



Annual Report for 2021

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Management Board 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 2021, 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 2021;
- 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 2021 to 31 December 2021.

TPA Audit d.o.o.

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Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary | Poland | Romania | Serbia | Slovakia | Slovenia

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

Our audit approach

Materiality	<ul style="list-style-type: none"> Overall Company materiality: HRK 6 million, which represents 1% of gross written premiums.
Key audit matters	<ul style="list-style-type: none"> Estimates used in calculation of insurance provisions and liability adequacy test (LAT)

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.

Overall Company materiality	HRK 6 million
How we determined it	1% of gross written premium
Rationale for the materiality benchmark applied	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><i>Estimates used in calculation of insurance provisions and liability adequacy test (LAT)</i> <i>Refer to note 11 "Insurance provisions".</i></p> <p>The Company presented insurance contract provisions of HRK 2.4 billion at 31 December 2021 representing 87% of the Company's total liabilities. 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, 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 actuarial experts 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 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 Board Report

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

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

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 with the most recent reappointment on September 1, 2021, representing a total uninterrupted period of engagement of two years.

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 114 to 128, named Statement of financial position as at 31 December 2021, and the Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the period from 1st January to 31st December 2021, 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 26 to 113 adjusted for the purposes of the Rulebook.

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

Report based on the requirements of the Accounting Act

The engagement partner responsible for this independent auditor's report is Igor Arbutina. In our opinion which is based on the work performed during the audit, the information in the Annual report of the Management Board for the year ended 31 December 2021 is harmonized with annual audited financial statements of the Company;

In our opinion, based on the work performed during the audit, the Annual report of the Management Board for the year ended 31 December 2021 was prepared in accordance with applicable accounting laws and regulations.

Based on the knowledge and understanding of the Company's operations and its environment acquired during the audit, we did not find any significant misstatements in the Annual report of the Management Board.

April 1st, 2022

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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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 2022 and submitted to the Supervisory Board for approval.

UNIQA osiguranje d.d.

Sabine Usaty
President of the Management Board



UNIQA
osiguranje d.d.
ZAGREB

Luka Matošić
Member of the Management Board

Statement of financial position
As of 31 December 2021

(All amounts are expressed in thousands of HRK)

	Note	31 December 2021	31 December 2020
Assets			
Property and equipment	4	33,764	26,076
Investment property	5	44,293	43,583
Intangible assets:			
- Deferred acquisition costs	6	108,583	98,836
- Other intangible assets		4,534	4,320
Financial assets:			
- Financial assets held to maturity	7	262,173	263,862
- Available-for-sale financial assets	7	2,051,669	2,128,994
- Financial assets at fair value through profit or loss	7	222,076	170,079
- Loans and receivables	7	49,009	70,783
Reinsurers' share of insurance provisions	8	328,492	368,433
Current tax assets		-	6,255
Insurance contract and other receivables	9	188,690	267,055
Cash and cash equivalents		39,512	93,547
Total assets		3,332,795	3,541,823
Liabilities and equity			
Liabilities			
Insurance provisions	11	2,416,749	2,534,358
Insurance liabilities and other payables	12	306,769	367,339
Tax liability		3,570	-
Deferred tax liability	10	20,980	31,015
Total liabilities		2,748,068	2,932,712
Capital and reserves			
Share capital	13	62,700	62,700
Legal reserves		2,269	2,269
Other reserves		230,448	230,448
Fair value reserve	13	99,912	154,577
Retained earnings		189,398	159,117
Total capital and reserves		584,727	609,111
Total liabilities and equity		3,332,795	3,541,823

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

Statement of comprehensive income
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

	Note	2021	2020
Gross insurance premiums	14	602,500	572,683
Premiums transferred to reinsurance	14	(160,199)	(153,489)
Net insurance premiums		442,301	419,194
Change in provision for unearned premiums	14	(25,057)	(7,246)
Reinsurers' share of change in provision for unearned premiums	14	4,432	1,972
Net earned premium		421,676	413,920
Investment income	15	106,484	102,418
Investment costs	15	(5,643)	(6,539)
Net investment income		100,841	95,879
Reinsurance commission		45,131	43,567
Other operating income		4,217	5,499
Net income		571,865	558,865
Claims incurred	16	(342,268)	(457,963)
Reinsurers' share of claims incurred	16	48,885	149,337
Net claims incurred		(293,384)	(308,626)
Acquisition costs	17	(132,949)	(126,707)
Administration costs	18	(99,285)	(85,408)
Provisions for legal disputes, net	12	95	367
Other operating expenses		(9,596)	(13,325)
Profit before tax		36,747	25,166
Income tax	19	(6,466)	(814)
Profit for the year		30,281	24,352
Other comprehensive income			
<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		(54,664)	3,698
Comprehensive income		(24,383)	28,050

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 2021

(All amounts are expressed in thousands of HRK)

	Share capital	Legal reserves	Other reserves	Fair value reserve	Retained earnings	Total
Year ended 31 December 2020						
Balance on 1 January 2020	62,700	2,269	230,448	150,879	134,765	581,061
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)
Total comprehensive income for the year, net of tax	-	-	-	3,698	24,352	28,050
Transactions with owner:						
Dividends paid	-	-	-	-	-	-
Balance on 31 December 2020	62,700	2,269	230,448	154,577	159,117	609,111
Year ended 31 December 2021						
Balance on 1 January 2021	62,700	2,269	230,448	154,777	159,117	609,111
Profit for the year	-	-	-	-	30,281	30,281
<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))	-	-	-	(66,664)	-	(66,664)
Deferred tax on gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	11,999	-	11,999
Total comprehensive income for the year, net of tax	-	-	-	(54,664)	30,281	(24,383)
Transactions with owner:						
Dividends paid	-	-	-	-	-	-
Balance on 31 December 2021	62,700	2,269	230,448	99,912	189,398	584,727

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

Statement of cash flows
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		36,747	25,166
<i>Adjustments for:</i>			
Depreciation of property and equipment	4	6,283	6,663
Amortisation of other intangible assets		1,533	1,365
Expenses from write-off and sale of tangible and intangible assets		-	762
Investment income	15	(100,841)	(95,879)
Other		185	-
Interest expense		8,054	195
<i>Changes in assets and liabilities:</i>			
Decrease/(increase) in insurance and other receivables		87,839	(61,760)
Decrease in investments in securities and investment Funds		(11,338)	181,636
Decrease in investments in loans and receivables		21,743	(38,392)
(Increase)/decrease in insurance provisions		(117,609)	(93,803)
Increase)/decrease in reinsurers' share of insurance provision		39,941	(53,778)
Increase in deferred acquisition costs		(9,747)	(4,291)
Decrease in insurance, other payables, and deferred income		(79,424)	52,063
<i>Cash flow from operating activities</i>		<i>(116,633)</i>	<i>(80,053)</i>
Interest received		68,022	85,170
Income tax paid		(1,833)	(3,394)
Net cash used in operating activities		(46,778)	1,723
Cash flows from investing activities			
Proceeds from sale of investment property		-	12,211
Proceeds from sales of tangible assets		3	-
Investments in intangible assets		(1,746)	(1,875)
Investments in equipment	4	(1,207)	(1,262)
Net cash from investing activities		(2,950)	9,074
Cash flows from financing activities			
Lease payments		(4,307)	(4,383)
Net cash inflow from financing activities		(4,307)	(4,383)
Net increase in cash and cash equivalents		(54,035)	6,414
Cash and cash equivalents at beginning of year		93,547	87,133
Cash and cash equivalents at end of year		39,512	93,547

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 2021

(All amounts are expressed in thousands of HRK)

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.

On 23rd 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.

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

Management Board on 31th December 2021

Sabine Usaty – President of the Management Board

Tatjana Račić Žlibar – Member of the Management Board

Luka Matošić – Member of the Management Board

Management Board on 31th March 2021

Sabine Usaty – President of the Management Board

Luka Matošić – Member of the Management Board

Notes to the financial statements
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

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.

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 of 31 December 2021 was EUR 1 = HRK 7,517174 (2020: EUR 1 = HRK 7.536898).

New and amended standards adopted by the Company

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

- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021)

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 2021 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 2023. 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. In 2021, the standard was adopted at European Union level by Commission Regulation (EU) 2021/2036 of 19 November 2021 and published in the Official Journal of the European Union.)

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, especially in the part of preparation of accounting and reporting systems, financial and actuarial reporting, and preparation of the transition period.

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.

- Amendment IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments explain the differences between accounting policies and accounting estimates to allow for the continued consistent application of accounting standards and the comparability of financial statements. These changes will apply from 1 January 2023.
- Amendment to IAS 1 Classification of Liabilities as Current or Long-Term (published on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment prohibit a deduction from the cost of property, plant, and equipment of any proceeds from the sale of items produced while bringing those assets to the location and condition necessary to use them in a manner determined by management. Instead, the entity recognizes sales revenue and the cost of producing those items in the income statement.

Certain new accounting standards and interpretations have been issued that are not mandatory for the Reporting Periods of 31 December 2021 and have not been previously 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 2021

(All amounts are expressed in thousands of HRK)

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.

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 temporise method, adjusted, if appropriate, for specific risk distributions over the period covered by the contract.

For life insurance business, deferred acquisition costs are considered 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.

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 2021

(All amounts are expressed in thousands of HRK)

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 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.

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, considering the reliability of each individual source.

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

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 based on 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.

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, considering 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 because 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.

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 in investment funds

Investments in opened and closed investments funds are classified as principal instruments in financial assets accessible for trade or by fair value through profit or loss and are carried at fair value. In case there weren't any publication or the nett value of assets per share or per stock wasn't available on the day of evaluation, fair value of acquired share of the investment fund is the cost of share based on previous days of evaluations, which is published for the certain fund by the company that manages the associated fund.

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.

Notes to the financial statements For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

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.

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

3. ACCOUNTING POLICIES (continued)

3.9. Leases (continued)

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

3.11. Staff costs

Pension obligations and post-employment benefits

The Company pays mandatory pension funds contributions based on 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. ACCOUNTING POLICIES (continued)

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.

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.

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 2021

(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	
As of 1 January 2020	17,239	4,435	9,222	1,113	32,009
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
As of 31 December 2020	16,084	3,676	5,751	565	26,076
Cost	24,019	33,462	13,120	1,466	72,067
Accumulated depreciation	(7,934)	(29,786)	(7,369)	(901)	(45,991)
Net book value	16,084	3,676	5,751	565	26,076
	Land and buildings	Equipment and other assets	Right-of-use assets		Total
			Land and buildings	Vehicles	
As of 1 January 2021	16,085	3,676	5,751	565	26,076
New lease agreements	-	-	12,657	519	13,177
Termination of agreements	-	-	(6388)	(667)	(391)
Other movements	-	(9)	-	-	(9)
Write-off and impairment	-	(12)	6023	642	(12)
Depreciation	(441)	(1,792)	(3,604)	(447)	(6,283)
Additions	-	1,207	-	-	1,207
As of 31 December 2021	15,644	3,070	14,439	612	33,764
Cost	24,019	32,656	19,389	1,318	77,381
Accumulated depreciation	(8,375)	(29,586)	(4,950)	(706)	(43,617)
Net book value	15,643	3,070	14,439	612	33,764

The item land and buildings include land that is not depreciated, with the total value of HRK 279 thousand as of 31 December 2021 (2020: HRK 279 thousand).

As of 31 December 2021 and 2020, 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
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(All amounts are expressed in thousands of HRK)

5. INVESTMENT PROPERTY

	2021	2020
On 1 January	43,583	53,458
Disposals	-	(9,779)
Change in fair value (Note 15)	710	(96)
On 31 December	44,293	43,583

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 because 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 3,004 thousand (2020: HRK 2,719 thousand). Property management expenses are included in investment costs, and amount to HRK 630 thousand (2020: HRK 650 thousand) (Note 15). Expenses (including repairs and maintenance, security, etc.) arising from investment property that generated income during the period amount to HRK 571 thousand (2020: HRK 513 thousand), and expenses arising from investment property that did not generate income amount to HRK 59 thousand (2020: HRK 143 thousand).

As of 31 December 2021, 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.

