRACTS PROVISIONS (continued)**

### **(a) Principal assumptions that have the significant effect on recognised insurance assets, liabilities, income and expenses (continued)**

#### **Life insurance**

The Company forms technical provisions for life insurance contracts for the purpose of meeting all liabilities arising from those contracts.

#### *Claims provision*

A provision for reported but not settled claims ("RBNS") is formed to estimate the final cost of settling all incurred liabilities arising from an adverse event for each individual claim, taking into account the corresponding costs of claims processing and deductions for amounts already paid. For incurred but not reported claims ("IBNR") the amount of the provision is estimated using actuarial methods (the chain ladder method and the lump sum method). Based on past experience of the share of indirect costs in claims settlement, these provisions are increased by indirect claims processing costs.

#### *Mathematical provision*

The mathematical provision is calculated based on the prospective net method using the statistical data (mortality and morbidity tables) and interest rates adjusted to the provisions of the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). Life insurance policies are linked to the EUR. The mathematical provision for life insurance is decreased by the non-amortised acquisition costs (Zillmerisation), where the Zillmerisation rate is not higher than 3.5% of the insured amount, depending on the type of contract and commission paid.

#### *Policyholder discretionary bonuses*

Policyholders or beneficiaries of endowment policies are entitled to a share in the profits of the Company realised in the management of life insurance funds. In the event of endowment, the share in profits is paid along with the sum insured. In the event of death, the Company pays the sum insured and the shares in the profits accounted for by that time. The Company provides for discretionary bonuses allocated to policyholders within the mathematical provision.

#### *Unit/Index-linked life insurance*

Life insurance where the policyholder takes on the risk of investment combines the risk of life insurance and investment in financial instruments. A special life insurance provision is formed for this type of insurance when the policyholder bears the risk of the investment and it is carried at fair value of the related investment.

#### *Reinsurers' share in life insurance technical provisions*

The reinsurers' share in life insurance technical provisions is calculated in accordance with the reinsurance contracts in force for each individual policy/claim.

Notes to the financial statements  
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(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(b) Analysis of movement in provision for unearned premium

	2020 Gross	2020 Reinsurance	2020 Net	2019 Gross	2019 Reinsurance	2019 Net
<i>Non-life insurance</i>						
<b>At 1 January</b>	335,227	(65,919)	269,308	264,797	(66,428)	198,369
Premiums written during the year	396,131	(146,955)	249,176	439,750	(138,065)	301,685
Movement in provision for unearned premiums	(388,698)	144,958	(243,741)	(369,320)	138,574	(230,746)
<b>At 31 December</b>	<b>342,659</b>	<b>(67,916)</b>	<b>274,743</b>	<b>335,227</b>	<b>(65,919)</b>	<b>269,308</b>
<i>Life insurance</i>						
<b>At 1 January</b>	2,753	(199)	2,554	3,224	(184)	3,040
Premiums written during the year	2,568	(585)	1,982	5,278	(687)	4,591
Movement in provision for unearned premiums	(2,754)	611	(2,143)	(5,749)	672	(5,077)
<b>At 31 December</b>	<b>2,567</b>	<b>(173)</b>	<b>2,393</b>	<b>2,753</b>	<b>(199)</b>	<b>2,554</b>

Notes to the financial statements  
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(all amounts are expressed in thousands of HRK)

**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(c) Analysis of movements in provisions for reported but not settled claims**

	<b>2020 Gross</b>	<b>2020 Reinsurance</b>	<b>2020 Net</b>	<b>2019 Gross</b>	<b>2019 Reinsurance</b>	<b>2019 Net</b>
<i>Non-life insurance</i>						
<b>At 1 January</b>	181,912	(88,522)	93,390	154,409	(64,395)	90,014
Claims reported in current Year	245,406	(113,124)	132,282	227,229	(97,333)	129,896
Change in estimate for previous year claims	5,441	(4,114)	1,326	(6,681)	960	(5,721)
Claims paid	(217,683)	89,229	(128,454)	(193,045)	72,246	(120,799)
<b>At 31 December</b>	<b>215,076</b>	<b>(116,532)</b>	<b>98,544</b>	<b>181,912</b>	<b>(88,522)</b>	<b>93,390</b>
<i>Life insurance</i>						
<b>At 1 January</b>	50,556	(166)	50,390	14,578	(218)	14,360
Claims incurred in the current year	362,005	(8,255)	353,750	341,626	(5,807)	335,819
Change in claims from the previous year	3,049	(61)	2,987	2,769	(48)	2,721
Claims paid	(340,455)	8,303	(332,152)	(308,417)	5,907	(302,510)
<b>At 31 December</b>	<b>75,155</b>	<b>(180)</b>	<b>74,975</b>	<b>50,556</b>	<b>(166)</b>	<b>50,390</b>

**(d) Analysis of movements in provisions for incurred but not reported claims**

	<b>2020 Gross</b>	<b>2020 Reinsurance</b>	<b>2020 Net</b>	<b>2019 Gross</b>	<b>2019 Reinsurance</b>	<b>2019 Net</b>
<i>Non-life insurance</i>						
<b>At 1 January</b>	202,660	(63,365)	139,295	211,793	(66,152)	145,641
Increases recognised during the year	72,995	(48,123)	24,872	19,738	(8,777)	10,961
Less: transfer to claims reported provision	(47,072)	23,556	(23,516)	(28,871)	11,564	(17,307)
<b>At 31 December</b>	<b>228,584</b>	<b>(87,933)</b>	<b>140,651</b>	<b>202,660</b>	<b>(63,365)</b>	<b>139,295</b>
<i>Life insurance</i>						
<b>At 1 January</b>	6,785	(4)	6,781	6,740	(10)	6,730
Increases recognised during the year	(3,055)	4	(3,051)	383	6	389
Less: transfer to claims reported provision	(362)	(0)	(362)	(338)	(0)	(338)
<b>At 31 December</b>	<b>3,368</b>	<b>0</b>	<b>3,368</b>	<b>6,785</b>	<b>(4)</b>	<b>6,781</b>

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(e) Mathematical life insurance provision**

	<b>2020 Gross</b>	<b>2020 Reinsurance</b>	<b>2020 Net</b>	<b>2019 Gross</b>	<b>2019 Reinsurance</b>	<b>2019 Net</b>
<b>At 1 January</b>	<b>1,708,966</b>	<b>(96,326)</b>	<b>1,612,640</b>	<b>1,865,223</b>	<b>(94,986)</b>	<b>1,770,237</b>
Premium allocation	106,165	(7,363)	98,802	109,139	(7,063)	102,076
Release of liabilities due to benefits paid, repurchase and other terminations	(336,856)	8,257	(328,599)	(305,100)	5,705	(299,395)
Allocation of discretionary bonus	2,096	-	2,096	3,854	-	3,854
Change in IBNR and RBNS	22,902	(1)	22,901	36,321	3	36,324
Change in provision for unearned premiums	(186)	(25)	(212)	(471)	15	(456)
<b>At 31 December</b>	<b>1,503,087</b>	<b>(95,459)</b>	<b>1,407,628</b>	<b>1,708,966</b>	<b>(96,326)</b>	<b>1,612,640</b>

**(f) Provisions for unit-linked products**

	<b>2020 Gross and net</b>	<b>2019 Gross and net</b>
<b>At 1 January</b>	<b>137,877</b>	<b>81,257</b>
Allocation of technical premium	29,438	41,859
Unrealised gains/(losses) of funds from allocated policyholders' investments	(7,180)	14,761
<b>At 31 December</b>	<b>160,136</b>	<b>137,877</b>

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(g) Development of claims provision**

**For the year ended 31 December 2020**

	Prior to 2015	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims at the end of claim occurrence year	1,010,431	445,948	544,210	613,073	557,078	530,033	474,694	-
One year later	987,835	447,255	556,987	628,335	586,174	506,057	-	-
Two years later	936,870	445,175	553,824	629,137	579,688	-	-	-
Three years later	940,167	439,846	558,859	647,080	-	-	-	-
Four years later	955,920	437,976	566,311	-	-	-	-	-
Five years later	890,612	448,957	-	-	-	-	-	-
Six years later	1,179,593	-	-	-	-	-	-	-
<b>Total estimate of provisions</b>	<b>1,179,593</b>	<b>448,957</b>	<b>566,311</b>	<b>647,080</b>	<b>579,688</b>	<b>506,057</b>	<b>474,694</b>	<b>4,402,380</b>
Cumulative payments	(1,028,123)	(427,216)	(539,121)	(612,574)	(541,267)	(435,921)	(318,389)	(3,902,613)
Claims handling costs	11,703	1,000	1,148	1,747	893	2,179	3,746	22,416
<b>Claims provision as at 31 December 2020</b>	<b>163,173</b>	<b>22,741</b>	<b>28,338</b>	<b>36,252</b>	<b>39,313</b>	<b>72,315</b>	<b>160,051</b>	<b>522,183</b>

**For the year ended 31 December 2019**

	Prior to 2014	2014	2015	2016	2017	2018	2019	Total
Estimate of cumulative claims at the end of claim occurrence year	731,285	279,146	445,948	544,210	613,073	557,078	530,033	-
One year later	699,227	288,608	447,255	556,987	628,335	586,174	-	-
Two years later	655,092	281,778	445,175	553,824	629,137	-	-	-
Three years later	668,256	271,911	439,846	558,859	-	-	-	-
Four years later	688,232	267,688	437,976	-	-	-	-	-
Five years later	621,256	269,356	-	-	-	-	-	-
Six years later	753,329	-	-	-	-	-	-	-
<b>Total estimate of provisions</b>	<b>753,329</b>	<b>269,356</b>	<b>437,976</b>	<b>558,859</b>	<b>629,137</b>	<b>586,174</b>	<b>530,033</b>	<b>3,764,864</b>
Cumulative payments	(622,283)	(251,030)	(417,106)	(526,936)	(590,891)	(536,981)	(403,088)	(3,348,315)
Claims handling costs	4,482	587	693	1,033	1,352	4,315	12,905	25,367
<b>Claims provision as at 31 December 2019</b>	<b>135,527</b>	<b>18,911</b>	<b>21,562</b>	<b>32,956</b>	<b>39,599</b>	<b>53,508</b>	<b>139,850</b>	<b>441,913</b>

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(h) Structure of assets used for backing life insurance mathematical provision**

	<b>2020</b>	<b>2019</b>
<b>Assets backing mathematical provision</b>		
Government bonds	1,246,084	1,558,443
Corporate bonds	246,962	153,743
Investment funds	314,406	194,852
Cash and deposits	31,517	46,088
Mortgages and borrowings	8,495	10,305
Property	38,502	38,032
<b>Total assets used for backing life insurance mathematical provision</b>	<b>1,885,966</b>	<b>2,001,463</b>
Life insurance mathematical provision, net of reinsurance	1,407,628	1,612,639
Claims provision for risks for which it is necessary to create mathematical provision, net of reinsurance	76,149	53,467
<b>Required coverage of life insurance mathematical provision</b>	<b>1,483,777</b>	<b>1,666,106</b>
<b>Excess coverage</b>	<b>402,189</b>	<b>335,357</b>

As at 31 December 2020 and 2019, the Company was in compliance with regulatory requirements relating to the structure and amounts of assets invested for backing mathematical provision.

The table below analyses assets used for backing mathematical provision by remaining maturities and insurance contract liabilities.

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>More than 10 years</b>	<b>Total</b>
<b>2020</b>					
Assets backing mathematical provision	400,203	824,149	328,977	332,637	1,885,966
Life insurance mathematical provision, net of reinsurance	(241,077)	(425,543)	(322,447)	(418,561)	(1,407,628)
Claims provision, net of reinsurance	(71,486)	(4,444)	(218)	-	(76,149)
<b>Maturity gap</b>	<b>87,640</b>	<b>394,162</b>	<b>6,311</b>	<b>(85,924)</b>	<b>402,189</b>
<b>2019</b>					
Assets backing mathematical provision	675,296	790,315	304,081	231,771	2,001,463
Life insurance mathematical provision, net of reinsurance	(459,431)	(463,914)	(311,428)	(377,867)	(1,612,640)
Claims provision, net of reinsurance	(49,054)	(3,969)	(444)	-	(53,467)
<b>Maturity gap</b>	<b>166,811</b>	<b>322,432</b>	<b>(7,791)</b>	<b>(146,096)</b>	<b>335,356</b>

Notes to the financial statements  
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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

As at 31 December 2020, the structure of assets to cover the mathematical provision of the Company is as follows: 82.05% is classified as assets available for sale (2019: 67.88%), and 0.25% as financial assets at fair value through profit or loss (2019: 0.23%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 13.54% as assets held to maturity (2019: 27.17%), 0.45% as loans and prepayments (2019: 0.52%), 0.00% as deposits (2019: 1.00%), 1.90% as property (2019: 1.90%) and 1.67% as funds on a business account (2019: 1.30%).

In 2020, the Company realised an average return by investing 5.07% of the mathematical provision assets (2019: 5.38%).

The following table analyses the financial assets used for backing mathematical provision by relevant groupings based on the currency in which it is denominated. The mathematical provision for traditional products is denominated in EUR.

	<b>Euro</b>	<b>Kuna</b>	<b>Total</b>
<b>2020</b>			
Assets backing mathematical provision	1,761,946	124,020	<b>1,885,966</b>
<b>2019</b>			
Assets backing mathematical provision	1,860,888	140,575	<b>2,001,463</b>

The valuation of financial assets is set out in Note 3 - Accounting policies.



Notes to the financial statements  
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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(i) Structure of assets used for backing technical provision other than mathematical provision**

	<b>2020</b>	<b>2019</b>
<b>Assets used for backing technical provision other than mathematical provision</b>		
Government bonds	343,363	455,765
Corporate bonds	54,279	35,027
Investment funds	55,083	32,782
Cash and deposits	102,785	33,301
Mortgages and borrowings	196	328
Receivables from insurance operations	88,659	-
<b>Total assets used for backing technical provision other than mathematical provision</b>	<b>644,365</b>	<b>557,203</b>
Provision for unearned premiums, net of reinsurance	277,137	271,863
Claims provision, net of reinsurance	241,390	236,388
Other provisions	3,486	1,271
<b>Required coverage of technical provision other than mathematical provision</b>	<b>522,013</b>	<b>509,522</b>
<b>Excess coverage</b>	<b>122,352</b>	<b>47,681</b>

As at 31 December 2020 and 2019, the Company was in compliance with regulatory requests relating to the structure and amounts of assets invested for backing the technical provision. At the beginning of 2020 the Company made a decision to use receivables from direct insurance operations not older than 90 days for the purposes of calculating assets to cover technical provisions.

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

The table below analyses assets used for backing the technical provision by remaining maturities from the reporting date and the estimated remaining contractual maturities of technical provisions for which coverage is required:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
<b>2020</b>					
Assets used for backing technical provisions	206,305	173,334	264,726	-	644,365
Provision for unearned premiums, net of reinsurance	(133,462)	(65,433)	(73,262)	(4,980)	(277,137)
Claims provision and other provisions, net of reinsurance	(67,395)	(75,399)	(48,628)	(53,454)	(244,876)
<b>Maturity gap</b>	<b>5,448</b>	<b>32,503</b>	<b>142,836</b>	<b>(58,435)</b>	<b>122,352</b>
<b>2019</b>					
Assets used for backing technical provisions	228,999	139,045	189,159	-	557,203
Provision for unearned premiums, net of reinsurance	(133,168)	(61,154)	(71,993)	(5,548)	(271,863)
Claims provision and other provisions, net of reinsurance	(66,212)	(75,853)	(47,188)	(48,406)	(237,659)
<b>Maturity gap</b>	<b>29,619</b>	<b>2,038</b>	<b>69,978</b>	<b>(53,954)</b>	<b>47,681</b>

As at 31 December 2020, the structure of assets to cover the technical provision of the Company is as follows: 69,73% is classified as assets available for sale (2019: 86,50%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 0,53% as assets held to maturity (2019: 7,46%), 0.03% as loans and prepayments (2019: 0.06%), and 6.58% as funds on a business account (2019: 5,98%) and receivables from direct insurance operations 13,76% (2019: 0,00%).

The following table analyses the financial assets used for backing the technical provision by relevant groupings based on the currency in which it is denominated.

