ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2021

EUROHERC

CONTENTS

ANNUAL BUSINESS REPORT FOR THE YEAR 2021

ZAGREB, April 2022

(1) MAIN COMPANY DATA

EUROHERC osiguranje d.d. (hereinafter: EUROHERC or the Company) was established in 1992 in Makarska, as the first insurance company based on the private capital of Croatian citizens. Since its establishment, the company has recorded high growth rates of premium income, so that in terms of portfolio size, in 1998 it took the second position in the non-life insurance market, which it still holds successfully today. For such a fast and sustainable development of a newly established company, it was necessary to meet a number of assumptions, from the selection of professionals and their motivation, going public and entering the market with a recognizable personality, to opening a network of branches throughout the market. In 2000, EUROHERC changed the headquarters of the Company from Makarska to Zagreb, and the following year, 2001, it moved to a newly built facility at Ulica grada Vukovara 282, where it still operates today.
According to the size of premium income, EUROHERC is currently one of the leading Croatian insurance companies. In 2021, with a premium income of HRK 1,482 million, it took second place in the ranking of companies. In the non-life insurance market, the Company holds a solid second position, while in motor third party liability insurance the Company holds the first place in the Croatian insurance market.

The Company is registered for performing business activities with regard to the following types of non-life insurance:

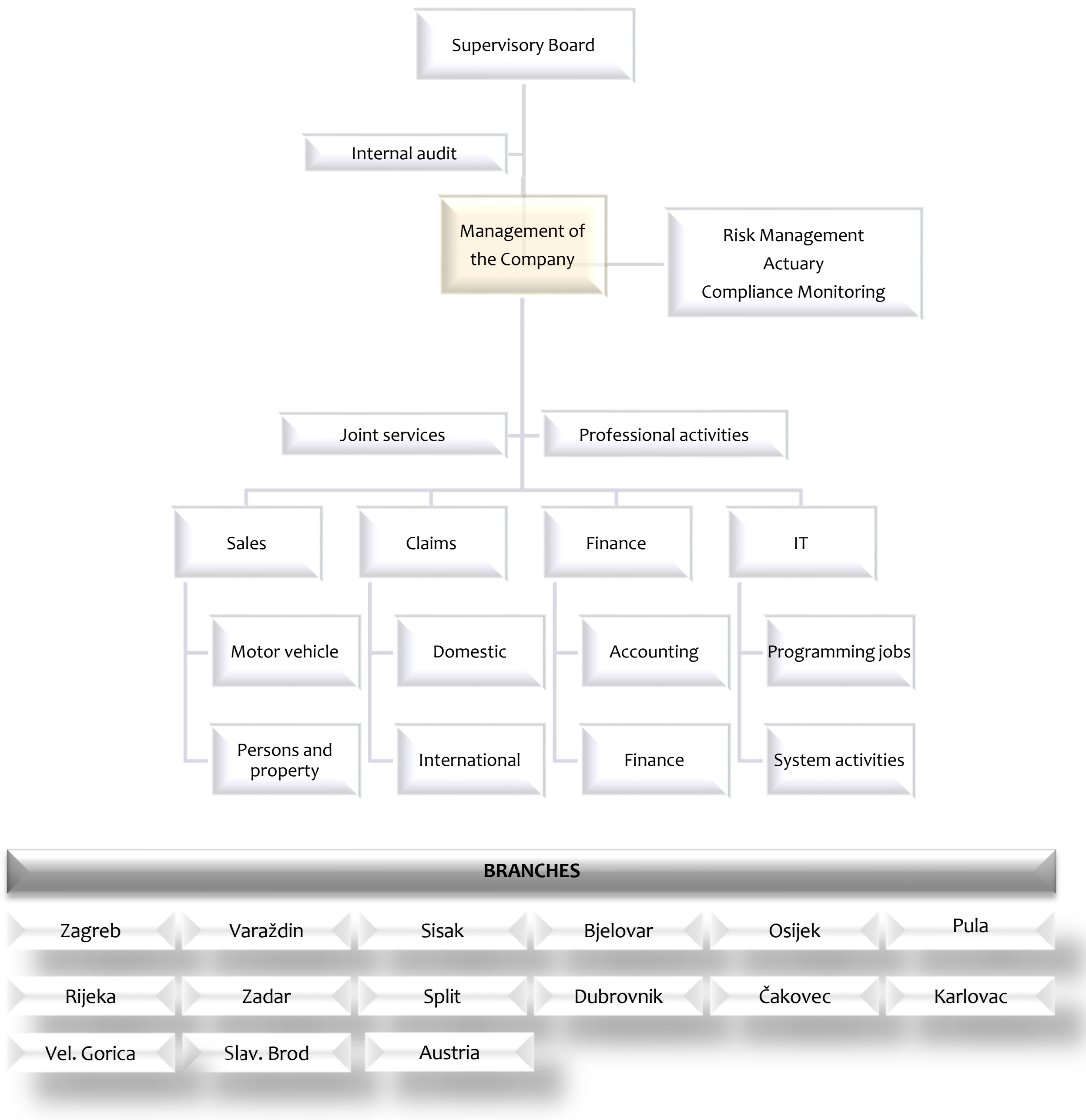
- 01 Accident Insurance
- 02 Health Insurance
- 03 Road Vehicle Insurance
- 04 Railroad Vehicle Insurance
- 05 Aircraft Insurance
- 06 Vessel Insurance
- 07 Goods in Transit Insurance
- 08 Fire and Special Perils Insurance
- 09 Other Property Insurance
- 10 Motor Vehicle Liability Insurance
- 11 Aircraft Liability Insurance
- 12 Vessel Liability Insurance
- 13 Other Liability Insurance
- 14 Loan Insurance
- 15 Guarantee Insurance
- 16 Financial Losses Insurance
- 17 Legal Protection Insurance
- 18 Travel Insurance

The equity of the Company amounts to HRK 61,002,000 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total. The share structure of EUROHERC is dispersed into several smaller shares, which, along with other shareholders, are held by the middle and senior management of the Company, thus achieving a high level of work motivation of management and professional staff.

(2) ORGANISATION STRUCTURE

EUROHERC osiguranje d.d. has a mixed organisation structure which is a combination of production, functional, territorial and project organisation units. The Company's organisation structure is a combination of the aforementioned components, and all of them, due to the complexity of the Company's business activity, work together to achieve the desired results.

The Company operates through branches, which are established in a certain area, i.e. within a local market. At the same time, they operate as profit centres.



In addition to the geographical division, the Company is vertically subdivided into four sectors, based on basic functions or groups of business activities: Sales, Claims, Finance and IT.

Each of the sectors is headed by the director of the sector, and for certain professional groups of affairs in the sector, the directors are subordinated to the executive directors of the sector. The structure of each sector along the organizational vertical extends through all levels of the Company from the level of the Directorate to each of the branches of the Company. In territorial terms, EUROHERC is organized into 15 branches run by branch directors. Because the branches are organized according to the same, sectoral division, each branch has an appropriate sector director or head of department. The branches are economic and profit centers, and the headquarters of the branches are located in: Zagreb, Split, Rijeka, Osijek, Varaždin, Čakovec, Sisak, Karlovac, Zadar, Bjelovar, Dubrovnik, Pula, Slavonski Brod, Velika Gorica and Vienna - Republic of Austria. The branch network is complemented by dealerships and sales outlets that spread throughout Croatia and the Republic of Austria. In this way, fast and efficient communication with the users of our services and the presence of EUROHERC on the entire Croatian and Austrian market is ensured. At the end of the summer of 2020, the Company expanded its operations to the territory of the Italian Republic.

As at 31 December 2021, the Company had 1,221 employees, of which 1,078 were employed in the Republic of Croatia and 143 in the Republic of Austria.

MANAGEMENT AND SUPERVISORY BOARD OF THE COMPANY (April 2022)

The Management Board:

President:	ŽELJKO KORDIĆ
Members:	DARINKO IVKOVIĆ, TOMISLAV ČIZMIĆ, VJERAN ZADRO, TOMISLAV ABRAMOVIĆ

THE SUPERVISORY BOARD of the Company:

President:	DR. SC. MLADENKA GRGIĆ
Members:	ZLATKO LEROTA, RADOSLAV PAVLOVIĆ, GRGO DODIG, PROF. DR. SC. ZVONIMIR SLAKOPER

(3) FINANCIAL RESULTS

Characteristics od reporting periods: (I) significant growth of premium income and expansion into the market of the Italian Republic, (II) increase in capital by making a profit in the business year, (III) operations in the conditions of the COVID-19 pandemic, (IV) connection of companies in AGRAM Group according to the HANFA Decision.

In 2021, the Company generated HRK 1,51 million of revenue, of which HRK 1,48 million relates to gross written premium (98%). The Company's expenses amounted to HRK 1,39, of which 47% relates to expenses for insured cases. The Company's profit amounts to HRK 127 million.

Table 1. – Income Statement				*thousands*
Opis pozicije	**2020.**	**2021.**	**Difference**	**Indeks**
	Non life	**Non life**	**2021. – 2020.**	
Earned premium (income)	1.266.877	1.377.057	110.180	108,70
Investment income	102.210	90.016	-12.194	88,07
All other income	50.524	44.586	-5.938	88,25
Claims incurred, net	-588.242	-654.792	-66.550	111,31
Premium refunds - bonuses and discounts	2.496	-2.192	-4.689	-87,83
Operating expenses	-539.369	-545.085	-5.716	101,06
Investments costs	-59.720	-63.072	-3.352	105,61
All other costs	-81.445	-94.666	-13.221	116,23
Profit before tax	150.835	154.045	3.211	102,13
Profit after tax	123.942	127.123	3.181	102,57
TOTAL REVENUE	*1.421.221*	*1.512.877*	91.656	106,45
TOTAL EXPENDITURE	*-1.297.279*	*-1.385.754*	-88.475	106,82

Source: EUROHERC

As of 31 December 2021, a total premium (direct insurance premium and co-insurance premium) in the amount of HRK 1,482 million was contracted, which is HRK 140,6 million or 10,5% more than in the previous business year.

In mid-2017, the company expanded its operations to the territory of the Republic of Austria, where in 2021 it achieved a gross written premium in the amount of EUR 36,14 million. During 2020, the Company started operating in the market of the Italian Republic and contracted gross premiums in the amount of EUR 8,7 million.

The table shows the gross premium written by markets in which the Company operates. Data are expressed in thousands of kunas:

Table 2. – Gross written premium by markets - thousands						
EUROHERC	**Gross written premium**				**Changes 2021 / 2020**	
	2018.	**2019.**	**2020.**	**2021.**	**Amount**	**%**
Ukupno	1.119.862 kn	1.278.989 kn	1.341.591 kn	1.482.142 kn	140.551 kn	110 %
Tržište RH	933.041 kn	1.032.946 kn	1.071.208 kn	1.144.987 kn	73.779 kn	107 %
Tržište AT	185.821 kn	246.043 kn	258.753 kn	272.053 kn	13.300 kn	105 %
Tržšte IT	0 kn	0 kn	11.639 kn	65.102 kn	53.463 kn	559%

Source: EUROHERC

According to the total gross written premium written, the Company ranks second in the Republic of Croatia. The Company's share in the non-life insurance premium amounts to 16,8%, which represents an decrease of 0,34% compared to 2020, while the share in the total gross written premium decreased from 12,81% realized in 2020 to 12,65% achieved in 2021.

In the structure of the Company's premium income, the largest part of 53,44% refers to AO - motor third party liability insurance, followed by AK - road vehicle insurance - hull with 20,68% share and fire and other property insurance with 8,57% share.

In the structure of the Company's premium income realized in the Republic of Austria, liability insurance for the use of motor vehicles is also dominant with a participation of 65.46% or HRK 178 million. Road vehicle insurance - comprehensive insurance participates with 25,48%.

Table 3. – Overview of gross written premium – by types of insurance (thousands kuna)

Šifra	VRSTE OSIGURANJA / GODINA	EUROHERC	HR	AT	IT	EUROHERC	HR	AT	IT
		2020.	2020.	2020.	2020.	2021.	2021.	2021.	2021.
10	Liability insurance for the use of MV	715.781	534.944	169.353	11.485	792.055	550.535	178.088	63.432
3	Road Vehicle Insurance	288.690	223.366	65.264	60	306.531	236.385	69.316	830
1	Accident Insurance	108.727	104.524	4.204	0	112.718	107.298	5.265	154
08+09	Fire and Special Perils Insurance + Other Property Insurance	119.413	103.971	15.442	0	127.089	112.212	14.878	0
13	Other Liability Insurance	47.233	45.785	1.448	0	83.549	81.925	1.624	0
OTHER		61.747	58.619	3.043	85	60.200	56.633	2.882	685
TOTAL	**(non-life types 01 - 18)**	**1.341.591**	**1.071.208**	**258.753**	**11.630**	**1.482.142**	**1.144.987**	**272.053**	**65.102**

Source: EUROHERC

In 2021, expenditures for incurred claims net amounted to HRK 655 million, whereby 228.111 claims were settled and HRK 665 million was set aside for payments for settled claims.

Table 4: Overview of settled claims, gross - by type of insurance (thousands kuna)

Šifra	TYPES OF INSURANCE / YEAR	EUROHERC	HR	AT	IT	EUROHERC	HR	AT	IT
		2020.	2020.	2020.	2020.	2021.	2021.	2021.	2021.
10	Liability insurance for the use of MV	343.682	203.903	139.779	0	396.625	219.022	159.113	18.489
3	Road Vehicle Insurance	159.677	115.147	44.530	0	162.852	105.671	57.094	86
1	Accident Insurance	6.646	6.645	1	0	6.690	6.689	1	0
08+09	Fire and Special Perils Insurance + Other Property Insurance	47.101	36.819	10.282	0	56.249	45.277	10.972	0
13	Other Liability Insurance	4.255	4.024	231	0	21.472	21.324	148	0
OTHER		18.837	17.375	1.410	52	21.031	18.990	1.580	461
TOTAL	**(non-life types 01 - 18)**	**580.198**	**383.913**	**196.233**	**52**	**664.919**	**416.974**	**228.909**	**19.036**

Source: EUROHERC

Table 5: Number of claims in the period 2019 - 2021							
Šifra	Vrste osiguranja	Broj šteta					
		unresolved	registered	resolved in the year		unresolved	in litigation
		on 1. 1.	in a year	liquidation	removed	on 31. 12.	on 1. 1.
10	Liability Ins. for the use of MV	7.297	33.675	28.734	3.526	8.712	2.777
3	Road Vehicle Insurance	9.014	25.190	20.216	4.624	9.364	85
1	Accident Insurance	329	1.889	1.508	331	379	47
08+09	Fire and Special Perils Ins. + Other Property Insurance	1.782	8.625	6.952	1571	1884	29
	OTHER	671	173.142	170.701	1.206	1.906	172
	TOTAL 2021.	**19.093**	**242.521**	**228.111**	**11.258**	**22.245**	**3.110**
	TOTAL 2020.	**22.698**	**225.973**	**217.968**	**11.610**	**19.093**	**2.846**
	TOTAL 2019.	**21.476**	**230.554**	**220.317**	**9.015**	**22.698**	**2.925**

Source: EUROHERC

The increase in the number of reported damages until 2019 is the result of taking on a larger number of risks. Despite the larger number of reported claims, the Company records a significantly smaller number of court cases, which contributes to the overall better efficiency in the processing of claims because the processing of court claims takes longer and is burdened with additional costs and high interest rates.

Capital management

In 2021, as in previous years, the Company operated with high capital adequacy ratios. The Company's available capital as at 31 December 2020 amounts to HRK 2.046 million, which is 191% more than the required solvency capital amounting to HRK 1.073 million or 763% more than the minimum required capital amounting to HRK 268 million.

Table 6: Capital requirement based on a standard formula - in thousands of HRK				
POSITION	**2018.**	**2019.**	**2020.**	**2021.**
Assets	3.387.069	3.529.727	3.891.590	4.001.477
Technical provisions and other liabilities	1.864.462	1.931.799	1.966.377	1.914.766
Available capital (own funds)	1.476.608	1.597.928	1.925.213	2.046.711
Solvency Capital Requirement (SCR)	714.510	760.834	1.014.567	1.073.146
Excess own funds (Free surplus)	762.097	837.094	910.646	973.564
Solvency Capital Requirement Coverage (SCR)	**207%**	**210%**	**190%**	**191%**
Minimum Capital Requirement (MCR)	194.160	210.030	253.642	268.287
Minimum Capital Requirement Coverage (MCR)	**761%**	**761%**	**759%**	**763%**

Source: EUROHERC

In the risk profile of the Company, the most significant are market risk and non-life insurance risk.