	2021	2020
At 1 January	98,836	94,545
Increase (Note 17)	85,118	75,090
Decrease (Note 17)	(75,371)	(70,799)
As at 31 December	108,583	98,836

Notes to the financial statements
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7. FINANCIAL INVESTMENTS

2021	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
Debt securities – fixed interest rate, listed					
Government bonds	255,308	1,240,581	-	-	1,495,889
Corporate bonds	-	289,102	-	-	289,102
Accrued interest	6,865	19,531	-	-	26,396
Total debt securities	262,173	1,549,214	-	-	1,811,387
Debt securities - unlisted					
Corporate bonds	-	41,297	-	-	41,297
Total debt securities - unlisted	-	41,297	-	-	41,297
Investment funds					
Mixed funds	-	-	6,362	-	6,362
Bond funds	-	161,669	6,184	-	167,853
Equity funds	-	44,494	123,351	-	167,845
Alternative funds	-	239,565	1,724	-	241,289
Total investment funds	-	445,728	137,621	-	583,349
Other					
Structured products	-	15,430	84,455	-	99,885
Other	-	15,430	84,455	-	99,885
Deposits					
Bank deposits	-	-	-	40,000	40,000
Accrued interest	-	-	-	576	576
Total deposits	-	-	-	40,576	40,576
Loans					
Loans based on life insurance policy repurchase value	-	-	-	6,761	6,761
Mortgage loans	-	-	-	136	136
Other loans	-	-	-	1,501	1,501
Accrued interest	-	-	-	35	35
Total loans	-	-	-	8,433	8,433
Total	262,173	2,051,669	222,076	49,009	2,584,927

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For the year ended 31 December 2021
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7. FINANCIAL INVESTMENTS (continued)

2020	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
Debt securities – fixed interest rate, listed					
Government bonds	256,979	1,438,464	-	-	1,695,443
Corporate bonds	-	298,790	-	-	298,790
Accrued interest	6,883	24,280	-	-	31,163
Total debt securities	263,862	1,761,534	-	-	2,025,396
Debt securities - unlisted					
Corporate bonds	-	-	-	-	-
Total debt securities - unlisted	-	-	-	-	-
Investment funds					
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
Total investment funds	-	364,828	103,043	-	467,871
Other					
Structured products	-	2,632	67,036	-	69,668
Other	-	2,632	67,036	-	69,668
Deposits					
Bank deposits	-	-	-	60,000	60,000
Accrued interest	-	-	-	384	384
Total deposits	-	-	-	60,384	60,384
Loans					
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
Total loans	-	-	-	10,399	10,399
Total	263,862	2,128,994	170,079	70,783	2,633,718

Notes to the financial statements
For the year ended 31 December 2021

(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

	2021	2020
Loans based on life insurance policy repurchase value		
- Gross	6,761	8,525
- Impairment provisions	-	(69)
Total loans based on life insurance policy repurchase value	6,761	8,456
Loans secured by mortgage or bank guarantee		
- Gross	3,012	6,466
- Impairment provisions	(2,876)	(6,028)
Total loans secured by mortgage or bank guarantee	136	438
Other loans		
- Gross	1,683	1,741
- Impairment provisions	(183)	(279)
Total other loans	1,501	1,461
Accrued interest	35	44
Total	8,433	10,399

Movements in loans impairment

	Loans based on life policy surrender values	Loans secured by mortgage or bank guarantee	Other loans	Total
At 1 January 2020	(69)	(6,091)	(279)	(6,439)
Collection of impaired loans	-	1	-	1
Write-off	-	62	-	62
At 31 December 2020	(69)	(6,028)	(279)	(6,376)
At 1 January 2021	(69)	(6,028)	(279)	(6,376)
Collection of impaired loans	-	-	-	-
Write-off	69	3,151	97	3,317
At 31 December 2021	0	(2,876)	(183)	(3,059)

In 2021, the Company made a final write-off of loans principal in the amount of HRK 3,317 thousand (2020: HRK 62 thousand) and HRK 63 thousand interest.

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8. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	2021	2020
Non-life insurance		
Reinsurers' share in unearned premium	72,374	67,916
Reinsurers' share in provisions for RBNS claims	87,389	116,532
Reinsurers' share in provisions for IBNR claims	75,788	87,933
Reinsurers' share in provision for bonuses and discounts	263	239
	235,814	272,620
Life insurance		
Reinsurers' share in unearned premium	148	173
Reinsurers' share in provisions for RBNS claims	157	180
Reinsurers' share in life insurance mathematical provision	92,373	95,459
	92,678	95,812
	328,492	368,433

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

	2021	2020
Receivables from policyholders, gross	113,721	116,617
- from impairment	(22,255)	(24,440)
Receivables from policyholders, net	91,466	92,177
Receivables from reinsurance		
- from claims recoveries	45,416	95,608
- from reinsurance commission	20,634	43,583
Receivables from reinsurance for share in profit	510	1,067
Receivables from reinsurance for participation in impairment and guarantee fund provision	5,698	6,040
Credit card receivables	10,528	11,198
Receivables for service claims	8,475	6,375
Other receivables	5,581	11,369
- from impairment	(3,314)	(4,549)
Prepaid expenses	3,696	4,187
	188,690	267,055

Notes to the financial statements
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

9. INSURANCE CONTRACT AND OTHER RECEIVABLES (continued)

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

	<u>Premium</u>	<u>Other</u>	<u>Total</u>
At 1 January 2020	(23,251)	(5,595)	(28,846)
Decrease in impairment provisions	(1,190)	1,046	(144)
At 31 December 2020	(24,441)	(4,549)	(28,990)
 At 1 January 2021	 (24,441)	 (4,549)	 (28,990)
Decrease in impairment provisions	2,186	1,235	3,421
At 31 December 2021	(22,255)	(3,314)	(25,569)

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

	2021	2020
Neither past due nor impaired	65,446	68,536
Past due but not impaired	26,020	23,641
Impaired	22,255	24,440
Impairment provision	(22,255)	(24,440)
	91,466	92,177

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

	2021	2020
Less than 30 days	17,859	14,289
30 to 180 days	8,161	9,352
	26,020	23,641

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:

	2021	2020
Deferred tax (liabilities) / assets		
Available-for-sale financial assets	(21,932)	(33,932)
Effect of temporarily non-deductible expenses	952	2,917
	(20,980)	(31,015)

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)
At 1 January 2020	(33,120)	1,340	(31,780)
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
At 31 December 2020	(33,932)	2,917	(31,015)
Increase in deferred tax liability recognised in other comprehensive income	11,999		11,999
Increase in deferred tax assets recognised in profit or loss		(185)	(185)
Effects of deferred tax assets	-	(1,779)	(1,779)
At 31 December 2021	(21,932)	952	(20,980)

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(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACT PROVISIONS

	2021	2020
Non-life insurance (gross)		
Provision for unearned premiums	368,008	342,659
Provision for reported but not settled claims (RBNS)	177,039	215,077
Provision for incurred but not reported claims (IBNR)	214,905	228,584
Provision for bonuses and discounts	2,861	3,726
	762,813	790,046
Life insurance (gross)		
Provision for unearned premiums	2,276	2,567
Mathematical life insurance provision	1,358,680	1,503,087
Provision for reported but not settled claims (RBNS)	81,190	75,155
Provision for incurred but not reported claims (IBNR)	3,295	3,368
Provisions for unit-linked products	208,495	160,136
	1,653,936	1,744,313
	2,416,749	2,534,358

(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.

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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
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(b) Analysis of movement in provision for unearned premium

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
<i>Non-life insurance</i>						
At 1 January	342,659	(67,916)	274,743	335,227	(65,919)	269,308
Premiums written during the year	431,221	(155,393)	275,828	396,131	(146,955)	249,176
Movement in provision for unearned premiums	(405,872)	150,936	(254,936)	(388,698)	144,958	(243,741)
At 31 December	368,008	(72,373)	295,635	342,659	(67,916)	274,743
<i>Life insurance</i>						
At 1 January	2,567	(173)	2,393	2,753	(199)	2,554
Premiums written during the year	2,645	(460)	2,186	2,568	(585)	1,982
Movement in provision for unearned premiums	(2,936)	485	(2,452)	(2,754)	611	(2,143)
At 31 December	2,276	(148)	2,127	2,567	(173)	2,393

Notes to the financial statements
For the year ended 31 December 2021

(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

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
<i>Non-life insurance</i>						
At 1 January	215,076	(116,532)	98,544	181,912	(88,522)	93,390
Claims reported in current Year	197,332	(73,210)	124,121	245,406	(113,124)	132,282
Change in estimate for previous year claims	(26,632)	18,476	(8,156)	5,441	(4,115)	1,326
Claims paid	(208,737)	83,878	(124,860)	(217,683)	89,229	(128,454)
At 31 December	177,039	(87,389)	89,650	215,076	(116,532)	98,544
<i>Life insurance</i>						
At 1 January	75,155	(180)	74,975	50,556	(166)	50,390
Claims incurred in the current year	276,797	(9,145)	267,652	362,005	(8,255)	353,750
Change in claims from the previous year	2,665	(212)	2,453	3,049	(61)	2,987
Claims paid	(273,428)	9,380	(264,048)	(340,455)	8,303	(332,152)
At 31 December	81,190	(157)	81,032	75,155	(180)	74,975

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

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
<i>Non-life insurance</i>						
At 1 January	228,584	(87,933)	140,651	202,660	(63,365)	139,295
Increases recognised during the year	16,630	(1,314)	15,316	72,995	(48,123)	24,872
Less: transfer to claims reported provision	(30,309)	13,458	(16,851)	(47,072)	23,556	(23,516)
At 31 December	214,905	(75,788)	139,117	228,584	(87,933)	140,651
<i>Life insurance</i>						
At 1 January	3,368	-	3,368	6,785	(4)	6,781
Increases recognised during the year	(53)	-	(53)	(3,055)	4	(3,051)
Less: transfer to claims reported provision	(20)	-	(20)	(362)	-	(362)
At 31 December	3,295	-	3,295	3,368	-	3,368

Notes to the financial statements
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(e) Mathematical life insurance provision

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
At 1 January	1,503,087	(95,459)	1,407,628	1,708,966	(96,326)	1,612,640
Premium allocation	114,797	(6,236)	108,561	106,165	(7,363)	98,802
Release of liabilities due to benefits paid, repurchase and other terminations	(269,549)	9,321	(260,228)	(336,856)	8,257	(328,599)
Allocation of discretionary bonus	4,849	-	4,849	2,096	-	2,096
Change in IBNR and RBNS	5,787	26	5,813	22,902	(1)	22,901
Change in provision for unearned premiums	(291)	(25)	(316)	(186)	(24)	(212)
At 31 December	1,358,680	(92,373)	1,266,307	1,503,087	(95,459)	1,407,628

(f) Provisions for unit-linked products

	2021 Gross and net	2020 Gross and net
At 1 January	160,136	137,877
Allocation of technical premium	31,898	29,439
Unrealised gains/(losses) of funds from allocated policyholders' investments	16,462	(7,180)
At 31 December	208,495	160,136

Notes to the financial statements
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(g) Development of claims provision

For the year ended 31 December 2021

	Prior to 2016	2016	2017	2018	2019	2020	2021	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	481,709	481,709
One year later	987,835	447,255	556,987	628,335	586,174	459,923	-	459,923
Two years later	936,870	445,175	553,824	629,137	489,723	-	-	489,723
Three years later	940,167	439,846	558,859	578,657	-	-	-	578,657
Four years later	955,920	437,976	646,840	-	-	-	-	646,840
Five years later	890,612	566,819	-	-	-	-	-	566,819
Six years later	1,606,893	-	-	-	-	-	-	1,606,893
Total estimate of provisions	1,010,431	445,948	544,210	613,073	557,078	530,033	481,709	4,182,483
Cumulative payments	(1,462,335)	(540,380)	(615,536)	(547,585)	(450,748)	(390,609)	(373,768)	(4,380,962)
Claims handling costs	5,063	774	1,014	1,178	1,881	5,090	11,827	26,827
Claims provision as at 31 December 2021	149,621	27,212	32,317	32,250	40,856	74,403	119,768	476,428