	EUR	Other foreign currencies	HRK	Total
<b>2020</b>				
Assets used for backing technical provisions	71,324	-	573,041	644,365
Provision for unearned premiums, net of reinsurance	(33,378)	(22)	(243,737)	(277,137)
Claims provision and other provisions, net of reinsurance	(23,991)	-	(220,885)	(244,876)
	<b>13,955</b>	<b>(22)</b>	<b>108,419</b>	<b>122,352</b>
<b>2019</b>				
Assets used for backing technical provisions	93,789	-	463,414	557,203
Provision for unearned premiums, net of reinsurance	(25,783)	(54)	(246,027)	(271,864)
Claims provision and other provisions, net of reinsurance	(28,992)	-	(208,666)	(237,658)
	<b>39,014</b>	<b>(54)</b>	<b>8,721</b>	<b>47,681</b>

## **11. INSURANCE CONTRACTS PROVISIONS (continued)**

### **(j) Liability adequacy test**

#### **Life insurance**

The mathematical provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. For this purpose, the Company uses the liability adequacy test for the majority of products in its portfolio. Where reliable market data is available, assumptions are derived from observable market prices. However, in the absence of market transactions in the economy in which the Company operates, significant difficulties remain in calibrating the assumptions used in observable market conditions.

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

Due to the levels of uncertainty in the future development of insurance markets and the Company's portfolio, the Company uses reasonably margins for risk and uncertainty. Input assumptions are updated annually based on recent experience. The methodology of testing considers current estimates of all future cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of correlation between all risk factors.

The principal assumptions used are:

#### *Segmentation*

The Company segments the products into several homogeneous groups according to the characteristics of individual products (product type - mixed and savings insurance, UL, IL, risk insurance, annuities, other insurance types, i.e. riders). 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 is calculated based on the assumptions described below is compared with the insurance liabilities for each product group separately. If that comparison results that the carrying amount of 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 liability.

#### *Mortality and morbidity*

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

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

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**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(j) Liability adequacy test (continued)**

*Persistency*

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Company's past experience with insurance policies (split by type, payment method and past policy durations). The Company regularly investigates its actual persistency rates by product type and payment method and amends its assumptions accordingly. The assumptions as derived above are adjusted by a margin for risk and uncertainty.

*Expense*

Estimates for future renewal and maintenance expenses included in the liability adequacy test are derived from the Company's current experience and increased by assumed inflation.

*Expected investment return and discount rate*

Future investment returns are calculated using the best estimate of interest rate derived from return on government bonds and other instruments in which Company has investments.

The discount rate used (presented below by years of duration) is equal to expected future investment returns, taking into account credit risk, and duration and currency structure of the Company's investment portfolio.

	2020	2019
1 - 5 years	3.03%	3.37%
5 - 10 years	2.23%	2.31%
More than 10 years	2.23%	2.32%

*Profit sharing*

Whilst, for most life insurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Company, the assessment of liability adequacy takes into account future discretionary bonuses. The percentage applied is consistent with the Company's current business practice for bonus allocation.

The Company performed a sensitivity test for the following assumptions: decrease in interest rate (1%), decrease in cancellation rate (50%) and increase in expenses (10%).

The results are presented in the table below:

	2020	2019
LAT provision	1,596,628	1,747,207
<b>Sensitivity test for changes in assumptions:</b>		
Decrease of interest rates by 1%	1,702,482	1,849,662
Decrease of cancellation rate by 50%	1,609,178	1,755,767
Increase in expenses by 10%	1,648,203	1,790,838

**11. INSURANCE CONTRACTS PROVISIONS (continued)**

**(j) Liability adequacy test (continued)**

The assumption that has the most significant impact on the LAT provision amount is interest, reflecting the expected future returns that will be realised by investing the mathematical provision. The Company's calculation of LAT provisions at 31 December 2020 was performed by applying different rates than those that were used in the calculation of LAT provisions at 31 December 2019. If the non-linearity in interest rates is ignored, it can be determined that the LAT provision decreased by approximately HRK 8.5 million due to different interest rates applied in 2020 compared to those applied in 2019.

**Non-life insurance**

The liability adequacy test for non-life insurance is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract. The test is performed by lines of business managed collectively. The results presented that the liability adequacy requirements are met, therefore, additional provisions for non-life insurance are not required.

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

Gains or losses and insurance liabilities are mainly sensitive to fluctuations in investment and mortality rates, cancellation rate and the cost rate estimated to determine the insurance liability adequacy. The Company estimates the impact of changes in key variables on profit for the year and equity at year end, which have a significant effect on the profit and equity. In non-life insurance, variables with the highest impact on insurance liabilities relate to the occurrence of claims and changes in the costs per insurance policy.

**Life insurance**

*Bonuses*

Around 90% of the Company's life insurance contracts include an entitlement to receive a discretionary bonus. Bonuses to policyholders are granted in accordance with rules of the Company reported to HANFA and are recognised as a liability when proposed and approved by the Management Board. Once allocated to policyholder's bonuses are guaranteed.

*Premiums*

Premiums for the majority of life products are linked to EUR (in addition to premiums in USD and HRK) and may be payable in regular instalments or as a single premium at inception of the policy. Most endowment-type and investment insurance and products contain a premium indexation option which may be exercised annually at the discretion of the policyholder. Where the option is not exercised, premiums are not increased by any index.

**11. INSURANCE CONTRACTS PROVISIONS (continued)**

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

*Term life insurance products*

Traditional term life insurance products comprise risks of death. Premiums are paid in instalments or as single premium. Policies offer a fixed or decreasing sum insured for death. Death benefits are paid only if the policyholder dies during the term of insurance.

*Endowment products*

These are also traditional life insurance products providing financial protection during the duration of the contract and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offer covering for risks of death, endowment, dread diseases, permanent disability and accident rider. Insurance benefits are usually fully paid as a lump-sum.

*Unit- and index-linked insurance*

These are types of insurance where the insurance contractor bears the basic investment risk and the value of the payment upon endowment, i.e. the expiration of the insurance policy depends on the fair value of the related asset. The risk assumed by the Company with this type of insurance is the risk of death. When contracting the policy, the Company guarantees the agreed percentage of premiums paid in the event of the insured person's death during the life of the policy, and the fund reserve is added to that amount.

**Non-life insurance**

The Company offers many types of non-life insurances, mainly motor, property, liability, marine, transport, loan insurance, receivables, health and accident insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at a 3 months' notice (6 months' notice in case of long-term contracts longer than 5 years). A portion of accident insurance policies have a single premium option for long-term duration (the maximum duration in the portfolio is 30 years). These policies are connected with bank loans. The Company is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to reduce and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and timing of future cash flows. The amount of particular claim payments is limited by the sum insured which is established in the insurance policy. Other significant sources of uncertainty related to non-life insurance arise from legislative regulations which entitle the policyholder to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence. This feature is particularly significant in case of permanent disability arising from accident insurance and personal injuries in motor third party liability insurance because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

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

**11. INSURANCE CONTRACTS PROVISIONS (continued)**

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

*Motor vehicle insurance*

The Company's motor vehicle insurance portfolio comprises both motor third party liability insurance (MTPL) and motor hull insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by insured motorists under the "Green Card" system. Property damage under MTPL and motor hull claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The amount of claims relating to bodily injury and related losses of earnings are influenced by decisions and directives set by the Supreme Court which influence court practice.

MTPL is regulated by the Compulsory Traffic Insurance Act. The minimum sums insured are regulated by law. When paying a premium for continuing insurance, policyholders are entitled to a no-claims bonus under their policy when the conditions are met, i.e. penalty for bad loss experience is charged.

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

*Property insurance*

This is broadly split into corporate and retail risks that comprise small and medium sized entrepreneurs. For corporate risks, the Company uses risk management techniques to identify risks and analyse losses and cooperates with reinsurers. Retail and private property insurance consists of standard buildings and items insurance. Claims are normally reported promptly and can be settled without delay.

*Liability insurance*

This covers all types of liability and includes commercial liability, employees and professional indemnity as well as personal liability. The majority of general liability covers are realised on an "occurrence" basis.

*Accident insurance*

Accident insurance is traditionally and mostly sold as an addition to life insurance products or to MTPL products offered by the Company and as a part of the insurance package of credit and debit card users of Raiffeisenbank Austria d.d. Zagreb and other banks.

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**12. INSURANCE LIABILITIES AND OTHER PAYABLES**

	<b>2020</b>	<b>2019</b>
Indirect insurance contract payables	143	329
Reinsurance contract payables	146,937	76,133
Deposits retained from business ceded to reinsurance /i/	95,632	96,525
Other liabilities	34,330	40,493
	<u>277,042</u>	<u>213,480</u>
Lease liabilities /ii/	6,455	10,413
Accrued expenses	68,146	65,913
Provisions for liabilities and charges	4,947	6,877
Provisions for legal claims /iii/	10,749	14,492
	<u><b>367,339</b></u>	<u><b>311,175</b></u>

All insurance contract payables, other insurance related liabilities (except deposits held from business ceded to reinsurance and a part of leases) are due within 12 months from the reporting date. The maturity of deposits held, and leases is disclosed in Note 22.3. All payables are expected to be settled within 12 months of the reporting date, except for a part of leases.

/i/ The Company retains deposits from reinsurance business arising from the quota share reinsurance treaty with the parent company. In accordance with the reinsurance treaty, applicable from 1999, the Company does not cede the reinsurers' share in the mathematical provision but retains and invests the funds. Deposits retained from reinsurance business bear a 3% fixed interest rate per annum (2019: 3% p.a.).

/ii/ Lease liabilities

	<b>31 December 2020</b>	<b>31 December 2019</b>
Mature within one year	2,851	4,420
Mature after one year	3,604	5,993
	<u><b>6,455</b></u>	<u><b>10,413</b></u>

During 2020, interest expense on leases in the amount of HRK 195 thousand was recognised in the statement of comprehensive income.

/iii/ As at 31 December 2020, the Company was a plaintiff or defendant in several legal claims. Based on the estimate made by Management and legal counsel, provisions were made in the total amount of HRK 10,749 thousand (2019: HRK 14,492 thousand) for legal claims whose outcome is assessed as unfavourable for the Company. Management believes that the Company will not have any material losses arising from these and other legal claims above the amount of provisions made as at 31 December 2020.

**Movement in provision for legal claims**

	<b>2020</b>	<b>2019</b>
<b>Opening balance as at 1 January</b>	<b>14,492</b>	<b>37,530</b>
Increase in provision	1,380	1,491
Decrease in provision	(5,123)	(24,529)
<b>Closing balance as at 31 December</b>	<u><b>10,749</b></u>	<u><b>14,492</b></u>



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### 13. CAPITAL AND RESERVES

#### (a) Share capital

As at 31 December 2020, the Company's share capital amounted to HRK 62,700 thousand (2019: HRK 62,700 thousand). It is divided into 76 ordinary shares with a nominal value of HRK 825 thousand per share (2019: 76 ordinary shares with a nominal value of HRK 825 thousand per share).

The sole shareholder of the Company until 22<sup>nd</sup> December 2020 is UNIQA International AG. On 23<sup>rd</sup> December 2020, the change of the sole shareholder was registered in the court register of the Commercial Court in Zagreb to the company UNIQA Österreich Versicherungen AG.

#### (b) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of available-for-sale investments.

Movements in the fair value reserve were as follows:

	2020	2019
Gross fair value reserve	183,999	153,513
Deferred tax	(33,120)	(27,632)
<b>At 1 January</b>	<b>150,879</b>	<b>125,881</b>
Changes in fair value	13,168	33,042
Deferred tax on changes in fair value	(2,370)	(5,948)
Net realised gains from available-for-sale financial assets (Note 15)	(8,658)	(2,556)
Deferred tax on net realised gains from available-for-sale financial assets	1,558	460
<b>At 31 December</b>	<b>154,577</b>	<b>150,879</b>
Gross fair value reserve	188,509	183,999
Deferred tax (Note 10)	(33,932)	(33,120)
<b>At 31 December</b>	<b>154,577</b>	<b>150,879</b>

#### (c) Capital management

The Company manages its capital by assessing shortfalls between the reported and required capital levels on a regular basis. During the year there were no changes in respect of share capital, aims, policies and processes of capital management adopted in previous years.

The Company's main objective in managing capital is meeting the requirements prescribed by the Croatian Financial Services Supervisory Agency (HANFA) as the regulator of the insurance market in the Republic of Croatia. In accordance with the Insurance Act, the Company is obliged to have a minimum share capital of EUR 7.4 million i.e. EUR 3.7 million for performing non-life insurance activities and HRK 3.7 million for performing life insurance activities. As at 31 December 2020 and 2019, the Company's share capital amounted to HRK 62.7 million (HRK 28.875 million for life insurance and HRK 33.825 million for non-life insurance) and the Company meets the stated criteria.

**13. CAPITAL AND RESERVES (continued)**

**(c) Capital management**

Capital requirements are determined according to the Solvency II regulation. Calculations of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) are conducted quarterly. Throughout 2020, the Company has been meeting regulatory capital requirements, reporting quarterly quantitative information to the Croatian Financial Services Supervisory Agency.

The Company's solvency capital is determined by applying the standard formula.

The Company's solvency quota as at 31 December 2020 was 162% (2019: 176%), while the minimum required capital quota amounts to 527% (2019: 432%). The relevant information related to 2020 was published on the Company's web site as part of the Report on Solvency and Financial Position for 2020 on 07<sup>th</sup> April 2021.

The continued monitoring of regulatory capital adequacy and capital management are an integral part of the process of own risk assessment and solvency. The key elements of own risk and solvency assessment are the projection of solvency capital requirement, minimum capital requirement and equity to cover capital requirements throughout the business plan period, an estimation of the deviation between the Company's risk profile and the assumptions on which the standard formula is based and the preparation of sensitivity analyses and stress testing, through which the Company's capital adequacy is continuously re-examined.

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14. PREMIUMS

	2020	2019
<i>Non-life insurance</i>		
Gross insurance premiums	396,131	439,750
Insurance premiums ceded to reinsurance, net of reinsurers' share in impairment	(147,382)	(138,178)
Change in gross provisions for unearned premiums	(7,432)	(70,430)
Change in provision for unearned premiums, reinsurers' share	1,997	(509)
<b>Total premiums earned from non-life insurance, net of reinsurance</b>	<b>243,314</b>	<b>230,633</b>
<i>Life insurance</i>		
Gross insurance premiums	176,553	195,054
Premiums ceded to reinsurance	(6,107)	(6,265)
Change in gross provisions for unearned premiums	186	471
Change in provision for unearned premiums, reinsurers' share	(25)	15
<b>Total premiums earned from life insurance, net of reinsurance</b>	<b>170,606</b>	<b>189,275</b>
<b>Net earned premium</b>	<b>413,920</b>	<b>419,908</b>
<i>Total life and non-life insurance</i>		
Gross insurance premiums	572,683	634,804
Premiums ceded to reinsurance	(153,489)	(144,444)
Change in gross provisions for unearned premiums	(7,246)	(69,959)
Change in provision for unearned premiums, reinsurers' share	1,972	(493)
<b>Net earned premiums</b>	<b>413,920</b>	<b>419,908</b>

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**14. PREMIUMS (continued)**

Premiums ceded to reinsurance do not relieve the Company from its direct obligations to its policyholders. Therefore, there is credit risk exposure to the extent that the reinsurer would not be able to settle their liabilities assumed under reinsurance contracts.

An analysis of written premiums and claims incurred by class of business is set out below.