Table 7: Basic required solvency capital in thousands of HRK				
O P I S	**2018.**	**2019.**	**2020.**	**2021.**
Market Risk	624.893	672.002	1.000.598	1.054.802
Counterparty Default Risk	57.758	59.824	94.211	99.335
Health underwriting risk	29.458	30.598	30.519	30.889
Non life underwriting risk	375.342	390.930	372.560	399.179
Diversification	-249.221	-261.746	-299.917	-318.043
Basic Solvency Capital Requirement	**838.231**	**891.609**	**1.197.971**	**1.266.162**

Source: EUROHERC

Within market risk, the most significant are the risk of changes in real estate prices and the risk of market concentration. The table shows the amounts in thousands of HRK:

Table 8: Market risk (thousands of HRK)				
O P I S	**2018.**	**2019.**	**2020.**	**2021.**
Concentration Risk	253.748	260.536	827.733	875.179
Property Risk	320.681	328.936	342.104	344.412
Equity Risk	196.106	234.331	179.734	204.910
Spread Risk	111.309	107.093	88.813	90.709
Currency Risk	28.200	49.492	34.044	35.358
Interest rate Risk	0	29.513	19.537	10.215
SCRmkt Diversification	-285.151	-337.899	-491.367	-505.981
Market Risk	**624.893**	**672.002**	**1.000.598**	**1.054.802**

Source: EUROHERC

Based on the Decision of the Croatian Financial Services Supervisory Agency number CLASS: UP / I 974-08 / 17-01 / 07 REGISTRATION NUMBER: 326-01-660-662-17-47 dated 15 December 2017, the Company is connected to the group societies. Solvency and financial condition calculations for the Company were performed on the basis of the Decision in accordance with the provisions of the Insurance Act and other regulations applicable to related companies.

(4) ADDITIONAL INFORMATION

Due to the new emergency situation of spreading the COVID-19 virus, EUROHERC osiguranje d.d. initiated several activities, adjusted the appropriate processes and adopted the relevant rules to ensure business continuity and protection of employees and clients in accordance with the instructions and decisions of the Civil Protection Directorate of the Republic of Croatia, respecting the rights and obligations prescribed by the Labor Act, from the Law on Protection of the Population from Infectious Diseases. In this extraordinary situation, the emphasis is on maintaining business operations, ensuring the availability of services and fulfilling the obligation to provide reliable insurance protection, as well as the payment of damages to the Company's customers. Online sales, claim and payment services, as well as continuous support of the Company's employees via telephone and electronic means of communication are available to clients at all times. Registration, as well as processing of damages and payment of appropriate fees is carried out regularly.

The crisis caused by the COVID-19 coronavirus pandemic and the associated uncertainty will have negative consequences for the economy as a whole. Due to its unpredictable duration at this time, the scale of the economic consequences cannot be predicted with certainty.
A slowdown in sales in all types of insurance is expected during the period of active measures to combat coronavirus infection with COVID-19, and after the completion of measures, the sale of insurance will depend on the overall economic situation in the country.

In relation to the types of insurance that the Company emphasizes in its operations and which make up the majority of the Company's portfolio (compulsory motor third party liability insurance and motor hull insurance), despite the possible reduced premium income, no negative impact on the technical result is expected. The Company does not expect a decrease in cash inflows, so it is not expected to jeopardize liquidity. Given the structure of the Company's portfolio, which is dominated by compulsory motor third party liability insurance, if we draw a parallel with the crisis of 2008, experience has shown that the compulsory motor third party liability insurance portfolio is the most resilient to crises, which is logical because it is compulsory type of insurance.
The Company regularly monitors all risks to which it is exposed and, if the need arises, adopts and implements appropriate measures to reduce them. The Company measures and manages risks based on a standard formula that calculates the required solvency capital. According to current knowledge related to the impact of the coronavirus COVID-19, the impact on certain risk categories is expected, however, no significant changes in the Company's risk profile are expected.

The Company assessed the impact of the decline in the value of assets due to unfavorable interest rate movements in the financial markets, but at the same time a positive impact on the value of the Company's technical provisions. Given the high solvency ratio as at 31 December 2020, which amounts to 189.76% and the stress scenarios implemented, the Company will continue to be adequately capitalized in the context of the COVID-19 coronavirus pandemic and all capital requirements will be met.
It should be emphasized that in the first quarter of 2021, the Company continued to operate successfully and make a profit. The company continues to monitor the risks associated with the further course of the pandemic and their impact on the capital position. No significant decline in the solvency ratio is expected.

(5) STRATEGIC GOALS OF THE COMPANY

The Company's strategic goals remain to increase market share, continuously strengthen the sales infrastructure, maintain a dispersed investment portfolio structure, actively and efficiently process claims, develop its own IT infrastructure and IT solutions, achieve positive financial results, quality collection of insurance claims, conservative investment policy and actively risk management.

The Company plans to grow total own funds, maintain profitability while continuously retaining part of the operating profit in the Company's retained earnings and investing in types of assets that do not affect the disproportionate growth of capital requirements in relation to the existing portfolio. The Company anticipates that market risks will continue to dominate, especially within market risk the risk of concentration and the risk of changes in real estate prices. The share of the risk of changes in equity prices will increase. The projected growth in premium income leads to a slight increase in non-life insurance risk.

When making business decisions, the Company's Management Board takes into account the Company's anticipatory risk assessment. If the results of an anticipatory risk assessment lead to the conclusion that the Company's appetite for risk is not sustainable, the Company's Management Board makes an adjustment aimed at achieving the required level of capital requirement for solvency within a reasonable time. In order for the risk management system to be effective, the Company develops a culture of risk management at all levels of management and among all employees.

(6) LIABILITIES TO THE SUPERVISORY BOARD

In the course of 2021, the Management Board of the Company submitted regular quarterly written reports to the Supervisory Board on all issues relevant for the operations and management of the Company, in accordance with the Company’s Statute, the Insurance Act and the Companies Act.
The reports submitted to the Supervisory Board were drawn up diligently, and are truthful and complete.
The Management Board of the Company accepted all of the recommendations, observations and suggestions of the Supervisory Board and used them so as to manage the Company’s business in the best possible manner and in the interest of the Company’s shareholders, while completely complying with the laws and other regulations that refer to the Company’s business activity.

(7) CONCLUSION

Despite its strong market competition, the Croatian private equity company EUROHERC osiguranje d.d. became the second largest company in the non-life insurance market and continues to holds its position as such. The Company regularly settles its liabilities to the owners, employees and state. Throughout the 26 years of its operation, it has always complied with the highest professional standards. The Company, depending on its capacity, participates in socially responsible and humanitarian activities. The Company established its own business infrastructure, system of branches and sales network through which it today offers a series of new, innovative products.

The Company made a significant business step forward in the Austrian insurance market, and in the fourth quarter of 2020 it expanded its operations to the territory of the Italian Republic, which speaks of the perspective and potential for further development of the Company outside the Republic of Croatia.

The Company’s long-term task is to improve all services and employee’s work, in particular the sales market in compliance with professional standards, good economic practices and specifics that are inherent to the insurance market.

EUROHERC advocates an active approach, efficiency and lawfulness when it comes to liquidating claims. The Company still forms part of a small group of insurance companies with the highest efficiency in claims settlement procedures.

The Management Board will continue implementing a conservative investment policy, in order to ensure high liquidity and investment safety.

The Management Board has set a concrete goal, and it plans to maintain the current market position of the Company in the following years, with the share in the overall and the non-life insurance market constantly increasing. Furthermore, the Company plans to strengthen its position as a leader in the mandatory Motor Vehicle Insurance market, and to maintain its leading position in the sales of innovative products, i.e. products voluntarily added to the mandatory Motor Third Party Liability Insurance.

Furthermore, the Company will make its top priority to maintain its high efficiency when it comes to handling and liquidating claims at a level of 75-80%. It is, therefore, implied that the Company will operate rationally and generate income in the following years, while further increasing the Company's equity, which will guarantee its safe and stable operation.

Zagreb, 31. March 2022

MANAGEMENT OF THE COMPANY

Željko Kordić,
President of the Management Board

Darinko Ivković,
Member of the Management Board

Tomislav Čizmić,
Member of the Management Board

Vjeran Zadro,
Member of the Management Board

Tomislav Abramović,
Member of the Management

EUROHERC OSIGURANJE d.d.

Financial statements for the Year Ended

31 December 2021

and Independent Auditor's Report

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

Responsibility of the Management Board

Pursuant to the Accounting Act of the Republic of Croatia, Management of the Company is responsible for ensuring that the annual consolidated and non-consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, to give a truthful and objective review of the financial position of the Group and Company, as well as their results of business operations for the given period.

After conducting the appropriate research, the Management Board expects that the Company and the Group will have adequate resources in the foreseeable future, and therefore continues to adopt the principle of indefinite operation in preparing the financial statements.

In preparing these financial statements, the Management Board of the Company is responsible for:

- selecting and consistently applying suitable accounting policies;
- giving reasonable and prudent judgements and evaluations;
- applying valid accountancy standards and releasing and explaining in the financial statements any material departures and
- drawing up the financial statements on the going concern basis unless such an assumption is not appropriate.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Company and the Group and their compliance with the Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Company and the Group and their compliance with the Accounting Act. It is also responsible for safeguarding the assets of the Company and the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of and for the Management Board:

Željko Kordić *President of the Management Board* ŽKordić

Darinko Ivković, *Member of the Management Board* **Tomislav Čizmić,** *M*ember of the Management Board

Vjeran Zadro, *Member of the Management Board* **Tomislav Abramović,** *Member of the Management Board*

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31 March 2022

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Euroherc osiguranje d.d., Zagreb

Audit report on separate and consolidated annual financial statements

(Translation - the Croatian text is authoritative)

Opinion

We have audited the separate annual financial statements of Euroherc osiguranje d.d. ("the Company") and the consolidated annual financial statements of the Company and its subsidiary (together the "Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group as at 31 December 2021, separate and consolidated statements of comprehensive income, separate and consolidated statements of changes in equity and separate and consolidated statements of cash flows of the Company and the Group for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards (the "IFRS"), determined by the European Commission and published in the Official Journal of the EU.

Basis for Opinion

We performed the audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual financial statements section of our Independent Auditor's report. We are independent of Company and the Group in accordance with the Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those which were, in our professional judgment, of the utmost importance for our audit of the separate and consolidated annual financial statements of the current period and include most significant recognized risks of significant misstatement as a result of error or fraud with the greatest impact on our audit strategy, the allocation of our available resources and the time spent by the engaged audit team. We have dealt with these matters in the context of our audit of the annual financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

We have determined that the following matters were key audit matters which should be published in our Independent Auditor's report.

Registrirano kod Trgovačkog suda u Zagrebu pod brojem 080044149
OIB 76394522236

Key Audit Matters (continued)

Investment property valuation	
As of 31 December 2021, investments in property in the consolidated financial statements amount to HRK 942,771 thousand and represent 23% of the Group's total assets, and at the Company level HRK 910,047 thousand and represent 23% of total assets.	
Key audit matters	**How we addressed the key audit issue**
The Group and the Company use the fair value model when subsequently measuring investment property. During subsequent measurements, gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Assessments are conducted annually, in line with the IAS 40: Investment Property. In order to assess the investment property value, an independent assessor made a study of the complete portfolio owned by the Group and the Company. Investment property value assessments depend on certain key assumptions, level of rentals on the market, capitalisation rate and the property market value. We focused on this area due to the existence of significant estimation uncertainty, with the fact of a significant impact on the financial statements of the Company and the Group. The assessment of the value of the Group's property portfolio is subjective due to, inter alia, the individual nature of each property, its location and the expected future rental income of each property. **Related disclosures accompanying the annual financial statements** For additional information, see Note 3 (Significant Accounting Policies), Note 4 (Critical Accounting Judgments and Key Sources of Estimation Uncertainty) and Note 17 (Investment Property).	*Audit procedures* Our audit procedures related to this area included: • verification of the approach and valuation methodologies used for each property in accordance with professional valuation standards and appropriate regulations for property valuation; • an assessment of the qualifications and expertise of independent appraisers to determine whether there were any circumstances that could have affected their objectivity or that may have limited the scope of their work; • checking on a sample basis whether the information specific to certain properties provided by the Group to appraisers is contained in the Group's records of those properties; • checking, on the basis of a sample consisting of the largest properties in the portfolio and those properties where the assumptions used have changed significantly compared to the previous year, the appropriateness of the procedures performed and the acceptability of the assumptions used taking into account available and comparable market evidence; • considering the adequacy of management's estimates in terms of significant developments in valuations; • review of the accuracy and completeness of information published in the financial statements in connection with the publication of additional information on property valuation.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Impairment of loans granted</th></tr>
<tr><td colspan="2">As of 31 December 2021, gross loans to other companies in the consolidated and separate financial statements amounted to 757,545 thousand, and related provisions for impairment to HRK 35,280 thousand (31 December 2020: gross loans to other companies: HRK 752,573 thousand, provisions for impairment: HRK 35,217 thousand).</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit matters</th></tr>
<tr><td>The loan portfolio consists mostly of companies from the insurance industry and companies that own vehicle technical inspection stations. Loans are measured at amortized cost using the effective interest method, less any impairment losses. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

In accordance with International Accounting Standard 39 - Financial Instruments: Recognition and Measurement, the Group and the Company have general provisions for the entire portfolio of loans granted and individual provisions for loans granted to other companies.

The loan portfolio holds of large individual loans, which then requires the Group and the Company to supervise the debtor's ability to pay the loan and the need to assess future cash flows based on the business operations of individual debtors and collaterals, for example, property.

We focused on this area, as the Management Board makes complex and subjective judgments about the timing of recognition of impairment, as well as the assessment of the amount of such impairment primarily related to the assessment of future free cash flows of borrowers, borrowers' business prospects and valuation of collateral on loans.

Related disclosures accompanying the annual financial statements

For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates) and Note 19 (Loans and Receivables).</td><td>Audit procedures

Our audit procedures related to this area included:

• understanding policy, processes and key controls related to the approval, recording and monitoring of loans;
• checking the accuracy of the data in the accounting records for individual loans granted, based on a sample;
• an assessment of the process related to the identification of impairment events and indications of impairment;
• assess the reasonableness of the key assumptions used in judging the amount of impairment required, as well as the consistency of the assumptions used;
• an assessment of the Company's Management Board's expectations about future cash flows, valuation of collateral, expected collection capacity and other sources of repayment, based on a sample of loans for which there were no repayments;
• we have reviewed the amount of the provision required calculated based on expected future cash flows for loans secured by the collateral of the property, taking into account the fair value of the property;
• for unsecured loans, based on a sample, we checked the debtor's free cash flow for loan repayment purposes;
• we considered the possibility that impairment could be affected by events that were not covered by management's assessment;
• reviewing the accuracy and completeness of the information disclosed in the financial statements in terms of comprehensibility.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Valuation of illiquid financial instruments</th></tr>
<tr><td colspan="2">As of 31 December 2021, 14% (HRK 539,520 thousand or HRK 563,815 thousand) of total assets of the Group and the Company stated at fair value were classified as Level 3, they were valued by methods in which determining prices for assets and liabilities for the calculation of which non-public inputs were used. Level 3 financial instruments predominantly comprise unquoted and quoted shares, but without significant trading.</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit issue</th></tr>
<tr><td>Valuation of equity securities that are not actively traded in the markets used valuation models and techniques primarily based on market inputs based on market method concepts.

Illiquid financial instruments are valued on the basis of discounted cash flow analysis or a comparative approach where peer groups are used to calculate multipliers. The assessment of the fair value of non-listed shares uses certain assumptions that are not supported by actual market prices or rates.

We focused on this area due to the size and importance of valuation of financial instruments of the Group and the Company, especially shares of joint stock companies and companies not listed on the active market, as well as the complexity of assessment, adequacy of input data used by the Company when valuing financial instruments.

Related disclosures accompanying the annual financial statements

For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates), Note 18 (Financial Assets Available-for-Sale) and Note 34 (Financial Instruments and Risk Management).</td><td>Audit procedures

Our audit procedures related to this area included:

• we checked the appropriateness of the valuation methodologies used in accordance with the requirements of International Financial Reporting Standard 13 - fair value measurement;
• reviewing accounting estimates from previous periods and considering consistency in accounting estimates in the current period, as well as in the method for its creation in relation to the previous period;
• testing the accuracy, completeness and relevance of the data on which the fair value estimate is based, and whether the estimate was correctly determined using those data and assumptions;
• considering the sources, relevance and reliability of external data and information used in estimating fair value;
• recalculating the valuation and reviewing information on the fair value estimate of the share;
• assessing the reasonableness and critically reviewing the assumptions used by management in estimating fair value, and whether the assumptions adequately reflect observable market assumptions;
• assessing the adequacy of disclosures related to fair value and exposure to financial risks in the financial statements and whether the Company and the Group are properly disclosed, in accordance with relevant financial reporting standards;
• we assessed the fair value hierarchy policy with the requirements of International Financial Reporting Standard 13 - fair value measurement.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Valuation of technical provisions</th></tr>
<tr><td colspan="2">As of 31 December 2021, technical provisions amounted to HRK 1,693,174 thousand which represents 77% of the total liabilities of the Company and the Group (31 December 2020: HRK 1,629,135 thousand, 74% of total liabilities).</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit matters</th></tr>
<tr><td>Provisions from insurance contracts represent individually the most significant liability of the Company and the Group in the statement of financial position. The Group's and the Company's technical provisions, which include provisions for reported but unpaid claims and provisions for unexpired risks, reflect the uncertainty that is an integral part of the insurance industry.

The valuation of technical provisions involves significant judgment regarding uncertain future outcomes and complex mathematical and statistical calculations.