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	474,694
One year later	987,835	447,255	556,987	628,335	586,174	506,057	-	506,057
Two years later	936,870	445,175	553,824	629,137	579,688	-	-	579,688
Three years later	940,167	439,846	558,859	647,080	-	-	-	647,080
Four years later	955,920	437,976	566,311	-	-	-	-	566,311
Five years later	890,612	448,957	-	-	-	-	-	448,957
Six years later	1,179,593	-	-	-	-	-	-	1,179,593
Total estimate of provisions	1,179,593	448,957	566,311	647,080	579,688	506,057	474,694	4,402,380
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
Claims provision as at 31 December 2020	163,173	22,741	28,338	36,252	39,313	72,315	160,051	522,183

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For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

	2021	2020
Assets backing mathematical provision		
Government bonds	977,291	1,246,084
Corporate bonds	278,545	246,962
Investment funds	393,915	314,406
Cash and deposits	6,118	31,517
Mortgages and borrowings	6,754	8,495
Property	38,036	38,502
Total assets used for backing life insurance mathematical provision	1,700,659	1,885,966
Life insurance mathematical provision, net of reinsurance	1,266,307	1,407,628
Claims provision for risks for which it is necessary to create mathematical provision, net of reinsurance	81,991	76,149
Required coverage of life insurance mathematical provision	1,348,298	1,483,777
Excess coverage	352,361	402,189

As at 31 December 2021 and 2020, 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2021					
Assets backing mathematical provision	696,219	432,000	339,287	233,153	1,700,659
Life insurance mathematical provision, net of reinsurance	(135,614)	(419,222)	(298,597)	(412,875)	(1,266,307)
Claims provision, net of reinsurance	(77,117)	(4,676)	(198)	-	(81,991)
Maturity gap	483,488	8,102	40,492	(179,722)	352,361
2020					
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)
Maturity gap	87,640	394,162	6,311	(85,924)	402,189

Notes to the financial statements
For the year ended 31 December 2021

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

As at 31 December 2021, the structure of assets to cover the mathematical provision of the Company is as follows: 81,82% is classified as assets available for sale (2020: 82,05%), and 0,27% as financial assets at fair value through profit or loss (2020: 0,25%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 14,91% as assets held to maturity (2020: 13,54%), 0,40% as loans and prepayments (2020: 0,52%), 2,24% as property (2020: 2,04%) and 0,36% as funds on a business account (2020: 1,67%).

In 2021, the Company realised an average return by investing 4,18% of the mathematical provision assets (2020: 5.07%).

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

	Euro	Kuna	Total
2021			
Assets supporting mathematical provision	1,649,389	51,270	1,700,659
2020			
Assets supporting mathematical provision	1,761,946	124,020	1,885,966

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

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

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

	2021	2020
Assets used for backing technical provision other than mathematical provision		
Government bonds	413,413	343,363
Corporate bonds	54,298	54,279
Investment funds	56,347	55,083
Cash and deposits	60,641	102,785
Mortgages and borrowings	136	196
Receivables from insurance operations	88,553	88,659
Total assets used for backing technical provision other than mathematical provision	673,388	644,365
Provision for unearned premiums, net of reinsurance	297,762	277,137
Claims provision, net of reinsurance	231,103	241,390
Other provisions	2,599	3,486
Required coverage of technical provision other than mathematical provision	531,464	522,013
Excess coverage	141,924	122,352

As at 31 December 2021 and 2020, 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 decided 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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(All amounts are expressed in thousands of HRK)

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
2021					
Assets used for backing technical provisions	171,510	193,908	307,834	136	673,388
Provision for unearned premiums, net of reinsurance	(140,595)	(75,815)	(78,811)	(2,542)	(297,762)
Claims provision and other provisions, net of reinsurance	(61,621)	(71,918)	(47,544)	(52,619)	(233,702)
Maturity gap	(30,706)	46,175	181,479	(55,025)	141,924
2020					
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)
Maturity gap	5,448	32,502	142,836	(58,434)	122,352

As at 31 December 2021, the structure of assets to cover the technical provision of the Company is as follows: 77,33% is classified as assets available for sale (2020: 69,73%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 0,50% as assets held to maturity (2020: 0,53%), 0,03% as loans and prepayments (2020: 09,37%), and 2,98% as funds on a business account (2020: 6,58%) and receivables from direct insurance operations 13,15% (2020: 13,76%).

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
2021				
Assets used for supporting technical provisions	71,824	-	601,564	673,388
Provision for unearned premiums, net of reinsurance	(39,185)	(26)	(258,551)	(297,762)
Claims provision and other provisions, net of reinsurance	(16,929)	-	(216,772)	(233,701)
	15,710	(26)	126,240	141,924
2020				
Assets used for supporting 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)
	13,955	(22)	108,419	122,352

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.

	2021	2020
1 - 5 years	2,71%	3,03%
5 - 10 years	2,18%	2,23%
More than 10 years	2,18%	2,23%

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:

	2021	2020
LAT provision	1,500,036	1,596,628
Sensitivity test for changes in assumptions:		
Decrease of interest rates by 1%	1,600,933	1,702,482
Decrease of cancellation rate by 50%	1,659,068	1,609,178
Increase in expenses by 10%	1,688,349	1,648,203

11. INSURANCE CONTRACTS PROVISIONS (continued)

(i) 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 2021 was performed by applying different rates than those that were used in the calculation of LAT provisions at 31 December 2020. 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 2021 compared to those applied in 2020. In addition to reducing costs in 2021, the Company has also changed the allocating keys for admin cost between life and non-life insurance business. Also, allocating keys costs by lines of business has been updated so that assumptions about future costs more accurately represent the actual costs incurred on supplementary insurance. All these updates affected the change in the assumption of future costs used in the calculation of the LAT reserve, and the total impact of this change is a reduction in the LAT reserve of approximately HRK 9 million.

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 65% 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 vehicle, 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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(all amounts are expressed in thousands of HRK)

12. INSURANCE LIABILITIES AND OTHER PAYABLES

	2021	2020
Indirect insurance contract payables	240	143
Reinsurance contract payables	78,972	146,937
Deposits retained from business ceded to reinsurance //	92,521	95,632
Other liabilities	37,345	34,330
	<u>209,078</u>	<u>277,042</u>
Lease liabilities /ii/	15,163	6,455
Accrued expenses	65,949	68,146
Provisions for liabilities and charges	7,071	4,947
Provisions for legal claims /iii/	9,508	10,749
	<u>306,769</u>	<u>367,339</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.

// 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 (2020: 3% p.a.).

/ii/ Lease liabilities

	31 12 2021	31 12 2020
Mature within one year	3,228	2,851
Mature after one year	11,935	3,604
	<u>15,163</u>	<u>6,455</u>

During 2021, interest expense on leases in the amount of HRK 185 thousand was recognised in the statement of comprehensive income.

/iii/ As at 31 December 2021, provisions for litigation amount to HRK 9,508 thousand (2020: HRK 10,749 thousand). Based on the estimate made by Management and legal counsel, provisions were made in the total amount of 945 thousand for legal claims whose outcome is assessed as unfavourable for the Company. During the year, part of the provision in the amount of HRK 1,040 thousand was reverse and HRK 1,146 thousand was paid for litigation. 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 2021.

Movement in provision for legal claims

	2021	2020
Opening balance as at 1 January	10,749	14,492
Increase in provision	945	1,380
Decrease in provision	(2,186)	(5,123)
Closing balance as at 31 December	9,508	10,749

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13. CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2021, the Company's share capital amounted to HRK 62,700 thousand (2020: HRK 62,700 thousand). It is divided into 76 ordinary shares with a nominal value of HRK 825 thousand per share (2020: 76 ordinary shares with a nominal value of HRK 825 thousand per share).

The sole shareholder of the Company until 22nd December 2021 is UNIQA International AG. On 23rd 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. During 2021, there were no changes.

(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:

	2021	2020
Gross fair value reserve	188,509	183,999
Deferred tax	(33,932)	(33,120)
At 1 January	154,577	150,879
Changes in fair value	(53,456)	13,168
Deferred tax on changes in fair value	9,622	(2,370)
Net realised gains from available-for-sale financial assets (Note 15)	(13,209)	(8,658)
Deferred tax on net realised gains from available-for-sale financial assets	2,378	1,558
At 31 December	99,912	154,577
Gross fair value reserve	121,844	188,509
Deferred tax (Note 10)	(21,932)	(33,932)
At 31 December	99,912	154,577

(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 (8 million i.e. EUR 4 million for performing non-life insurance activities and HRK 4 million for performing life insurance activities in kuna equivalent, according to the middle exchange rate of the Croatian National Bank applied on the last day of October of the previous year). As at 31 December 2021, own funds to cover the minimum required capital amounted to HRK 611.51 million, which is significantly above the minimum required capital of HRK 105.91 million.

As at 31 December 2021 and 2020, 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 2021 was 178% (2020: 162%), while the minimum required capital quota amounts to 577% (2020: 527%). The relevant information related to 2021 was published on the Company's web site as part of the Report on Solvency and Financial Position for 2021 on 07th April 2022.

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

	2021	2020
<i>Non-life insurance</i>		
Gross insurance premiums	431,221	396,131
Insurance premiums ceded to reinsurance, net of reinsurers' share in impairment	(154,978)	(147,382)
Change in gross provisions for unearned premiums	(25,348)	(7,432)
Change in provision for unearned premiums, reinsurers' share	4,457	1,997
Total premiums earned from non-life insurance, net of reinsurance	255,352	243,314
<i>Life insurance</i>		
Gross insurance premiums	171,279	176,552
Premiums ceded to reinsurance	(5,221)	(6,107)
Change in gross provisions for unearned premiums	291	186
Change in provision for unearned premiums, reinsurers' share	(25)	(25)
Total premiums earned from life insurance, net of reinsurance	166,324	170,606
Net earned premium	421,676	413,920
<i>Total life and non-life insurance</i>		
Gross insurance premiums	602,500	572,683
Premiums ceded to reinsurance	(160,199)	(153,489)
Change in gross provisions for unearned premiums	(25,057)	(7,246)
Change in provision for unearned premiums, reinsurers' share	4,432	1,972
Net earned premiums	421,676	413,920

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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 2021</i>	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisition and administration costs	Reinsurance balance
<i>Non-life insurance</i>					
Motor (third party liability)	76,761	76,162	(41,447)	(11,784)	885
Motor (other classes)	64,800	63,318	(43,076)	(20,343)	4,280
Property	86,181	81,498	(16,888)	(37,195)	27,228
Private insurance	94,138	92,308	(45,651)	(42,533)	3,615
Other	109,340	92,587	(11,864)	48,938	24,288
Total non-life insurance	431,221	405,873	(158,926)	(62,917)	60,297
<i>Life insurance</i>					
Individual premiums	171,279	171,570	(183,343)	(61,571)	(1,239)
Premiums settled in instalments	154,335	154,689	(150,288)	(55,480)	(1,117)
Single instalment premiums	16,944	16,881	(33,055)	(6,091)	(123)
Total life insurance	171,279	171,570	(183,343)	(61,571)	(1,239)
Total	602,500	577,442	(342,268)	(124,488)	59,057
<i>For the year 2020</i>					
<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)	(41,738)	9,393
Total non-life insurance	396,131	388,698	(279,946)	(153,214)	(42,136)
<i>Life insurance</i>					
Individual premiums	176,55	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)
Total life insurance	176,552	176,739	(178,016)	(64,126)	(481)
Total	572,683	565,437	(457,963)	(217,340)	(42,616)

Notes to the financial statements
For the year ended 31 December 2021

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15. NET INVESTMENT INCOME

	2021	2020
Investment income		
<i>Interest income:</i>	11,627	15,907
- Held-to-maturity investments	45,110	51,527
- Available-for-sale financial assets	903	1,149
- Loans and receivables		
<i>Net realised gains:</i>	470	-
- Financial assets at fair value through profit or loss	13,209	8,658
- Available-for-sale financial assets	-	2,432
- Sale of property		
<i>Net unrealised gains:</i>	22,452	6,274
- Change in fair value of financial assets through profit or loss	710	-
- Change in fair value of available-for-sale financial assets		
Income from collection of impaired loans and receivables	-	1
Income from reversal of property impairment	2,251	-
Dividend income	3,368	407
Net foreign exchange gains	2,405	13,344
Rental income	3,004	2,719
Income from reversal of impairment of available-for-sale financial assets	975	-
	106,484	102,418
Investment expenses		
<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)
Impairment of bonds	-	(1,475)
Custodian expenses	(915)	(842)
Investment property expense	(630)	(655)
Other	(4,098)	(3,309)
	(5,643)	(6,539)
Net investment income	100,841	95,879