<i>For the year 2020</i>	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims incurred</b>	<b>Acquisition and administration costs</b>	<b>Reinsurance balance</b>
<i>Non-life insurance</i>					
Motor (third party liability)	73,711	73,188	(72,845)	(21,897)	(16,476)
Motor (other classes)	61,767	60,778	(43,296)	(18,131)	2,890
Property	81,764	72,068	(90,323)	(32,435)	(38,917)
Private insurance	91,476	96,749	(44,870)	(39,013)	975
Other	87,413	85,915	(28,612)	(41,737)	9,391
<b>Total non-life insurance</b>	<b>396,131</b>	<b>388,698</b>	<b>(279,946)</b>	<b>(153,214)</b>	<b>(42,136)</b>
<i>Life insurance</i>					
Individual premiums	176,553	176,739	(178,016)	(64,126)	(481)
Premiums settled in instalments	157,812	158,004	(157,347)	(57,319)	(430)
Single instalment premiums	18,740	18,735	(20,669)	(6,807)	(51)
<b>Total life insurance</b>	<b>176,553</b>	<b>176,739</b>	<b>(178,016)</b>	<b>(64,126)</b>	<b>(481)</b>
<b>Total</b>	<b>572,683</b>	<b>565,437</b>	<b>(457,963)</b>	<b>(217,340)</b>	<b>(42,616)</b>

<i>For the year 2019</i>	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims incurred</b>	<b>Acquisition and administration costs</b>	<b>Reinsurance balance</b>
<i>Non-life insurance</i>					
Motor (third party liability)	74,931	79,629	(49,364)	(23,470)	(6,999)
Motor (other classes)	60,338	58,982	(43,847)	(17,528)	1,604
Property	70,790	63,588	(27,483)	(29,176)	10,729
Private insurance	100,284	87,810	(48,418)	(35,175)	2,154
Other	133,407	79,310	(43,631)	(39,305)	(7,947)
<b>Total non-life insurance</b>	<b>439,750</b>	<b>369,319</b>	<b>(212,743)</b>	<b>(144,654)</b>	<b>(459)</b>
<i>Life insurance</i>					
Individual premiums	195,054	195,525	(244,803)	(69,556)	(1,127)
Premiums settled in instalments	158,547	158,804	(190,286)	(56,538)	(916)
Single instalment premiums	36,507	36,721	(54,517)	(13,018)	(211)
<b>Total life insurance</b>	<b>195,054</b>	<b>195,525</b>	<b>(244,803)</b>	<b>(69,556)</b>	<b>(1,127)</b>
<b>Total</b>	<b>634,804</b>	<b>564,845</b>	<b>(457,546)</b>	<b>(214,209)</b>	<b>(1,586)</b>

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**15. NET INVESTMENT INCOME**

	<b>2020</b>	<b>2019</b>
<b>Investment income</b>		
<i>Interest income:</i>	15,907	46,199
- Held-to-maturity investments	51,527	60,521
- Available-for-sale financial assets	1,149	904
- Loans and receivables	-	-
<i>Net realised gains:</i>	-	360
- Financial assets at fair value through profit or loss	8,658	2,556
- Available-for-sale financial assets	2,432	161
- Sale of property	-	-
<i>Net unrealised gains:</i>	6,274	17,901
- Change in fair value of financial assets through profit or loss	-	1,509
- Change in fair value of available-for-sale financial assets	-	-
Income from collection of impaired loans and receivables	1	346
Income from reversal of property impairment	-	349
Dividend income	407	1,051
Net foreign exchange gains	13,344	5,781
Rental income	2,719	2,844
Income from reversal of impairment of available-for-sale financial assets	-	7
	<b>102,418</b>	<b>140,489</b>
<b>Investment expenses</b>		
<i>Net realised losses:</i>		
Net unrealised losses on change in fair value of financial assets through profit or loss	(162)	-
<i>Net realised losses:</i>		
Net unrealised losses on change in fair value of investment property	(96)	(1,912)
Impairment of bonds	(1,475)	-
Custodian expenses	(842)	(587)
Investment property expense	(655)	(699)
Other	(3,309)	(4,313)
	<b>(6,539)</b>	<b>(7,511)</b>
<b>Net investment income</b>	<b>95,879</b>	<b>132,978</b>

	<b>2020 Non-life insurance</b>	<b>2020 Life insurance</b>	<b>2020 Total</b>	<b>2019 Non-life insurance</b>	<b>2019 Life insurance</b>	<b>2019 Total</b>
<b>Investment income</b>						
Income from invested capital	2,238	1,242	3,480	3,012	2,853	5,865
Income from invested mathematical provision	-	86,126	86,126	-	99,785	99,785
Income from invested special provision for unit-linked products	-	2,160	2,160	-	18,394	18,394
Income from invested other technical provisions	10,067	585	10,652	14,794	1,651	16,445
<b>Total investment income</b>	<b>12,305</b>	<b>90,113</b>	<b>102,418</b>	<b>17,806</b>	<b>122,683</b>	<b>140,489</b>
<b>Investment expenses</b>						
Costs from invested capital	(69)	(632)	(701)	(1,758)	(659)	(2,417)
Costs from invested mathematical provision	-	(4,756)	(4,756)	-	(4,545)	(4,545)
Costs from invested special provision for unit-linked products	-	-	-	-	431	431
Costs from invested other technical provisions	(1,082)	-	(1,082)	(980)	-	(980)
<b>Total investment expenses</b>	<b>(1,151)</b>	<b>(5,388)</b>	<b>(6,539)</b>	<b>(2,738)</b>	<b>(4,773)</b>	<b>(7,511)</b>
<b>Net investment income</b>	<b>11,154</b>	<b>84,725</b>	<b>95,879</b>	<b>15,068</b>	<b>117,910</b>	<b>132,978</b>

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**16. CLAIMS INCURRED, NET**

	<b>2020</b>	<b>2019</b>
<i>Non-life insurance</i>		
Settled claims		
Gross amount	(217.683)	(193.045)
Reinsurers' share	89.229	72.246
Change in provisions for reported but not settled claims		
Gross amount	(33.164)	(28.518)
Reinsurers' share	28.010	24.127
Change in provisions for incurred but not reported claims		
Gross amount	(25.924)	10.147
Reinsurers' share	24.567	(2.786)
Changes in provision for bonuses and discounts		
Gross amount	(3.176)	(1.327)
Reinsurers' share	86	145
<b>Total non-life insurance claims</b>	<b>(279.946)</b>	<b>(212.743)</b>
<b>Total reinsurers' share in total non-life insurance claims</b>	<b>141.892</b>	<b>93.732</b>
<b>Total non-life insurance claims, net of reinsurance</b>	<b>(138.054)</b>	<b>(119.011)</b>
<i>Life insurance</i>		
Settled claims		
Gross amount	(340.455)	(308.417)
Reinsurers' share	8.303	5.907
Change in life insurance mathematical provision		
Gross amount	205.878	156.258
Reinsurers' share	(867)	1.340
Change in provisions for reported but not settled claims		
Gross amount	(24.599)	(35.978)
Reinsurers' share	14	(52)
Change in provisions for incurred but not reported claims		
Gross amount	3.417	(45)
Reinsurers' share	(4)	(6)
Change in provision for unit-linked products	(22.258)	(56.620)
<b>Total life insurance claims</b>	<b>(178.016)</b>	<b>(244.802)</b>
<b>Total reinsurers' share in life insurance claims</b>	<b>7.445</b>	<b>7.188</b>
<b>Total life insurance claims, net of reinsurance</b>	<b>(170.571)</b>	<b>(237.614)</b>
<b>Total claims incurred</b>	<b>(457.963)</b>	<b>(457.545)</b>
<b>Total reinsurers' share in life insurance claims</b>	<b>149.337</b>	<b>100.920</b>
<b>Total life insurance claims, net of reinsurance</b>	<b>(308.626)</b>	<b>(356.625)</b>

As at 31 December 2020, the Company was involved in 561 (2019: 650) court cases for which HRK 89,738 thousand (2019: HRK 88,895 thousand) was provided as part of the provision for reported but not settled claims. The Management Board believes that the related provisions are sufficient.

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**16. CLAIMS INCURRED, NET (continued)**

**Analysis of claims ratio, cost ratio and combined ratio**

The table below presents the claims ratio, cost ratio and combined ratio by line of business calculated in accordance with HANFA's Rulebook on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies.

<b>2020</b>	<b>Claims ratio</b>	<b>Cost ratio</b>	<b>Combined ratio</b>
Accident insurance	21.63%	58.45%	80.08%
Health insurance	58.68%	29.47%	88.15%
Insurance of motor vehicles	71.24%	28.08%	99.32%
Vessel insurance	74.91%	42.67%	117.58%
Insurance of goods in transit	105.48%	24.66%	130.14%
Insurance against fire and natural disasters	182.86%	41.98%	224.84%
Other property insurance	49.62%	45.41%	95.03%
Motor third-party liability insurance	99.53%	28.07%	127.60%
Vessel third-party liability insurance	60.21%	37.98%	98.19%
Other third-party liability insurance	25.03%	37.40%	62.43%
Loan insurance	2.99%	65.46%	68.45%
Warranty insurance	80.94%	37.26%	118.20%
Financial loss insurance	36.79%	41.10%	77.89%
Insurance of legal protection costs	-53.41%	46.78%	-6.63%
Travel insurance	61.44%	46.41%	107.85%
<b>Total non-life insurance</b>	<b>71.20%</b>	<b>38.16%</b>	<b>109.36%</b>
<b>2019</b>			
Accident insurance	27.51%	58.92%	86.43%
Health insurance	69.37%	30.09%	99.46%
Insurance of motor vehicles	74.34%	29.36%	103.70%
Vessel insurance	134.76%	47.35%	182.11%
Insurance of goods in transit	399.64%	29.95%	429.59%
Insurance against fire and natural disasters	49.57%	45.80%	95.37%
Other property insurance	34.91%	45.92%	80.83%
Motor third-party liability insurance	61.99%	28.32%	90.31%
Vessel third-party liability insurance	17.81%	41.67%	59.48%
Other third-party liability insurance	51.67%	42.32%	93.99%
Loan insurance	3.96%	67.71%	71.67%
Warranty insurance	107.95%	43.75%	151.70%
Financial loss insurance	39.49%	45.37%	84.86%
Insurance of legal protection costs	1.35%	51.04%	52.39%
Travel insurance	38.89%	44.82%	83.71%
<b>Total non-life insurance</b>	<b>57.24%</b>	<b>39.05%</b>	<b>96.29%</b>

The above ratios have been calculated in accordance with the Instructions for Completing Financial Statements and Additional Reports of Insurance and Reinsurance Companies, which was issued by HANFA at the Board meeting held on 10 June 2016: Claims ratio = (settled claims, gross amount + change in provisions for claims, gross amount + change in other technical provisions, gross amount) / (gross insurance premium + impairment and collected premium impairment + change in gross provisions of unearned premium).

Cost ratio = (operating expenses (business-related expenses), net + other insurance and technical income, net of reinsurance + other technical costs, net of reinsurance) / (gross premium written + impairment and collected impaired premium + change in gross provisions of unearned premium)

Combined ratio = claims ratio + cost ratio.

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**17. ACQUISITION COSTS**

	<b>2020</b>	<b>2019</b>
<i>Non-life insurance</i>		
Commission expenses	79,426	97,777
Other acquisition costs	24,362	26,149
Change in deferred acquisition costs	(4,291)	(31,115)
<b>Total acquisition costs, non-life</b>	<b>99,497</b>	<b>92,812</b>
<i>Life insurance</i>		
Commission expenses	17,803	16,843
Other acquisition costs	9,407	13,074
<b>Total acquisition costs, life</b>	<b>27,210</b>	<b>29,917</b>
<b>Total</b>	<b>126,707</b>	<b>122,729</b>

Internal sales staff commissions in amount of HRK 21.2 million (2019: HRK 21.1 million) are included within acquisition costs.

The following table presents acquisition costs by type of insurance:

	<b>2020</b>	<b>2019</b>
<i>Non-life insurance</i>		
Accident insurance	13,753	12,547
Health insurance	14,721	12,645
Insurance of motor vehicles	10,857	10,785
Vessel insurance	4,055	3,996
Insurance of goods in transit	126	175
Insurance against fire and natural disasters	10,974	9,976
Other property insurance	9,690	8,376
Motor third-party liability insurance	11,427	12,497
Vessel third-party liability insurance	865	932
Other third-party liability insurance	13,648	10,142
Loan insurance	25	28
Warranty insurance	5,755	5,922
Financial loss insurance	2,391	3,161
Insurance of legal protection costs	426	476
Travel insurance	784	1,153
<b>Total non-life</b>	<b>99,497</b>	<b>92,812</b>
<i>Life insurance</i>		
Life insurance	19,637	22,044
Annuity insurance	90	107
Additional insurance with life insurance	3,458	3,874
Marriage and birth insurance	136	150
Life or annuity insurance where the policyholder bears the investment risk	3,889	3,742
<b>Total life insurance</b>	<b>27,210</b>	<b>29,917</b>
<b>Total non-life and life insurance</b>	<b>126,707</b>	<b>122,729</b>



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**18. ADMINISTRATION COSTS**

	<b>2020</b>	<b>2019</b>
Depreciation and amortisation	8,027	9,189
Staff costs	34,539	33,629
Cost of materials and services	11,295	12,727
Rental costs	6,335	5,668
Marketing and promotion	4,509	10,011
Maintenance costs	3,196	4,532
Audit costs	491	1,270
Other costs	17,016	14,786
<b>Total</b>	<b>85,408</b>	<b>91,813</b>

As at 31 December 2020, the Company had 557 employees (2019: 564).

During 2020, the Company paid HRK 16.1 million (2019: HRK 15.8 million) of pension contributions into obligatory defined contribution pension funds in respect of its employees.

The following table presents administration costs by type of insurance:

	<b>2020</b>	<b>2019</b>
<i>Non-life insurance</i>		
Accident insurance	5,065	5,438
Health insurance	4,271	4,625
Insurance of motor vehicles	6,463	6,704
Vessel insurance	2,079	2,224
Insurance of goods in transit	177	229
Insurance against fire and natural disasters	5,981	6,042
Other property insurance	4,705	4,850
Motor third-party liability insurance	9,499	10,908
Vessel third-party liability insurance	498	590
Other third-party liability insurance	3,618	3,907
Loan insurance	4,222	3,443
Warranty insurance	16	19
Financial loss insurance	1,307	1,865
Insurance of legal protection costs	191	232
Travel insurance	409	767
<b>Total non-life</b>	<b>48,500</b>	<b>51,841</b>
<i>Life insurance</i>		
Life insurance	26,122	26,923
Annuity insurance	92	92
Additional insurance with life insurance	1,544	1,634
Marriage and birth insurance	223	237
Life or annuity insurance where the policyholder bears the investment risk	8,927	11,085
<b>Total life insurance</b>	<b>36,908</b>	<b>39,972</b>
<b>Total non-life and life insurance</b>	<b>85,408</b>	<b>91,813</b>

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**19. INCOME TAX**

	<b>2020</b>	<b>2019</b>
<b>Current tax expense</b>		
Current period	(2,391)	(5,649)
<b>Deferred tax (expense)/income</b>		
Recognition of deferred tax asset (Note 10)	1,577	(1,851)
	<u><b>(814)</b></u>	<u><b>(7,500)</b></u>

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

	<b>2020</b>	<b>2019</b>
Accounting result before income tax	<b>25,166</b>	<b>45,347</b>
Income tax at 18%	(4,530)	(8,162)
Effect of non-deductible expenses	(1,860)	(4,270)
Effect of non-taxable income	7,355	4,932
Effect of deferred tax assets	(1,779)	-
<b>Income tax</b>	<u><b>(814)</b></u>	<u><b>(7,500)</b></u>

As at 31 December 2020 and 31 December 2019, there were no tax losses carried forward.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within 3 years following the year in which the tax liability was reported and may impose additional tax liabilities and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

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## 20. RELATED PARTY TRANSACTIONS

The sole shareholder of the Company until 22<sup>nd</sup> December 2020 is UNIQA International AG. On 23<sup>rd</sup> December 2020, the change of the sole shareholder in the court register of the Commercial Court in Zagreb was registered to the company UNIQA Österreich Versicherungen AG. The ultimate parent and controlling company is UNIQA Insurance Group AG. The Company considers that the person is directly related to its owner, ultimate parent company, subsidiaries, members of the UNIQA Group, members of the Supervisory Board and the Management Board and other executive management (together "key management"), close family members of key management and jointly controlled companies or companies under significant influence of key management and members of their immediate families, in accordance with International Accounting Standard 24 - Related Party Disclosures (IAS 24).

Raiffeisenbank Austria d.d. Zagreb and its subsidiaries and associates are considered other related parties. The ultimate parent company of Raiffeisenbank Austria d.d. Zagreb is Raiffeisen Zentralbank Oesterreich AG (RZB), and UNIQA Österreich Versicherungen AG, Vienna is an associated company of RZB.