In the case of provisions for reported but unpaid claims, the Claims Department determines the amount of the provision after processing all available information. Claims data are aggregated and observed at the collective level to determine the total amount of losses that will be incurred for all policies by type of insurance. Claims reserve models take into account experience, claims development, market conditions, as well as assumptions that are sensitive to legal, economic and various other uncertainties in order to estimate losses. The provision for unexpired risks is calculated taking into account the recorded premiums, the nature of the risk and generally accepted valuation methods.

Management reviews claims and premiums, input assumptions for models, and is responsible for appointing a certified independent actuary tasked with reviewing estimated reserves to ensure they are adequate.

We focused on this area based on the significance of insurance provisions and the degree of assessment related to key estimates and assumptions.

Related disclosures accompanying the annual financial statements

For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates), Note 28 Technical Provisions) and Note 35 (Insurance Risk a Management).</td><td>Audit procedures

We used the work of actuarial experts in performing our audit procedures which included:
assessment of actuarial judgments used in the models, as well as compliance of methodologies applied by the Company and the Group in calculating reserves in accordance with relevant regulatory and reporting requirements
an assessment of the consistency of the application of the methodology during the reporting period compared to previous years;
checking the input data for the calculation of technical provisions, as well as the model in terms of correctness and completeness of the calculation of reserves;
analysis and critical review of reserve calculations that are most susceptible to uncertainty and that are largest in terms of amounts;
confirmation of the validity of the testing of the adequacy of liabilities by the Management Board, which is a key test conducted to verify whether the liabilities are adequate compared to future contractual obligations;
Furthermore, we reviewed the information disclosed in the financial statements of the Group and the Company to assess their adequacy in terms of the comprehensibility of the transaction itself to the users of the financial statements.</td></tr>
</table>

Other information in the Annual Report

Management is responsible for the other information. The other information comprises Annual Report, whose integral part is the Management report but does not include separate and consolidated annual financial statements and our Independent auditor's report on them.

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

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

As regards the Rules of Procedure, we also implemented the procedures required by the Croatian Law on Accounting („the Accounting law"). These procedures shall include consideration of:

- the management report in all significant benchmarks has been prepared in accordance with the attached financial statements;
- the management report in all significant benchmarks has been prepared in accordance with the Accounting Act.

Based on the procedures required to be performed as part of our audit of the annual separate and consolidated accounts and the procedures referred to above, in our opinion;

- The information contained in the Management report for the financial year for which the seperate and consolidated financial statements have been prepared is consistent, in all material respects, with the annual separate and consolidated financial statements of the Company set out on pages 49 to 139 on which we have expressed an opinion. In the Opinion section above;
- The management report has been prepared in all material respects, in accordance with the Accounting Act.

Based on the knowledge and understanding of the Company and the Group and their environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information. In this sense, we do not have anything to report.

Responsibilities of Management and those charged with Governance for the Annual Financial Statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the IFRS and for such internal controls as the Management determines necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those appointed for supervision are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a higher 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 made based on these annual financial statements.

Auditor's Responsibility for the Audit of the Annual Financial Statements (continued)

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 annual 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Make conclusion 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 auditor's report to the related disclosures in the annual 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 auditor's report. However, future events or conditions may cause Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence in connection with the financial information of the entities or activities performed within the Group to express our opinion on these consolidated financial statements. We are responsible for directing, overseeing and performing the group audit. We remain solely responsible for our audit opinion.

We communicate with those responsible for 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 give a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relationships and other issues that can reasonably be considered to affect our independence as well as, where applicable, about related protections.

Among the matters we are communicating with those responsible for governance, we determine those matters that are of utmost importance in revising the current financial statements for the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless the law or regulations prevents public disclosure or when, in exceptionally rare circumstances, we decide that the matter should not be reported in our independent auditor's report as it can reasonably be expected that the negative effects of the announcement will surpass the welfare of public interest in such disclosure.

Report on other legal requirements

On 2 July 2021, we were appointed as auditors to conduct an audit of the separate and consolidated annual financial statements for 2021, by the General Assembly of the Company.

On the date of this Report, we are continuously engaged only to perform the Company's statutory audit, from the audit of the Company's annual separate and consolidated financial statements for 2019 to the audit of the Company's annual separate and consolidated financial statements for 2021, which totals three years.

In the audit of the separate and consolidated annual financial statements of the Company for 2021, we have determined materiality levels for the annual financial statements as a whole, as follows:

- for separate annual financial statements: HRK 20 million
- for consolidated annual financial statements: HRK 20 million

which represents approximately 1.5% of the gross premium of the Company or the Group for 2021.

We chose the gross premium as the benchmark because, in our view, it is the benchmark against which the performance of Company is commonly measured by users and is a generally acceptable benchmark.

Our audit opinion is consistent with the additional report for the Auditing Board of Company, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the initial date of the audited separate and consolidated annual financial statements of the Company for the year 2021 and in the business year prior to the aforementioned period, we did not provide Company with prohibited non-assurance services, and did not provide services to designing and implementing internal control or risk managements and/or control of financial information or design and implementation of technological systems for financial information, and we have maintained independence in relation to Company during the performance of the audit.

Pursuant to the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (NN 37/16, “Regulation”) the Company’s Management prepared forms presented on pages od 140 do 146, and include a statement of comprehensive income, statement of financial position, statement in changes in equity and reserves, statement of cash flows and notes on compliance. These forms and the corresponding adjustments are the responsibility of the Management Board and do not form an integral part of the financial statements presented on pages 49 to 139 but are prescribed by the Ordinance.

The partner engaged in the audit of the Company’s and Group annual financial statements for the year 2021 resulting in this Independent auditor's report is Angelina Nižić, certified auditor.

In Zagreb, 29 April 2022

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

BDO CROATIA
BDO Croatia d.o.o.
za pružanje revizorskih, konzalting
i računovodstvenih usluga
Zagreb, J. F. Kennedy 6/b

Ivan Čajko, Member of the Management Board

Angelina Nižić, Certified Auditor

(all amounts in thousands of HRK)

	Notes	Group 2021	Company 2021	Group 2020	Company 2020
Earned premium					
Written gross premium and premium written for co-insurance	5	1,482,142	1,482,142	1,341,591	1,341,591
Value adjustment and paid premium value adjustment	5	(5,885)	(5,885)	(8,983)	(8,983)
Outward reinsurance and co-insurance gross premiums	5	(35,241)	(35,241)	(34,520)	(34,520)
Net written premium		**1,441,016**	**1,441,016**	**1,298,088**	**1,298,088**
Changes in gross unearned premium provisions	5	(63,711)	(63,711)	(31,415)	(31,415)
Changes in gross unearned premium provisions, reinsurance and co-insurance share	5	(248)	(248)	204	204
Net earned premiums	*5*	***1,377,057***	***1,377,057***	***1,266,877***	***1,266,877***
Fee and commission income	6	2,767	2,767	3,218	3,218
Investment income	7	76,607	78,565	87,492	88,504
Other operating income	8	46,385	41,819	51,700	47,306
Net income		**1,502,816**	**1,500,208**	**1,409,287**	**1,405,905**
Liquidated claims		(664,919)	(664,919)	(580,198)	(580,198)
Liquidated claims, reinsurance share		7,474	7,474	1,856	1,856
Changes in provisions for claims outstanding		1,865	1,865	(15,830)	(15,830)
Changes in other technical provisions for claims outstanding, net of reinsurance		-	-	-	-
Return of premium (bonuses and rebates), net of reinsurance		(2,192)	(2,192)	2,496	2,496
Changes in provisions for claims outstanding, reinsurance share		788	788	5,930	5,930
Claims incurred	9	**(656,984)**	**(656,984)**	**(585,746)**	**(585,746)**
Acquisition costs	10	(360,014)	(359,587)	(344,047)	(343,634)
Administrative costs	11	(185,498)	(185,498)	(195,735)	(195,735)
Investment costs	7	(52,197)	(51,620)	(46,591)	(46,015)
Other operating expenses	12	(92,473)	(92,473)	(83,940)	(83,940)
Profit before tax		**155,650**	**154,046**	**153,228**	**150,835**
Income tax	13	(27,283)	(26,923)	(27,303)	(26,893)
Profit after tax		**128,367**	**127,123**	**125,925**	**123,942**

The notes below form an integral part of these financial statements.

(all amounts in thousands of HRK)

	Notes	Group in 2021	Company 2021	Group in 2020	Company 2020
Items that will not be reclassified in the Statement of Profit or Loss					
Net income from revaluation reserves by property and equipment		11,641	11,641	21,260	21,260
Items that can subsequently reclassified in the Statement of Profit of Loss					
Net change in the fair value of available-for-sale securities		(2,645)	(2,645)	20,861	20,861
Net amount transferred to profit or loss		(71)	(71)	(543)	(543)
Total other comprehensive income / (loss)		***8,925***	***8,925***	***41,578***	***41,578***
Total comprehensive income		**137,292**	**136,048**	**167,503**	**165,520**
Profit after tax attributable to:					
- Company's owners		127,318	127,123	124,967	123,942
- owners of non-controlling interests		1,049	-	958	-
		128,367	**127,123**	**125,925**	**123,942**
Total comprehensive income attributable to:					
- Company's owners		136,243	136,048	166,545	165,520
- owners of non-controlling interests		1,049	-	958	-
		137,292	**136,048**	**167,503**	**165,520**
Earnings per share (in HRK)		**420,86**	**416,78**	**412,86**	**406,35**

The notes below form an integral part of these financial statements.

(all amounts in thousands of HRK)

	Notes	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Assets					
Non-current assets					
Goodwill	14	4,307	-	4,307	-
Intangible assets	15	5,603	5,603	5,603	6,915
Property and equipment	16	496,846	496,324	506,171	505,680
Investment property	17	942,771	910,047	932,076	898,777
Financial assets available for sale	18	807,550	831,845	812,362	836,657
Loans and receivables	19	640,640	640,640	663,610	663,610
Bank deposits	20	39,515	39,515	35,972	35,972
Guarantee deposits for lease contracts		9,681	9,681	6,112	6,112
Other receivables	22	58,808	58,808	103,079	103,079
		3,005,721	**2,992,463**	**3,070,604**	**3,056,802**
Current assets					
Loans and receivables	19	89,455	89,455	57,098	57,098
Bank deposits	20	113,737	113,737	111,302	111,302
Guarantee deposits under lease agreements		-	-	4,411	4,411
Premium receivables	21	430,825	430,825	405,067	405,067
Reinsurance share in technical provisions	28	28,808	28,808	28,267	28,267
Credit, cards and check receivables		38,066	38,066	40,019	40,019
Other receivables	22	101,769	101,570	102,743	102,053
Prepaid expenses		42,888	42,888	69,698	69,696
Cash at bank and in hand	23	180,400	178,445	59,789	59,156
		1,025,948	**1,023,794**	**878,394**	**877,069**
Total assets		**4,031,669**	**4,016,257**	**3,948,998**	**3,933,871**

The notes below form an integral part of these financial statements.

(all amounts in thousands of HRK)

	Notes	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Capital and liabilities					
Equity and reserves					
Share capital	24	61,002	61,002	61,002	61,002
Revaluation reserves for securities available-for-sale	25	54,247	53,895	56,963	56,611
Revaluation reserves for property	26	347,845	347,845	341,335	341,335
Legal reserves	27	172,585	172,585	172,585	172,585
Retained earnings		1,171,073	1,173,362	1,093,830	1,096,314
		1,806,752	**1,808,689**	**1,725,715**	**1,727,847**
To owners of non-controlling interests		12,180	-	12,089	**-**
Total Equity		**1,818,932**	**1,808,689**	**1,737,804**	**1,727,847**
Technical provisions					
Unearned premiums, gross	28	783,769	783,769	720,058	720,058
Outstanding claims, gross	28	909,405	909,405	909,077	909,077
		1,693,174	**1,693,174**	**1,629,135**	**1,629,135**
Non-current liabilities					
Deferred tax-liabilities	13	86,135	81,088	85,393	80,346
Long-term loans	29	120,569	120,569	113,638	113,638
		206,704	**201,657**	**199,031**	**193,984**
Current liabilities					
Short-term loans	29	26,016	26,016	122,388	122,388
Liabilities from direct insurance	30	36,855	36,855	37,909	37,909
Liabilities from reinsurance		6,843	6,843	6,994	6,994
Current tax liability	31	911	911	2,583	2,575
Other liabilities	31	242,234	242,112	213,154	213,039
		312,859	**312,737**	**383,028**	**382,905**
Total equity and liabilities		**4,031,669**	**4,016,257**	**3,948,998**	**3,933,871**

The notes below form an integral part of these financial statements.

(all amounts in thousands of HRK)

GROUP

	Share capital	Revaluation reserves at fair value available for sale	Revaluation reserves by property and equipment	Legal reserves	Retained earnings	Equity owner shares	To owners of non-controlling interests	Total
Balance at 1 January 2020	**61,002**	**36,645**	**329,516**	**172,585**	**959,422**	**1,559,170**	**11,609**	**1,570,779**
Revaluation, net	-	20,861	21,260	-	-	42,121	-	42,121
Net amount transferred to profit or loss	-	(543)	-	-	-	(543)	-	(543)
Profit after tax	-	-	-	-	124,967	124,967	958	125,925
Total comprehensive income	**-**	**20,318**	**21,260**	**-**	**124,967**	**166,545**	**958**	**167,503**
Depreciation	-	-	(9,441)	-	9,441	-	-	-
Dividend payment	-	-	-	-	-	-	(478)	(478)
Balance at 31 December 2020	**61,002**	**56,963**	**341,335**	**172,585**	**1,093,830**	**1,725,715**	**12,089**	**1,737,804**
Revaluation, net	-	(2,645)	11,641	-	-	8,996	-	8,996
Net amount transferred to profit or loss	-	(71)	-	-	-	(71)	-	(71)
Profit after tax	-	-	-	-	127,318	127,318	1,049	128,367
Total comprehensive income	**-**	**(2,716)**	**11,641**	**-**	**127,318**	**136,243**	**1,049**	**137,292**
Depreciation	-	-	(5,131)	-	5,131	-	-	-
Dividend payment	-	-	-	-	(55,206)	(55,206)	(958)	(56,164)
Balance at 31 December 2021	**61,002**	**54,247**	**347,845**	**172,585**	**1,171,074**	**1,806,752**	**12,180**	**1,818,932**

(all amounts in thousands of HRK)

COMPANY

	Share capital	Revaluation reserves at fair value available for sale	Revaluation reserves by property and equipment	Legal reserves	Retained earnings	Total
Balance at 1 January 2020	**61,002**	**36,293**	**329,516**	**172,585**	**962,931**	**1,562,327**
Revaluation, net	-	20,861	21,260	-	-	42,121
Net amount transferred to profit or loss	-	(543)	-	-	-	(543)
Profit after tax	-	-	-	-	123,942	123,942
Total comprehensive income	**-**	**20,318**	**21,260**	**-**	**123,942**	**165,520**
Depreciation	-	-	(9,441)	-	9,441	-
Dividend payment	-	-	-	-	-	-
Balance at 31 December 2020	**61,002**	**56,611**	**341,335**	**172,585**	**1,096,314**	**1,727,847**
Revaluation, net	-	(2,645)	11,641	-	-	8,996
Net amount transferred to profit or loss	-	(71)	-	-	-	(71)
Profit after tax	-	-	-	-	127,123	127,123
Total comprehensive income	**-**	**(2,716)**	**11,641**	**-**	**127,123**	**136,048**
Depreciation	-	-	(5,131)	-	5,131	-
Dividend payment	-	-	-	-	(55,206)	(55,206)
Balance at 31 December 2021	**61,002**	**53,895**	**347,845**	**172,585**	**1,173,362**	**1,808,689**

The notes below form an integral part of these financial statement.

Statement of Cash Flows

for the year ended 31 December 2021

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES	**Group 2021**	**Company 2021**	**Group 2020**	**Company 2020**
Cash flow before the change in assets and liabilities				
Profit before tax	**155,650**	**154,046**	**153,228**	**150,835**
Adjustments:				
Depreciation of property and equipment	34,822	34,822	45,342	45,245
Amortization of intangible assets	1,521	1,521	2,971	2,971
Investment income	(44,862)	(46,820)	(58,161)	(59,173)
Interest expense	7,069	7,069	5,293	5,293
Loss on sale of financial assets	26	26	210	210
Loss of sale of investment property	-	-	2,882	2,882
Gains from fair valuation of investment property	(9,582)	(10,159)	(11,562)	(12,138)
Other investment costs	1,415	1,415	3,544	3,544
Change in technical provisions	64,039	64,039	44,749	44,749
Change in the share of reinsurance in technical provisions	(541)	(541)	(6,133)	(6,133)
Changes in assets and liabilities				
Income tax	(29,804)	(29,804)	(34,824)	(34,402)
Dividend receipt	10,351	12,309	5,491	6,503
Interest paid	(7,069)	(7,069)	(5,285)	(5,285)
Interest receipts	30,243	30,243	52,013	52,013
(Increase) / decrease in investments available-for-sale	(386)	(387)	33,899	33,899
(Increase) / decrease in deposits, loans and receivables	(10,314)	(10,314)	(113,476)	(113,476)
Increase in receivables and other assets	50,036	49,426	(70,112)	(69,091)
Increase in other liabilities	6,120	6,482	4,976	5,235
Other	-	-	-	-
CASH FLOW FROM OPERATING ACTIVITIES	**258,734**	**256,304**	**55,045**	**53,681**

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES (continued)	**Group 2021**	**Company 2021**	**Group 2020**	**Company 2020**
Receipts from sale of investment property	-	-	10,176	10,176
Expenditures for the purchase of real estate and equipment	(8,151)	(8,001)	(20,321)	(19,992)
Expenditures for acquisition of intangible assets	(667)	(667)	(952)	(952)
Expenditures for the acquisition of investment property	-	-	(21,700)	(21,700)
CASH FLOW FROM INVESTING ACTIVITIES	**(8,818)**	**(8,668)**	**(32,797)**	**(32,468)**
Receipts from loans received	100,000	100,000	25,000	25,000
Repayment of received loans	(181,231)	(181,231)	(20,586)	(20,586)
Cash outflows for rent	(13,298)	(13,298)	(11,931)	(11,931)
Cash outflows for dividend payment	(34,776)	(33,818)	(478)	-
CASH FLOW FROM FINANCIAL ACTIVITIES	**(129,305)**	**(128,347)**	**(7,995)**	**(7,517)**
Net increase / (decrease) in cash and cash equivalents	**120,611**	**119,289**	**14,253**	**13,696**
Cash and cash equivalents at the beginning of the year	**59,789**	**59,156**	**45,536**	**45,460**
Cash and cash equivalents at the end of the year	**180,400**	**178,445**	**59,789**	**59,156**

The notes below form an integral part of these financial statements.