	2021 Non-life insurance	2021 Life insurance	2021 Total	2020 Non-life insurance	2020 Life insurance	2020 Total
Investment income						
Income from invested capital	760	4,059	4,819	2,238	1,242	3,480
Income from invested mathematical provision	-	64,031	64,031	-	86,126	86,126
Income from invested special provision for unit-linked products	-	28,385	28,385	-	2,160	2,160
Income from invested other technical provisions	9,076	173	9,249	10,067	585	10,652
Total investment income	9,836	96,648	106,484	12,305	90,113	102,418
Investment expenses						
Costs from invested capital	(20)	(497)	(517)	(69)	(632)	(701)
Costs from invested mathematical provision	-	(4,242)	(4,242)	-	(4,756)	(4,756)
Costs from invested special provision for unit-linked products	-	(14)	(14)	-	-	-
Costs from invested other technical provisions	(870)	-	(870)	(1,082)	-	(1,082)
Total investment expenses	(890)	(4,753)	(5,643)	(1,151)	(5,388)	(6,539)
Net investment income	8,946	91,895	100,841	11,154	84,725	95,879

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16. CLAIMS INCURRED, NET

	2021	2020
<i>Non-life insurance</i>		
Settled claims		
Gross amount	(208,737)	(217,683)
Reinsurers' share	83,878	89,229
Change in provisions for reported but not settled claims		
Gross amount	38,038	(33,164)
Reinsurers' share	(29,143)	28,010
Change in provisions for incurred but not reported claims		
Gross amount	13,679	(25,924)
Reinsurers' share	(12,144)	24,567
Changes in provision for bonuses and discounts		
Gross amount	(1,905)	(3,176)
Reinsurers' share	23	86
Total non-life insurance claims	(158,926)	(279,946)
Total reinsurers' share in total non-life insurance claims	42,614	141,892
Total non-life insurance claims, net of reinsurance	(116,312)	(138,054)
<i>Life insurance</i>		
Settled claims		
Gross amount	(273,428)	(340,455)
Reinsurers' share	9,380	8,303
Change in life insurance mathematical provision		
Gross amount	144,407	205,878
Reinsurers' share	(3,086)	(867)
Change in provisions for reported but not settled claims		
Gross amount	(6,035)	(24,599)
Reinsurers' share	(23)	14
Change in provisions for incurred but not reported claims		
Gross amount	73	3,417
Reinsurers' share	-	(4)
Change in provision for unit-linked products	(48,360)	(22,258)
Total life insurance claims	(183,343)	(178,016)
Total reinsurers' share in life insurance claims	6,271	7,445
Total life insurance claims, net of reinsurance	(177,072)	(170,571)
Total claims incurred	(342,268)	(457,963)
Total reinsurers' share in life insurance claims	48,885	149,337
Total life insurance claims, net of reinsurance	(293,384)	(308,626)

As at 31 December 2021, the Company was involved in 513 (2020: 574) court cases for which HRK 98,768 thousand (2020: HRK 93,601 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.

2021	Claims ratio	Cost ratio	Combined ratio
Accident insurance	17,95%	55,43%	73,38%
Health insurance	67,67%	40,96%	108,63%
Insurance of motor vehicles	68,03%	32,31%	100,34%
Vessel insurance	47,00%	45,94%	92,94%
Insurance of goods in transit	-265,75%	25,63%	-240,12%
Insurance against fire and natural disasters	5,64%	42,70%	48,34%
Other property insurance	39,51%	45,38%	84,88%
Motor third-party liability insurance	54,42%	31,57%	85,99%
Vessel third-party liability insurance	23,11%	43,46%	66,56%
Other third-party liability insurance	-12,88%	39,02%	26,14%
Loan insurance	6,42%	74,68%	81,10%
Warranty insurance	39,47%	39,62%	79,09%
Financial loss insurance	53,47%	37,62%	91,09%
Insurance of legal protection costs	-12,07%	46,91%	34,84%
Travel insurance	41,43%	39,06%	80,49%
Total non-life insurance	38,69%	42,34%	81,02%
2020			
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%
Total non-life insurance	71,20%	38,16%	109,36%

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

	2021	2020
<i>Non-life insurance</i>		
Commission expenses	90,440	79,426
Other acquisition costs	27,068	24,362
Change in deferred acquisition costs	(9,747)	(4,291)
Total acquisition costs, non-life	107,761	99,497
<i>Life insurance</i>		
Commission expenses	18,544	17,803
Other acquisition costs	6,644	9,407
Total acquisition costs, life	25,188	27,210
Total	132,949	126,707

Internal sales staff commissions in amount of HRK 23,2 million (2020: HRK 21,2 million) are included within acquisition costs.

The following table presents acquisition costs by type of insurance:

	2021	2020
<i>Non-life insurance</i>		
Accident insurance	13,217	13,753
Health insurance	13,305	14,721
Insurance of motor vehicles	13,178	10,857
Vessel insurance	4,574	4,055
Insurance of goods in transit	136	126
Insurance against fire and natural disasters	12,113	10,974
Other property insurance	10,719	9,690
Motor third-party liability insurance	13,830	11,427
Vessel third-party liability insurance	892	865
Other third-party liability insurance	6,182	13,648
Loan insurance	16,034	25
Warranty insurance	49	5,755
Financial loss insurance	2,398	2,391
Insurance of legal protection costs	446	426
Travel insurance	688	784
Total non-life	107,761	99,497
<i>Life insurance</i>		
Life insurance	18,283	19,637
Annuity insurance	78	90
Additional insurance with life insurance	2,317	3,458
Marriage and birth insurance	126	136
Life or annuity insurance where the policyholder bears the investment risk	4,384	3,889
Total life insurance	25,188	27,210
Total non-life and life insurance	132,949	126,707

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18. ADMINISTRATION COSTS

	2021	2020
Depreciation and amortisation	7,816	8,027
Staff costs	37,782	34,539
Cost of materials and services	11,005	11,295
Rental costs	6,933	6,335
Marketing and promotion	6,143	4,509
Maintenance costs	4,307	3,196
Audit costs	543	491
Other costs	24,756	17,016
Total	99,285	85,408

As at 31 December 2021, the Company had 538 employees (2020: 557).

During 2021, the Company paid HRK 16,3 million (2020: HRK 16,1 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:

	2021	2020
<i>Non-life insurance</i>		
Accident insurance	5,507	5,065
Health insurance	10,504	4,271
Insurance of motor vehicles	7,165	6,463
Vessel insurance	2,286	2,079
Insurance of goods in transit	191	177
Insurance against fire and natural disasters	7,109	5,981
Other property insurance	5,538	4,705
Motor third-party liability insurance	10,892	9,499
Vessel third-party liability insurance	523	498
Other third-party liability insurance	3,553	3,618
Loan insurance	7,351	4,222
Warranty insurance	76	16
Financial loss insurance	1,317	1,307
Insurance of legal protection costs	223	190
Travel insurance	683	409
Total non-life	62,917	48,500
<i>Life insurance</i>		
Life insurance	25,055	26,122
Annuity insurance	73	92
Additional insurance with life insurance	1,387	1,544
Marriage and birth insurance	202	223
Life or annuity insurance where the policyholder bears the investment risk	9,651	8,927
Total life insurance	36,368	36,908
Total non-life and life insurance	99,285	85,408

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19. INCOME TAX

	2021	2020
Current tax expense		
Current period	(6,281)	(2,391)
Deferred tax (expense)/income		
Recognition of deferred tax asset (Note 10)	(185)	1,577
	(6,466)	(814)

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

	2021	2020
Accounting result before income tax	36,746	25,166
Income tax at 18%	(6,615)	(4,530)
Effect of non-deductible expenses	(2,677)	(1,860)
Effect of non-taxable income	2,826	7,355
Effect of deferred tax assets	-	(1,779)
Income tax	(6,466)	(814)

As at 31 December 2021 and 31 December 2020, 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 22nd December 2020 is UNIQA International AG, On 23rd 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 2021 and 2020 arising from related party transactions were as follows:

2021:	Assets	Liabilities	Income	Expenses
Parent company	7,081	102,956	11,101	19,155
Other related companies within UNIQA Group	57,954	69,001	132,597	200,939
Other related companies within RZB Group	241,275	2,249	94,957	28,963
Key management personnel	-	989	-	14,245
	306,310	175,194	238,655	263,302
2020:				
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
	374,601	241,342	285,056	210,091

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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:

	2021	2020
Premiums ceded to reinsurance:		
Reinsurance premiums payable at beginning of year	141,495	72,206
Premiums ceded to reinsurance during the year	151,830	146,533
Reinsurance premiums paid during the year	(217,821)	(77,244)
Reinsurance premiums payable at end of year	75,504	141,495
Deposits retained from business ceded to reinsurance	92,521	95,632
Reinsurance recoveries:		
At beginning of year	94,736	41,773
Invoiced during the year	88,031	96,286
Received during the year	(138,575)	(43,327)
Outstanding at end of year	44,192	94,736
Reinsurance commission:		
At beginning of year	43,316	22,854
Invoiced during the year	44,667	43,134
Received during the year	(67,580)	(22,672)
Outstanding at end of year	20,403	43,316

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(all amounts are expressed in thousands of HRK)

20. RELATED PARTY TRANSACTIONS (continued)

(b) Other activities

During 2021, the gross insurance premium in respect of insurance policies sold through distribution channels of related parties amounted to HRK 94,9 million (2020: HRK 87,7 million).

Related parties have property, motor, life and private insurance policies with the Company. Gross insurance premium for these policies in 2021 amounted to HRK 3,3 million (2020: HRK 3,9 million).

As at 31 December 2021, the funds on the Company's bank account with related parties amounted to HRK 31,6 million (2020: HRK 30,9 million).

As at 31 December 2021, the Company invested HRK 214,1 million in open-ended investment funds in assets managed by a related party (2020: HRK 209,5 million) and HRK 4,2 million in the structured product (2020: HRK 4,1 million), and HRK 22,7 million in bonds (2020: HRK 22,7 million) and HRK 40,6, million in deposits, (2020: HRK 40,3 million).

(c) Relationship with key management personnel

The gross remuneration paid or payable by the Company to the key management personnel for 2021 amounted to HRK 14,245 thousand including fixed salary (2020: HRK 14,972 thousand including fixed salary and bonuses for 2020,).

In 2021, the Company paid pension contributions for key management personnel in the amount of HRK 1,910 thousand (2020: HRK 2,068 thousand) into obligatory defined contribution pension funds.

In 2021, the Company did not pay a variable bonus for 2020.

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 contract., 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.

	Gross claims incurred	Reinsurance balance	Net claims incurred
<i>For the year 2021</i>			
<i>Non-life insurance</i>			
Motor (third party liability)	(41,447)	22,751	(18,695)
Motor (other classes)	(43,076)	20,662	(22,414)
Property	(16,888)	(793)	(17,681)
Private insurance	(45,651)	2,457	(43,193)
Other	(11,864)	(2,464)	(14,328)
Total non-life insurance	(158,926)	42,614	(116,312)
<i>Life insurance</i>			
Individual premiums	(183,343)	6,271	(177,072)
Premiums settled in instalments	(150,288)	5,140	(145,147)
Single instalment premiums	(33,055)	1,131	(31,925)
Total life insurance	(183,343)	6,271	(177,072)
Total	(342,268)	48,885	(293,384)
<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)	11,509	(17,102)
Total non-life insurance	(279,946)	141,892	(138,054)
<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)
Total life insurance	(178,016)	7,445	(170,571)
Total	(457,963)	149,337	(308,626)

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(all amounts are expressed in thousands of HRK)

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:

	2021	2021	2020	2020
	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	800,000	7,500	216,000	2,000
Flood	800,000	7,500	216,000	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:

Insurance product	Amounts at risk			
	2021	%	2020	%
Life insurance – traditional products	2,134,547	91,87%	2,419,638	93,93%
Unit-linked life insurance products	188,858	8,13%	156,380	6,07%
At 31 December	2,323,405	100,00%	2,576,018	100,00%

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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.