Assets, liabilities, income and expenses as at and for the years ended 31 December 2020 and 2019 arising from related party transactions were as follows:

<b>2020:</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Income</b>	<b>Expenses</b>
Parent company	7,247	103,872	11,724	14,211
Other related companies within UNIQA Group	131,060	134,451	185,542	150,434
Other related companies within RZB Group	236,294	1,856	87,790	30,474
Key management personnel	-	1,163	-	14,972
	<b>374,601</b>	<b>241,342</b>	<b>285,056</b>	<b>210,091</b>
<b>2019:</b>				
Parent company	7,650	104,808	6,378	7,265
Other related companies within UNIQA Group	57,267	65,538	115,560	142,308
Other related companies within RZB Group	243,649	1,795	119,393	32,297
Key management personnel	-	2,822	-	15,818
	<b>308,566</b>	<b>174,963</b>	<b>241,331</b>	<b>197,688</b>

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**20. RELATED PARTY TRANSACTIONS (continued)**

**(a) Reinsurance business**

The parent company and one of the related companies provide reinsurance to the Company. The result of these transactions are receivables and liabilities at year-end as follows:

	<b>2020</b>	<b>2019</b>
<b>Premiums ceded to reinsurance:</b>		
Reinsurance premiums payable at beginning of year	72,206	73,046
Premiums ceded to reinsurance during the year	146,533	142,191
Reinsurance premiums paid during the year	<u>(77,244)</u>	<u>(143,031)</u>
Reinsurance premiums payable at end of year	<b><u>141,495</u></b>	<b><u>72,206</u></b>
 Deposits retained from business ceded to reinsurance	 95,632	 96,525
<b>Reinsurance recoveries:</b>		
At beginning of year	41,773	42,846
Invoiced during the year	96,286	77,256
Received during the year	<u>(43,325)</u>	<u>(78,329)</u>
Outstanding at end of year	<b><u>94,736</u></b>	<b><u>41,773</u></b>
<b>Reinsurance commission:</b>		
At beginning of year	22,854	21,530
Invoiced during the year	43,134	46,390
Received during the year	<u>(22,672)</u>	<u>(45,066)</u>
Outstanding at end of year	<b><u>43,316</u></b>	<b><u>22,854</u></b>

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**20. RELATED PARTY TRANSACTIONS (continued)**

**(b) Other activities**

During 2020, the gross insurance premium in respect of insurance policies sold through distribution channels of related parties amounted to HRK 87.7 million (2019: HRK 119.3 million).

Related parties have property, motor, life and private insurance policies with the Company. Gross insurance premium for these policies in 2020 amounted to HRK 3.9 million (2019: HRK 3.8 million).

As at 31 December 2020, the funds on the Company's bank account with related parties amounted to HRK 30.9 million (2019: HRK 79.7 million).

As at 31 December 2020, the Company invested HRK 209.5 million in open-ended investment funds in assets managed by a related party (2019: HRK 217.0 million) and HRK 4.1 million in the structured product (2019: HRK 4.2 million), and HRK 22.7 million in bonds (in 2019, HRK 22.4 million).

**(c) Relationship with key management personnel**

The gross remuneration paid or payable by the Company to the key management personnel for 2020 amounted to HRK 14,972 thousand including fixed salary (2019: HRK 15,818 thousand including fixed salary and bonuses for 2019.).

In 2020, the Company paid pension contributions for key management personnel in the amount of HRK 2,068 thousand (2019: HRK 2,083 thousand) into obligatory defined contribution pension funds.

In 2020, the Company paid a variable bonus for 2019 in the total amount of HRK 1,877 thousand, of which HRK 1,385 thousand for 3 members of the Management Board, HRK 63 thousand for 3 procurators and HRK 429 thousand for 17 employees.

Included in key management personnel are members of the Management Board and Executive Directors. At year end, members of the Supervisory and Management Boards did not hold any shares of the Company.

## **21. INSURANCE RISK MANAGEMENT**

The Company is exposed to actuarial and underwriting risk arising from a wide range of life and non-life insurance products.

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

Premium risk is present when the policy is issued before any insured event has happened. The risk is that incurred expenses and claims will be higher than the premium received. The provision risk represents the risk that the absolute level of 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 provisions. Life underwriting risk includes biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy cancellations, terminations, changes to capitalisation status (cessation of premium payment) and insurance repurchase.

### **Risk management**

The Company 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 Company's 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 generally annual in nature and the Company has the right to refuse the renewal or change the terms and conditions of the contract at renewal.

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance contracts for non-life insurance policies in order to reduce the net exposure for individual insurance contracts, whereas in terms of life insurance, long-term reinsurance contracts are effective on a proportionate basis.

Ceded reinsurance contains credit risk, and such insurance receivables are reported after deductions for known uncollectible items. The Company monitors the financial position of reinsurers (credit rating) and carefully enters into reinsurance contracts. 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 liabilities for life business.

### **Concentration of insurance risk**

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact the Company's liabilities. Such concentrations may arise from a single insurance contract or a similar liability may arise from a larger number of contracts. 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.

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**21. INSURANCE RISK MANAGEMENT (continued)**

Concentrations of risk can arise from high-severity events such as natural disasters; in situations where the Company 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 Company are primarily located in the Republic of Croatia.

	<b>Gross claims incurred</b>	<b>Reinsurance balance</b>	<b>Net claims incurred</b>
<i>For the year 2020</i>			
<i>Non-life insurance</i>			
Motor (third party liability)	(72,845)	39,254	(33,591)
Motor (other classes)	(43,296)	20,695	(22,601)
Property	(90,323)	66,234	(24,089)
Private insurance	(44,870)	4,200	(40,671)
Other	(28,612)	11,510	(17,102)
<b>Total non-life insurance</b>	<b>(279,946)</b>	<b>141,892</b>	<b>(138,054)</b>
<i>Life insurance</i>			
Individual premiums	(178,016)	7,445	(170,571)
Premiums settled in instalments	(157,347)	6,581	(150,767)
Single instalment premiums	(20,669)	864	(19,805)
<b>Total life insurance</b>	<b>(178,016)</b>	<b>7,445</b>	<b>(170,571)</b>
<b>Total</b>	<b>(457,963)</b>	<b>149,337</b>	<b>(308,626)</b>

	<b>Gross claims incurred</b>	<b>Reinsurance balance</b>	<b>Net claims incurred</b>
<i>For the year 2019</i>			
<i>Non-life insurance</i>			
Motor (third party liability)	(49,364)	31,438	(17,926)
Motor (other classes)	(43,847)	21,424	(22,423)
Property	(27,483)	9,932	(17,551)
Private insurance	(48,418)	3,060	(45,358)
Other	(43,631)	27,878	(15,753)
<b>Total non-life insurance</b>	<b>(212,743)</b>	<b>93,732</b>	<b>(119,011)</b>
<i>Life insurance</i>			
Individual premiums	(244,802)	7,188	(237,614)
Premiums settled in instalments	(190,286)	5,588	(184,698)
Single instalment premiums	(54,516)	1,600	(52,916)
<b>Total life insurance</b>	<b>(244,802)</b>	<b>7,188</b>	<b>(237,614)</b>
<b>Total</b>	<b>(457,545)</b>	<b>100,920</b>	<b>(356,625)</b>

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**21. INSURANCE RISK MANAGEMENT (continued)**

*Non-life insurance*

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

The most significant likelihood of significant losses to the Company arises from catastrophes, such as floods, storms or earthquake damages. The techniques and assumptions that the Company uses to calculate these risks include: measurement of geographical accumulations, assessment of probable maximum losses, and excess loss reinsurance.

The table below presents the Company's reinsurance coverage and retention amounts by type of insured event as at 31 December:

	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	1,250	Unlimited	1,250
Fire	1,000,000	1,500	1,000,000	1,500
Motor hull insurance	3,500	360	3,500	360
Machinery breakage	364,000	1,100	364,000	1,100
Construction/assembly	364,000	1,100	364,000	1,100
Theft	1,000,000	1,500	1,000,000	1,500
Vessels	73,000	1,000	73,000	1,000
Liability	146,000	900	146,000	900
Earthquake	216,000	2,000	160,000	2,000
Flood	216,000	2,000	160,000	2,000

*Life insurance*

For life insurance contracts that cover policyholder's death, there is no significant geographical concentration of risk, although the concentration of the amount at risk may impact the ratio of insurance payment on the portfolio level. Amounts at risk for life insurance are as follows:

<b>Insurance product</b>	<b>Amounts at risk</b>			
	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
Life insurance – traditional products	2,419,638	93,93%	2,748,415	95,37%
Unit-linked life insurance products	156,380	6,07%	133,566	4,63%
<b>At 31 December</b>	<b>2,576,018</b>	<b>100,00%</b>	<b>2,881,981</b>	<b>100,00%</b>



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**21. INSURANCE RISK MANAGEMENT (continued)**

The tables for long-term insurance contracts are presented below and provide an overview of the concentration of risk through nine groups of contracts grouped by sum insured per policy.

<b>Insured amount per policy as at 31 December 2020</b>	<b>Total insured amount prior to reinsurance</b>	
<b>in HRK</b>		<b>%</b>
< 40,000	496,053	9.5
40,001-60,000	359,552	6.8
60,001-80,000	574,448	10.9
80,001-100,000	532,377	10.2
100,001-125,000	753,917	14.4
125,001-150,000	349,540	6.7
150,001-250,000	1,501,777	28.6
250,001-500,000	538,180	10.3
> 500,001	136,436	2.6
<b>At 31 December 2020</b>	<b>5,242,280</b>	<b>100.0</b>

<b>Insured amount per policy as at 31 December 2019</b>	<b>Total insured amount prior to reinsurance</b>	
<b>in HRK</b>		<b>%</b>
< 40,000	530,464	9.7
40,001-60,000	435,090	7.9
60,001-80,000	644,718	11.8
80,001-100,000	620,077	11.3
100,001-125,000	849,666	15.5
125,001-150,000	479,339	8.8
150,001-250,000	1,344,082	24.6
250,001-500,000	400,811	7.3
> 500,001	167,204	3.1
<b>At 31 December 2019</b>	<b>5,471,451</b>	<b>100.0</b>

## Notes to the financial statements For the year ended 31 December 2020

*(all amounts are expressed in thousands of HRK)*

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### **22. FINANCIAL RISK MANAGEMENT**

Transactions with financial instruments result in the Company incurring 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 Company manages these risks.

#### **22.1 Market risk**

Market risk includes three types of risk:

- currency risk - the risk that the fair value of future cash flows from financial instruments will fluctuate because of changes in foreign exchange rates
- fair value interest rate risk - the risk that the fair value of future cash flows from financial instruments will fluctuate because of changes in market interest rates.
- price risk - the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market prices, regardless of 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 Company actively manages its assets using approaches that balance 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 Management Board reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing supervisions of the asset/liability management process. Due attention is also given to the compliance with the rules established by the Insurance Act.

The Company establishes target portfolios for each significant insurance product, which represents the investment strategies which are used to finance profitably liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, sector-based asset 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 revaluated.

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

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

## 22. FINANCIAL RISK MANAGEMENT (continued)

### 22.1 Market risk (continued)

#### Currency risk

The Company is exposed to currency risk through foreign currency transactions. This risk entails that the value of the financial instrument will change because of changes in foreign exchange rates. The Company is exposed to foreign currency risk through its lending, deposit and investment activities, as well as its premium income, the calculation of technical provisions and settled claims under insurance policies with a currency clause. The prevailing currency in which the risk arises is the euro. The Company manages its foreign exchange risk exposure by seeking to reduce the gap between the assets and liabilities denominated in foreign currencies or those under currency clause. Investments for the purpose of backing the mathematical provision are mainly EUR denominated, since most of the mathematical provision funds are also EUR denominated.

Considering historical movements of the exchange rate between HRK and EUR, the analysis was made based on the presumptions of possible movements in key variables. The effect of exchange rate risk was analysed for EUR and HRK. The Management Board assessed that an increase/decrease in the EUR exchange rate by 1% (2019: 1%), with other variables held constant, would result in higher/lower profit for the period of HRK 15,659 thousand (2019: HRK 16,433 thousand), not taking into account the effect of exchange rate movement on the mathematical provision denominated in EUR.

The Company's financial assets and liabilities within the scope of IAS 39 as at 31 December 2020 and 31 December 2019 are denominated in the following currencies:

2020	EUR	HRK	Other foreign currencies	Total
<b>Financial assets</b>				
<i>Held-to-maturity investments</i>				
- Debt securities	263,862	-	-	263,862
<i>Available-for-sale financial assets</i>				
- Debt securities	1,306,369	455,165	-	1,761,534
- Bond funds	212,890	-	-	212,890
- Equity funds	36,146	-	-	36,146
- Alternative funds	115,792	-	-	115,792
- Structured product	1,532	-	1,100	2,632
<i>Financial assets at fair value through profit or loss</i>				
- Mixed funds	4,576	-	-	4,576
- Bond funds	6,357	-	-	6,357
- Equity funds	90,490	-	-	90,490
- Alternative funds	1,620	-	-	1,620
- Structured product	-	4,140	62,896	67,036
<i>Loans and receivables</i>				
- Bank deposits	-	60,384	-	60,384
- Loans	9,412	987	-	10,399
Other receivables	13,913	248,872	83	262,868
Cash and cash equivalents	6,144	87,000	403	93,547
<b>Total financial assets</b>	<b>2,069,103</b>	<b>856,548</b>	<b>64,482</b>	<b>2,990,133</b>
<b>Financial liabilities</b>				
Insurance and other liabilities	107,984	168,519	538	277,042
Lease liabilities	3,714	2,741	-	6,455
<b>Total financial liabilities</b>	<b>111,699</b>	<b>171,260</b>	<b>538</b>	<b>283,497</b>
<b>Currency gap between financial assets and liabilities</b>	<b>1,957,404</b>	<b>685,288</b>	<b>63,944</b>	<b>2,706,637</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.1. Market risk (continued)**

**Currency risk (continued)**

2019	EUR	HRK	Other foreign currencies	Total
<b>Financial assets</b>				
<i>Held-to-maturity investments</i>				
- Debt securities	617,804	42,933	-	660,737
<i>Available-for-sale financial assets</i>				
- Debt securities	1,211,901	474,403	-	1,686,304
- Bond funds	186,343	-	-	186,343
- Equity funds	32,727	-	-	32,727
- Alternative funds	4,004	-	-	4,004
- Structured product	1,513	-	9,959	11,472
<i>Financial assets at fair value through profit or loss</i>				
- Mixed funds	2,848	-	-	2,848
- Bond funds	6,220	-	-	6,220
- Equity funds	76,576	-	-	76,576
- Alternative funds	1,616	-	-	1,616
- Structured product		4,228	55,307	59,535
<i>Loans and receivables</i>				
- Bank deposits	-	20,003	-	20,003
- Loans	11,069	1,177	-	12,246
Other receivables	14,898	182,539	-	197,437
Cash and cash equivalents	4,690	82,386	57	87,133
<b>Total financial assets</b>	<b>2,172,209</b>	<b>807,669</b>	<b>65,323</b>	<b>3,045,201</b>
<b>Financial liabilities</b>				
Insurance and other liabilities	110,888	86,102	-	196,990
<b>Total financial liabilities</b>	<b>7,156</b>	<b>3,257</b>	<b>-</b>	<b>10,413</b>
<b>Currency gap between financial assets and liabilities</b>	<b>118,044</b>	<b>89,359</b>	<b>-</b>	<b>207,403</b>
<b>Financial assets</b>	<b>2,054,165</b>	<b>718,310</b>	<b>65,323</b>	<b>2,837,798</b>

**Interest rate risk**

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. The Company is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk is, however, limited considering that most of the Company's interest-bearing investments at the reporting date bear fixed interest rates.

The Company does not have significant debt liabilities and interest rate changes also do not influence the level of non-life provisions. The life insurance provision is discounted using equal or the lower of the technical interest rate or regulatory prescribed rate. The prescribed discount rate to some extent reflects expected movement in interest yields over longer periods of time. Therefore, changes in investment values attributable to interest rate changes will not be mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

## **22. FINANCIAL RISK MANAGEMENT (continued)**

### **22.1. Market risk (continued)**

#### **Interest rate risk (continued)**

The Company 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 the investment portfolio and insurance provisions, 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 Company attempts to match the future proceeds 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 insurance liabilities, and the inability of the Company to purchase interest rate swaps in Croatia, the Company is exposed to interest rate risk.

The Company is contractually committed to accrue interest at rates of 0.5%, 2.75%, 3%, 3.5% and 4.5% per annum on premiums paid under life insurance policies for distribution to policyholders upon maturity of such policies and is currently not able to fully hedge the future interest rate on assets invested to meet those future liabilities. By reducing the technical interest rate in the calculation of the mathematical provision (2.00% in 2019, 1.95% in 2020) the Company reduces exposure to future interest rate risk.

The sensitivity analysis for interest risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

For liabilities under long-term insurance contracts, changes in interest rates will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

For debt securities classified as fair value through profit or loss and available for sale, an increase in interest rates will result in a changed fair value of these assets, which will be recorded in other comprehensive income for assets classified as available-for-sale and in profit or loss for assets classified as at fair value through profit or loss.

The tables below present the Company's financial assets and liabilities within the scope of IAS 39 analysed according to the periods of changes in interest rates, which are determined based on the lower of the remaining contractual maturity and the contractual period of interest rate changes.