1. GENERAL DATA

Euroherc osiguranje d.d., (hereinafter: “the Company”) and its subsidiary (together “the Group”) were established in October 1992 in Makarska. Since 2000, the address of the registered office of the Company is Ulica grada Vukovara 282, Zagreb.

On 30 June 2017, the Company bought a 68.12% share in the Company MTT d.o.o. for 25.9 million HRK.

The Group provides non-life insurance services and specialises in Motor Vehicle Insurance. The Group provides services through 15 subsidiaries. The Croatian Financial Services Supervisory Agency (HANFA) regulates the business operations of the Company.

As at 31 December 2021, the Company had 1,221 employees, which is 18 more than a year earlier.

Management and Supervisory Board

Management Board

Željko Kordić, President of the Management Board
Darinko Ivković, Member of the Management Board
Tomislav Čizmić, Member of the Management Board
Vjeran Zadro, Member of the Management Board
Tomislav Abramović, Member of the Management Board since 7 February 2022

Supervisory Board

Mladenka Grgić, President of the Supervisory Board
Grgo Dodig, Deputy Chairman of the Supervisory Board since July 19, 2021
Zlatko Lerota, Member of the Supervisory Board since July 19, 2021, until then Deputy Chairman of the Supervisory Board
Radoslav Pavlović, Member of the Supervisory Board
Zvonimir Slakoper, Member of the Supervisory Board since 19 July 2021

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

Financial statements comprise consolidated and non-consolidated financial statements of the Company and are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Basis of preparation

Financial statements are prepared in accordance with the historical cost principle, except for certain financial instruments which are classified as financial assets available for sale, as well as investment property and property classified as tangible assets at fair value. Financial statements are prepared on the going concern basis.

The financial statements are given in HRK rounded to the thousand.

The accompanying financial statements are prepared based on the accounting records of the Group and entail adjustments and reclassifications necessary for a truthful and objective overview in compliance with International financial reporting standards, as adopted in the European Union.

Preparing financial statements pursuant to IFRS requires the use of certain accountancy presumptions. Furthermore, it requires the Management Board to use its presumptions and assessments when applying the Group's accountancy policies. The areas that require a higher assessment level are more complex. The areas in which assessments and presumptions relevant for financial statements are given in Note 4.

Accountancy policies have been applied consistently, if not stated otherwise.

The Group's accountancy policies have been applied consistently in the Company, if not stated otherwise.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis for Consolidation

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Negative goodwill that arises in case of a bargain purchase is recognised immediately in the profit and loss account. Transaction costs are recognised in the statement of profit or loss in the moment when they arise, unless they refer to the issuance of debt securities or equity securities. The transferred fee does not include amounts connected to settlement of relationships that existed prior to the acquisition date. Those amounts are, as a rule, recognised in the statement of profit or loss.

All potential fees are measured at fair value at the acquisition date. If the obligation to pay the potential fee, which complies with the definition of a financial instrument, is classified as an equity instrument, then it is not remeasured, and the settlement is recognised in the equity. Conversely, the subsequent changes in fair value of the potential fee is recognised in the profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another company, when exposed to, or when entitled to, variable return on its investment and can influence the return through the control of the other company. The financial statements of subsidiaries are included in the consolidated financial statements through the total consolidation method since the date when the control was transferred to the Group and excluded from the date of the end of control.

In the separate financial statement of the Company, investments in subsidiaries were reported at cost less the relevant impairment, if necessary.

Loss of control

When the Group loses control, the Group stops recognising assets and liabilities of the subsidiary, minority shareholders’ shares and other elements of equity and reserves which refer to the subsidiary. Potential surplus or deficit that derives from the end of control is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value as at the day control ceases. After that, the share is stated as an investment valued pursuant to the equity method or pursuant to the Group’s Financial Instrument Accountancy Policy, depending on the level of retained influence.

Investment in entities stated in accordance with the equity method

The Group’s shares in entities stated in accordance with the equity method refer to the shares in subsidiaries. Subsidiaries represent entities in which the Group exercises significant influence, but not control or join control over the financial and business policies of that entity.

The shares in subsidiaries are calculated in accordance with the equity method. Initially, they are measured in accordance with the cost method, which entails transaction costs. After the first recognition, the Group's share in profit and loss and other comprehensive income of subject calculated in accordance with the equity method is stated in consolidated financial statements until the date of end of significant influence, i.e. joint control.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis for Consolidation (continued)

In separate financial statements of the Company, where relevant, the investment in the subsidiary is stated as cost less relevant impairment losses.

Transactions eliminated during consolidation

Balances and transactions among Group's members and all unrealised gains and losses that relate to the transactions of the Group's members are eliminated during the preparation of consolidated financial statements. Unrealised gains that relate to the transactions of the Group and its subsidiaries are eliminated in accordance with the proportion of the Group's share in the subsidiary. Unrealised losses are also eliminated, same as unrealised gains, but only if there are no impairment indicators.

Application of new and revised International Financial Reporting Standards

First application of new amendments to existing standards in force for the current reporting period

In the current reporting period, the following amendments to existing standards published by the International Accounting Standards Board ("IASB") and adopted by the European Union are in force:

- COVID-19 - Concessions after 30 June 2021 (Amendments to IFRS 16) - extended period of application of the exemption until 30 June 2022 (effective for annual periods beginning on or after 1 April 2021);
- Reference interest rate reform - Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is not mandatory until annual periods beginning on or after 1 January 2021.

Standards and amendments to existing standards published by the IASB and adopted in the European Union, but not yet in force

At the date of approval of these financial statements, the following amendments to existing standards issued by the IASB and adopted by the European Union have been issued but are not effective:

- Annual Improvements to IFRSs from the 2018-2020 Cycle - effective for annual periods beginning on or after 1 January 2022);
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Harmful Contracts - Contract Execution Costs): The amendments define which costs should be included in an entity's assessment of the harmfulness of a contract (effective for annual periods beginning on or after 1 January 2022).;
- IAS 16 Property, Plant and Equipment (Amendment - Revenue Before Intended Use): The amendment prohibits a reduction in acquisition costs for realized receipts of sold effects produced when bringing plant and equipment in working order for its intended use. Instead of the current practice, the entity will also recognize income and expenses generated by trial operation through the income statement (effective for annual periods beginning on or after 1 January 2022);
- IFRS 3 "Business Combinations" - Link to the Conceptual Reporting Framework (effective for annual periods beginning on or after 1 January 2022)

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by the IASB but not yet adopted in the European Union

IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which has not yet been decided by the European Union. hereinafter referred to as IFRSs issued by IASB):

- IFRS 17 - Insurance Contracts
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities in the Short and Long Term)
- IAS 1 Presentation of Financial Statements and IFRS Statement of Practice 2 (Amendment - Disclosure of Accounting Policies)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)
- IAS 12 Income Taxes (Amendment - Deferred Tax on Assets and Liabilities Arising from a Single Transaction

The above changes are effective for annual periods beginning on or after 1 January 2022.

The Group and the Company are currently assessing the impact of the new standards and guidelines on their financial statements. The new standards and interpretations are not expected to affect the Company's financial statements.

Upon the entry into force of IFRS 17: Insurance Contracts and IFRS 9: Financial Instruments (the application of IFRS 9 for insurance companies has been deferred until the application of IFRS 17), certain changes will occur in the financial statements of the Company and the Group. The Company's management is in the process of assessing the impact of IFRS 17 and believes that the implementation of IFRS 9 will have a significant impact on the financial statements of the Company and the Group.

In addition to the afore mentioned standard, IFRS 17 and IFRS 9, according to estimates, the application of these new standards and amendments to existing standards would not have a significant material impact on the Company's financial statements.

The Company and the Group have chosen not to apply the new standards, amendments to existing standards and interpretations before the effective date.

3. ACCOUNTANCY POLICIES

Premiums

The written gross premium entails all premium amounts contracted by the end of the accounting period for policies issued by the end of the accounting period, regardless whether these amounts refer entirely or partially to later accounting periods. The earned premiums include the written gross premium (including the outward reinsurance premium), outward reinsurance and co-insurance premium, value adjustment and paid premium value adjustment, and changes in unearned premium provisions. Reinsurance premiums ceded for non-insurance operations are calculated for the same accounting period as the premiums that refer to related direct insurance operations.

Unearned premium provisions

Unearned premium provisions are formed for contracts in accordance with which insurance coverage lasts even after the accounting period expires, since the insurance and accounting period do not match. The written gross premium is calculated by using the Method II 1 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) and Method II 2 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) given in the section II Methods for calculating gross unearned premium provisions of the Minimum standards, method of calculation and criteria for the calculation of unearned premium provisions. The method of separate calculation for non-life insurance with an unequal distribution of risk in time is applied to the types of insurance for which risks decrease or increase with time. In case of other types of insurance, the method of separate calculation for non-life insurance with an equal distribution of risk in time was applied.

Unearned premium provisions, net of reinsurance represents the gross unearned premium less the contracted re-insurance part, pursuant to the reinsurance contracts in force. The changes in unearned premium provisions in relation to the previous period is stated in the earned premium.

Acquisition costs

The acquisition costs entail costs incurred by concluding the insurance contract, which entails all direct insurance costs. Direct acquisition costs are commission costs for insurance contract conclusion calculated pursuant to the agency contract. The commission costs for non-insurance operations are acknowledged based on the way these costs were incurred. Other underwriting costs refer to costs of insurance documents submission or including the insurance contract into the portfolio, as well as indirect costs such as advertising costs or administrative costs related to offer processing and policy issuance, and operating lease costs. These underwriting costs are period costs and are not delimited.

3. ACCOUNTANCY POLICIES (CONTINUED)

Claims

Claims incurred entail all liquidated claims amounts in the accounting period, no matter the accounting period the claims incurred in, less the reinsurer's share in claims, and reduced or augmented by the changes in provisions for claims outstanding (net of reinsurance) in relation to the previous period. Non-life insurance claims are augmented by claims handling costs. Provisions for open (non-liquidated) claims, based on the assessment of the claim and application of statistics method, are determined for estimated liquidation costs of all claims incurred and unpaid until the date of reporting, no matter whether they have been declared or not, together with the related internal and external claims liquidation costs. Where applicable, the provisions are stated less the amount of the real estimated return based on salvage and subrogation.

The Management Board believes that the claims provisions have been realistically and objectively reported considering the currently available information, and the final amount of the liability depends on future information and events, which may lead to the adjustments of the provision amounts, which will be reported in the financial statements for the period they were performed in. The methods and assessments are regularly examined.

Provisions for claims outstanding, net of reinsurance, are gross provisions for claims outstanding less the reinsurance part, pursuant to the provisions of the reinsurance contract and depending on the provisions for claims outstanding calculation method applied.

Gross operating expenses

Gross operating expenses comprise administrative costs such as staff costs, intangible assets depreciation, energy costs, advertising costs, operating lease costs, services costs, and other costs.

Payments of the operating lease are recognised in the statement of profit or loss linearly during the lease period.

Reinsurance

The Group has ceded reinsurance premiums as a part of the regular business operations with the aim to limit their potential net losses through risk diversification. Reinsurance contracts do not relieve the Group of the direct liabilities towards policy holders.

Ceded premiums and recoverable amounts are presented as profit or loss based on the gross principle. Only contracts a significant transfer of insurance risk derives from are recorded as insurance. The amounts recoverable from such contracts are recognised in the same year as related claims. Contracts that do not transfer a significant insurance risk (i.e. financial reinsurance), are recognised as deposits. The Group has no such contracts.

The assets based on reinsurance entail the amounts receivable from the reinsurance company for ceded insurance liabilities. The amounts recoverable from the reinsurance company are determined in a way analogous to the way of determining provisions for claims outstanding or claims paid based on reinsured policies. The assets based on reinsurance comprise real or estimated amounts which are, pursuant to the reinsurance contract, recoverable from the reinsurer in relation to the technical provisions.

3. ACCOUNTANCY POLICIES (continued)

Reinsurance (continued)

The impairment of amounts recoverable based on the reinsurance contract is determined for every reporting date by applying the same methodology as for loans and receivables. The value of the relevant assets is considered to be impaired if there is objective proof, as a result of events that arose after the initial recognition, that the Group shall not recover all amounts after they are due and that the event in question has a measurable effect on the amounts the Group will recover from the reinsurer.

Reinsurers' commissions

Reinsurers' commissions for non-life insurance are recognised in the statement of profit or loss, based on the incurrence principle.

Investment income allocation

Interest income is recognised in the statement of profit or loss on the accrual basis, considering the effective yield on the financial asset concerned. Income from land lease, building leases and other operational leases are recognised in the statement of profit or loss is calculated by using the straight-line method throughout the lease period.

Foreign currencies

Business events not reported in HRK are initially recorded by converting the amount into HRK pursuant to the exchange rate on the date of transaction. Monetary assets and liabilities that are denominated in foreign currency are recalculated on the reporting date by applying the exchange rate on the date. Non-monetary assets and liabilities that are denominated in foreign currency at fair value are converted pursuant to the exchange rate on the date of fair value assessment. Gains and losses arising from the conversion are included in the net profit or loss of the period.

Taxation

Corporate income tax expense is the sum of the current tax liability and deferred taxes.

Current tax liability

Current tax liability is based on the taxable profit for the year. Taxable income differs from the net income of the period reported in the statement of profit or loss as it does not entail income and expenses items which can be taxable or non-taxable in other years, nor items that are never taxable or deductible. The Group's current tax liability is calculated by applying the tax rates in force, i.e. being adopted on the reporting date.

3. ACCOUNTANCY POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred taxes are recognised based on the difference between the carrying amount of assets and liabilities reported in financial statements and related tax bases used for the calculation of taxable income and are calculated using the liability method. Deferred tax assets are generally recognised in accordance with all taxable temporary differences, and deferred tax liabilities are generally recognised for all taxable temporary differences up to the taxable profit amount which will probably be available and enable the use of deductible temporary differences. Deferred tax liabilities and deferred tax assets are not recognised if the temporary difference derives from the goodwill or the initial recognition (except in case of business mergers) of other assets and liabilities in a transaction which has no bearing on the taxable or accounting profit.

Deferred tax liabilities are also recognised based on taxable temporary differences connected with investments into subsidiaries and associates, as well as shares in joint ventures, except when the Group is able to influence the cancellation of the temporary difference even when the cancellation of the temporary difference is not probable in the near future. Deferred tax assets which derive from deductible temporary differences connected to the aforementioned type of investments and shares is recognised up to the taxable profit amount which will probably become available and enable the use of relief based on temporary differences, and if their cancellation is expected in the nearby future.

The carrying amount of deferred tax assets is reviewed on every reporting date and reduced if it is no longer probable that a sufficient taxable profit amount for the return of all tax assets or a part of tax assets will be available.

Deferred tax assets and deferred tax liabilities are calculated at tax rates which are expected to be applicable in the period for the settlement of liabilities or realisation of assets based on tax rates and acts which are in force or being adopted on the reporting date. The calculation of deferred tax liabilities and deferred tax assets reflects tax consequences which would result from the way in which the Group expects to realise the return of the carrying amount of its assets, i.e. settle the carrying amount of its liabilities, on the reporting day.

Deferred tax assets and deferred tax liabilities are to be offset if there exists a legal right to offset current tax assets and current tax liabilities, and if they refer to taxes imposed by the same tax authority and if the Group intends to settle its current net tax assets and current tax liabilities.

3. ACCOUNTANCY POLICIES (continued)

Taxation (continued)

Current and deferred tax periods

Current and deferred taxes are recognised as income and expenses in the statement of profit or loss, except for taxes which refer to items directly stated in the principal or other comprehensive income, in which case taxes are also stated in the principal or other comprehensive income, or if taxes result from the first statement of the business merger, in which case the tax effect is taken into consideration when calculating goodwill or determining the surplus of the acquiring company’s share in the net fair value of determinable assets, liabilities and potential liabilities of the acquired company which supersede the business merger cost.