Insured amount per policy as at 31 December 2021	Total insured amount prior to reinsurance	
in HRK		%
< 40,000	476,779	10,6
40,001-60,000	317,492	7,1
60,001-80,000	506,232	11,3
80,001-100,000	458,222	10,2
100,001-125,000	621,550	13,8
125,001-150,000	321,591	7,2
150,001-250,000	1,282,788	28,6
250,001-500,000	400,185	8,9
> 500,001	104,482	2,3
At 31 December 2021	4,489,321	100,0

Insured amount per policy as at 31 December 2020	Total insured amount prior to reinsurance	
in HRK		%
< 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
At 31 December 2020	5,242,280	100,0

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 2021

(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% (2020: 1%), with other variables held constant, would result in higher/lower profit for the period of HRK 15,077 thousand (2020: HRK 15,659 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 2021 and 31 December 2020 are denominated in the following currencies:

2021	EUR	HRK	Other foreign currencies	Total
Financial assets				
<i>Held-to-maturity investments</i>				
- Debt securities	262,173	-	-	262,173
<i>Available-for-sale financial assets</i>				
- Debt securities	1,111,399	479,112	-	1,590,511
- Bond funds	161,669	-	-	161,669
- Equity funds	44,494	-	-	44,494
- Alternative funds	239,565	-	-	239,565
- Structured product	1,528	-	13,902	15,430
<i>Financial assets at fair value through profit or loss</i>				
- Mixed funds	6,362	-	-	6,362
- Bond funds	6,184	-	-	6,184
- Equity funds	123,351	-	-	123,351
- Alternative funds	1,724	-	-	1,724
- Structured product	-	4,214	80,241	84,455
<i>Loans and receivables</i>				
- Bank deposits	-	40,576	-	40,576
- Loans	7,794	639	-	8,433
Other receivables	17,235	167,759	-	184,994
Cash and cash equivalents	9,465	29,412	636	39,512
Total financial assets	1,992,942	721,712	94,779	2,809,433
Financial liabilities				
Insurance and other liabilities	105,866	103,212	-	209,078
Lease liabilities	2,425	12,739	-	15,164
Total financial liabilities	108,291	115,951	-	224,242
Currency gap between financial assets and liabilities	1,884,651	605,761	94,779	2,585,190

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(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Currency risk (continued)

2020	EUR	HRK	Other foreign currencies	Total
Financial assets				
<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
Total financial assets	2,069,103	856,548	64,482	2,990,133
Financial liabilities				
Insurance and other liabilities	107,985	168,519	538	277,042
Total financial liabilities	3,714	2,741	-	6,455
Currency gap between financial assets and liabilities	111,699	171,260	538	283,497
Financial assets	1,957,404	685,288	63,944	2,706,637

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%, 2,25%, 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 (1,95% in 2020, 1,85% in 2021) 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 2021 and 2020, 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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22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

2021,	Effective interest rate	Up to 6 months	6-12 months	1-5 years	More than 6 years	Non- interest bearing	Total
Financial assets							
<i>Held-to-maturity investments</i>							
- Debt securities	4,53%	-	83,747	90,880	87,546	-	262,173
<i>Available-for-sale financial assets</i>							
- Debt securities	2,67%	-	185,441	555,890	849,180	-	1,590,511
- Bond funds		-	-	-	-	161,669	161,669
- Equity funds		-	-	-	-	44,494	44,494
- Alternative funds		-	-	-	-	239,565	239,565
- Structured product		-	-	2,547	12,883	-	15,430
<i>Financial assets at fair value through profit or loss</i>							
- Mixed funds		-	-	-	-	6,362	6,362
- Bond funds		-	-	-	-	6,184	6,184
- Equity funds		-	-	-	-	123,351	123,351
- Alternative funds		-	-	-	-	1,724	1,724
- Structured product		-	-	78,221	6,234	-	84,455
<i>Loans and receivables</i>							
- Bank deposits	0,80%	-	-	-	40,576	-	40,576
- Loans	5,66%	503	373	5,116	2,407	35	8,433
- Other receivables	n/p	-	-	-	-	184,994	184,994
Cash and cash equivalents		39,512	-	-	-	-	39,512
Total financial assets		40,015	269,561	732,654	998,826	768,378	2,809,433
Financial liabilities							
Insurance and other liabilities		82,983	6,873	32,446	49,191	37,585	209,078
Lease liabilities	1,42%	1,485	1,743	9,230	2,706	-	15,163
Total financial liabilities		84,468	8,616	41,676	51,896	37,585	224,242
Interest rate gap between financial assets and liabilities		(44,452)	260,944	690,977	946,929	730,792	2,585,191

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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
Financial assets							
<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
Total financial assets		120,712	47,272	1,078,765	1,012,601	730,783	2,990,134
Financial liabilities							
Insurance and other liabilities		148,302	4,297	35,360	54,611	34,472	277,042
Lease liabilities	2,46%	1,840	1,011	3,604	-	-	6,455
Total financial liabilities		150,142	5,307	38,964	54,611	34,472	283,497
Interest rate gap between financial assets and liabilities		(29,430)	41,965	1,039,801	957,990	696,311	2,706,637

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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% (2020: 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 44,573 thousand (2020: HRK 36,483 thousand) and in a loss/gain recognised in profit or loss in the amount of HRK 13,762 thousand (2020: HRK 10,304 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:

	2021	2020
<i>Debt securities:</i>		
- Held-to-maturity investments	262,173	263,862
- Financial assets at fair value through profit or loss	1,590,511	1,761,534
<i>Loans and receivables:</i>		
Bank deposits	40,576	60,384
Loans	8,433	10,399
Reinsurers' share in insurance contract provisions	328,492	368,433
Other receivables and reinsurance receivables	184,994	262,868
Cash and cash equivalents	39,512	93,547
	2,454,691	2,821,027

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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):

	2021	2020
Government bonds	929,124	1,090,275
Accrued interest on government bonds	15,799	20,406
Total	944,923	1,110,681

The total exposure to the republic of Croatia credit risk represents 28% of the Company's total assets (2020: 31%).

Exposure to large corporate entities and banks

At 31 December 2021, the exposure to large domestic corporate entities comprising debt securities and accrued interest on debt securities amounted to HRK 332,843 thousand (2020: HRK 301,240 thousand) and it consists of debt securities and accrued interest for those securities. The credit rating of the issuer of debt securities comprising 88% (2020: 100%) of the total exposure to corporate entities is A, A-, A+, B+, BBB (S&P).

As at 31 December 2021, the exposure to financial institutions comprising deposits with banks amounts to HRK 40,576 thousand (2020: HRK 60,384 thousand). Out of that amount, HRK 40,576 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	2021	2020
A and AA	160,525	202,806
BBB	37	43
Other or without rating	2,616	1,616
	163,178	204,465

Notes to the financial statements
For the year ended 31 December 2021

(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
2021							
Neither past due nor impaired	1,852,684	8,112	40,576	184,994	328,492	39,512	2,454,369
Past due but not impaired	-	321	-	-	-	-	321
Impaired	-	3,059	-	3,696	-	-	6,756
Impairment provision	-	(3,059)	-	(3,696)	-	-	(6,756)
	1,852,684	8,433	40,576	184,994	328,492	39,512	2,454,691
2020							
Neither past due nor impaired	2,025,396	10,110	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)
	2,025,396	10,399	60,384	262,868	368,433	93,547	2,821,027

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 19,324 thousand (2020: HRK 27,941 thousand) does not differ significantly from their fair values, as valuations were performed by independent valuation experts.

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:

	2021	2020
Less than 30 days	69	79
31 - 180 days	135	139
181 - 365 days	99	54
Over 365 days	18	17
	321	289

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 2021 and 31 December 2020 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 2021

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2021	Up to 6 months	6-12 months	1-5 years	Over 5 years	Total
Financial assets					
<i>Held-to-maturity investments</i>					
- Debt securities	-	83,747	90,880	87,546	262,173
<i>Available-for-sale financial assets</i>					
- Debt securities	-	185,441	555,890	849,180	1,590,511
- Bond funds	161,669	-	-	-	161,669
- Equity funds	44,494	-	-	-	44,494
- Alternative funds	239,565	-	-	-	239,565
- Structured product	-	-	2,547	12,883	15,430
<i>Financial assets at fair value through profit or loss</i>					
- Mixed funds	6,362	-	-	-	6,362
- Bond funds	6,184	-	-	-	6,184
- Equity funds	123,351	-	-	-	123,351
- Alternative funds	1,724	-	-	-	1,724
- Structured product	-	-	78,221	6,234	84,455
<i>Loans and receivables</i>					
- Bank deposits	-	-	-	40,576	40,576
- Loans	538	373	5,116	2,406	8,433
Other receivables	184,994	-	-	-	184,994
Cash and cash equivalents	39,512	-	-	-	39,512
Total financial assets	808,393	269,561	732,654	998,825	2,809,433
Financial liabilities					
Insurance contract and other payables	120,568	6,873	32,446	49,191	209,078
Lease liabilities	1,485	1,743	9,230	2,706	15,164
Total financial liabilities	122,053	8,616	41,676	51,897	224,242
Maturity gap between financial assets and liabilities	686,339	260,945	690,978	946,928	2,585,191

Remaining expected maturities of insurance liabilities

2021	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
UPR	175,161	94,207	97,927	1,614	1,179	195	370,284
RBNS, IBNR and other provisions	182,613	226,451	112,268	69,931	46,558	49,963	687,785
Mathematical provisions	148,925	450,644	323,523	254,046	125,771	55,769	1,358,680
Total technical provision	506,699	771,303	533,719	325,592	173,508	105,928	2,416,749
Reinsurers' share	89,961	103,514	77,013	37,293	14,253	6,459	328,492
Net technical provision	416,739	667,789	456,706	288,299	159,255	99,469	2,088,257
Deposits retained from business ceded to reinsurance	13,333	31,473	24,966	17,412	4,318	1,018	92,521

Notes to the financial statements
For the year ended 31 December 2021

(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:

2021	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	3,763	9,627	2,734	-	-	-	16,124

Net debt reconciliation:

2021	Cash and cash equivalents	Lease liabilities	Net debt
1 January 2021	93,547	(6,455)	87,092
Cash flow	(54,035)	-	(54,035)
Expenses arising from lease liabilities	-	4,307	4,307
Increases arising from new agreements	-	(13,177)	(13,177)
Termination of agreements	-	346	346
Interest expense	-	(185)	(185)
31 December 2021	39,512	(15,163)	24,349

Notes to the financial statements
For the year ended 31 December 2021

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2020	Up to 6 months	6-12 months	1-5 years	Over 5 years	Total
Financial assets					
<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
Total financial assets	851,495	47,272	1,078,765	1,012,601	2,990,134
Financial liabilities					
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
Total financial liabilities	184,614	5,307	38,964	54,611	283,497
Maturity gap between financial assets and liabilities	666,881	41,965	1,039,801	957,990	2,706,637

Remaining expected maturities of insurance liabilities

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
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 provision	249,400	459,789	349,156	237,511	147,150	60,081	1,503,087
Total technical provision	624,320	755,176	558,013	306,294	191,090	99,466	2,534,358
Reinsurers' share	109,259	111,377	82,638	42,165	15,155	7,838	368,433
Net technical provision	515,061	643,799	475,374	264,129	175,935	91,628	2,165,926
Deposits retained from business ceded to reinsurance	8,338	34,308	26,757	19,394	4,556	2,278	95,632

Notes to the financial statements
For the year ended 31 December 2021

(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:

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
1 January 2020	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
Interest expense	-	(195)	(195)
31 December 2020	93,547	(6,455)	87,092

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.