The tables below present the Management Board's estimate on the Company's interest rate risk exposure as at 31 December 2020 and 2019, which are not necessarily indicative of the position in another period. However, considering the interest rate assumptions, which are the basis for the mathematical provision calculation, these estimates present a certain sensitivity of the Company's profit to changes in interest rates. Profit will also be affected by currency structure of assets, liabilities and capital. The Company has significant interest-bearing assets and liabilities on which interest is paid in foreign currency.

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For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.1. Market risk (continued)**

**Interest rate risk (continued)**

2020.	Effective interest rate	Up to 6 months	6-12 months	1-5 years	More than 6 years	Non-interest bearing	Total
<b>Financial assets</b>							
<i>Held-to-maturity investments</i>							
- Debt securities	4.53%	-	-	166,171	97,691	-	263,862
<i>Available-for-sale financial assets</i>							
- Debt securities	3.09%	6,220	46,376	838,691	870,247	-	1,761,534
- Bond funds		-	-	-	-	212,890	212,890
- Equity funds		-	-	-	-	36,146	36,146
- Alternative funds		-	-	-	-	115,792	115,792
- Structured product		-	-	1,100	1,532	-	2,632
<i>Financial assets at fair value through profit or loss</i>							
- Mixed funds		-	-	-	-	4,576	4,576
- Bond funds		-	-	-	-	6,357	6,357
- Equity funds		-	-	-	-	90,490	90,490
- Alternative funds		-	-	-	-	1,620	1,620
- Structured product		-	-	67,036	-	-	67,036
<i>Loans and receivables</i>							
- Bank deposits	0.80%	20,128	-	-	40,256	-	60,384
- Loans	5.89%	817	896	5,767	2,875	44	10,399
Other receivables	n/p	-	-	-	-	262,868	262,868
Cash and cash equivalents		93,547	-	-	-	-	93,547
<b>Total financial assets</b>		<b>120,712</b>	<b>47,272</b>	<b>1,078,765</b>	<b>1,012,601</b>	<b>730,783</b>	<b>2,990,134</b>
<b>Financial liabilities</b>							
Insurance and other liabilities		148,301	4,297	35,360	54,611	34,472	277,042
Lease liabilities	2.46%	1,840	1,011	3,604	-	-	6,455
<b>Total financial liabilities</b>		<b>150,142</b>	<b>5,307</b>	<b>38,964</b>	<b>54,611</b>	<b>34,472</b>	<b>283,497</b>
<b>Interest rate gap between financial assets and liabilities</b>		<b>(29,430)</b>	<b>41,965</b>	<b>1,039,801</b>	<b>957,990</b>	<b>696,311</b>	<b>2,706,637</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.1. Market risk (continued)**

**Interest rate risk (continued)**

2019	Effective interest rate	Up to 6 months	6-12 months	1-5 years	More than 6 years	Non-interest bearing	Total
<b>Financial assets</b>							
<i>Held-to-maturity investments</i>							
- Debt securities	5.36%	399,235	-	142,308	119,194	-	660,737
<i>Available-for-sale financial assets</i>							
- Debt securities	3.93%	270,723	-	787,214	628,367	-	1,686,304
- Bond funds		-	-	-	-	186,343	186,343
- Equity funds		-	-	-	-	32,727	32,727
- Alternative funds		-	-	-	-	4,004	4,004
- Structured product		-	-	330	11,142	-	11,472
<i>Financial assets at fair value through profit or loss</i>							
- Mixed funds		-	-	-	-	2,848	2,848
- Bond funds		-	-	-	-	6,220	6,220
- Equity funds		-	-	-	-	76,576	76,576
- Alternative funds		-	-	-	-	1,616	1,616
- Structured product		-	-	50,904	8,631	-	59,535
<i>Loans and receivables</i>							
- Bank deposits	0.30%	20,003	-	-	-	-	20,003
- Loans	6.23%	1,060	1,001	7,311	2,823	51	12,246
Other receivables	n/p	-	-	-	-	197,437	197,437
Cash and cash equivalents		87,133	-	-	-	-	87,133
<b>Total financial assets</b>		<b>778,154</b>	<b>1,001</b>	<b>988,067</b>	<b>770,157</b>	<b>507,822</b>	<b>3,045,201</b>
<b>Financial liabilities</b>							
Insurance and other liabilities	3%	76,676	3,407	33,767	58,808	24,332	196,990
Lease liabilities	2.46%	2,169	2,251	5,993	-	-	10,413
<b>Total financial liabilities</b>		<b>78,845</b>	<b>5,658</b>	<b>39,760</b>	<b>58,808</b>	<b>24,332</b>	<b>207,403</b>
<b>Interest rate gap between financial assets and liabilities</b>		<b>699,309</b>	<b>(4,657)</b>	<b>948,307</b>	<b>711,349</b>	<b>483,490</b>	<b>2,837,798</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.1. Market risk (continued)**

**Equity 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 Company assessed that an increase/decrease in the fair value of investments in investment funds classified as available-for-sale assets by 10% (2019: 10%), in comparison to the one reported, with all other variables held constant, would result in a loss/gain recognised in other comprehensive income in the amount of HRK 36,483 thousand (2019: HRK 22,307 thousand) and in a loss/gain recognised in profit or loss in the amount of HRK 10,304 thousand (2019: HRK 8,726 thousand).

**22.2. Credit risk**

The Company's portfolios of fixed income securities, to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt. The Company manages this risk by up-front, stringent underwriting analysis, reviews by the Management Board and regular meetings to review credit risk developments.

Not taking into account the existing collection and other loan security instruments, the maximum exposure to credit risk at the date of the statement of financial position is as follows:

	<b>2020</b>	<b>2019</b>
<i>Debt securities:</i>		
- Held-to-maturity investments	263,862	660,737
- Available-for-sale financial assets	1,761,534	1,920,850
- Financial assets at fair value through profit or loss	-	146,795
<i>Loans and receivables:</i>		
Bank deposits	60,384	20,003
Loans	10,399	12,246
Reinsurers' share in insurance contract provisions	368,433	314,655
Other receivables and reinsurance receivables	262,868	197,437
Cash and cash equivalents	93,547	87,133
	<b><u>2,821,027</u></b>	<b><u>3,359,856</u></b>



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## 22. FINANCIAL RISK MANAGEMENT (continued)

### 22.2. Credit risk (continued)

#### *Exposure to state*

At the reporting date, the Company had a significant concentration of amounts due from the Republic of Croatia, whose credit rating is BBB (S&P):

	2020	2019
Government bonds	1,090,275	1,698,934
Accrued interest on government bonds	20,406	33,831
<b>Total</b>	<b>1,110,681</b>	<b>1,732,765</b>

The total exposure to the republic of Croatia credit risk represents 31% of the Company's total assets (2019: 49%).

#### *Exposure to large corporate entities and banks*

At 31 December 2020, the exposure to large domestic corporate entities comprising debt securities and accrued interest on debt securities amounted to HRK 301,240 thousand (2019: HRK 188,770 thousand) and it consists of debt securities and accrued interest for those securities. The credit rating of the issuer of debt securities comprising 100% (2019: 95%) of the total exposure to corporate entities is A-, B+, BBB, BBB+ (S&P).

As at 31 December 2020, the exposure to financial institutions comprising deposits with banks amounts to HRK 60,384 thousand (2019: HRK 20,003 thousand). Out of that amount, HRK 40,256 thousand (67%) relates to financial institutions with a credit rating of BBB, while other financial institutions do not have a credit rating.

#### *Exposure to reinsurance companies*

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

The exposure to reinsurers according to S&P ratings, where available, are as follows:

S&P rating	2020	2019
A and AA	202,806	148,534
BBB	43	1,595
Other or without rating	1,616	1,759
	<b>204,465</b>	<b>151,888</b>

Notes to the financial statements  
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(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.2. Credit risk (continued)**

*Analysis by credit quality at the date of the statement of financial position*

	Debt securities	Loans	Bank deposits	Other receivables and reinsurance receivables	Reinsurers' share in insurance contract provisions	Cash and cash equivalents	Total
<b>2020</b>							
Neither past due nor impaired	2,025,396	10,111	60,384	262,868	368,433	93,547	2,820,738
Past due but not impaired	-	289	-	-	-	-	289
Impaired	-	6,376	-	4,187	-	-	10,563
Impairment provision	-	(6,376)	-	(4,187)	-	-	(10,563)
	<b>2,025,396</b>	<b>10,399</b>	<b>60,384</b>	<b>262,868</b>	<b>368,433</b>	<b>93,547</b>	<b>2,821,027</b>
<b>2019</b>							
Neither past due nor impaired	2,347,041	11,606	20,003	197,438	314,655	87,133	2,977,876
Past due but not impaired	-	640	-	-	-	-	640
Impaired	-	6,439	-	5,025	-	-	11,464
Impairment provision	-	(6,439)	-	(5,025)	-	-	(11,464)
	<b>2,347,041</b>	<b>12,246</b>	<b>20,003</b>	<b>197,438</b>	<b>314,655</b>	<b>87,133</b>	<b>2,978,516</b>

The loan analysis is presented in Note 7. Loan exposures are covered with collateral, mortgages or the surrender value of life insurance policies. Management believes the estimated value of assets taken as collateral amounting to HRK 27,941 thousand (2019: HRK 35,398 thousand) does not differ significantly from their fair values, as valuations were performed by independent valuation experts.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

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**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.2. Credit risk (continued)**

The ageing analysis of past due but not impaired balances is presented in the table below:

	<b>2020</b>	<b>2019</b>
Less than 30 days	79	214
31 - 180 days	139	230
181 - 365 days	54	143
Over 365 days	16	53
	<b>289</b>	<b>640</b>

Credit risk arising from loans relates to debtors without credit rating. Credit risk relating from other receivables (other than accrued interests, reinsurance receivables and credit card receivables) relates to domestic debtors without credit rating.

**22.3. Liquidity risk**

Liquidity risk arises as a result of the Company's financial 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 time frame. The Company holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and compliance with legal requirements with respect to the value of liquidity ratios.

The Company's liquidity position is good and all statutory requirements for claims settlement were met in time.

The tables below present the Company's financial assets and liabilities within the scope of IAS 39 as at 31 December 2020 and 31 December 2019 by groups based on the remaining contractual maturity and the estimated remaining contractual maturities of insurance provisions.

The financial liabilities are recorded in the amount of contractual future undiscounted cash flows, whereas financial assets are stated at carrying amount. Equity securities and investments in funds are included in the maturity group 'Up to 6 months', based on their classification.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.3. Liquidity risk (continued)**

<b>2020</b>	<b>Up to 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>					
<i>Held-to-maturity investments</i>					
- Debt securities	-	-	166,171	97,691	263,862
<i>Available-for-sale financial assets</i>					
- Debt securities	6,220	46,376	838,691	870,247	1,761,534
- Bond funds	212,890	-	-	-	212,890
- Equity funds	36,146	-	-	-	36,146
- Alternative funds	115,792	-	-	-	115,792
- Structured product	-	-	1,100	1,532	2,632
<i>Financial assets at fair value through profit or loss</i>					
- Mixed funds	4,576	-	-	-	4,576
- Bond funds	6,357	-	-	-	6,357
- Equity funds	90,490	-	-	-	90,490
- Alternative funds	1,620	-	-	-	1,620
- Structured product	-	-	67,036	-	67,036
<i>Loans and receivables</i>					
- Bank deposits	20,128	-	-	40,256	60,384
- Loans	861	896	5,767	2,875	10,399
Other receivables	262,868	-	-	-	262,868
Cash and cash equivalents	93,547	-	-	-	93,547
<b>Total financial assets</b>	<b>851,495</b>	<b>47,272</b>	<b>1,078,765</b>	<b>1,012,601</b>	<b>2,990,134</b>
<b>Financial liabilities</b>					
Insurance contract and other payables	182,774	4,297	35,360	54,611	277,042
Lease liabilities	1,840	1,011	3,604	-	6,455
<b>Total financial liabilities</b>	<b>184,614</b>	<b>5,307</b>	<b>38,964</b>	<b>54,611</b>	<b>283,497</b>
<b>Maturity gap between financial assets and liabilities</b>	<b>666,881</b>	<b>41,965</b>	<b>1,039,801</b>	<b>957,990</b>	<b>2,706,637</b>

Remaining expected maturities of insurance liabilities

<b>2020</b>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Between 10 and 15 years</b>	<b>Between 15 and 20 years</b>	<b>Over 20 years</b>	<b>Total</b>
UPR	166,602	81,425	91,179	4,018	1,749	254	345,227
RBNS, IBNR and other provisions	208,318	213,962	117,677	64,765	42,191	39,131	686,045
Mathematical provisions	249,400	459,789	349,156	237,511	147,150	60,081	1,503,087
<b>Total technical provision</b>	<b>624,320</b>	<b>755,176</b>	<b>558,013</b>	<b>306,294</b>	<b>191,090</b>	<b>99,466</b>	<b>2,534,358</b>
Reinsurers' share	109,259	111,377	82,638	42,165	15,155	7,838	368,433
<b>Net technical provision</b>	<b>515,061</b>	<b>643,799</b>	<b>475,374</b>	<b>264,129</b>	<b>175,935</b>	<b>91,628</b>	<b>2,165,926</b>
<b>Deposits retained from business ceded to reinsurance</b>	<b>8,338</b>	<b>34,308</b>	<b>26,757</b>	<b>19,394</b>	<b>4,556</b>	<b>2,278</b>	<b>95,632</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

## 22. FINANCIAL RISK MANAGEMENT (continued)

### 22.3. Liquidity risk (continued)

Deposits retained from business ceded to reinsurance are recorded within insurance contract and other payables (Note 12).

Future undiscounted cash flows from lease agreements are as follows:

2020	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	Over 20 years	Total
Lease liabilities	3,000	3,721	-	-	-	-	6,721

Net debt reconciliation:

2020	Cash and cash equivalents	Lease liabilities	Net debt
<b>1 January 2020</b>	87,133	(10,413)	76,720
Cash flow	6,414	-	6,414
Expenses arising from lease liabilities	-	4,411	4,411
Increases arising from new agreements	-	(2,585)	(2,585)
Termination of agreements	-	2,326	2,326
Other increases - non-cash	-	-	-
Interest expense	-	(195)	(195)
<b>31 December 2020</b>	<b>93,547</b>	<b>(6,455)</b>	<b>87,092</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.3. Liquidity risk (continued)**

<b>2019</b>	<b>Up to 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>					
<i>Held-to-maturity investments</i>					
- Debt securities	399,235	-	142,308	119,194	660,737
<i>Available-for-sale financial assets</i>					
- Debt securities	270,723	-	787,214	628,367	1,686,304
- Bond funds	186,343	-	-	-	186,343
- Equity funds	32,727	-	-	-	32,727
- Alternative funds	4,004	-	-	-	4,004
- Structured product	-	-	330	11,142	11,472
<i>Financial assets at fair value through profit or loss</i>					
- Mixed funds	2,848	-	-	-	2,848
- Bond funds	6,220	-	-	-	6,220
- Equity funds	76,576	-	-	-	76,576
- Alternative funds	1,616	-	-	-	1,616
- Structured product	-	-	50,904	8,631	59,535
<i>Loans and receivables</i>					
- Bank deposits	20,003	-	-	-	20,003
- Loans	1,111	1,001	7,311	2,823	12,246
Other receivables	196,839	153	95	350	197,437
Cash and cash equivalents	87,133	-	-	-	87,133
<b>Total financial assets</b>	<b>1,285,378</b>	<b>1,154</b>	<b>988,162</b>	<b>770,507</b>	<b>3,045,201</b>
<b>Financial liabilities</b>					
Insurance contract and other payables	101,007	3,408	33,767	58,808	196,990
Lease liabilities	2,169	2,251	5,993	-	10,413
<b>Total financial liabilities</b>	<b>103,176</b>	<b>5,659</b>	<b>39,760</b>	<b>58,808</b>	<b>207,403</b>
<b>Maturity gap between financial assets and liabilities</b>	<b>1,182,202</b>	<b>(4,505)</b>	<b>948,402</b>	<b>711,699</b>	<b>2,837,798</b>

Remaining expected maturities of insurance liabilities

<b>2019</b>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Between 10 and 15 years</b>	<b>Between 15 and 20 years</b>	<b>Over 20 years</b>	<b>Total</b>
UPR	165,366	76,113	89,601	4,872	1,798	230	337,980
RBNS, IBNR and other provisions	158,876	189,535	102,914	58,718	34,401	36,771	581,215
Mathematical provision	466,036	496,640	340,485	210,205	140,918	54,682	1,708,966
<b>Total technical provision</b>	<b>790,278</b>	<b>762,288</b>	<b>533,000</b>	<b>273,795</b>	<b>177,117</b>	<b>91,683</b>	<b>2,628,161</b>
Reinsurers' share	79,932	97,573	77,923	39,283	12,613	7,331	314,655
<b>Net technical provision</b>	<b>710,346</b>	<b>664,715</b>	<b>455,077</b>	<b>234,512</b>	<b>164,504</b>	<b>84,352</b>	<b>2,313,506</b>
<b>Deposits retained from business ceded to reinsurance</b>	<b>6,618</b>	<b>32,793</b>	<b>29,117</b>	<b>20,976</b>	<b>4,221</b>	<b>2,799</b>	<b>96,525</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.3. Liquidity risk (continued)**

Future undiscounted cash flows from lease agreements are as follows:

<b>2019</b>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Between 10 and 15 years</b>	<b>Between 15 and 20 years</b>	<b>Over 20 years</b>	<b>Total</b>
Lease liabilities	4,545	6,245	-	-	-	-	10,790

Net debt reconciliation

<b>2019</b>	<b>Cash and cash equivalents</b>	<b>Lease liabilities</b>	<b>Net debt</b>
<b>1 January 2019</b>	66,756	(14,928)	51,828
Cash flow	20,377	-	20,377
Expenses arising from lease liabilities	-	4,756	4,756
Increases arising from new agreements	-	(455)	(455)
Termination of agreements	-	782	782
Other increases - non-cash	-	(269)	(269)
Interest expense	-	(299)	(299)
<b>31 December 2019</b>	<b>87,133</b>	<b>(10,413)</b>	<b>76,720</b>

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.4. Fair values**

Fair value is defined as 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. Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value. Held-to-maturity investments, loans and receivables, other receivables and all financial liabilities are measured at amortised cost less impairment.