Property and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment and accumulated impairment losses. Revaluation is done regularly; therefore, the carrying amounts do not significantly differ from the amounts that would be determined by using the fair value on the reporting date.

Every increase resulting from land and building revaluation is credited to property revaluation provisions, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. The decrease in the carrying amount resulting from the land and buildings revaluation is recorded in the statement of profit or loss as the difference in the revaluation reserve, which refers to the previous revaluation of the same asset.

The depreciation of revalued buildings is recorded in the statement of profit or loss. In case of a later sale or disposal of revalued property, the surplus resulting from the revaluation and stated in the revaluation reserve is transferred directly to the retained profit. Transfer of the revaluation reserve to the retained profit is done only if an asset shall no longer be recognised. Buildings are depreciated during a period of 20 years.

Property built for the purposes of production and lease or administrative or not yet established purposes are stated at purchase cost less recognised impairment losses. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Group’s accountancy policy. Depreciation of this asset, which is calculated on the same grounds as other property, begins when the asset is ready to be used for the intended purpose.

The furniture and equipment are stated as cost less depreciation and accumulated impairment.

The depreciation is calculated in the following manner: the purchase or estimated property value, other than owned land and property under construction, is written-off during the estimated useful lives, by using the linear depreciation method. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

3. ACCOUNTANCY POLICIES (continued)

Property and equipment (continued)

The estimated useful lives are shown below:

	2021	2020
Buildings	40 years	20 years
Furniture, tools and equipment	2 years	2 years
Vehicles	4 years	4 years
Other	10 years	10 years

In 2021, based on consideration of the appropriateness of estimated useful life, the Company decided to change the estimated useful life of buildings, which extended the estimated useful life to 40 years, and the overall effect of this change in estimated useful life is to reduce depreciation by HRK 13,102 thousand. Land is not depreciated. The property held based on a financial lease is depreciated during the expected useful life on the same basis as property owned or during the period of the lease, if it is shorter. The property, plants and equipment sale or disposal profit and loss are determined as the difference between the inflows made through sale and the carrying amount of the asset concerned, which is recognised in the statement of profit or loss.

Intangible assets

Individually acquired intangible assets are stated based on their purchase value less the value adjustment and accumulated impairment losses. Depreciation is calculated by using the linear depreciation method during the estimated useful life. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

Investment property

Investment property, which is property held in order to earn rentals and/or for capital appreciation (including property under construction for such purposes), is initially valued at purchase cost, including transaction costs, and is subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Goodwill

Goodwill represents the surplus of the acquisition cost of the Group's share in the net fair value of determinable assets, as well as determinable liabilities incurred and unforeseeable liabilities of the subsidiary. Goodwill is initially recognised as a cost and is subsequently measured at cost less the accumulated impairment losses. In the moment of the merger of the subsidiary and the acquiring company, the goodwill value established in the moment of the merger is recorded in the financial statement of the acquiring company. During goodwill impairment testing, goodwill is allocated to all cash-generating units of the Group which are expected to benefit from the merger synergy. These cash-generating units goodwill was allocated to are subject to impairment testing once a year or more often if there are signs of potential impairment of the cash-generating unit. If the recoverable amount of the cash-generating unit is smaller than its carrying amount, the impairment loss is initially allocated through the impairment of the carrying amount of goodwill allocated to the unit and, successively, proportionately allocated to other assets of the cash-generating unit based on the carrying amount of all assets of the cash-generating unit. Once recognised goodwill impairment loss will no longer be cancelled in the following periods.

3. ACCOUNTANCY POLICIES (continued)

Impairment of tangible and intangible assets, excluding goodwill

For each reporting day, the Group will examine the carrying amount of its fixed tangible and intangible assets so as to ascertain whether signs of impairment losses exist. If there are signs of impairment losses, the recoverable asset amount is assessed in order to determine potential impairment losses. If it is impossible to assess the recoverable amount of the asset, the Group will assets the recoverable amount of the cash-generating unit the asset belongs to.

If it is possible to establish a real and consistent basis for allocation, the Company's assets are also allocated to individual cash-generating units or, if this is not the case, to the smallest group of cash-generating units for which a real and consistent basis for distribution can be established.

Intangible assets of undetermined useful life and intangible assets not yet available for use are subject to impairment testing once a year and every time there are signs of potential impairment of assets.

When comparing the fair value less sale costs and value of property in use, the recoverable amount is the higher amount of those two. For the purpose of estimating the value in use, the estimated future cash flows are discounted to the present value by applying the discount rate before taxation, which reflects the current market estimate of the time value of money and the risks specific for the asset, for which the assessments of future cash flows were not harmonised.

If the estimated value of a recoverable amount of an asset (or cash-generating unit) is lower than the carrying amount, the carrying amount of that asset is reduced to the recoverable amount. Impairment losses are immediately recognised as expenses, unless the asset is stated as a revalued amount, in which case the impairment loss is stated as an impairment loss resulting from asset revaluation.

In case of subsequent cancellation of the impairment loss, the carrying amount of the asset (of the cash-generating unit) increases up to the reviewed estimated recoverable amount of that asset in a way that the increased carrying amount does not exceed the carrying amount which would have been established had there previously been no recognised impairment losses of that asset (of the cash-generating unit). Cancellation of the impairment loss is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the cancelled impairment loss is stated as an increase due to revaluation.

3. ACCOUNTANCY POLICIES (CONTINUED)

Leases

All leases are calculated by recognizing assets with the right of use and lease obligations, except for:

- Low value leases; and
- Leases whose lease term ends within a period of 12 months from the date of first application or less.

The lease liability is recognized at the present value of the contractual future payments to the lessor over the term of the lease, discounted at the discount rate determined in relation to the rate inherent in the lease, unless it is easy to determine, in which case the Company's incremental borrowing rate is used. Variable lease payments are included in the calculation of lease obligations only if they depend on an index or rate. In this case, the initial calculation of the lease obligations assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which it relates.

At the date of initial recognition, the carrying amount of the lease obligation includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease.

Assets with the right of use are initially measured at the amount of the lease liability, less any lease incentives received and increased by:

- all lease payments made on or before the lease start date;
- all initial direct costs; and
- the amount of the provision recognized in the event that the

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect the lease payments made. Right-of-use assets is reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term. The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

The Group as a lessor

The Group leases certain property classified as property investment. The property is subject to operational leases and the property is included in the statement of financial position of the Group based on the nature of property. Interest income is calculated by using the straight-line method throughout the lease period.

3. ACCOUNTANCY POLICIES (CONTINUED)

Fair Value Measurement Principles

The fair value of financial assets available for sale is their quoted market price on the reporting date, sales cost not included. If the financial assets market is not active (even for unquoted securities) or if, due to other reasons, the fair value cannot be determined with certainty based on the market price, the Group shall establish the fair value based on the perceived price (the price of similar or same positions), and when neither that is possible, the Group will apply different assessment techniques combining all relevant information and input which may help assess the fair value. This entails the use of prices achieved in recent transactions between informed and willing parties, reference to other similar instruments, analysis of discounted cash flows and option pricing models, using market data to the maximum and relying on subject specifics to the minimum.

When applying the discounted cash flow method, the estimated future cash flows are based on the best management assessment, and the discount rate is the market rate for financial instruments with similar conditions on the reporting date. When using the price model, connected market values on the reporting date are used.

Financial assets

Investments are recognised or stop being recognised on their trading date, i.e. a date when an investment is bought or sold pursuant to a contract whose conditions stipulate the delivery of investment in a deadline set on the relevant market, and are initially measured at fair value increased by transaction costs, other than financial assets classified in the category of assets whose changes in fair value are stated in the statement of profit or loss, which is initially measured at fair value.

Financial assets are classified into the following categories: „financial assets measured at fair value in the statement of profit or loss", „financial assets available for sale" and „given loans and receivables". Classification depends on the type and purpose of the financial asset and is determined during the first recognition.

Effective interest rate method

The effective interest rate method represents a method used for calculating the depreciated cost of the financial asset and distributing the interest income throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows, including all fees for paid or received points which form a constituent part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted during the expected lifetime of the financial asset or, where applicable, during a shorter period.

Income from debt instruments, other than financial assets set at fair value in the statement of profit and loss, are recognised based on the effective interest rate.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial assets (continued)

Financial assets available for sale

Securities available for sale are recorded at fair value. Gains and losses resulting from the changes in fair value are recognised directly in other comprehensive income as a part of the revaluation reserve for investment, other than losses due to impairment value, interest rates calculated by using the effective interest rate method and exchange differences for monetary assets, which are all directly recognised in the statement of profit or loss. When it comes to the sale or established investment impairment losses, the accumulated profit or accumulated loss previously recognised in the revaluation reserve for investment is included in the statement of profit and loss of the period.

Dividends of equity instruments classified in the portfolio of assets available for sale are recognised in the statement of profit or loss, after the Group’s right to receive dividends has been determined.

The fair value of monetary assets available for sale denominated in a foreign currency is given in a currency the asset was denominated in and then recalculated pursuant to the spot exchange rate on the reporting date. The changes in fair value connected to the exchange rate differences resulting from the changes in the depreciated asset cost is stated in the statement of profit or loss, and other changes are stated in the other comprehensive income.

Given loans and receivables

Trade receivables, receivables on given loans and other receivables with fixed or determinable payments, which are not quoted at active market, are stated in the given loans and receivables. Loans and receivables are measured at depreciated cost using the effective interest method, less any impairment losses. Interest income is stated by applying the effective interest rate method.

Impairment of financial assets

Financial assets, other than fair value assets with changes in fair value stated in the statement of profit or loss, are reviewed at the end of each reporting period in order to establish the existence of indicators of any impairment. Financial assets are impaired if there is objective proof that estimated future cash flows of the investment have been affected by one or more events after the initial recognition.

In case of shares classified as assets available for sale, a significant or long-term fall in securities value below the purchase price is considered an objective proof of impairment.

As regards of all other financial assets, including items classified as assets available for sale and receivables based on a financial lease, the objective proof may entail:

- significant financial difficulties of the issuer or other contracting party or
- delayed payments or non-payment of interest rates or the principal or
- the prospects that the bankruptcy procedure will be filed against the debtor or that the debtor would file for bankruptcy, or that the debtor would undergo financial restructuring.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

In case of certain categories of financial assets, such as trade receivables, the assets for which it was established that they have not been individually impaired is later on reviewed to establish the collective impairment.

For financial assets carried at depreciated cost, the amount of impairment is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted using the original effective interest rate for the financial asset concerned.

The carrying amount of the financial asset is directly reduced by the impairment losses of all financial assets, except for trade receivables, in case of which the carrying amount is reduced through the value provision classification of accounts. Trade receivables believed to be unrecoverable are written off the value provision classification of accounts, and a later payment of the previously written off amounts is credited in the value provision classification of accounts. The changes in the carrying amount in value provision classification of accounts are stated in the statement of profit or loss.

Except for equity instruments held at fair value through the presentation of fair value changes in the statement of profit or loss, if the impairment loss is reduced in the following periods and this can be objectively linked to the event after the impairment recognition, the previously recognised impairment losses are cancelled in the statement of profit or loss to the carrying amount of the investment on the date of cancellation, which would not exceed the depreciated cost had the impairment not been recognised.

As far as equity shares (shares) held at fair value through the presentation of fair value changes in the statement of profit or loss are concerned, the impairment losses previously recognised in the statement of profit or loss are not cancelled in the statement of profit or loss. Every increase in fair value after the impairment loss is recognised directly in the other comprehensive income.

End of financial asset recognition

The Group will stop recognising the financial asset only if the contract right to cash flows expired based on the asset, if the financial asset is transferred and if all risks and rewards associated with the ownership of the financial asset are to mainly pass on to another entity. If the Group does not transfer or retain almost all risks and rewards associated with ownership and, if it still has control over the transferred asset, it recognizes its retained interest in the asset and the related liability in the amounts it may have to pay. If the Group maintains most of the risks and rewards associated with ownership of the transferred financial asset, the asset continues to be recognized, together with the recognition of collateralised borrowing, and which was given for the received income.

Offsetting financial instruments

Financial assets and liabilities are netted and reported in the net amount in the statement of financial position, in case there is a legal right to offset recognised amounts and a plan to settle on a net principle; otherwise, the asset acquisition and liability settlement is done simultaneously.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial Guarantees

Financial guarantee contracts are contracts which require specific payments from the issuer in order to compensate the holder's loss incurred when the debtor does not settle payments due pursuant to the debt instrument conditions.

The financial guarantees are initially recognised in financial statements at fair value on the date the guarantee was issued. After the initial recognition, the Group's liabilities pursuant to such guarantees are measured at initial value, less the depreciated value calculated in order to recognise the income from fees made by applying the linear depreciation method during the period of guarantee in the statement of profit and loss, as well as the best estimate of cost necessary to settle all financial liabilities on the Balance Sheet date, depending which value is higher. These estimates are determined based on experience with different transactions and historical losses, taking into consideration the Management's judgements.

Provisions for liabilities and costs

A provision is recognised when the Group, due to a prior event, has a legal or derivative liability which can be estimated with certainty and will probably require the outflow of economic resources in order to settle that liability. Provisions are established by discounting expected future cash flows using the pre-tax rate which reflects the current market estimate of the time value of money and the risks specific for the asset

Dividends

Dividends of regular shares are recognised as liabilities in the period they were voted in.

Premium and other receivables

Premium and other receivables are stated at cost, less the potential impairment losses. The assessment procedure entails judgements based on the last available reliable information. If it is estimated that the receivable cannot be recoverable, a definite write-off will take place. Write-offs are done only if so decided by the Management Board. Value adjustment by means of value provision is conducted when there are objective reasons for the Group being unable to recover receivables pursuant to agreed conditions. The Management Board adopts a decision on adjustments of suspicious receivables based on the review of the total structure of receivables per groups of insured persons based on the review of significant individual amounts and insights into the financial state of individual insured persons. Amounts of value provisions of receivables are stated in the statement of profit or loss as other costs.

Cash and cash equivalents

Cash and cash equivalents refer to funds in accounts in HRK and foreign currencies of commercial banks, in cashiers and checks. Amounts in foreign currencies are recalculated on the reporting date pursuant to the middle exchange rate of the Croatian National Bank.

3. ACCOUNTANCY POLICIES (CONTINUED)

Staff costs

Staff contributions

The Group is obliged to pay contributions to state pension funds and health insurance funds pursuant to applicable regulations. The Group's liability ends when the contributions are settled. The contributions are recognised as costs in the statement of profit or loss as they incur.

Short-term employee rewards

The liabilities based on the system of short-term employee rewards are stated on a non-discounted basis and are recognised as a cost in the moment of provision of the relevant service. The liability is recognised in the amount which is expected to be paid pursuant to the short-term bonus payment system or profit participation when the Group has a current legal obligation to pay the relevant amount as a fee for the service the employee provided, and the relevant liability can be estimated with certainty.

Other employee compensations

Liabilities based on long-term employee benefits, such as service awards and severance payments are shown in net amounts of current liability value for defined benefits on the reporting date. The projected unit credit method is used for calculating the current liability value.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Equity instruments

An equity instrument is a contract which proves the rest of the share in the entity's assets after all its liabilities have deducted. The equity instruments issued by the Group are recorded in the amount of income, less direct issuance costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities measured at fair value through the presentation of fair value changes in the statement of profit or loss or as other financial liabilities.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial liabilities and equity instruments issued by the Group (continued)

Other financial liabilities

Other financial liabilities, including borrowings and loans, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective interest rate. The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Group will stop recognising the financial asset when and only if the Group's liabilities have been settled, cancelled, expired or significantly amended.

Liabilities and related assets based on the liability adequacy test

The insurance contracts are tested in order to ascertain the liability value adequacy by discounting current estimates of all future cash flows and comparing the amount to the net carrying liability value and other related assets and liabilities. If a deficit is determined, an additional provision is formed and the Group recognises the deficit through the year income or loss.

IFRS 4 requires insurance contract liabilities adequacy test. The Group assess on a yearly basis whether their stated insurance liabilities are adequate, by using current estimates of future cash flows pursuant to all their insurance contracts. If the relevant assessment indicates that the carrying amount of its insurance liabilities insufficient in relation to the estimated future cash flows, the total deficit is recognised in the statement of profit or loss. The estimates of future cash flows are based on real actuarial assumptions, with regard to the experience on the damages, return on investment, costs and inflation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES

The critical judgements in the application of accountancy policies

The Group estimates and makes presumptions which affect the value of assets and liabilities for the next financial year. The estimates and presumptions are continuously re-assessed and are based on the principle of experience and other factors, including the real expectations of future events.

Provisions

The Group has a reasonably careful approach to forming provisions pursuant to the regulations of the Croatian Agency for Supervision of Financial Services. The Group employs authorised actuaries. Its policy is to form a provision for risks which have not expired and refer to non-life insurance operations when there is a chance that the amount of claims and administrative costs incurred after the end of the financial year, and which refer to contracts concluded by the end of the year, exceeds the amount of unearned premiums and premiums based on those contracts. The reserve for non-expired risks are calculated by conducting a liability adequacy test, based on individual insurance groups. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2021. Therefore, the recognition of such provisions is not necessary on the reporting date.