	Carrying amount		Fair value	
	2021	2021	2020	2020
<i>In thousands of HRK</i>				
Held-to-maturity investments – debt securities	262,173	263,862	297,855	316,698

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 2021

(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 2021 and 2020 according to the hierarchical levels:

31 December 2021	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	6,184	-	-	6,184
- Mixed funds	6,362	-	-	6,362
- Equity funds	123,351	-	-	123,351
- Alternative funds	1,724	-	-	1,724
- Structured product	84,455	-	-	84,455
Available-for-sale financial assets				
- Debt securities	1,539,154	51,357	-	1,590,511
- Bond funds	161,669	-	-	161,669
- Equity funds	44,494	-	-	44,494
- Alternative funds	239,565	-	-	239,565
- Structured product	13,902	-	1,528	15,430
Investment property	-	-	44,293	44,293
Total assets	2,220,860	51,357	45,821	2,318,038
31 December 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	6,357	-	-	6,357
- Mixed funds	4,576	-	-	4,576
- Equity funds	90,490	-	-	90,490
- Alternative funds	1,620	-	-	1,620
- Structured product	67,036	-	-	67,036
Available-for-sale financial assets				
- Debt securities	1,710,280	51,254	-	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
Investment property	-	-	43,583	43,583
Total assets	2,246,287	51,254	45,115	2,342,656

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 2021, level 2 assets amounted to HRK 51,357 thousand (2020: HRK 51,254 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 2021 and 31 December 2020. 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 2021

(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 2021	Range of unobservable inputs in 2020
2021	2020				
44,293	43,583	Income approach	Discount rate	7,5 – 8,0%	7,5 – 8,0%
			Average rent price per m ²	43,98 - 90,36 HRK/m ²	40,70 - 90,89 HRK/m ²
		Comparison approach	Average sales price per m ²	2,265,02 - 7,254,59 HRK/m ²	2,209,64 - 4,648,12 HRK/m ²
			Construction cost per m ²	-	-

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

23. EVENTS AFTER THE BALANCE SHEET DATE

Conflict between Ukraine and Russia, which has been going on for several years escalated at the end of February 2022. It had an impact on the decline in securities prices on overall capital markets and affected Company's investments value in February 2022, but it did not had impact on financial statements at year end 2021. As at end of February 2022 the book value of investments amounted to HRK 2,345,904 thousand, which is HRK 115,333 thousand less than the book value at the end of last year (31.12.2021: HRK 2,460,237 thousand). The Company does not have direct exposure to Russia and Ukraine through investments. The Company has an indirect exposure through investment funds that have a smaller amount of assets invested in Russian and Ukrainian securities.

Further developments in the situation in Ukraine are being monitored and appropriate measures will be implemented as necessary to keep the impact on the Company to a minimum.

The Company conducted an extraordinary assessment of the solvency position on 28.02.2022. and estimation shows that the Company has maintained strong and stable solvency position as:

- solvency ratio, SCR ratio is 183,7%, which means that the Company estimates that own funds are more than 80% higher than legally prescribed by law, with the estimated eligible own funds amounting to HRK 602,032 thousand and the estimated solvency capital requirement of HRK 327,640 thousand
- minimum required capital, MCR ratio is 607,8% with the estimated eligible own fund amounting to HRK 602,032 thousand and the estimated minimum capital requirement amounting to HRK 99,052 thousand.

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

Results of the assessment of solvency position at 28.02.2022 and solvency position at 31.12.2021 are shown in table below, Overview of eligible own funds to cover SCR, solvency capital requirement, SCR, SCR ratio, eligible own fund to cover MCR, minimum capital requirement, MCR ratio,

In HRK thousand	02/28/2022 estimate	2021
Eligible own funds to cover solvency capital requirement	602,032	611,512
Solvency Capital Requirement, SCR	327,640	344,146
SCR ratio	183,7%	177,7%
Eligible own funds to cover minimum capital requirement	602,032	611,512
Minimum capital requirement, MCR	99,052	105,912
MCR ratio	607,8%	577,4%

The estimated positive impact on the solvency ratio is mainly due to the impact of movement of risk-free interest rate curves on decrease of technical provisions and no significant decrease in own funds is estimated despite decrease in the value of investments.

Company will continue to pay special attention to safeguarding security and protecting against cyber risks. The Company has stepped up activities aimed at increasing the level of security as the likelihood of a cyber-attack has increased since the outbreak of the war in Ukraine. Daily security checks on the Company's network and infrastructure have been established and additional security measures have been implemented.

On 04 March 2022 Mrs. Tatjana Račić Žlibar resigned the workplace of Management board member of the Company, with effective date from 04.03.2022.

**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 2021

STATEMENT OF FINANCIAL POSITION

as at 31.12.2021.,

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	INTANGIBLE ASSETS	2.160.342	2.160.342	4.320.684	2.101.126	2.432.384	4.533.510
002		1	Goodwill						
003		2	Other intangible assets	2.160.342	2.160.342	4.320.684	2.101.126	2.432.384	4.533.510
004	005+006+007	II	TANGIBLE ASSETS	8.540.856	17.534.794	26.075.651	11.776.589	21.987.269	33.763.858
005		1	Land and buildings intended for company business	6.474.695	15.360.425	21.835.120	10.031.431	20.051.068	30.082.499
006		2	Equipment	1.786.464	1.885.938	3.672.402	1.602.140	1.781.498	3.383.638
007		3	Other tangible assets and inventories	279.698	288.431	568.129	143.018	154.703	297.721
008	009+010+014+033	III	INVESTMENTS	2.001.161.454	516.002.662	2.517.164.116	1.852.794.094	567.931.005	2.420.725.100
009		A	Investments in land and buildings not intended for company business operations	40.745.004	2.837.778	43.582.782	40.821.918	3.471.048	44.292.966
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	Financial assets	1.960.416.450	513.164.884	2.473.581.334	1.811.972.176	564.459.958	2.376.432.134
015	016+017	1	Financial assets held to maturity	263.861.842		263.861.842	262.172.699		262.172.699
016		1.1	Debt financial instruments	263.861.842		263.861.841,51	262.172.699		262.172.699
017		1.2	Other						
018	019+020+021+022	2	Available-for-sale financial assets	1.678.117.612	450.876.643	2.128.994.256	1.529.425.515	522.243.155	2.051.668.669
019		2.1	Equity financial instruments						
020		2.2	Debt financial instruments	1.367.272.284	394.261.574	1.761.533.857	1.126.142.073	464.368.139	1.590.510.212
021		2.3	Shares in investment funds	309.745.074	55.082.856	364.827.930	389.381.384	56.346.811	445.728.195
022		2.4	Other	1.100.255	1.532.214	2.632.468	13.902.058	1.528.204	15.430.262
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss	9.941.820		9.941.820	13.581.631		13.581.631
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	9.795.627		9.795.627	13.432.841		13.432.841
028		3.5	Other	146.193		146.193	148.790		148.790
029	030+031+032	4	Loans and receivables	8.495.176	62.288.241	70.783.417	6.792.331	42.216.803	49.009.134
030		4.1	Deposits with credit institutions		60.384.260	60.384.260		40.576.172	40.576.172
031		4.2	Loans	8.339.035	1.903.981	10.243.016	6.735.355	1.640.631	8.375.986
032		4.3	Other	156.142		156.142	56.976		56.976
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	160.136.748		160.136.748	208.495.304		208.495.304

Financial statements in the format prescribed by the Croatian Financial Service
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Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
035	036+037+038+039+040+041+042	V	REINSURER'S SHARE IN TECHNICAL PROVISIONS	95.812.464	272.620.342	368.432.806	92.678.352	235.813.639	328.491.991
036		1	Provision for unearned premiums, reinsurance share	173.303	67.916.332	68.089.635	148.137	72.373.568	72.521.705
037		2	Mathematical provisions, reinsurance share	95.458.771		95.458.771	92.373.047		92.373.047
038		3	Claims provisions, reinsurer's share	180.391	204.464.826	204.645.217	157.168	163.177.570	163.334.738
039		4	Provisions for bonuses and discounts, reinsurer's share		239.184	239.184		262.501	262.501
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	8.801.716	981.880	9.783.596	-77.937	3.740.781	3.662.844
044		1	Deferred tax assets	2.702.891	213.787	2.916.678	798.375	154.164	952.539
045		2	Current tax assets	6.098.825	768.093	6.866.918	-876.312	3.586.617	2.710.305
046	047+050+051	VII	RECEIVABLES	8.393.711	261.076.411	269.470.122	6.988.126	182.988.739	189.976.865
047	048+049	1	Receivables from insurance business	12.000	92.226.711	92.238.711		91.589.614	91.589.614
048		1.1	From policyholders		92.176.711	92.176.711		91.466.363	91.466.363
049		1.2	From insurance agents, or insurance brokers	12.000	50.000	62.000		123.251	123.251
050		2	Reinsurance receivables	7.296.559	132.961.640	140.258.199	6.849.441	59.710.702	66.560.143
051	052+053+054	3	Other receivables	1.085.152	35.888.060	36.973.212	138.684	31.688.424	31.827.108
052		3.1	Receivables from other insurance business		17.596.207	17.596.207		19.004.300	19.004.300
053		3.2	Receivables for income from investments	32.250	161.685	193.935	29.512	646.798	676.310
054		3.3	Other receivables	1.052.902	18.130.167	19.183.069	109.172	12.037.326	12.146.498
055	056+060+061	VIII	OTHER ASSETS	51.016.481	42.530.495	93.546.976	19.319.619	20.192.302	39.511.921
056	057+058+059	1	Cash at bank and in hand	51.016.481	42.530.495	93.546.976	19.319.619	20.192.302	39.511.921
057		1.1	Funds in the business account	19.493.591	42.523.795	62.017.386	13.197.654	20.187.365	33.385.019
058		1.2	Funds in the account of assets backing mathematical provision	31.517.324		31.517.324	6.117.796		6.117.796
059		1.3	Cash on hand	5.566	6.700	12.266	4.169	4.937	9.107
060		2	Non-current assets held for sale and discontinued operation						
061		3	Other						
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME	2.553.791	106.508.470	109.062.261	2.651.339	115.325.986	117.977.325
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs		98.835.901	98.835.901		108.583.256	108.583.256
065		3	Other prepaid expenses and accrued income	2.553.791	7.672.569	10.226.360	2.651.339	6.742.730	9.394.069
066	001+004+008+034+035+043+048+055+062	X	TOTAL ASSETS	2.338.577.564	1.219.415.396	3.557.992.960	2.196.726.612	1.150.412.107	3.347.138.719
067		XI	OFF-BALANCE-SHEET ITEMS						

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Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	CAPITAL AND RESERVES	422.198.097	186.912.776	609.110.873	384.166.144	200.561.217	584.727.361
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	<i>Paid-up capital - ordinary shares</i>	28.875.000	33.825.000	62.700.000	28.875.000	33.825.000	62.700.000
071		1.2	<i>Paid-up capital - preference shares</i>						
072		2	Issued shares premiums (capital reserves)						
073	074+075+076	3	Revaluation reserves	128.328.918	26.248.351	154.577.270	76.553.654	23.359.341	99.912.995
074		3.1	<i>Land and buildings</i>	2.120.258		2.120.258	2.120.258		2.120.258
075		3.2	<i>Financial assets available-for-sale</i>	126.208.661	26.248.351	152.457.012	74.433.396	23.359.341	97.792.737
076		3.3	<i>Other revaluation reserves</i>						
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	<i>Legal reserves</i>	1.134.375	1.134.375	2.268.750	1.134.375	1.134.375	2.268.750
079		4.2	<i>Statutory reserves</i>						
080		4.3	<i>Other reserves</i>	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	94.424.935	40.340.097	134.765.032	111.343.901	47.773.134	159.117.036
082		5.1	<i>Retained earnings</i>	94.424.935	40.340.097	134.765.032	111.343.901	47.773.134	159.117.036
083		5.2	<i>Accumulated loss (-)</i>						
084	085+086	6	Profit or loss for the current accounting period	16.918.966	7.433.038	24.352.004	13.743.311	16.537.452	30.280.763
085		6.1	<i>Profit for the current accounting period</i>	16.918.966	7.433.038	24.352.004	13.743.311	16.537.452	30.280.763
086		6.2	<i>Loss for the current accounting period (-)</i>						
087		XIII	SUBORDINATED LIABILITIES						
088		XIV	NON-CONTROLLING INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	1.584.176.944	790.045.797	2.374.222.741	1.445.440.723	762.812.712	2.208.253.435
090		1	Provisions for unearned premiums, gross amount	2.566.945	342.659.775	345.226.721	2.275.996	368.007.783	370.283.779
091		2	Mathematical provisions, gross amount	1.503.086.917		1.503.086.917	1.358.680.064		1.358.680.064
092		3	Claims provisions, gross amount	78.523.082	443.660.394	522.183.476	84.484.663	391.943.826	476.428.489
093		4	Provisions for bonuses and discounts, gross amount		3.725.628	3.725.628		2.861.103	2.861.103
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	160.135.680		160.135.680	208.495.308		208.495.308
097	098+099	XVII	OTHER PROVISIONS	11.676.029	9.233.746	20.909.776	12.052.799	9.849.073	21.901.872
098		1	Provisions for pensions and similar liabilities						
099		2	Other provisions	11.676.029	9.233.746	20.909.776	12.052.799	9.849.073	21.901.872
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	26.390.483	8.152.546	34.543.029	19.297.349	8.915.580	28.212.929
101		1	Deferred tax liability	28.169.763	5.761.833	33.931.596	16.804.461	5.127.660	21.932.121
102		2	Current tax liability	-1.779.279	2.390.713	611.433	2.492.888	3.787.920	6.280.808
103		XIX	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	95.632.074		95.632.074	92.521.184		92.521.184
104	105+106+107	XX	FINANCIAL LIABILITIES	1.790.872	4.664.366	6.455.237	5.551.708	9.611.607	15.163.316
105		1	Loan liabilities						
106		2	Issued financial instruments payable						
107		3	Other financial liabilities	1.790.872	4.664.366	6.455.237	5.551.708	9.611.607	15.163.316
108	109+110+111+112	XXI	OTHER LIABILITIES	32.866.489	161.184.669	194.051.158	25.838.134	101.399.575	127.237.709
109		1	Liabilities from direct insurance business	3.954.617	16.183.478	20.138.095	3.792.699	19.075.704	22.868.403
110		2	Liabilities from co-insurance and reinsurance business	8.967.703	137.865.544	146.833.247	7.725.891	71.205.838	78.931.729
111		3	Liabilities for sale and discontinued operation						
112		4	Other liabilities	19.944.169	7.135.647	27.079.816	14.319.544	11.118.032	25.437.577
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	3.710.896	59.221.497	62.932.393	3.363.262	57.262.343	60.625.605
114		1	Deferred reinsurance commission		22.118.039	22.118.039		23.221.929	23.221.929
115		2	Other accrued expenses and deferred income	3.710.896	37.103.458	40.814.354	3.363.262	34.040.414	37.403.676
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	2.338.577.564	1.219.415.396	3.557.992.960	2.196.726.612	1.150.412.107	3.347.138.719
117		XXIV	OFF-BALANCE-SHEET ITEMS						