<i>In thousands of HRK</i>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Held-to-maturity investments – debt securities	263,862	660,737	316,698	727,644

The Management Board believes that the carrying value of loans and receivables 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. Loans and receivables include deposits with other banks. Cash and cash equivalents comprise cash at current accounts with banks. The fair value of these fixed-rate deposits and current accounts with banks approximates their carrying amount. The Management Board believes that the fair value of other receivables and other liabilities approximates their carrying amount due to their short-term maturity.

**Fair value measurement**

In accordance with the amendment to IFRS 13 for financial instruments that are measured in the statement of financial position at fair value, the Company discloses fair value measurements by level of the following fair value measurement hierarchy:

- 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 assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).



Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.4. Fair values (continued)**

The following table presents the Company's assets and liabilities that are measured at fair value as at 31 December 2020 and 2019 according to the hierarchical levels:

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Bond funds	6,357	-	-	<b>6,357</b>
- Mixed funds	4,576	-	-	<b>4,576</b>
- Equity funds	90,490	-	-	<b>90,490</b>
- Alternative funds	1,620	-	-	<b>1,620</b>
- Structured product	67,036	-	-	<b>67,036</b>
Available-for-sale financial assets				
- Debt securities	1,710,280	51,254	-	<b>1,761,534</b>
- Bond funds	212,890	-	-	<b>212,890</b>
- Equity funds	36,146	-	-	<b>36,146</b>
- Alternative funds	115,792	-	-	<b>115,792</b>
- Structured product	1,100	-	1,532	<b>2,632</b>
Investment property	-	-	43,583	<b>43,583</b>
<b>Total assets</b>	<b>2,246,287</b>	<b>51,254</b>	<b>45,115</b>	<b>2,342,656</b>
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Bond funds	6,220	-	-	<b>6,220</b>
- Mixed funds	2,848	-	-	<b>2,848</b>
- Equity funds	76,576	-	-	<b>76,576</b>
- Alternative funds	1,616	-	-	<b>1,616</b>
- Structured product	59,535	-	-	<b>59,535</b>
Available-for-sale financial assets				
- Debt securities	1,651,277	35,027	-	<b>1,686,304</b>
- Bond funds	186,343	-	-	<b>186,343</b>
- Equity funds	32,727	-	-	<b>32,727</b>
- Alternative funds	4,004	-	-	<b>4,004</b>
- Structured product	11,472	-	-	<b>11,472</b>
Investment property	-	-	53,458	<b>53,458</b>
<b>Total assets</b>	<b>2,032,618</b>	<b>35,027</b>	<b>53,458</b>	<b>2,121,103</b>

The Company has financial assets classified in level 3 referring to investment property and structured product relating to Fortenova CB&DR.

## **22. FINANCIAL RISK MANAGEMENT (continued)**

### **22.4. Fair values (continued)**

The fair value of investments held to maturity is determined on the basis of market prices and is classified in level 1 in accordance with IFRS 13.

The fair value of debt securities is determined on the basis of the consensus closing price (which is determined on the basis of market prices obtained from different sources taking into account the reliability of each source), which is available on the financial information service at the date of the securities valuation. The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive. These instruments included in level 1 comprise primarily government bonds classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

In 2020, level 2 assets amounted to HRK 51,254 thousand (2019: HRK 35,027 thousand) and relate to corporate bonds. No consensus price was available for them from Bloomberg Generic Network (BGN) at the valuation date, so the market is considered inactive. The discounted cash flow valuation technique was used to calculate fair value.

Investment property is property which is held either to earn rental income, capital appreciation or both. Investment property comprises land and buildings and is carried at fair value. Fair value estimates are based on valuations and value information performed and obtained by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Accordingly, these assets are included in fair value level 3.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. An independent valuation and information of the value of the Company's investment property was conducted and obtained by external valuers in order to determine the fair value as at 31 December 2020 and 31 December 2019. The fair value of investment property was derived using the income and sales comparison approaches, as appropriate depending on the particular asset.

Notes to the financial statements  
For the year ended 31 December 2020

(all amounts are expressed in thousands of HRK)

**22. FINANCIAL RISK MANAGEMENT (continued)**

**22.4. Fair values (continued)**

The most significant inputs in this valuation approach were rental income and price per square meter generated based on comparable properties in close proximity, which were then adjusted by differences in key attributes.

*Information about fair value measurements of investment property using significant unobservable inputs:*

Fair value		Valuation technique	Unobservable inputs	Range of unobservable inputs in 2020	Range of unobservable inputs in 2019
2020	2019				
43,583	53,458	Income approach	Discount rate	7.5 – 8.0%	6.5 – 8.0%
			Average rent price per m <sup>2</sup>	40.70 – 90.89 HRK/m <sup>2</sup>	42.2 – 184.72 HRK/m <sup>2</sup>
		Comparison approach	Average sales price per m <sup>2</sup>	2,209.64 – 4,648.12 HRK/m <sup>2</sup>	-
			Construction cost per m <sup>2</sup>	-	3,051.46 – 7,918.91 HRK/m <sup>2</sup>

A significant increase/(decrease) in the average price per m<sup>2</sup>, 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.

**23. EVENTS AFTER THE BALANCE SHEET DATE**

After the balance sheet date, there were no significant transactions or events other than changes in the Management Board and the Supervisory Board.

On 25<sup>th</sup> January 2021 President of the Management Board Ms. Saša Krbavac resigned from the position as President and Member of the Management Board due to her engagement in the other position within the UNIQA Group. On January 26<sup>th</sup> 2021. The Supervisory Board of the Company issued a decision appointing Tatjana Račić Žlibar, a member of the Management Board, as the President of the Management Board.

On 21<sup>th</sup> January 2021 the General Assembly of the Company was held, which decided that Vinzenz Benedikt, Johannes Porak, René Knapp and Thomas Jaklin are to be removed from office by the members of the Supervisory Board, as of their own request due to taking over new duties, with the start of new mandate members of Supervisory Board are, Andreea Stoica, Nikolai Genchev Ivanov, and Martin John White. On March 04<sup>th</sup>, 2021 Croatian Financial Services Supervisory Agency issued decisions approving the mandate of the members of the Supervisory Board, Mr. Nikolai Genchev Ivanov, Mr. Georgios Bartzis and Ms. Andreea Stoica. The constitutive session of the Supervisory Board was held on 08 March 2021, at which Mr. Nikolai Genchev Ivanova was elected as Chairman of the Supervisory Board and Mr. Georgios Bartzis was elected as Deputy Chairman of the Supervisory Board. The current composition of the Supervisory Board of the Company is Mr. Nikolai Genchev Ivanov - Chairman of the Supervisory Board, Mr. Georgios Bartzis - Deputy Chairman of the Supervisory Board and Ms. Andreea Stoica, Mr. Andreas Harald Ofner and Mr. Thomas Jaklin - members of the Supervisory Board.

**23. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

It is still very difficult to predict the effects of the pandemic (SARS CoV-2 virus of 2020), which in addition to mortality and impacts on health and the health system, significantly affects the economy of each country.

Given the Company's good current capitalisation, it is expected that the Company will have sufficient own capital to cover regulatory capital requirements throughout 2021 and throughout the next 5 years of business planning.

The Company has a significant amount of cash and cash equivalents and liquid securities and expects that it will not have liquidity difficulties despite the unfavourable environment.

**The Company's financial statements in accordance with the format prescribed by the Croatian  
Financial Services Supervisory Agency (HANFA)**

The financial statements on the operations of the company UNIQA osiguranje d.d. prepared in accordance with the Ordinance on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies (OG 37/16, 96/18, 50/19, 98/20) are presented below.

1. Statement of financial position
  - 1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements
2. Statement of comprehensive income
  - 2.1. Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements
3. Statement of cash flows
4. Statement of changes in equity
5. Notes to the financial statements – see notes 1 to 23 to the financial statements.

Financial statements in the format prescribed by the Croatian Financial Service  
Supervisory Agency  
For the year ended 31 December 2020

**STATEMENT OF FINANCIAL POSITION**

as at: 31.12.2020

in HRK

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002-003	I	<b>INTANGIBLE ASSETS</b>	1.905.244	1.905.243	3.810.487	2.160.342	2.160.342	4.320.684
002		1	Goodwill						
003		2	Other intangible assets	1.905.244	1.905.243	3.810.487	2.160.342	2.160.342	4.320.684
004	005-006-007	II	<b>TANGIBLE ASSETS</b>	10.723.530	21.284.972	32.008.502	8.540.856	17.534.794	26.075.651
005		1	Land and buildings intended for company business	8.033.627	18.426.925	26.460.552	6.474.695	15.360.425	21.835.120
006		2	Equipment	2.183.517	2.351.668	4.535.185	1.786.464	1.885.938	3.672.402
007		3	Other tangible assets and inventories	506.386	506.379	1.012.765	279.698	288.431	568.129
008	009+010+014+033	III	<b>INVESTMENTS</b>	2.156.080.870	520.131.737	2.676.212.607	2.001.161.454	516.002.662	2.517.164.116
009		A	Investments in land and buildings not intended for company business operations	41.330.715	12.126.930	53.457.645	40.745.004	2.837.778	43.582.782
010	011+012+013	B	Investments in subsidiaries, associates and joint ventures						
011		1	Shares and stakes in subsidiaries						
012		2	Shares and stakes in associates						
013		3	Shares and stakes in joint ventures						
014	015+018+023+029	C	<b>Financial assets</b>	2.114.750.155	508.004.807	2.622.754.962	1.960.416.450	513.164.884	2.473.581.334
015	016-017	1	<b>Financial assets held to maturity</b>	610.199.208	50.537.382	660.736.591	263.861.842		263.861.842
016		1.1	Debt financial instruments	610.199.208	50.537.382	660.736.590,79	263.861.842		263.861.842
017		1.2	Other						
018	019+020+021+022	2	<b>Available-for-sale financial assets</b>	1.465.317.032	455.533.326	1.920.850.357	1.678.117.612	450.876.643	2.128.994.256
019		2.1	Equity financial instruments						
020		2.2	Debt financial instruments	1.265.065.313	421.238.761	1.686.304.075	1.367.272.284	394.261.574	1.761.533.857
021		2.3	Shares in investment funds	190.292.611	32.781.525	223.074.136	309.745.074	55.082.856	364.827.930
022		2.4	Other	9.959.107	1.513.039	11.472.147	1.100.255	1.532.214	2.632.468
023	024+025+026+027+028	3	<b>Financial assets at fair value through profit or loss</b>	8.918.097		8.918.097	9.941.820		9.941.820
024		3.1	Equity financial instruments						
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments						
027		3.4	Shares in investment funds	8.818.526		8.818.526	9.795.627		9.795.627
028		3.5	Other	99.570		99.570	146.193		146.193

Financial statements in the format prescribed by the Croatian Financial Service  
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029	030+031+032	4	Loans and receivables	30.315.819	1.934.099	32.249.918	8.495.176	62.288.241	70.783.417
030		4.1	Deposits with credit institutions	20.003.447		20.003.447		60.384.260	60.384.260
031		4.2	Loans	9.977.775	1.934.099	11.911.874	8.339.035	1.903.981	10.243.016
032		4.3	Other	334.596		334.596	156.142		156.142
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	137.876.484		137.876.484	160.136.748		160.136.748
035	036+037+038+039+040+041+042	V	REINSURER'S SHARE IN TECHNICAL PROVISIONS	96.695.423	217.959.661	314.655.084	95.812.464	272.620.342	368.432.806
036		1	Provision for unearned premiums, reinsurance share	198.703	65.919.022	66.117.725	173.303	67.916.332	68.089.635
037		2	Mathematical provisions, reinsurance share	96.326.020		96.326.020	95.458.771		95.458.771
038		3	Claims provisions, reinsurer's share	170.700	151.887.924	152.058.624	180.391	204.464.826	204.645.217
039		4	Provisions for bonuses and discounts, reinsurer's share		152.715	152.715		239.184	239.184
040		5	Equalisation provisions, reinsurer's share						
041		6	Other technical provisions, reinsurance share						
042		7	Special provision for unit-linked life insurance group, reinsurer's share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	6.633.932	3.827.259	10.461.191	8.801.716	981.880	9.783.596
044		1	Deferred tax assets	876.574	463.443	1.340.018	2.702.891	213.787	2.916.678
045		2	Current tax assets	5.757.358	3.363.815	9.121.173	6.098.825	768.093	6.866.918
046	047+050+051	VII	RECEIVABLES	16.549.486	176.438.243	192.987.729	8.393.711	261.076.411	269.470.122
047	048+049	1	Receivables from insurance business	30.888	99.528.103	99.558.991	12.000	92.226.711	92.238.711
048		1.1	From policyholders		99.496.173	99.496.173		92.176.711	92.176.711
049		1.2	From insurance agents, or insurance brokers	30.888	31.930	62.818	12.000	50.000	62.000
050		2	Reinsurance receivables	7.712.251	58.693.089	66.405.339	7.296.559	132.961.640	140.258.199
051	052+053+054	3	Other receivables	8.806.347	18.217.052	27.023.398	1.085.152	35.888.060	36.973.212
052		3.1	Receivables from other insurance business	287.104	16.119.567	16.406.672		17.596.207	17.596.207
053		3.2	Receivables for income from investments	33.533	1.833	35.366	32.250	161.685	193.935
054		3.3	Other receivables	8.485.709	2.095.651	10.581.360	1.052.902	18.130.167	19.183.069
055	056+060+061	VIII	OTHER ASSETS	53.704.820	33.428.401	87.133.222	51.016.481	42.530.495	93.546.976
056	057+058+059	1	Cash at bank and in hand	53.704.820	33.428.401	87.133.222	51.016.481	42.530.495	93.546.976
057		1.1	Funds in the business account	27.617.201	33.423.852	61.041.053	19.493.591	42.523.795	62.017.386
058		1.2	Funds in the account of assets backing mathematical provision	26.084.618		26.084.618	31.517.324		31.517.324
059		1.3	Cash on hand	3.001	4.549	7.550	5.566	6.700	12.266
060		2	Non-current assets held for sale and discontinued operation						
061		3	Other						
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME	4.394.059	100.633.198	105.027.257	2.553.791	106.508.470	109.062.261
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs		94.544.637	94.544.637		98.835.901	98.835.901
065		3	Other prepaid expenses and accrued income	4.394.059	6.088.560	10.482.619	2.553.791	7.672.569	10.226.360
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	2.484.563.848	1.075.608.715	3.560.172.562	2.338.577.564	1.219.415.396	3.557.992.960
067		XI	OFF-BALANCE-SHEET ITEMS						