Calculation of unearned premiums

The calculation of unearned premiums and other technical provisions are based on static methods considering the relative presumptions. The inputs used for calculating the unearned premiums are exact (beginning and expiry date of the policy, risk type, amount of the written premium). The Group did not change its presumptions when calculating the unearned premium. We believe that, for this part, an analysis of sensitivity, is not necessary as the calculation is automated and exact.

Fair value of financial instruments

The Group will use an adequate valuation of financial instruments, which are not quoted at active market, based on its own judgement, using standard valuation methods. Other financial instruments are valued based on the analysis of discounted cash flows or by using a comparative procedure based on the market prices or rates presumptions, if they exist. When assessing the fair value of shares which are not listed on the market, certain presumptions not based on real prices or market rates are used. The presumptions used and the results of the sensitivity to presumptions analysis are provided in notes 18 and 34.

Property fair value

The Group revalued its land and buildings classified as property and equipment, as well as investment in property based on the independent assessment. The assessments are done through on-spot checks of property, as well as controls and reviews/measurements of the property location and dimensions, and subsequently of submitted and available documentation.

Goodwill impairment

Future establishment of goodwill impairment requires the assessment of value in use of the cash-generating units the goodwill is allocated to. When calculating the value in use, the Management Board assesses future cash flows expected from the cash-generating units, as well as the relevant discount rate for calculating the current value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES (CONTINUED)

The critical judgements in the application of accountancy policies (continued)

Property value assessment

Property value assessments were done by using one or more recognised methods, and every property is analysed individually, and the method or methods are chosen according to available data and the real state of the property. The presumptions used in the fair value assessment are provided in notes 16 and 17.

Useful life of property and equipment

The Group checks the estimated useful life of property and equipment in the end of each annual reporting period. The useful life of property and equipment remained unchanged in this year.

(all amounts in thousands of HRK)

5. NET EARNED PREMIUM

The premium analysis according to the business structure is described below. All contracts have been concluded in the Republic of Croatia.

for the year ended 31 December 2021

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Change in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premiums
Motor Third Party Liability Insurance	792,055	(3,967)	(36,016)	0	(3,511)	748,561
Road vehicle Insurance – Casco	306,531	(45)	(10,648)	0	(1,300)	294,538
Property	127,089	(15,228)	(3,436)	255	(755)	107,925
Accident Insurance and Health Insurance	115,717	(6,655)	(565)	(633)	(8)	107,856
Other	140,750	(9,346)	(13,046)	130	(311)	118,177
	1,482,142	**(35,241)**	**(63,711)**	**(248)**	**(5,885)**	**1,377,057**

for the year ended 31 December 2020

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Change in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premiums
Motor Third Party Liability Insurance	715,781	(4,274)	(27,195)	8	(940)	683,380
Road vehicle Insurance – Casco	288,690	(45)	(5,636)	5	(5,325)	277,689
Property	119,413	(14,033)	1,978	(175)	(1,498)	105,685
Accident Insurance and Health Insurance	112,842	(7,332)	261	98	(145)	105,724
Other	104,865	(8,836)	(823)	268	(1,075)	94,399
	1,341,591	**(34,520)**	**(31,415)**	**204**	**(8,983)**	**1,266,877**

(all amounts in thousands of HRK)

6. INCOME FROM COMMISSIONS AND FEES

GROUP AND COMPANY

	2021	2020
Income from fees for re-insurance	2,767	3,218
	2,767	**3,218**

7. INVESTMENT INCOME AND INVESTMENT COSTS

Investment income	Group in 2021	Company in 2021	Group in 2020	Company in 2020
Lease income	31,745	31,745	29,331	29,331
Interest income (i)	33,652	33,652	45,196	45,196
Financial investment sale income (ii)	384	384	964	964
Dividend income (iii)	9,352	11,310	6,753	7,765
Foreign exchange gains	1,425	1,425	2,051	2,051
Other income (reversal of provisions)	49	49	3,197	3,197
	76,607	**78,565**	**87,492**	**88,504**

Interest income	Group in 2021	Company in 2021	Group in 2020	Company in 2020
Interest income – assets available for sale	6,205	6,205	9,273	9,273
Interest income on bank deposits	410	410	1,502	1,502
Interest income on loans	27,037	27,037	34,402	34,402
Other (assets on accounts, default interest, vehicles)	-	-	19	19
	33,652	**33,652**	**45,196**	**45,196**

Loan interest rates with impaired value amounted to HRK 3,015 thousand in 2021, and HRK 3,580 thousand in 2020.

(ii) Financial investment sale income

GROUP AND COMPANY

2021	Costs	Sales	Realised income
Bonds	107,820	108,197	377
Commercial papers	-	-	-
Shares	304	311	7
			384

2020	Costs	Sales	Realised income
Bonds	19,026	19,924	898
Commercial papers	-	-	-
Shares	505	571	66
			964

(all amounts in thousands of HRK)

7. INVESTMENT INCOME AND INVESTMENT COSTS (CONTINUED)

(iii) Dividend income	**Group in 2021**	**Company in 2021**	**Group in 2020**	**Company in 2020**
Dividend income	9,352	11,310	6,753	7,765
	9,352	**11,310**	**6,753**	**7,765**

Investment costs	**Group in 2021**	**Company in 2021**	**Group in 2020**	**Company in 2020**
Interest cost (i)	7,069	7,069	5,293	5,293
Loss on sale of financial assets	26	26	210	210
Loss on sale of investment property	-	-	2,882	2,882
Losses/(gains) due to fair valuation of investment properties	(9,582)	(10,159)	(11,562)	(12,138)
Other investment costs (ii)	53,269	53,269	46,224	46,224
Foreign exchange losses	1,415	1,415	3,544	3,544
	52,197	**51,620**	**46,591**	**46,015**

(i) Interest cost	**Group in 2021**	**Company in 2021**	**Group in 2020**	**Company in 2020**
Interest cost for bank loans	3,027	3,027	1,525	1,525
Interest cost for loans of other companies	1,459	1,459	1,496	1,496
Lease interest IFRS 16	2,580	2,580	2,262	2,262
Default interest	3	3	10	10
	7,069	**7,069**	**5,293**	**5,293**

(ii) Other investment costs refer to overhead costs of investment properties and the compensation finance sector employees involved in investments.

Other investment costs	**Group in 2021**	**Company in 2021**	**Group in 2020**	**Company in 2020**
Loan reserves 1.25%	-	-	-	-
Staff costs - investment finance	3,750	3,750	3,873	3,873
Investment property costs	15,839	15,839	14,637	14,637
Investment property insurance	33,680	33,680	27,714	27,714
	53,269	**53,269**	**46,224**	**46,224**

(all amounts in thousands of HRK)

8. OTHER OPERATING INCOME

	Group in 2021	Company in 2021	Group in 2020	Company in 2020
Income from reversal of provisions	500	500	-	-
Gain from sale of tangible assets	816	816	648	648
Other income-border insurance and handling fee	1293	1,293	1,582	1,582
Surender value of life insurance	13,104	13,104	21,536	21,536
Operating income (Vehicle registration office – *Zulassungstelle*)	18,086	18,086	17,654	17,654
Other income	12,586	8,020	10,280	5,886
	46,385	**41,819**	**51,700**	**47,306**

(all amounts in thousands of HRK)

9. INCURRED CLAIMS

For the year ended 31 December 2021

GROUP AND COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated clams	Change in gross provisions for claims outstanding	Change in other technical provisions for claims outstanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims, outstanding reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	(396,625)	-	4,081	-	-	(3,513)	(396,057)
Road vehicle Insurance – Casco	(162,852)	-	(7,847)	-	4	-	(170,695)
Property	(56,249)	6,851	17,864	-	(661)	3,739	(28,456)
Accident Insurance and Health Insurance	(10,762)	(1)	3,175	-	-	-	(7,588)
Other	(38,431)	624	(15,408)	-	(1,535)	562	(54,188)
	(664,919)	**7,474**	**1,865**	**-**	**(2,192)**	**788**	**(656,984)**

(all amounts in thousands of HRK)

9. INCURRED CLAIMS (CONTINUED)

For the year ended 31 December 2020

GROUP AND COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated clams	Change in gross provisions for claims outstanding	Change in other technical provisions for claims outstanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims, outstanding reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	(343,681)	-	7,582	-	-	2,423	(333,676)
Road vehicle Insurance – Casco	(159,677)	12	3,489	-	(9)	(8)	(156,193)
Property	(47,101)	1,641	(20,531)	-	1,725	1,401	(62,865)
Accident Insurance and Health Insurance	(9,920)	-	(2,181)	-	-	-	(12,101)
Other	(19,819)	203	(4,189)	-	780	2,114	(20,911)
	(580,198)	**1,856**	**(15,830)**	**-**	**2,496**	**5,930**	**(585,746)**

The Group and the Company liquidated a total of 228,111 payment claims in 2021 (2020: 217,968), while 22,245 payment claims are in the reserve on 31 December 2021 (2020: 19,093).

(all amounts in thousands of HRK)

9. INCURRED CLAIMS (CONTINUED)

Analysis of claims quota, cost quota and combined claims quota

The following are the claims quotas, cost quotas and combined claims quota by types of insurance calculated pursuant to the Instruction for filling in Financial Statements of the Insurance and Reinsurance Companies.

GROUP AND COMPANY

2021	**Claims quota**	**Cost quota**	**Combined quota**
Accident Insurance	2.97%	76.29%	79.27%
Health Insurance	98.86%	0.00%	98.86%
Road Vehicle Insurance	57.95%	22.73%	80.68%
Aircraft Insurance	-	-	-
Vessel Insurance	62.97%	13.16%	76.13%
Goods in Transit Insurance	76.05%	3.26%	79.30%
Fire and Special Perils Insurance	5.91%	3.56%	9.47%
Other Property Insurance	14.78%	62.68%	77.46%
Motor Vehicle Liability Insurance	51.31%	42.37%	93.69%
Aircraft Liability Insurance	52.16%	45.30%	97.46%
Vessel Liability Insurance	19.30%	8.72%	28.01%
Other Liability Insurance	16.63%	2.49%	19.12%
Loan Insurance	52.96%	20.41%	73.37%
Guarantee Insurance	-90.10%	-9.46%	-99.56%
Financial Losses Insurance	58.57%	2.65%	61.22%
Legal Protection Insurance	-11.28%	33.27%	21.99%
Travel Insurance	-33.34%	0.00%	-33.34%
	60.88%	16.28%	77.16%

GROUP AND COMPANY

2020	**Damage quota**	**Cost quota**	**Combined quota**
Accident Insurance	8.30%	73.70%	82.00%
Health Insurance	77.62%	-0.06%	77.56%
Road Vehicle Insurance	56.24%	24.80%	81.04%
Aircraft Insurance	110.66%	10.66%	121.32%
Vessel Insurance	60.53%	3.35%	63.87%
Goods in Transit Insurance	-4.00%	2.28%	-1.73%
Fire and Special Perils Insurance	66.13%	58.64%	124.77%
Other Property Insurance	44.75%	47.67%	92.42%
Motor Vehicle Liability Insurance	48.88%	50.33%	99.21%
Aircraft Liability Insurance	5.83%	10.03%	15.86%
Vessel Liability Insurance	-0.86%	2.57%	1.71%
Other Liability Insurance	13.33%	24.23%	37.56%
Loan Insurance	-163.87%	0.00%	-163.87%
Guarantee Insurance	48.04%	1.43%	49.46%
Financial Losses Insurance	5.27%	20.79%	26.06%
Legal Protection Insurance	43.59%	10.00%	53.59%
Travel Insurance	58.27%	17.13%	75.40%

(all amounts in thousands of HRK)

10. ACQUISITION COSTS

GROUP AND COMPANY

	Group in 2021	Company in 2021	Group in 2020	Company in 2020
Salaries, taxes and contributions from and to salaries	146,659	146,659	140,818	140,818
Promotions	41,103	41,103	40,399	40,399
Commissions	57,201	57,201	45,827	45,827
Media	5,189	5,189	6,621	6,621
Policy issuance costs	1,536	1,536	1,941	1,941
Donations	1,382	1,382	2,281	2,281
Sponsorships	399	399	729	729
Other underwriting costs	2,396	2,396	2,911	2,911
Other administrative cost	104,149	103,722	102,520	102,107
	360,014	**359,587**	**344,047**	**343,634**

The largest part of the acquisition costs relates to Motor Third Party Liability Insurance and Road Vehicle Insurance, and the rest of the insurance has no material relevance.

Other administrative costs	**Group in 2021**	**Company in 2021**	**Group in 2020**	**Company in 2020**
Material	8,502	8,502	8,793	8,793
Energy consumption	8,191	8,191	7,146	7,146
Service costs	23,183	23,182	29,279	29,279
Other tangible and intangible costs	64,017	63,591	57,218	56,805
Other	256	256	84	84
	104,149	**103,722**	**102,520**	**102,107**

(all amounts in thousands of HRK)

10. ACQUISITION COSTS (CONTINUED)

Acquisition costs based on type of insurance for 2021 are shown below:

COMPANY

Type of insurance	Commission	Other costs acquisition	Total acquisition costs
Accident Insurance	5,913	24,808	30,721
Road Vehicle Insurance	13,106	29,633	42,739
Aircraft Insurance	242	-	242
Vessel Insurance	179	-	179
Goods in Transit Insurance	48	-	48
Fire and Special Perils Insurance	3,802	13,666	17,468
Other Property Insurance	1,991	13,298	15,289
Motor Vehicle Liability Insurance	25,108	211,402	236,510
Aircraft Liability Insurance	29	-	29
Vessel Liability Insurance	62	-	62
Other Liability Insurance	4,008	6,447	10,455
Guarantee Insurance	47	-	47
Financial Losses Insurance	1,948	1,369	3,317
Assistance Insurance	718	1,763	2,481
	57,201	**302,386**	**359,587**

Acquisition costs based on type of insurance for 2020 are shown below:

COMPANY

Type of insurance	Commission	Other costs acquisition	Total acquisition costs
Accident Insurance	3,225	25,351	28,576
Road Vehicle Insurance	10,901	30,108	41,009
Aircraft Insurance	187	-	187
Vessel Insurance	150	-	150
Goods in Transit Insurance	31	-	31
Fire and Special Perils Insurance	3,392	13,757	17,149
Other Property Insurance	2,750	13,563	16,313
Motor Vehicle Liability Insurance	22,408	207,158	229,566
Aircraft Liability Insurance	22	-	22
Vessel Liability Insurance	54	-	54
Other Liability Insurance	1,979	4,526	6,505
Guarantee Insurance	21	-	21
Financial Losses Insurance	62	1,499	1,561
Assistance Insurance	645	1,845	2,490
	45,827	**297,807**	**343,634**

(all amounts in thousands of HRK)

11. ADMINISTRATIVE COSTS

GROUP AND COMPANY

	2021	2020
Salaries, taxes and contributions from and to salaries	74,231	73,640
Depreciation	36,343	48,216
Other management costs	74,924	73,879
	185,498	**195,735**

Salaries, taxes and contributions from and to salaries:	2021	2020
Net salaries	142,466	129,540
Pension insurance contributions	30,643	27,688
Taxes	21,218	20,343
Contribution on salaries (healthcare, employment, occupational injuries)	44,112	40,760
	238,439	**218,331**

Salaries, taxes and contributions from and to salaries:	2021	2020
In administrative costs	74,231	66,509
Salaries in reception offices (Zulassungsstelle)	13,799	10,860
In acquisition costs	146,659	140,818
In investment costs	3,750	3,873
	238,439	**218,331**

Other administrative costs:

	2021	2020
Service costs	36,993	37,146
Insurance premiums	6,785	3,902
Material costs	6,156	6,367
Operating fees pursuant to contracts	2,984	4,933
Bank fees and transaction fees	5,802	5,891
Representation	2,953	2,580
Energy costs	3,834	3,597
Business travel costs and reimbursement of costs	8,525	8,433
Other costs	892	1,030
	74,924	**73,879**

With regard of salaries, other administrative costs are divided into administrative and acquisition costs.