Financial statements in the format prescribed by the Croatian Financial Service
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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	
INTANGIBLE ASSETS	4.534				4.534	Other intangible assets
Goodwill	0					
Other intangible assets	4.534					
TANGIBLE ASSETS	33.764				33.764	Property and equipment
Land and buildings intended for company business operations	30.082					
Equipment	3.384					
Other tangible assets and inventories	298					
INVESTMENTS	2.420.725					
Investments in land and buildings not intended for company business operations	44.293				44.293	Investment property
Investments in subsidiaries, associates and joint ventures	0				0	Investment in subsidiary
Shares and stakes in subsidiaries	0					
Shares and stakes in associates	0					
Shares and stakes in joint ventures	0					
Financial assets	2.376.432					
Held-to-maturity financial assets	262.173				262.173	Held-to-maturity investments
Debt financial instruments	262.173					
Other	0					
Available-for-sale financial assets	2.051.669				2.051.669	Available-for-sale financial assets
Equity financial instruments	0					
Debt financial instruments	1.590.510					
Shares in investment funds	445.728					
Other	15.430					
Financial assets at fair value through profit or loss	13.582	208.495			222.076	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	13.433					
Other	149					
Loans and receivables	49.009				49.009	Loans and receivables
Deposits with credit institutions	40.576					
Loans	8.376					
Other	57					
Deposits with cedent	0					
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	208.495	(208.495)				
REINSURER'S SHARE IN TECHNICAL PROVISIONS	328.492				328.492	Reinsurers' share in insurance contract provisions
Provision for unearned premiums, reinsurer's share	72.522					
Mathematical provisions, reinsurer's share	92.373					
Claims provisions, reinsurer's share	163.335					
Provisions for bonuses and discounts, reinsurer's share	263					
Equalisation provisions, reinsurer's share	0					
Other technical provisions	0					
Special provision for uni-linked life insurance group, reinsurer's share	0					
DEFERRED AND CURRENT TAX ASSETS	3.663					
Deferred tax assets	953			(953)		
Current tax assets	2.710			(2.710)	0	Current tax assets
RECEIVABLES	189.977		9.394	(10.681)	188.690	Insurance contracts and other receivables
Receivables from insurance business	91.590					
From policyholders	91.466					
From insurance agents or insurance brokers	123					
Reinsurance receivables	66.560					
Other receivables	31.827					
Receivables from other insurance business	19.004					
Receivables for income from investments	676					
Other receivables	12.146					
OTHER ASSETS	39.512					
Cash at bank and in hand	39.512				39.512	Cash and cash equivalents
Funds in the business account	33.385					
Funds in the account of assets backing mathematical provision	6.118					
Cash on hand	9					
Non-current assets held for sale and discontinued operation	0					
Other	0					
PREPAID EXPENSES AND ACCRUED INCOME	117.977					
Deferred interest and rent	0					
Deferred acquisition costs	108.583				108.583	Deferred acquisition costs
Other prepayments and accrued income	9.394		(9.394)			
TOTAL ASSETS	3.347.139	-	-	(14.343)	3.332.795	
OFF-BALANCE-SHEET ITEMS						

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 10,681 thousand are offset with corresponding liabilities

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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	
CAPITAL AND RESERVES	584.727						
Subscribed share capital	62.700					62.700	Share capital
<i>Paid-up capital - ordinary shares</i>	62.700						
<i>Paid-up capital - preference shares</i>	-						
Issued shares premiums (capital reserves)	-						
Revaluation reserves	99.912					99.912	Fair value reserves
<i>Land and buildings</i>	2.120						
<i>Financial assets available-for-sale</i>	97.793						
<i>Other revaluation reserves</i>	-						
Reserves	232.717					232.717	Legal reserves
<i>Legal reserves</i>	2.269						
<i>Statutory reserves</i>	-						
<i>Other reserves</i>	230.448						
Retained profit or transferred loss	159.117						
<i>Retained profit</i>	159.117	30.281				189.398	Retained earnings
<i>Accumulated loss (-)</i>	-						
Profit or loss for the current accounting period	30.281						
<i>Profit for the current accounting period</i>	30.281	(30.281)					
<i>Loss for the current accounting period (-)</i>	-						
SUBORDINATED LIABILITIES	-						
NON-CONTROLLING INTEREST	-						
TECHNICAL PROVISIONS	2.208.253		208.495			2.416.749	Insurance contract provisions
<i>Provisions for unearned premiums, gross amount</i>	370.284						
<i>Mathematical provisions, gross amount</i>	1.358.680						
<i>Claims provisions, gross amount</i>	476.428						
<i>Provisions for bonuses and discounts, gross amount</i>	2.861						
<i>Equalisation provisions, gross amount</i>	-						
<i>Other technical provisions, gross amount</i>	-						
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	208.495		(208.495)				
OTHER PROVISIONS	21.902			(21.902)			
<i>Provisions for pensions and similar liabilities</i>	-						
<i>Other provisions</i>	21.902						
DEFERRED AND CURRENT TAX LIABILITY	28.213						
<i>Deferred tax liability</i>	21.932				(953)	20.980	Deferred tax liability
<i>Current tax liability</i>	6.281				(2.710)	3.570	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	92.521			(92.521)			
FINANCIAL LIABILITIES	15.163			(15.163)			
<i>Borrowings</i>	-						
<i>Issued financial instruments payable</i>	-						
<i>Other financial liabilities</i>	15.163						
OTHER LIABILITIES	127.238			190.212	(10.681)	306.769	Insurance contracts and other payables
<i>Liabilities from direct insurance business</i>	22.868						
<i>Liabilities from co-insurance and reinsurance business</i>	78.932						
<i>Liabilities for sale and discontinued operation</i>	-						
<i>Other liabilities</i>	25.438						
ACCRUED EXPENSES AND DEFERRED INCOME	60.626			(60.626)			
<i>Deferred reinsurance commission</i>	23.222						
<i>Other accrued expenses and deferred income</i>	37.404						
TOTAL EQUITY AND LIABILITIES	3.347.139	-	-	-	(14.343)	3.332.795	
OFF-BALANCE-SHEET ITEMS							

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 10,681 thousand are offset with corresponding liabilities,

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STATEMENT OF COMPREHENSIVE INCOME

For the period: 01.01.2021.-31.12.2021.

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	Earned premiums (recognised in revenue)	170.606.331	243.313.568	413.919.899	166.323.994	255.351.776	421.675.770
002		1	Gross written premiums	176.552.718	398.752.405	575.305.123	171.278.697	431.039.968	602.318.665
003		2	Impairment and collected premium impairment		-2.621.769	-2.621.769		180.847	180.847
004		3	Premiums ceded to reinsurance (-)	-6.107.152	-147.382.022	-153.489.174	-5.220.487	-154.978.267	-160.198.754
005		4	Change in gross provisions for unearned premiums (+/-)	186.165	-7.432.356	-7.246.191	290.950	-25.348.008	-25.057.058
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-25.400	1.997.311	1.971.910	-25.166	4.457.236	4.432.071
007	008+009+010+011+012+013+014	II	Investment income	99.349.338	13.073.233	112.422.571	102.407.459	9.923.834	112.331.293
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings	4.231.677	2.453.924	6.685.601	3.664.535	635.576	4.300.112
010		3	Interest income	59.691.221	8.892.013	68.583.234	50.203.859	7.436.319	57.640.178
011		4	Unrealised gain on investments	6.396.497		6.396.497	22.946.208		22.946.208
012		5	Realised gain on investments	7.625.592	1.092.205	8.717.797	12.438.439	1.262.739	13.701.178
013		6	Net foreign exchange gains	20.349.361	473.691	20.823.052	6.988.740	160.377	7.149.117
014		7	Other investment income	1.054.990	161.400	1.216.390	6.165.678	428.822	6.594.499
015		III	Commission and fee income	1.109.956	42.457.053	43.567.010	547.834	44.583.446	45.131.281
016		IV	Other insurance-technical income, net of reinsurance		2.789.629	2.789.629	386.836	2.022.034	2.408.869
017		V	Other income	4.410.160	2.344.232	6.754.392	609.959	2.173.640	2.783.599
018	019+022	VI	Net claims incurred	-353.324.436	-134.965.031	-488.289.467	-270.033.369	-114.430.259	-384.463.627
019	020+021	1	Claims paid	-332.152.350	-128.454.109	-460.606.459	-264.048.564	-124.859.570	-388.908.134
020		1.1	Gross amount (-)	-340.454.949	-217.682.675	-558.137.623	-273.428.383	-208.737.404	-482.165.787
021		1.2	Reinsurer's share (+)	8.302.599	89.228.565	97.531.164	9.379.819	83.877.833	93.257.653
022	023+024	2	Change in claims provisions (+/-)	-21.172.086	-6.510.922	-27.683.007	-5.984.804	10.429.311	4.444.507
023		2.1	Gross amount (-)	-21.181.777	-59.087.823	-80.269.600	-5.961.581	51.716.568	45.754.986
024		2.2	Reinsurer's share (+)	9.691	52.576.902	52.586.593	-23.223	-41.287.256	-41.310.479
025	026+029	VII	Change in mathematical provision and other technical provisions, net of reinsurance	205.011.239		205.011.239	141.321.129		141.321.129
026	027+028	1	Change in mathematical provision (+/-)	205.011.239		205.011.239	141.321.129		141.321.129
027		1.1	Gross amount (-)	205.878.489		205.878.489	144.406.853		144.406.853
028		1.2	Reinsurer's share (+)	-867.250		-867.250	-3.085.724		-3.085.724
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	Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	-22.258.208		-22.258.208	-48.359.629		-48.359.629
033		1	Gross amount (-)	-22.258.208		-22.258.208	-48.359.629		-48.359.629
034		2	Reinsurer's share (+)						
035	036+037	IX	Expenditures for return of premium (bonuses and rebates), net of reinsurance		-3.089.437	-3.089.437		-1.881.419	-1.881.419
036		1	Depending on the result (bonuses)		-3.089.437	-3.089.437		-1.881.419	-1.881.419
037		2	Not depending on the result (rebates)						
038	039+043	X	Operating expenditures (for business operations), net	-64.126.196	-147.998.103	-212.124.299	-61.570.869	-170.679.362	-232.250.231
039	040+041+042	1	Acquisition costs	-27.210.214	-99.497.105	-126.707.319	-25.187.392	-107.761.732	-132.949.124
040		1.1	Commission	-17.802.928	-79.425.558	-97.228.486	-18.543.604	-90.440.435	-108.984.039
041		1.2	Other acquisition costs	-9.407.286	-24.362.811	-33.770.097	-6.643.788	-27.068.652	-33.712.440
042		1.3	Change in deferred acquisition costs (+/-)		4.291.264	4.291.264		9.747.355	9.747.355
043	044+045+046	2	Administration costs (administrative expenses)	-36.915.982	-48.500.998	-85.416.980	-36.383.477	-62.917.630	-99.301.107
044		2.1	Depreciation and amortisation	-3.492.023	-4.535.431	-8.027.454	-3.247.709	-4.568.645	-7.816.354
045		2.2	Sales, taxes and contributions from and on salaries	-14.057.648	-17.997.792	-32.055.440	-13.509.889	-21.521.523	-35.031.412
046		2.3	Other administration costs	-19.366.311	-25.967.774	-45.334.085	-19.625.878	-36.827.462	-56.453.341