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068	069+072+073+077+081+084	XII	CAPITAL AND RESERVES	399.006.405	182.054.059	581.060.464	422.198.097	186.912.776	609.110.873
069	070+071	1	Subscribed share capital	28.875.000	33.825.000	62.700.000	28.875.000	33.825.000	62.700.000
070		1.1	Paid-up capital - ordinary shares	28.875.000	33.825.000	62.700.000	28.875.000	33.825.000	62.700.000
071		1.2	Paid-up capital - preference shares						
072		2	Issued shares premiums (capital reserves)						
073	074+075+076	3	Revaluation reserves	122.056.192	28.822.673	150.878.865	128.328.918	26.248.351	154.577.270
074		3.1	Land and buildings	2.120.258		2.120.258	2.120.258		2.120.258
075		3.2	Financial assets available-for-sale	119.935.934	28.822.673	148.758.607	126.208.661	26.248.351	152.457.012
076		3.3	Other revaluation reserves						
077	078+079+080	4	Reserves	153.650.277	79.066.290	232.716.567	153.650.277	79.066.290	232.716.567
078		4.1	Legal reserves	1.134.375	1.134.375	2.268.750	1.134.375	1.134.375	2.268.750
079		4.2	Statutory reserves						
080		4.3	Other reserves	152.515.902	77.931.915	230.447.817	152.515.902	77.931.915	230.447.817
081	082+083	5	Retained earnings or accumulated loss	76.932.361	19.985.567	96.917.928	94.424.935	40.340.097	134.765.032
082		5.1	Retained earnings	76.932.361	19.985.567	96.917.928	94.424.935	40.340.097	134.765.032
083		5.2	Accumulated loss (-)						
084	085+086	6	Profit or loss for the current accounting period	17.492.575	20.354.529	37.847.104	16.918.966	7.433.038	24.352.004
085		6.1	Profit for the current accounting period	17.492.575	20.354.529	37.847.104	16.918.966	7.433.038	24.352.004
086		6.2	Loss for the current accounting period (-)						
087		XIII	SUBORDINATED LIABILITIES						
088		XIV	NON-CONTROLLING INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	1.769.059.821	721.223.403	2.490.283.224	1.584.176.944	790.045.797	2.374.222.741
090		1	Provisions for unearned premiums, gross amount	2.753.111	335.227.419	337.980.529	2.566.945	342.659.775	345.226.721
091		2	Mathematical provisions, gross amount	1.708.965.406		1.708.965.406	1.503.086.917		1.503.086.917
092		3	Claims provisions, gross amount	57.341.305	384.572.570	441.913.875	78.523.082	443.660.394	522.183.476
093		4	Provisions for bonuses and discounts, gross amount		1.423.414	1.423.414		3.725.628	3.725.628
094		5	Equalisation provisions, gross amount						
095		6	Other technical provisions, gross amount						
096		XVI	SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	137.877.472		137.877.472	160.135.680		160.135.680
097	098+099	XVII	OTHER PROVISIONS	15.604.797	10.742.792	26.347.589	11.676.029	9.233.746	20.909.776
098		1	Provisions for pensions and similar liabilities						
099		2	Other provisions	15.604.797	10.742.792	26.347.589	11.676.029	9.233.746	20.909.776
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	27.180.665	11.587.812	38.768.477	26.390.483	8.152.546	34.543.029
101		1	Deferred tax liability	26.792.823	6.326.928	33.119.751	28.169.763	5.761.833	33.931.596
102		2	Current tax liability	387.843	5.260.883	5.648.726	-1.779.279	2.390.713	611.433
103		XIX	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	96.524.723		96.524.723	95.632.074		95.632.074
104	105+106+107	XX	FINANCIAL LIABILITIES	3.427.977	6.985.096	10.413.073	1.790.872	4.664.366	6.455.237
105		1	Loan liabilities						
106		2	Issued financial instruments payable						
107		3	Other financial liabilities	3.427.977	6.985.096	10.413.073	1.790.872	4.664.366	6.455.237
108	109+110+111+112	XXI	OTHER LIABILITIES	28.918.606	89.044.700	117.963.306	32.866.489	161.184.669	194.051.158
109		1	Liabilities from direct insurance business	13.402.874	16.280.735	29.683.609	3.954.617	16.183.478	20.138.095
110		2	Liabilities from co-insurance and reinsurance business	8.819.534	67.291.900	76.111.434	8.967.703	137.865.544	146.833.247
111		3	Liabilities for sale and discontinued operation						
112		4	Other liabilities	6.696.199	5.472.065	12.168.263	19.944.169	7.135.647	27.079.816
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	6.963.382	53.970.853	60.934.235	3.710.896	59.221.497	62.932.393
114		1	Deferred reinsurance commission		21.418.267	21.418.267		22.118.039	22.118.039
115		2	Other accrued expenses and deferred income	6.963.382	32.552.586	39.515.968	3.710.896	37.103.458	40.814.354
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	2.484.563.848	1.075.608.715	3.560.172.562	2.338.577.564	1.219.415.396	3.557.992.960
117		XXIV	OFF-BALANCE-SHEET ITEMS						



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1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements

Report for the Croatian Financial Services Supervisory Agency		1	2	3	Basic financial statements	
Position description	HRK'000				HRK'000	
<b>INTANGIBLE ASSETS</b>	4.321				4.321	Other intangible assets
Goodwill	0					
Other intangible assets	4.321					
<b>TANGIBLE ASSETS</b>	26.076				26.076	Property and equipment
Land and buildings intended for company business operations	21.835					
Equipment	3.672					
Other tangible assets and inventories	568					
<b>INVESTMENTS</b>	2.517.164					
<b>Investments in land and buildings not intended for company business operations</b>	43.583				43.583	Investment property
<b>Investments in subsidiaries, associates and joint ventures</b>	0				0	Investment in subsidiary
Shares and stakes in subsidiaries	0					
Shares and stakes in associates	0					
Shares and stakes in joint ventures	0					
<b>Financial assets</b>	2.473.581					
<b>Held-to-maturity financial assets</b>	263.862				263.862	Held-to-maturity investments
Debt financial instruments	263.862					
Other	0					
<b>Available-for-sale financial assets</b>	2.128.994				2.128.994	Available-for-sale financial assets
Equity financial instruments	0					
Debt financial instruments	1.761.534					
Shares in investment funds	364.828					
Other	2.632					
<b>Financial assets at fair value through profit or loss</b>	9.942	160.137			170.079	Financial assets at fair value through profit or loss
Equity financial instruments	0					
Debt financial instruments	0					
Derivative financial instruments	0					
Shares in investment funds	9.796					
Other	146					
<b>Loans and receivables</b>	70.783				70.783	Loans and receivables
Deposits with credit institutions	60.384					
Loans	10.243					
Other	156					
<b>Deposits with cedent</b>	0					
<b>INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS</b>	160.137	(160.137)				
<b>REINSURER'S SHARE IN TECHNICAL PROVISIONS</b>	368.433				368.433	Reinsurers' share in insurance contract provisions
Provision for unearned premiums, reinsurer's share	68.090					
Mathematical provisions, reinsurer's share	95.459					
Claims provisions, reinsurer's share	204.645					
Provisions for bonuses and discounts, reinsurer's share	239					
Equalisation provisions, reinsurer's share	0					
Other technical provisions	0					
Special provision for unlinked life insurance group, reinsurer's share	0					
<b>DEFERRED AND CURRENT TAX ASSETS</b>	9.784					
Deferred tax assets	2.917			(2.917)		
Current tax assets	6.867			(611)	6.255	Current tax assets
<b>RECEIVABLES</b>	269.470		10.226	(12.642)	267.055	Insurance contracts and other receivables
<b>Receivables from insurance business</b>	92.239					
From policyholders	92.177					
From insurance agents or insurance brokers	62					
<b>Reinsurance receivables</b>	140.258					
<b>Other receivables</b>	36.973					
Receivables from other insurance business	17.596					
Receivables for income from investments	194					
Other receivables	19.183					
<b>OTHER ASSETS</b>	93.547					
<b>Cash at bank and in hand</b>	93.547				93.547	Cash and cash equivalents
Funds in the business account	62.017					
Funds in the account of assets backing mathematical provision	31.517					
Cash on hand	12					
<b>Non-current assets held for sale and discontinued operation</b>	0					
<b>Other</b>	0					
<b>PREPAID EXPENSES AND ACCRUED INCOME</b>	109.062					
Deferred interest and rent	0					
Deferred acquisition costs	98.836				98.836	Deferred acquisition costs
Other prepayments and accrued income	10.226		(10.226)			
<b>TOTAL ASSETS</b>	3.557.993	-	-	(16.169)	3.541.823	
<b>OFF-BALANCE-SHEET ITEMS</b>						

1. Investments for the account and risk of life insurance policyholders are presented together with Financial assets at fair value through profit or loss.
2. Other prepaid expenses and accrued income are presented within insurance contracts and other receivables.
3. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while internal receivables in the amount of HRK 12,642 thousand are offset with corresponding liabilities.

Financial statements in the format prescribed by the Croatian Financial Service  
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Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	Basic financial statements	
Position description	HRK'000					HRK'000	
<b>CAPITAL AND RESERVES</b>	609.111						
<b>Subscribed share capital</b>	62.700					62.700	Share capital
<i>Paid-up capital - ordinary shares</i>	62.700						
<i>Paid-up capital - preference shares</i>	-						
<b>Issued shares premiums (capital reserves)</b>	-						
<b>Revaluation reserves</b>	154.577					154.577	Fair value reserves
<i>Land and buildings</i>	2.120						
<i>Financial assets available-for-sale</i>	152.457						
<i>Other revaluation reserves</i>	-						
<b>Reserves</b>	232.717					232.717	Legal reserves
<i>Legal reserves</i>	2.269						
<i>Statutory reserves</i>	-						
<i>Other reserves</i>	230.448						
<b>Retained profit or transferred loss</b>	134.765						
<i>Retained profit</i>	134.765	24.352				159.117	Retained earnings
<i>Accumulated loss (-)</i>	-						
<b>Profit or loss for the current accounting period</b>	24.352						
<i>Profit for the current accounting period</i>	24.352	(24.352)					
<i>Loss for the current accounting period (-)</i>	-						
<b>SUBORDINATED LIABILITIES</b>	-						
<b>NON-CONTROLLING INTEREST</b>	-						
<b>TECHNICAL PROVISIONS</b>	2.374.223		160.136			2.534.358	Insurance contract provisions
<i>Provisions for unearned premiums, gross amount</i>	345.227						
<i>Mathematical provisions, gross amount</i>	1.503.087						
<i>Claims provisions, gross amount</i>	522.183						
<i>Provisions for bonuses and discounts, gross amount</i>	3.726						
<i>Equalisation provisions, gross amount</i>	-						
<i>Other technical provisions, gross amount</i>	-						
<b>SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount</b>	160.136		(160.136)				
<b>OTHER PROVISIONS</b>	20.910			(20.910)			
<i>Provisions for pensions and similar liabilities</i>	-						
<i>Other provisions</i>	20.910						
<b>DEFERRED AND CURRENT TAX LIABILITY</b>	34.543						
<i>Deferred tax liability</i>	33.932				(2.917)	31.015	Deferred tax liability
<i>Current tax liability</i>	611				(611)	-	Current tax liability
<b>DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>	95.632			(95.632)			
<b>FINANCIAL LIABILITIES</b>	6.455			(6.455)			
<i>Borrowings</i>	-						
<i>Issued financial instruments payable</i>	-						
<i>Other financial liabilities</i>	6.455						
<b>OTHER LIABILITIES</b>	194.051			185.929	(12.642)	367.339	Insurance contracts and other payables
<i>Liabilities from direct insurance business</i>	20.138						
<i>Liabilities from co-insurance and reinsurance business</i>	146.833						
<i>Liabilities for sale and discontinued operation</i>	-						
<i>Other liabilities</i>	27.080						
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	62.932			(62.932)			
<i>Deferred reinsurance commission</i>	22.118						
<i>Other accrued expenses and deferred income</i>	40.814						
<b>TOTAL EQUITY AND LIABILITIES</b>	3.557.993	-	-	-	(16.169)	3.541.823	
<b>OFF-BALANCE-SHEET ITEMS</b>							

1. Profit or loss for the current accounting period is presented together with retained earnings in the Basic financial statements.
2. A special provision for unit-linked life insurance group, the gross amount is recorded in the Provisions for insurance contracts in the Basic financial statements.
3. Accrued expenses and deferred income, Deposits retained from business ceded to reinsurance, Other provisions and Financial liabilities are recorded in the Basic financial statements within Insurance contracts and other payables.
4. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while Internal receivables in the amount of HRK 12,642 thousand are offset with corresponding liabilities.

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STATEMENT OF COMPREHENSIVE INCOME

For the period: 01.01.2020.-31.12.2020.

in HRK

Position No.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	<b>Earned premiums (recognised in revenue)</b>	189.274.843	230.632.882	419.907.725	170.606.331	243.313.568	413.919.899
002		1	Gross written premiums	195.053.781	439.772.134	634.825.915	176.552.718	398.752.405	575.305.123
003		2	Impairment and collected premium impairment		-22.031	-22.031		-2.621.769	-2.621.769
004		3	Premiums ceded to reinsurance (-)	-6.265.282	-138.178.224	-144.443.506	-6.107.152	-147.382.022	-153.489.174
005		4	Change in gross provisions for unearned premiums (+/-)	471.241	-70.430.399	-69.959.158	186.165	-7.432.356	-7.246.191
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	15.103	-508.599	-493.496	-25.400	1.997.311	1.971.910
007	008+009+010+011+012+013+014	II	<b>Investment income</b>	126.857.079	19.448.318	146.305.397	99.349.338	13.073.233	112.422.571
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings	4.240.863	500.438	4.741.300	4.231.677	2.453.924	6.685.601
010		3	Interest income	91.901.505	15.690.720	107.592.225	59.691.221	8.892.013	68.583.234
011		4	Unrealised gain on investments	17.901.079	1.509.477	19.410.556	6.396.497		6.396.497
012		5	Realised gain on investments	4.959.851	1.193.218	6.153.069	7.625.592	1.092.205	8.717.797
013		6	Net foreign exchange gains	5.852.785	6.979	5.859.765	20.349.361	473.691	20.823.052
014		7	Other investment income	2.000.996	547.485	2.548.481	1.054.990	161.400	1.216.390
015		III	<b>Commission and fee income</b>	799.037	42.789.786	43.588.823	1.109.956	42.457.053	43.567.010
016		IV	<b>Other insurance-technical income, net of reinsurance</b>	551.769	2.546.821	3.098.590		2.789.629	2.789.629
017		V	<b>Other income</b>	23.130.562	1.627.421	24.757.983	4.410.160	2.344.232	6.754.392
018	019+022	VI	<b>Net claims incurred</b>	-338.590.747	-117.829.194	-456.419.942	-353.324.436	-134.965.031	-488.289.467
019	020+021	1	Claims paid	-302.509.948	-120.799.331	-423.309.279	-332.152.350	-128.454.109	-460.606.459
020		1.1	Gross amount (-)	-308.417.029	-193.045.029	-501.462.058	-340.454.949	-217.682.675	-558.137.623
021		1.2	Reinsurer's share (+)	5.907.081	72.245.698	78.152.779	8.302.599	89.228.565	97.531.164
022	023+024	2	Change in claims provisions (+/-)	-36.080.800	2.970.137	-33.110.663	-21.172.086	-6.510.922	-27.683.007
023		2.1	Gross amount (-)	-36.023.291	-18.370.730	-54.394.022	-21.181.777	-59.087.823	-80.269.600
024		2.2	Reinsurer's share (+)	-57.509	21.340.867	21.283.359	9.691	52.576.902	52.586.593
025	026+029	VII	<b>Change in mathematical provision and other technical provisions, net of reinsurance</b>	157.597.475		157.597.475	205.011.239		205.011.239
026	027+028	1	Change in mathematical provision (+/-)	157.597.475		157.597.475	205.011.239		205.011.239
027		1.1	Gross amount (-)	156.257.786		156.257.786	205.878.489		205.878.489
028		1.2	Reinsurer's share (+)	1.339.688		1.339.688	-867.250		-867.250
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)						
030		2.1	Gross amount (-)						
031		2.2	Reinsurer's share (+)						
032	033+034	VIII	<b>Special provisions for unit-linked life insurance group, net of reinsurance (+/-)</b>	-56.620.316		-56.620.316	-22.258.208		-22.258.208
033		1	Gross amount (-)	-56.620.316		-56.620.316	-22.258.208		-22.258.208
034		2	Reinsurer's share (+)						
035	036+037	IX	<b>Expenditures for return of premium (bonuses and rebates), net of reinsurance</b>		-1.182.224	-1.182.224		-3.089.437	-3.089.437
036		1	Depending on the result (bonuses)		-1.182.224	-1.182.224		-3.089.437	-3.089.437
037		2	Not depending on the result (rebates)						
038	039+043	X	<b>Operating expenditures (for business operations), net</b>	-69.556.087	-144.719.179	-214.275.266	-64.126.196	-147.998.103	-212.124.299
039	040+041+042	1	Acquisition costs	-29.563.159	-90.936.158	-120.499.317	-27.210.214	-99.497.105	-126.707.319
040		1.1	Commission	-16.843.343	-97.777.192	-114.620.535	-17.802.928	-79.425.558	-97.228.486
041		1.2	Other acquisition costs	-12.719.815	-24.273.575	-36.993.390	-9.407.286	-24.362.811	-33.770.097
042		1.3	Change in deferred acquisition costs (+/-)		31.114.609	31.114.609		4.291.264	4.291.264
043	044+045+046	2	Administration costs (administrative expenses)	-39.992.928	-53.783.021	-93.775.949	-36.915.982	-48.500.998	-85.416.980
044		2.1	Depreciation and amortisation	-4.020.109	-5.168.756	-9.188.865	-3.492.023	-4.535.431	-8.027.454
045		2.2	Sales, taxes and contributions from and on salaries	-14.239.623	-16.333.611	-30.573.234	-14.057.648	-17.997.792	-32.055.440
046		2.3	Other administration costs	-21.733.196	-32.280.654	-54.013.850	-19.366.311	-25.967.774	-45.334.085