(all amounts in thousands of HRK)

11. ADMINISTRATIVE EXPENSES (CONTINUED)

The Management Board costs for 2021 are as follows:

GROUP AND COMPANY

Types of insurance	**Depreciation (without buildings)**	**Salaries, taxes and contributions (from and on salaries)**	**Other Management Board costs**	**Total Management Board costs**
Accident Insurance	3,040	5,963	42,690	51,693
Road Vehicle Insurance	2,266	10,087	3,677	16,030
Fire and Special Perils Insurance	1,616	3,414	5,329	10,359
Other Property Insurance	1,653	3,146	2,900	7,699
Motor Vehicle Liability Insurance	27,245	47,907	19,894	95,046
Other Liability Insurance	359	2,485	252	3,096
Financial Losses Insurance	61	561	42	664
Travel Insurance	103	668	141	912
	36,343	**74,231**	**74,924**	**185,498**

The Management Board costs for 2020 are as follows:

GROUP AND COMPANY

Types of insurance	**Depreciation (without buildings)**	**Salaries, taxes and contributions (from and on salaries)**	**Other Management Board costs**	**Total Management Board costs**
Accident Insurance	4,147	6,197	41,954	52,298
Road Vehicle Insurance	3,122	10,429	4,270	17,821
Fire and Special Perils Insurance	2,169	3,500	1,998	7,667
Other Property Insurance	2,275	3,219	1,642	7,136
Motor Vehicle Liability Insurance	35,837	47,314	23,518	106,669
Other Liability Insurance	426	1,642	269	2,337
Financial Losses Insurance	83	643	52	778
Travel Insurance	158	695	176	1,029
	48,217	**73,639**	**73,879**	**195,735**

(all amounts in thousands of HRK)

12. OTHER OPERATING COSTS

GROUP AND COMPANY

	2021	2020
Premium returns	13,656	14,342
Value adjustment of other receivables	-	99
Preventive activities costs (firefighting contribution)	541	570
Guarantee Fund of the Croatian Insurance Bureau	3,109	8,095
Provisions (Note 32)	99	(1,684)
Regulatory bodies fees	2,161	2,032
Croatian Health Insurance Fund contributions	10,244	9,560
Other insurance technical expenses	62,663	50,926
	92,473	**83,940**

Insurance companies in the Republic of Croatia pay a monthly contribution for compensating damages caused by non-insured and unknown vehicles into the Guaranties Fund of the Croatian Insurance Bureau. The monthly contribution is set pursuant to the premium share in the market of every insurance company, expressed as a percentage. The funds of the Guarantee Fund of the Croatian Insurance Bureau are used to pay for damages caused by non-insured and unknown vehicles.

(all amounts in thousands of HRK)

13. INCOME TAX

Income tax is calculated in accordance with Croatian regulations. The corporate tax income rate amounts to 18%. The total income tax cost is compliant with the accounting income as follows:

	Group in 2021	**Group in 2020**	**Company in 2021**	**Company in 2020**
	HRK'000	**HRK'000**	**HRK'000**	**HRK'000**
Total tax expense				
Current income tax	(28,500)	(28,913)	(28,140)	(28,503)
Deferred tax expense	1,217	1,610	1,217	1,610
Tax expense recognised in P&L	**(27,283)**	**(27,303)**	**(26,923)**	**(26,893)**
Profit before tax	**155,650**	**153,228**	**154,046**	**150,835**
Tax calculated at 18% (2020: 18%)	(28,017)	(27,581)	(27,728)	(27,150)
Non-deductible tax expenses at a rate of 18% (2020,18%)				
50% of representation costs	(699)	(672)	(699)	(672)
Depreciation over prescribed rates	(1,217)	(2,186)	(1,217)	(2,186)
Receivables write-off	(269)	(239)	(269)	(239)
Other increases	(349)	(258)	(278)	(258)
Income decrease at a rate of 18% (2020: 18%)				
Dividend income	2,035	1,398	2,035	1,398
Other	16	625	16	604
Current income tax	**(28,500)**	**(28,913)**	**(28,140)**	**(28,503)**

Tax expense of the subsidiary amounted to HRK 360 thousand, which das not represent a significant amount for the Group.

(all amounts in thousands of HRK)

13. INCOME TAX (CONTINUED)

GROUP

2021 **Deferred tax liabilities**	**Opening balance**	**Realised through other comprehensive income**	**Realised through the profit and loss statement**	**Final balance**
Revaluation reserves for securities available for sale	(13,912)	56	-	(13,856)
Revaluation reserves for property	(79,904)	(2,555)	1,126	(81,333)
	(93,816)	**(2,499)**	**1,126**	**(95,189)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	-	5,227
Leases (IFRS 16)	239	-	91	330
Value adjustment for securities available for sale	2,957	540	-	3,497
Net deferred tax liabilities	**(85,393)**	**(1,959)**	**1,217**	**(86,135)**

COMPANY

2021 **Deferred tax liabilities**	**Opening balance**	**Realised through other comprehensive income**	**Realized through the profit and loss statement**	**Final balance**
Revaluation reserves for securities available for sale	(13,799)	56	-	(13,743)
Revaluation reserves for property	(74,970)	(2,555)	1,126	(76,399)
	(88,769)	**(2,499)**	**1,126**	**(90,142)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	-	5,227
Leases (IFRS 16)	239	-	91	330
Value adjustment for securities available for sale	2,957	540	-	3,497
Net deferred tax liabilities	**(80,346)**	**(1,959)**	**1,217**	**(81,088)**

(all amounts in thousands of HRK)

13. INCOME TAX (CONTINUED)

GROUP

2020	**Opening balance**	**Realised through other comprehensive income**	**Realized through the profit and loss statement**	**Final balance**
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(9,594)	(4,318)	-	(13,912)
Revaluation reserves for property	(77,310)	(4,666)	2,072	(79,904)
	(86,904)	**(8,984)**	**2,072**	**(93,816)**
Deferred tax assets				
Value adjustment for loans and receivables	5,803	-	(576)	5,227
Leases (IFRS 16)	125	-	114	239
Value adjustment for securities available for sale	3,099	(142)	-	2,957
Net deferred tax liabilities	**(77,877)**	**(9,126)**	**1,610**	**(85,393)**

COMPANY

2020	**Opening balance**	**Realised through other comprehensive income**	**Realized through the profit and loss statement**	**Final balance**
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(9,481)	(4,318)	-	(13,799)
Revaluation reserves for property	(72,376)	(4,666)	2,072	(74,970)
	(81,857)	**(8,984)**	**2,072**	**(88,769)**
Deferred tax assets				
Value adjustment for loans and receivables	5,803	-	(576)	5,227
Leases (IFRS 16)	125	-	114	239
Value adjustment for securities available for sale	3,099	(142)	-	2,957
Net deferred tax liabilities	**(72,830)**	**(9,126)**	**1,610**	**(80,346)**

The Tax Authority may at any time conduct a review of business books and records within the period of 3 years after the expiration of the year that the tax liability for the reporting year was set and may calculate additional taxes and penalties. The Management Board of the Group has no knowledge of any circumstances which may lead to a material potential liability in the relevant sense.

(all amounts in thousands of HRK)

14. GOODWILL

Costs	Group on 31/12/2021 HRK'000	Group on 31/12/2020 HRK'000	Company on 31/12/2021 HRK'000	Company on 31/12/2020 HRK'000
Opening balance	**4,307**	**4,307**	**-**	**-**
Increase	**-**	**-**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**
Accumulated impairment				
Opening balance	**-**	**-**	**-**	**-**
Decrease	**-**	**-**	**-**	**-**
Closing balance	**-**	**-**	**-**	**-**
Book value				
Opening balance	**4,307**	**4,307**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**

In 2017, the Group recognised the goodwill after the acquisition of the company MTT d.o.o. Rijeka, in the amount of HRK 4,307 thousand. On 29 June 2017, the Company bought a 68.12% share in the company MTT d.o.o. for the amount HRK 25,935 thousand. The difference between net assets of the acquired Company and the consideration is stated as goodwill.

(all amounts in thousands of HRK)

15. INTANGIBLE ASSETS

GROUP AND COMPANY

	Investments in third-party property	Software	Total
Purchase value			
Balance at 1 January 2020	**19,499**	**5,197**	**24,696**
Increases	-	239	239
Transfer to use	713	-	713
Sales and expenditure	(356)	-	(356)
Balance at 31 December 2020	**19,856**	**5,436**	**25,292**
Increases	143	317	460
Transfer to use	207	-	207
Sales and expenditure	(458)	-	(458)
Balance at 31 December 2021	**19,748**	**5,753**	**25,501**
Accumulated amortisation			
Balance at 1 January 2020	**10,647**	**5,114**	**15,761**
Amortisation for the year	2,893	78	2,971
Sales and expenditure	(355)	-	(355)
Balance at 31 December 2020	**13,185**	**5,192**	**18,377**
Cost for the year	1,285	236	1,521
Sales and expenditure	-	-	-
Balance at 31 December 2021	**14,470**	**5,428**	**19,898**
Net book value			
31 December 2020	**6,671**	**244**	**6,915**
31 December 2021	**5,278**	**325**	**5,603**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT

GROUP

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or revaluation						
Balance at 1 January 2021	**58,903**	**558,439**	**180,432**	**17,979**	**100,060**	**915,813**
Increase	52	4,346	6,517	-	2,453	13,368
Revaluation	274	13,922	-	-	-	14,196
Transfer to use	-	566	-	-	(773)	(207)
Transfer to investment property	-	-	-	-	(986)	(986)
Sales and expenditure	-	(4,541)	(6,344)	-	-	(10,885)
Balance at 31 December 2021	**59,229**	**572,732**	**180,604**	**17,979**	**100,754**	**931,299**
Accumulated depreciation						
Balance at 1 January 2021	**-**	**246,939**	**144,724**	**17,979**	**-**	**409,642**
Depreciation cost for the year	-	17,658	17,164	-	-	34,822
Sales and expenditure	-	(3,997)	(6,014)	-	-	(10,011)
Balance at 31 December 2021	**-**	**260,599**	**155,874**	**17,979**		**434,453**
Net book value						
31 December 2020	**58,903**	**311,500**	**35,708**	**-**	**100,060**	**506,171**
31 December 2021	**59,229**	**312,133**	**24,730**	**-**	**100,754**	**496,846**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or revaluation						
Balance at 1 January 2021	**58,903**	**558,439**	**177,403**	**17,979**	**100,060**	**912,784**
Increase	52	4,346	6,367	-	2,453	13,218
Revaluation	274	13,922	-	-	-	14,196
Transfer to use	-	566	-	-	(773)	(207)
Transfer to investment property	-	-	-	-	(986)	(986)
Sales and expenditure	-	(4,541)	(6,344)	-	-	(10,885)
Balance at 31 December 2021	**59,229**	**572,732**	**177,426**	**17,979**	**100,754**	**928,120**
Accumulated depreciation						
Balance at 1 January 2021	**-**	**246,939**	**142,186**	**17,979**	**-**	**407,104**
Depreciation cost for the year	-	17,658	17,164	-	-	34,822
Sales and expenditure	-	(3,997)	(6,132)	-	-	(10,129)
Balance at 31 December 2021	**-**	**260,599**	**153,218**	**17,979**		**431,796**
				-	-	-
Net book value				-	-	-
31 December 2020	**58,903**	**311,500**	**35,217**	**-**	**100,060**	**505,680**
31 December 2021	**59,229**	**312,133**	**24,208**	**-**	**100,754**	**496,324**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or evaluation						
Balance at 1 January 2020	**53,312**	**524,676**	**164,100**	**17,979**	**99,553**	**856,920**
Increase	-	19,505	17,284	-	9,657	46,446
Revaluation	6,358	19,568	-	-	-	25,926
Transfer to use	-	3,311	-	-	(4,024)	(713)
Transfer to real estate investments	(767)	(8,521)	-	-	(5,126)	(14,414)
Sales and expenditure	-	(100)	(952)	-	-	(1,052)
Balance at 31 December 2020	**58,903**	**558,439**	**180,432**	**17,979**	**100,060**	**915,813**
Accumulated depreciation						
Balance at 1 January 2020	**-**	**223,199**	**129,474**	**17,979**	**-**	**370,653**
Depreciation cost for the year	-	29,156	16,186	-	-	45,342
Transfer to real estate investments	-	(5,356)	-	-	-	(5,356)
Sales and expenditure	-	(60)	(936)	-	-	(996)
Balance at 31 December 2020	**-**	**246,939**	**144,724**	**17,979**	**-**	**409,642**
Net book value						
31 December 2019	**53,312**	**301,476**	**34,626**	**-**	**99,553**	**488,967**
31 December 2020	**58,903**	**311,500**	**35,708**	**-**	**100,060**	**506,171**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or evaluation						
Balance at 1 January 2020 (customized)	**53,312**	**524,676**	**161,400**	**17,979**	**99,553**	**856,919**
Increase	-	19,505	16,955	-	9,657	46,117
Revaluation	6,358	19,568	-	-	-	25,926
Transfer to use	-	3,311	-	-	(4,024)	(713)
Transfer to real estate investments	(767)	(8,521)	-	-	(5,126)	(14,414)
Sales and expenditure	-	(100)	(952)	-	-	(1,052)
Balance at 31 December 2020	**58,903**	**558,439**	**177,403**	**17,979**	**100,060**	**912,784**
Accumulated depreciation						
Balance at 1 January 2020	**-**	**223,199**	**127,033**	**17,979**	**-**	**368,211**
Depreciation cost for the year	-	29,156	16,089	-	-	45,245
Transfer to real estate investments	-	(5,356)	-	-	-	(5,356)
Sales and expenditure	-	(60)	(936)	-	-	(996)
Balance at 31 December 2020	**-**	**246,938**	**142,186**	**17,979**	**-**	**407,104**
Net book value						
31 December 2019	**53,312**	**301,476**	**34,367**	**-**	**99,553**	**488,708**
31 December 2020	**58,903**	**311,500**	**35,217**	**-**	**100,060**	**505,680**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2021, property and equipment also includes assets with the right of use based on concluded lease agreements in the total amount of HRK 34,003 thousand. Assets with the right of use are shown as follows:

	Building	Equipment	Total
Balance at 1 January 2021	**22,998**	**19,713**	**42,711**
Increase	4,130	957	5,087
Decrease	(495)	(208)	(703)
Depreciations cost for the year	(4,455)	(8,637)	(13,092)
Balance as on 31 December 2021	**22,178**	**11,825**	**34,003**

Had the land and property been valued pursuant to the method of cost less accumulated depreciation, the values would be as follows:

GROUP AND COMPANY

	31/12/2021	31/12/2020
Purchase value	348,817	348,332
Accumulated depreciation	(138,476)	(131,010)
Net book value	**210,341**	**217,322**

As of 31 December 2021, the revaluation reserves for property and equipment amounted to HRK 347,845 thousand. The amount of HRK 215,808 thousand refers to revaluation reserves for investment property which have previously been reclassified from property and equipment.

In order to calculate the market value of property, the assessor used the income, cost and comparative method. Data published by the relevant institutions, data on current value movements of property in the relevant location and equivalent buildings, and personal experiences were used during the calculation. The property value assessment method did not change during the year. However, the estimated fair values do not necessarily have to refer to amounts that the Group might realise in a real transaction.

The following information about the fair value hierarchy as at 31 December 2021 and 2020:

	1. level	2. level	3. level	Fair Value 2021
Business facilities	-	-	349,183	349,183
	1. level	**2. level**	**3. level**	**Fair Value 2020**
Business facilities	-	-	347,406	347,406

During the year, there were no items which had to be reclassified pursuant to the fair value hierarchy.

17. PROPERTY AND EQUIPMENT (CONTINUED)

The following is fair value information that uses significant parameters that are not available in the market:

Description	**Fair value Assessment method**	**Relevant parameters not available on the market**	**Relevant parameter scope**	**Relationship of relevant parameter to fair value**
Business facilities	Income method	Risk of loss of lease payments	6%-11%	The higher the parameter, the lower the fair value
		Investment maintenance costs	0.48-2.5 EUR/m2	The higher the parameter, the lower the fair value
		Supposed lease payments	1.54-30.27 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	5.5%-9%	The higher the parameter, the lower the fair value
Business facilities	Comparative method	Supposed price	992.91 – 3,596.18 EUR/m2	The higher the parameter, the lower the fair value

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Fair value of investment property – land	113,567	99,202	122,940	108,575
Fair value of investment property – buildings	829,204	810,845	809,136	790,202
	942,771	**910,047**	**932,076**	**898,777**

	Group 2021	Company 2021	Group 2020	Company 2020
Opening balance	**932,076**	**898,777**	**902,813**	**868,938**
Acquisition	-	-	21,700	21,700
Transfer	1,111	1,111	9,059	9,059
Disposal	-	-	(13,058)	(13,058)
Changes in fair value	9,584	10,159	11,562	12,138
Closing balance	**942,771**	**910,047**	**932,076**	**898,777**

Fair value of land and buildings on 31 December 2021 and 2020 is established pursuant to the assessment carried out on that day by an independent assessor Centar Akcija d.o.o., Proventus Nekretnine and Borić vještačenja. Fair value was established by using an income method which, based on the current value of cash flows, indicates the property market value expected to be reached in the future through property lease. A part of property was assessed using the comparative method which uses prices reached by comparable property. Please below find information on the Group's property investment, and on the fair value hierarchy on 31 December 2021 and 31 December 2020 below:

COMPANY:

	Level 1	Level 2	Level 3	Fair Value 2021
Business facilities	-	-	910,047	910,047

	Level 1	Level 2	Level 3	Fair Value 2020
Business facilities	-	-	898,777	898,777

During the year there were no items which had to be reclassified pursuant to the fair value hierarchy.