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Position No.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
047	048+049+050+051+052+053+054	XI	Investment charges	-14.623.943	-1.919.835	-16.543.777	-10.512.225	-978.274	-11.490.498
048		1	Depreciation of land and buildings not intended for business operations of the company						
049		2	Interests						
050		3	Impairment of investments	-2.392.469	-714.234	-3.106.703	-583.406	-2.306	-585.713
051		4	Realised losses on investments	-221.491		-221.491	-22.116		-22.116
052		5	Unrealised losses on investments	-122.440		-122.440	-494.644		-494.644
053		6	Net foreign exchange losses	-7.215.769	-263.510	-7.479.278	-4.658.948	-85.515	-4.744.463
054		7	Other investment costs	-4.671.774	-942.091	-5.613.864	-4.753.110	-890.452	-5.643.562
055	056+057	XII	Other technical expenses, net of reinsurance	-5.526.691	-3.107.192	-8.633.883	-3.256.857	-3.179.871	-6.436.728
056		1	Expenses for preventive operations		-351.038	-351.038		-317.571	-317.571
057		2	Other technical insurance expenses	-5.526.691	-2.756.154	-8.282.845	-3.256.857	-2.862.300	-6.119.157
058		XIII	Other expenses including value adjustments	-5.534.902	-2.824.712	-8.359.615	-1.502.827	-2.520.551	-4.023.378
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the accounting period before loss (+/-)	15.092.649	10.073.407	25.166.056	16.361.436	20.384.995	36.746.431
060	061+062	XV	Income tax or loss	1.826.317	-2.640.369	-814.052	-2.618.125	-3.847.543	-6.465.668
061		1	Current tax expense		-2.390.713	-2.390.713	-2.492.888	-3.787.920	-6.280.808
062		2	Deferred tax expense (income)	1.826.317	-249.656	1.576.661	-125.237	-59.623	-184.860
063	059+060	XVI	Profit or loss for the accounting period after tax (+/-)	16.918.966	7.433.038	24.352.004	13.743.311	16.537.452	30.280.763
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	277.302.103	303.728.060	581.030.162	270.150.845	313.995.107	584.145.951
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSES	-260.383.137	-296.295.022	-556.678.159	-256.407.534	-297.457.655	-553.865.189
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	6.272.726	-2.574.321	3.698.405	-51.775.264	-2.889.011	-54.664.275
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	7.649.666	-3.139.416	4.510.250	-63.140.566	-3.523.184	-66.663.750
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	-1.376.940	565.095	-811.845	11.365.302	634.173	11.999.475
077	078+079	XX	Total comprehensive income	23.191.692	4.858.717	28.050.409	-38.031.953	13.648.441	-24.383.512
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	
Earned premiums (recognised in revenue)	421.676						421.676	Net earned premiums
Gross written premiums	602.319							
Impairment and collected premium impairment	181							
Premiums ceded to reinsurance (-)	(160.199)							
Change in gross provisions for unearned premiums (+/-)	(25.057)							
Change in provision for unearned premiums, reinsurance share (+/-)	4.432							
Investment income	112.331	(11.491)					100.841	Net income from investments
Income from subsidiaries, associates and joint ventures	-							
Income from investments in land and buildings	4.300							
Interest income	57.640							
Unrealised gain on investments	22.946							
Realised gain on investments	13.701							
Net foreign exchange gains	7.149							
Other investment income	6.595							
Income from commissions and fees	45.131						45.131	Income from commissions and fees
Other insurance-technical income, net of reinsurance	2.409			(2.409)				
Other income	2.784			2.409		(975)	4.217	Other operating income
Net claims incurred	(384.464)		91.080				(293.384)	Claims incurred, net
Settled claims	(388.908)							
Gross amount (-)	(482.166)							
Reinsurer's share (+)	93.258							
Change in claims provisions (+/-)	4.445							
Gross amount (-)	45.755							
Reinsurer's share (+)	(41.310)							
Change in mathematical provision and other technical provisions, net of reinsurance	141.321		(141.321)					
Change in mathematical provision (+/-)	141.321							
Gross amount (-)	144.407							
Reinsurer's share (+)	(3.086)							
Change in other technical provisions, net of reinsurance (+/-)	-							
Gross amount (-)	-							
Reinsurer's share (+)	-							
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	(48.360)		48.360					
Gross amount (-)	(48.360)							
Reinsurer's share (+)	-							
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(1.881)		1.881					
Depending on the result (bonuses)	(1.881)							
Not depending on the result (rebates)	-							
Operating expenditures (for business operations), net	(232.250)				16		(232.234)	Acquisition and administration costs
Acquisition costs	(132.949)							
Commission	(108.984)							
Other acquisition costs	(33.712)							
Change in deferred acquisition costs (+/-)	9.747							
Administration costs (administrative expenses)	(99.301)							
Depreciation charge	(7.816)							
Salaries, taxes and contributions from and on salaries	(35.031)							
Other administrative expenses	(56.453)							
Investment charges	(11.491)	11.491						
Depreciation of land and buildings not intended for business operations of the company	-							
Interest	-							
Impairment of investments	(586)							
Realised losses on investments	(22)							
Unrealised losses on investments	(495)							
Net foreign exchange losses	(4.744)							
Other investment costs	(5.644)							
Other technical expenses, net of reinsurance	(6.437)				6.437			
Expenses for preventive operations	(318)							
Other technical expenses of insurance	(6.119)							
Other expenses, including value adjustments	(4.023)				(6.453)	975	(9.501)	Provisions for legal disputes, net
Profit or loss for the accounting period before tax (+/-)	36.746							Other operating expenses
Income tax or loss	(6.466)						(6.466)	Income tax
Current tax expense	(6.281)							
Deferred tax expense (income)	(185)							
Profit or loss for the accounting period after tax (+/-)	30.281	-	-	-	-	-	30.281	

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: 01.01.2021.-31.12.2021.

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-48.557.502	-382.092.667
002	003+004	1	Cash flow before changes in operating assets and liabilities	-36.167.388	-44.648.586
003		1.1	Profit/loss before tax	36.746.431	25.166.056
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments for:	-72.913.819	-69.814.642
005		1.2.1	Depreciation of property and equipment	6.283.647	6.662.768
006		1.2.2	Amortisation of intangible assets	1.532.708	1.364.686
007		1.2.3	Impairment and fair value gains/losses	-23.161.749	-6.177.672
008		1.2.4	Interest expense	185.147	194.710
009		1.2.5	Interest income	-57.622.137	-68.583.234
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
012		1.2.8	Other adjustments	-131.435	-3.213.354
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-10.507.206	-334.049.610
014		2.1	Increase/decrease in available-for-sale financial assets	16.564.172	-198.788.764
015		2.2	Increase/decrease in financial assets at fair value through profit or loss	-3.550.736	-588.540
016		2.3	Increase/decrease in loans and receivables	21.752.728	-38.011.771
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	-20.932.753	-20.521.590
019		2.6	Increase/decrease in reinsurer's share in technical provisions	39.940.815	-53.777.722
020		2.7	Increase/decrease in tax assets	1.964.140	-1.576.661
021		2.8	Increase/decrease in receivables	79.493.257	-76.482.393
022		2.9	Increase/decrease in other assets	9.380	-4.113
023		2.10	Increase/decrease in prepaid expenses and accrued income	53.979.318	80.736.502
024		2.11	Increase/decrease in technical provisions	-165.969.306	-116.060.483
025		2.12	Increase/decrease in special provisions for unit-linked life insurance group	48.359.629	22.258.208
026		2.13	Increase/decrease in tax liabilities	-11.999.475	811.845
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	-3.110.889	-892.650
028		2.15	Increase/decrease in financial liabilities	-4.307.431	-4.411.108
029		2.16	Increase/decrease in other liabilities	-61.385.361	76.699.285
030		2.17	Increase/decrease in accrued expenses and deferred income	-1.314.691	-3.439.656
031		3	Income tax paid	-1.882.909	-3.394.471

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Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	-2.949.832	402.143.685
033		1	Proceeds on sale of tangible assets	2.850	820.635
034		2	Expenses for purchase of tangible assets	-1.207.148	-1.257.773
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-1.745.534	-1.874.884
037		5	Proceeds from sale of land and buildings not intended for business operations of the company		12.210.225
038		6	Expenses for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Proceeds from held-to-maturity financial assets		392.245.482
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	CASH FLOW FROM FINANCING ACTIVITIES		
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		
053	001+032+047		NET CASH FLOW	-51.507.334	20.051.018
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	-2.527.721	-13.637.263
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-54.035.055	6.413.754
056		1	Cash and cash equivalents at beginning of period	93.546.976	87.133.222
057	055+056	2	Cash and cash equivalents at end of period	39.511.921	93.546.976

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STATEMENT OF CHANGES IN EQUITY

For the period: 01.01.2021.-31.12.2021.

in HRK

Position No.	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		
I.	Balance at 1 January of previous year	62.700.000	0	150.878.865	232.716.567	96.917.928	37.847.104	581.060.464		581.060.464
1.	Changes in accounting policies									
2.	Correction of prior period errors									
II.	Balance at 1 January of previous year (restated)	62.700.000		150.878.865	232.716.567	96.917.928	37.847.104	581.060.464		581.060.464
III.	Comprehensive income or loss for the previous year			3.698.405			24.352.004	28.050.409		28.050.409
1.	Profit or loss for the period						24.352.004	24.352.004		24.352.004
2.	Other comprehensive income or loss for the previous year			3.698.405				3.698.405		3.698.405
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-3.401.399				-3.401.399		-3.401.399
2.3.	Realised gains or losses from financial assets available for sale			7.099.804				7.099.804		7.099.804
2.4.	Other non-owner changes in equity									
IV.	Transactions with owners (previous period)					37.847.104	-37.847.104			
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payments of shares in profit / dividends						0			
4.	Other distributions to owners					37.847.104	-37.847.104			
V.	Balance at the last day of the reporting period in the previous year	62.700.000		154.577.270	232.716.567	134.765.032	24.352.004	609.110.873		609.110.873
VI.	Balance at 1 January of the current year	62.700.000		154.577.270	232.716.567	134.765.032	24.352.004	609.110.873		609.110.873
1.	Changes in accounting policies									
2.	Correction of prior period errors									
VII.	Balance at 1 January of the current year (restated)	62.700.000		154.577.270	232.716.567	134.765.032	24.352.004	609.110.873		609.110.873
VIII.	Comprehensive income or loss for the current year			-54.664.275			30.280.763	-24.383.512		-24.383.512
1.	Profit or loss for the period						30.280.763	30.280.763		30.280.763
2.	Other comprehensive income or loss for the current year			-54.664.275				-54.664.275		-54.664.275
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-65.495.793				-65.495.793		-65.495.793
2.3.	Realised gains or losses from financial assets available for sale			10.831.518				10.831.518		10.831.518
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)					24.352.004	-24.352.004			
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payments of shares in profit / dividends						0			
4.	Other transactions with owners					24.352.004	-24.352.004			
X.	Balance as at the last day of the reporting period in the current year	62.700.000		99.912.995	232.716.567	159.117.036	30.280.763	584.727.361		584.727.361