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047	048+049+050+051+052+053+054	XI	Investment charges	-8.946.475	-4.380.458	-13.326.933	-14.623.943	-1.919.835	-16.543.777
048		1	Depreciation of land and buildings not intended for business operations of the company						
049		2	Interests						
050		3	Impairment of investments	-1.616.545	-2.032.597	-3.649.142	-2.392.469	-714.234	-3.106.703
051		4	Realised losses on investments	-2.118.784	-1.118.429	-3.237.213	-221.491		-221.491
052		5	Unrealised losses on investments				-122.440		-122.440
053		6	Net foreign exchange losses	-60.317	-18.464	-78.781	-7.215.769	-263.510	-7.479.278
054		7	Other investment costs	-5.150.829	-1.210.968	-6.361.797	-4.671.774	-942.091	-5.613.864
055	056+057	XII	Other technical expenses, net of reinsurance	-3.697.931	-2.063.291	-5.761.222	-5.526.691	-3.107.192	-8.633.883
056		1	Expenses for preventive operations		-400.984	-400.984		-351.038	-351.038
057		2	Other technical insurance expenses	-3.697.931	-1.662.308	-5.360.238	-5.526.691	-2.756.154	-8.282.845
058		XIII	Other expenses including value adjustments	-1.111.416	-1.211.996	-2.323.412	-5.534.902	-2.824.712	-8.359.615
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the accounting period before loss (+/-)	19.687.793	25.658.885	45.346.678	15.092.649	10.073.407	25.166.056
060	061+062	XV	Income tax or loss	-2.195.218	-5.304.356	-7.499.574	1.826.317	-2.640.369	-814.052
061		1	Current tax expense	-387.843	-5.260.883	-5.648.726		-2.390.713	-2.390.713
062		2	Deferred tax expense (income)	-1.807.375	-43.473	-1.850.848	1.826.317	-249.656	1.576.661
063	059+060	XVI	Profit or loss for the accounting period after tax (+/-)	17.492.575	20.354.529	37.847.104	16.918.966	7.433.038	24.352.004
064		1	Attributable to equity holders of the parent						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	338.805.915	297.001.755	635.807.670	277.302.103	303.728.060	581.030.162
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSES	-321.313.340	-276.647.226	-597.960.566	-260.383.137	-296.295.022	-556.678.159
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	10.449.926	14.548.106	24.998.032	6.272.726	-2.574.321	3.698.405
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	12.743.812	17.741.592	30.485.405	7.649.666	-3.139.416	4.510.250
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 (except for land and property) and 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 associates						
076		8	Profit tax on other comprehensive income	-2.293.886	-3.193.487	-5.487.373	-1.376.940	565.095	-811.845
077	078+079	XX	Total comprehensive income	27.942.501	34.902.635	62.845.136	23.191.692	4.858.717	28.050.409
078		1	Attributable to equity holders of the parent						
079		2	Attributable to non-controlling interest						
080		XXI	Reclassification adjustments						

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2.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statement

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK'000						HRK'000	
<b>Earned premiums (recognised in revenue)</b>	413.920						413.920	Net earned premiums
Gross written premiums	575.305							
Impairment and collected premium impairment	(2.622)							
Premiums ceded to reinsurance (-)	(153.489)							
Change in gross provisions for unearned premiums (+/-)	(7.246)							
Change in provision for unearned premiums, reinsurance share (+/-)	1.972							
<b>Investment income</b>	112.423	(16.544)					95.879	Net income from investments
Income from subsidiaries, associates and joint ventures	-							
Income from investments in land and buildings	6.686							
Interest income	68.583							
Unrealised gain on investments	6.397							
Realised gain on investments	8.718							
Net foreign exchange gains	20.823							
Other investment income	1.216							
<b>Income from commissions and fees</b>	43.567						43.567	Income from commissions and fees
<b>Other insurance-technical income, net of reinsurance</b>	2.790		(2.790)					
<b>Other income</b>	6.754		2.790		(4.045)		5.499	Other operating income
<b>Net claims incurred</b>	(488.289)		179.664				(308.626)	Claims incurred, net
Settled claims	(460.606)							
Gross amount (-)	(558.138)							
Reinsurer's share (+)	97.531							
Change in claims provisions (+/-)	(27.683)							
Gross amount (-)	(80.270)							
Reinsurer's share (+)	52.587							
<b>Change in mathematical provision and other technical provisions, net of reinsurance</b>	205.011		(205.011)					
Change in mathematical provision (+/-)	205.011							
Gross amount (-)	205.878							
Reinsurer's share (+)	(867)							
Change in other technical provisions, net of reinsurance (+/-)	-							
Gross amount (-)	-							
Reinsurer's share (+)	-							
<b>Special provisions for unit-linked life insurance group, net of reinsurance (+/-)</b>	(22.258)		22.258					
Gross amount (-)	(22.258)							
Reinsurer's share (+)	-							
<b>Expenditures for return of premium (bonuses and rebates), net of reinsurance</b>	(3.089)		3.089					
Depending on the result (bonuses)	(3.089)							
Not depending on the result (rebates)	-							
<b>Operating expenditures (for business operations), net</b>	(212.124)				9		(212.116)	Acquisition and administration costs
Acquisition costs	(126.707)							
Commission	(97.228)							
Other acquisition costs	(33.770)							
Change in deferred acquisition costs (+/-)	4.291							
Administration costs (administrative expenses)	(85.417)							
Depreciation charge	(8.027)							
Salaries, taxes and contributions from and on salaries	(32.055)							
Other administrative expenses	(45.334)							
<b>Investment charges</b>	(16.544)	16.544						
Depreciation of land and buildings not intended for business operations of the company	-							
Interest	-							
Impairment of investments	(3.107)							
Realised losses on investments	(221)							
Unrealised losses on investments	(122)							
Net foreign exchange losses	(7.479)							
Other investment costs	(5.614)							
<b>Other technical expenses, net of reinsurance</b>	(8.634)				8.634			
Expenses for preventive operations	(351)							
Other technical expenses of insurance	(8.283)							
<b>Other expenses, including value adjustments</b>	(8.360)				(8.643)	4.045	(12.957)	Provisions for legal disputes, net Other operating expenses
<b>Profit or loss for the accounting period before tax (+/-)</b>	25.166							
<b>Income tax or loss</b>	(814)						(814)	Income tax
Current tax expense	(2.391)							
Deferred tax expense (income)	1.577							
<b>Profit or loss for the accounting period after tax (+/-)</b>	24.352	-	-	-	-	-	24.352	

1. Investment income and costs are presented on a net basis in the Basic financial statements.
2. Change in mathematical provision, special provision for life assurance policies where the policyholder bears the risk of insurance and other technical provisions is recorded within claims incurred.
3. Reclassification of other insurance and technical income to other operating income and other operating expenses.
4. Reclassification of other technical expenses to other operating expenses and administration costs.
5. Reclassification of income and expenses from legal disputes to Provisions for legal disputes, net.



**STATEMENT OF CASH FLOWS (INDIRECT METHOD)**

For the period: 01.01.2020.-31.12.2020.

in HRK

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
<b>001</b>	002+013+031	<b>I</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-382.092.667</b>	<b>-178.675.810</b>
<b>002</b>	003+004	<b>1</b>	<b>Cash flow before changes in operating assets and liabilities</b>	<b>-44.648.586</b>	<b>-72.870.972</b>
003		1.1	Profit/loss before tax	25.166.056	45.346.678
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments for:	-69.814.642	-118.217.650
005		1.2.1	Depreciation of property and equipment	6.662.768	6.916.735
006		1.2.2	Amortisation	1.364.686	2.242.571
007		1.2.3	Impairment and fair value gains/losses	-6.177.672	-18.353.740
008		1.2.4	Interest expense	194.710	298.903
009		1.2.5	Interest income	-68.583.234	-107.592.225
010		1.2.6	Share in profit of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-62.547	5.218
012		1.2.8	Other adjustments	-3.213.354	-1.735.113
<b>013</b>	014+015+...+030	<b>2</b>	<b>Increase/decrease in operating assets and liabilities</b>	<b>-334.049.610</b>	<b>-94.528.458</b>
014		2.1	Increase/decrease in available-for-sale financial assets	-198.788.764	-118.186.598
015		2.2	Increase/decrease in financial assets at fair value through profit or loss	-588.540	-1.647.135
016		2.3	Increase/decrease in loans and receivables	-38.011.771	11.408.571
017		2.4	Increase/decrease in deposits with cedent		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholders	-20.521.590	-38.294.947
019		2.6	Increase/decrease in reinsurer's share in technical provisions	-53.777.722	-22.161.418
020		2.7	Increase/decrease in tax assets	-1.576.661	1.850.848
021		2.8	Increase/decrease in receivables	-76.482.393	-19.820.642
022		2.9	Increase/decrease in other assets	-4.113	-18.914
023		2.10	Increase/decrease in prepaid expenses and accrued income	80.736.502	85.108.394
024		2.11	Increase/decrease in technical provisions	-116.060.483	-33.267.114
025		2.12	Increase/decrease in special provisions for unit-linked life insurance group	22.258.208	56.620.316
026		2.13	Increase/decrease in tax liabilities	811.845	5.487.373
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	-892.650	1.354.791
028		2.15	Increase/decrease in financial liabilities	-4.411.108	-4.756.360
029		2.16	Increase/decrease in other liabilities	76.699.285	9.940.449
030		2.17	Increase/decrease in accrued expenses and deferred income	-3.439.656	-28.146.073
<b>031</b>		<b>3</b>	<b>Income tax paid</b>	<b>-3.394.471</b>	<b>-11.276.380</b>

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032	033+034+...+046	II	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>402.143.685</b>	<b>228.754.181</b>
033		1	Proceeds on sale of tangible assets	820.635	
034		2	Expenses for purchase of tangible assets	-1.257.773	-772.144
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-1.874.884	-2.007.547
037		5	Proceeds from sale of land and buildings not intended for business operations of the company	12.210.225	2.063.622
038		6	Expenses for purchase of land and buildings not intended for business operations of the company		-463.261
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Proceeds from held-to-maturity financial assets	392.245.482	229.933.510
041		9	Expenses for held-to-maturity financial assets		
042		10	Proceeds from sale of financial instruments		
043		11	Expenses for investments in financial instruments		
044		12	Proceeds from dividends and share in profit		
045		13	Proceeds from payment of short-term and long-term loans given		
046		14	Expenses for short-term and long-term loans given		
047	048+049+050 +051+052	III	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-23.707.649</b>
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenses for repayment of received short-term and long-term loans		
051		4	Expenses for purchase of treasury shares		
052		5	Expenses for payment of dividends		-23.707.649
053	001+032+047		<b>NET CASH FLOW</b>	<b>20.051.018</b>	<b>26.370.722</b>
054		IV	<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS</b>	<b>-13.637.263</b>	<b>-5.993.403</b>
055	053+054	V	<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6.413.754</b>	<b>20.377.318</b>
056		1	Cash and cash equivalents at beginning of period	87.133.222	66.755.903
057	055+056	2	<b>Cash and cash equivalents at end of period</b>	<b>93.546.976</b>	<b>87.133.222</b>

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**STATEMENT OF CHANGES IN EQUITY**

For the period: 01.01.2020.-31.12.2020.

in HRK

Position description	Attributable to owners of parent							Attributable to non-controlling interests*	Total capital and reserves
	Paid- up capital (ordinary and preference shares)	Issued shares premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total capital and reserves		
<b>Balance at 1 January of previous year</b>	<b>62.700.000</b>	<b>0</b>	<b>125.880.833</b>	<b>232.716.567</b>	<b>96.917.928</b>	<b>23.707.649</b>	<b>541.922.977</b>		<b>541.922.977</b>
Changes in accounting policies									
Correction of prior period errors									
<b>Balance at 1 January of previous year (restated)</b>	<b>62.700.000</b>		<b>125.880.833</b>	<b>232.716.567</b>	<b>96.917.928</b>	<b>23.707.649</b>	<b>541.922.977</b>		<b>541.922.977</b>
<b>Comprehensive income or loss for the previous year</b>			<b>24.998.032</b>			<b>37.847.104</b>	<b>62.845.136</b>		<b>62.845.136</b>
Profit or loss for the period						37.847.104	37.847.104		37.847.104
<b>Other comprehensive income or loss for the previous year</b>			<b>24.998.032</b>				<b>24.998.032</b>		<b>24.998.032</b>
Unrealised gains or losses from tangible assets ( land and buildings)									
Unrealised gains or losses from financial assets available for sale			22.902.335				22.902.335		22.902.335
Realised gains or losses from financial assets available for sale			2.095.696				2.095.696		2.095.696
Other non-owner changes in equity									
<b>Transactions with owners (previous period)</b>						<b>-23.707.649</b>	<b>-23.707.649</b>		<b>-23.707.649</b>
Increase/decrease in registered capital									
Other payments by owners									
Payments of shares in profit / dividends						-23.707.649	-23.707.649		-23.707.649
Other distributions to owners									
<b>Balance at the last day of the reporting period in the previous year</b>	<b>62.700.000</b>		<b>150.878.865</b>	<b>232.716.567</b>	<b>96.917.928</b>	<b>37.847.104</b>	<b>581.060.464</b>		<b>581.060.464</b>
<b>Balance at 1 January of the current year</b>	<b>62.700.000</b>		<b>150.878.865</b>	<b>232.716.567</b>	<b>96.917.928</b>	<b>37.847.104</b>	<b>581.060.464</b>		<b>581.060.464</b>
Changes in accounting policies									
Correction of prior period errors									
<b>Balance at 1 January of the current year (restated)</b>	<b>62.700.000</b>		<b>150.878.865</b>	<b>232.716.567</b>	<b>96.917.928</b>	<b>37.847.104</b>	<b>581.060.464</b>		<b>581.060.464</b>
<b>Comprehensive income or loss for the current year</b>			<b>3.698.405</b>			<b>24.352.004</b>	<b>28.050.409</b>		<b>28.050.409</b>
Profit or loss for the period						24.352.004	24.352.004		24.352.004
<b>Other comprehensive income or loss for the current year</b>			<b>3.698.405</b>				<b>3.698.405</b>		<b>3.698.405</b>
Unrealised gains or losses from tangible assets ( land and buildings)									
Unrealised gains or losses from financial assets available for sale			-3.401.399				-3.401.399		-3.401.399
Realised gains or losses from financial assets available for sale			7.099.804				7.099.804		7.099.804
Other non-owner changes in equity									
<b>Transactions with owners (current period)</b>					<b>37.847.104</b>	<b>-37.847.104</b>			
Increase/decrease in registered capital									
Other payments by owners									
Payments of shares in profit / dividends						0			
Other transactions with owners					37.847.104	-37.847.104			
<b>Balance as at the last day of the reporting period in the current year</b>	<b>62.700.000</b>		<b>154.577.270</b>	<b>232.716.567</b>	<b>134.765.032</b>	<b>24.352.004</b>	<b>609.110.873</b>		<b>609.110.873</b>