GROUP:

	Level 1	Level 2	Level 3	Fair Value 2021
Business facilities	-	-	942,771	942,771

	Level 1	Level 2	Level 3	Fair Value 2020
Business facilities	-	-	932,076	932,076

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY (CONTINUED)

Please find below information on the fair value based on relevant parameters which are not available on the market:

Description	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameter to fair value
Business facilities	Income method	Risk of loss of lease payments	7%-13%	The higher the parameter, the lower the fair value
		Investment maintenance costs	2%-10%	The higher the parameter, the lower the fair value
		Supposed lease payments	5.37-16.33 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	5.75%-7%	The higher the parameter, the lower the fair value
Business facilities	Comparative method	Supposed price	3,242 EUR/m2	The higher the parameter, the lower the fair value
Vehicle control stations	Income method	Risk of loss of lease payments	7%-15%	The higher the parameter, the lower the fair value
		Investment maintenance costs	2%-12%	The higher the parameter, the lower the fair value
		According to number of technical control	9-28 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	5.5%-9%	The higher the parameter, the lower the fair value

The Group's lease income for 2021 amounts to HRK 31,745 thousand (2020: HRK 29,331 thousand) and recognised in Investment income (Note 7). Operating expenses (including repairs and maintenance) resulting from property investments to HRK 15,838 thousand in 2021 and HRK 14,637 thousand in 2020.

As of 31 December 2021, the Company recognised a gain on fair valuation of investment properties in the amount of HRK 10,159 thousand (2020: HRK 12,138 thousand), while the Group recognised a gain on fair valuation of investment properties in the amount of HRK 9,582 thousand (2020: HRK 11,562 thousand) which is recognized in profit or loss within Investment costs (Note 7).

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Equity securities	539,596	563,891	538,996	563,291
Bonds	259,941	259,941	265,400	265,400
Investment funds	8,013	8,013	7,966	7,966
	807,550	**831,845**	**812,362**	**836,657**

Equity securities

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Per cost	186,041	211,976	186,041	211,976
Per fair value	353,555	351,915	352,955	351,315
	539,596	**563,891**	**538,996**	**563,291**

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Listed	330,839	329,199	315,042	313,402
Non-listed	208,757	234,692	223,954	249,889
	539,596	**563,891**	**538,996**	**563,291**

The Group’s total portfolio for the acquisition includes companies whose price is not quoted on the active market. There are two groups of the mentioned instruments. The first group is equity instruments of the BiH company. The group believes that these equity instruments, due to the specifics of the BiH market, are best kept at acquisition costs and trace indicators for potential impairment. The second group entails equity instruments which are, in essence, holding companies which do not have a dominant activity, but a high share of property and financial assets. Therefore, the Group believes that these equity instruments are best kept at acquisition cost and monitor indicators for potential impairment. The Group monitors market circumstances and operations of relevant companies and will adopt decisions on reversal of relevant property with the aim to maximise positive effects on the Group’s activities.

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

GROUP AND COMPANY

	31/12/2021	31/12/2020
Government bonds	202,059	221,986
Corporate bonds	57,882	43,414
	259,941	**265,400**

As of 31 December 2021, the Group has no investments in bonds pledged as collateral for the repo loan received (Note 29).

	Number of shares on 31/12/2021	Number of shares on 31/12/2020	31/12/2021	31/12/2020
Investment funds	From 4.10% to 8.51%	From 5.02% to 8.48%	8,013	7,966
			8,013	**7,966**

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES

GROUP AND COMPANY

Credit and receivables	**31/12/2021**	**31/12/2020**
Given long-term credits	757,545	752,573
Interest receivables	7,830	3,352
	765,375	**755,925**
Provisions for suspicious receivables	(35,280)	(35,217)
	730,095	**720,708**
Long-term part of long-term credits	640,640	663,610
Short-term part of long-term credits	89,455	57,098
Given long-term credits	**730,095**	**720,708**

Credits are mainly secured with pledges on business premises. The unsecured part of the portfolio amounts to 30%.

Overview of loans and receivables on 31 December 2021.

GROUP AND COMPANY

Long-term loans	**Currency**	**Date of contract**	**Interest rate**	**Maturity date**	**2021**
Long-term loans with pledge, total	HRK	25/09/2006 - 31/12/2021	3.4% to 4.75%	15/03/2023 - 01/07/2037	514.396
Long-term loans with no pledge, total	HRK	05/01/2017 - 31/12/2021	1.5% to 5.58%	17/01/2022 - 01/07/2037	182.402
Long-term loans with no pledge, total	€	14/07/2017 - 31/12/2021	1.5% to 3.4%	30/06/2023 - 28/02/2025	33.297

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES (CONTINUED)

Overview of loans and receivables on 31 December 2020

GROUP AND COMPANY

Long-term loans	Currency	Date of contract	Interest rate	Maturity date	2020
Long-term loans with pledge, total	HRK	25/09/06 - 25/09/20	4.05% to 4.75%	15/03/23 – 01/07/37	529.708
Long-term loans with no pledge, total	HRK	05/01/17 - 28/04/20	1.5% to 5.58%	04/01/21 – 01/07/37	155.823
Long-term loans with no pledge, total	€	14/07/17 - 20/11/17	4%	30/06/23 – 30/11/23	35.177

Impairments were the following:	2021	2020
Opening balance	**35,217**	**40,114**
Abolition of provisions	-	(3,198)
Provisions on a group basis	62	(1,699)
Closing balance	**35,280**	**35,217**

20. BANK DEPOSITS

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Bank deposits in HRK	121,336	115,278
Bank deposits in EUR	31,916	31,996
	153,252	**147,274**

Overview of deposits on 31 December 2021 and 31 December 2020:

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Long-term bank deposits	39,515	35,972
Short-term bank deposits	113,737	111,302
	153,252	**147,274**

(all amounts in thousands of HRK)

21. PREMIUM RECEIVABLES

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Gross amount		
Premium receivables	450,728	428,097
Enforceable premium receivables	31,326	31,027
	482,054	**459,124**
Value adjustments		
Adjustments for more than 1-year-old unpaid premiums	(19,903)	(23,029)
Adjustments for enforceable premiums	(31,326)	(31,027)
	(51,229)	(54,057)
	430,825	**405,067**

Overview of non-enforceable premium receivables, 31 December maturity date category

GROUP AND COMPANY

	Not yet due	30 days	30- 60 days	60- 90 days	90- 180 days	180- 365 days	Over 365 days	Total
2021								
Premium receivables	357.709	43.156	17.600	7.396	4.964	11.196	8.707	**450.728**

	Not yet due	30 days	30- 60 days	60- 90 days	90- 180 days	180- 365 days	Over 365 days	Total
2020								
Premium receivables	327.896	53.683	7.119	4.728	11.640	11.888	11.141	**428.097**

Pursuant to the Group’s policy, value of all receivables more than 180 days old are adjusted.

Value adjustment movement during the year:

	GROUP AND COMPANY 2021	GROUP AND COMPANY 2020
Opening balance	**54,057**	**48,186**
Write-off	(2,142)	(2,014)
Value adjustment during the year	(1,281)	7,135
Write-offs	1,742	2,115
Amounts paid	(1,147)	(1,365)
Closing balance	**51,229**	**54,057**

(all amounts in thousands of HRK)

22. OTHER RECEIVABLES

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Purchased lease receivables	42,558	42,558	86,829	86,829
Other receivables	16,250	16,250	16,250	16,250
Non - current receivables	**58,808**	**58,808**	**103,079**	**103,079**
Lease receivables	15,404	15,404	5,533	5,533
Administrative receivables	5,941	5,941	6,588	6,588
Advances paid to supplier	6,599	6,599	6,757	6,757
Receivables with recourse	8,241	8,241	4,306	4,306
Receivables from the State and other institutions	5,751	5,751	4,161	4,161
Purchased receivables leasing contracts (current maturity)	34,747	34,747	45,854	45,854
Other receivables	25,086	24,887	29,544	28,854
Current receivables	**101,769**	**101,570**	**102,743**	**102,053**

At the end of 2020, the Company purchased at a discount future cash flows under 1791 leasing contracts maturing in the period from 2021 to 2027. Receivables in the separate and consolidated statement of financial position as at 31 December 2021 are stated at cost in the amount of HRK 77,305 thousand, of which HRK 34,747 thousand relates to short-term receivables maturing in 2022, while the amount of HRK 42,558 HRK refers to long-term receivables maturing in the period from 2023 to 2027.

23. CASH AND CASH EQUIVALENTS

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Bank accounts	180.005	178.050	59.422	58.789
Cash in hand	395	395	367	367
	180,400	**178,445**	**59,789**	**59,156**

24. EQUITY

The equity of the Company amounted to HRK 61,002,000 in 2020 and 2021 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total.

Shareholders' structure according to the number of shares and equity participation on 31 December:

	2021		2020	
	Number of shares	**Equity share %**	**Number of shares**	**Equity share %**
Grgić Dubravko	45,750	15.00	45,750	15.00
Adriatic osiguranje d.d.	30,192	9.90	30,192	9.90
Kordić Ante	18,300	6.00	18,300	6.00
Agram life osiguranje d.d.	17,718	5.81	17,238	5.65
Grgić Mladenka	13,070	4.29	13,070	4.29
Rubić Josip	10,130	3.32	10,130	3.32
Erkapić Mate	10,130	3.32	10,130	3.32
Kordić Zlatko	10,130	3.32	10,130	3.32
Agram Tis d.o.o.	10,090	3.31	6,538	2.14
Galić Drago	7,576	2.48	7,576	2.48
Kurtović Husnija	7,576	2.48	7,576	2.48
Zlatko Lerota	7,576	2.48	7,576	2.48
	188,238	**61.71**	**184,206**	**60.38**
Other	116,772	38.29	120,804	39.62
Total	**305,010**	**100**	**305,010**	**100**

	Group 31/12/2021	**Company 31/12/2021**	**Group 31/12/2020**	**Company 31/12/2020**
Profit after tax (in thousands of HRK)	128,367	127,123	125,925	123,942
Profit attributable to the shareholders (in thousands of HRK)	128,367	127,123	125,925	123,942
Number of ordinary shares used in the calculation of basic earnings per share	305,010	305,010	305,010	305,010
Earnings per share (in HRK and lipa)	**420,86**	**416,78**	**412,86**	**406,35**

(all amounts in thousands of HRK)

25. REVALUATION RESERVES ON FINANCIAL ASSETS AVAILABLE FOR SALE

GROUP

	2021	2020
Opening balance	**56,963**	**36,645**
Revaluation of securities available for sale, net	**(2,645)**	**20,861**
Revaluation of securities available for sale	(3,226)	25,440
Recognised deferred tax in comprehensive income	581	(4,579)
Other comprehensive income attributed to minority interest	-	-
Net amount transferred to profit or loss	**(71)**	**(543)**
Amount transferred to profit or loss	(87)	(662)
Abolition of deferred tax liability	16	119
Closing balance	**54,247**	**56,963**

COMPANY

	2021	2020
Opening balance	**56,611**	**36,293**
Revaluation of securities available for sale, net	**(2,645)**	**20,861**
Revaluation of securities available for sale	(3,226)	25,440
Recognised deferred tax in comprehensive income	581	(4,579)
Net amount transferred to profit or loss	**(71)**	**(543)**
Amount transferred to profit or loss	(87)	(662)
Abolition of deferred tax liability	16	119
Closing balance	**53,895**	**56,611**

26. REVALUATION RESERVES FOR PROPERTY

	GROUP AND COMPANY 2021	GROUP AND COMPANY 2020
Opening balance	**341,335**	**329,516**
Revaluation of property, net	**11,641**	**21,260**
Revaluation of property	14,196	25,927
Recognised deferred tax in comprehensive income	(2,555)	(4,667)
Reversal of the revaluation reserve	**(5,131)**	**(9,441)**
Closing balance	**347,845**	**341,335**

(all amounts in thousands of HRK)

27. LEGAL RESERVES

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Legal reserves	172,585	172,585
	172,585	**172,585**

Statutory reserves refer to reserves established by the Insurance Act, formed before 1 January 2006. These reserves entailed the allocation of 1/3 of net income of every business year, until 31 December 2005. The Company established the statutory reserves pursuant to the Companies Act and can use them to pay out dividends or cover losses pursuant to the Companies Act.

28. TECHNICAL PROVISIONS

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Unearned premium provisions		
Gross amount	783,769	720,058
Reinsurance/co-insurance	(13,005)	(13,252)
Unearned premium provisions, less reinsurance	**770,764**	**706,806**
Claims incurred		
Gross amount	905,062	906,926
Reinsurance	(15,803)	(15,015)
Other technical provisions	-	-
Return of premium expenses	4,343	2,151
Claims incurred, less reinsurance	**893,602**	**894,062**
Total technical provisions, net of reinsurance	**1,664,366**	**1,600,868**
Total technical provisions, gross	**1,693,174**	**1,629,135**

	GROUP AND COMPANY 2021	GROUP AND COMPANY 2020
Opening balance	**720,058**	**688,643**
Annual written premium	1,482,142	1,341,591
Annual earned premium	(1,418,431)	(1,310,176)
Closing balance	**783,769**	**720,058**

Reinsurer’s assets movement during the year:

	GROUP AND COMPANY 2021	GROUP AND COMPANY 2020
Opening balance	**28,267**	**22,134**
Additions	541	6,133
Closing balance	**28,808**	**28,267**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

2021	**Gross claims outstanding on 31/12/2020**	**Liquidated claims, gross amount**	**Reinsurance share in damages**	**Changes in provisions for claims, reinsurance**	**Claims incurred**	**Gross claims outstanding on 31/12/2021**
Accident Insurance	16,998	(6,690)	-	-	3,295	13,603
Health Insurance	725	(4,073)	-	-	4,293	945
Casco Insurance	76,690	(165,933)	9	602	176,018	87,386
Property Insurance	48,415	(56,249)	6,851	3,739	27,795	30,551
Motor Vehicle Liability Insurance	736,331	(396,625)	-	(3,513)	396,057	732,250
Liability Insurance	20,763	(21,577)	614	(5)	36,435	36,230
Transport and Credit Insurance	6,781	(518)	-	(35)	(2,354)	3,874
Travel Insurance	223	(13,254)	-	-	13,254	223
	906,926	**(664,919)**	**7,474**	**788**	**654,793**	**905,062**

GROUP AND COMPANY

2020	**Gross claims outstanding on 31/12/2019**	**Liquidated claims, gross amount**	**Reinsurance share in damages**	**Changes in provisions for claims, reinsurance**	**Claims incurred**	**Gross claims outstanding on 31/12/2020**
Accident Insurance	14,596	(6,646)	-	-	9,048	16,998
Health Insurance	947	(3,274)	-	-	3,052	725
Casco Insurance	77,672	(162,471)	90	1,708	159,691	76,690
Property Insurance	27,883	(47,101)	1,641	1,401	64,591	48,415
Motor Vehicle Liability Insurance	743,913	(343,681)	-	2,422	333,677	736,331
Liability Insurance	18,900	(4,257)	125	364	5,631	20,763
Transport and Credit Insurance	6,945	(468)	-	35	269	6,781
Travel Insurance	240	(12,300)	-	-	12,283	223
	891,096	**(580,198)**	**1,856**	**5,930**	**588,242**	**906,926**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2021	**Gross**	**Net of reinsurance**
Provisions for declared, unpaid damages, augmented by claims handling costs	510,889	495,086
Provisions for incurred, non-declared damages, augmented by claims handling costs	394,173	394,173

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2020	**Gross**	**Net of reinsurance**
Provisions for declared, unpaid damages, augmented by claims handling costs	461,473	446,459
Provisions for incurred, non-declared damages, augmented by claims handling costs	445,453	445,453

(all amounts in thousands of HRK)

29. LONG-TERM AND SHORT-TERM LOANS

	GROUP 31/12/2021	COMPANY 31/12/2021	GROUP 31/12/2020	COMPANY 31/12/2020
Long-term loans	120,569	120,569	113,638	113,638
	120,569	**120,569**	**113,638**	**113,638**

The Austrian bank Anadi Bank AG, FN 245157 a, Domgasse 5, A - 9020 Klagenfurt am Wörthersee approved a loan on 19 June 2018 in the amount of EUR 11,334,000 € with a 2% interest rate, for the purchase of the business building in Klagenfurt, Austria. Instalments maturity: quarterly, start of loan payment on 1 January 2019.
Contract duration: until 30 September 2026.

Vorarlberger Landes und Hypothekenbank AG Austria approved dedicated long-term loans for the purchase of property in the Republic of Austria in May 2017 (loan repayment in May 2032 with a 2.125% interest rate) and in January 2018 (contract valid by December 2024, with an interest rate of 1.25%).

The company with Agram life insurance d.d. has concluded a loan agreement in the amount of EUR 3,204 thousand using the middle exchange rate of the CNB. The contract is in kind from the redemption value of the life insurance policy, with all the rights that belong to it from the policy. The interest rate is contracted at 5.90%, calculated monthly and attributed to the loan principal. The amendment to the agreement approved the extension of the loan term until December 31, 2022.

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Short-term loans (maturity of long-term loans in 2022)	26,016	97,388
Short-term loans	-	25,000
	26,016	**122,388**

(all amounts in thousands of HRK)

29. LONG-TERM AND SHORT-TERM LOANS (CONTINUED)

	Currency	Maturity	Interest rate %	GROUP 31/12/ 2021	COMPANY 31/12/2020
Long-term loans	€	2032	2.125	30,428	30,428
Long-term loans	HRK	2024	1.25	10,433	10,433
Long-term loans	€	2026	1.8	45,588	45,588
Long-term loans	HRK	2022	4.5	24,087	24,087
				110,536	**110,536**
Liabilities IFRS 16	€/HRK	2022/2027	2.64 /6.99	36,049	36,049
				146,585	**146,585**

	Currency	Maturity	Interest rate %	GROUP 31/12/2020	COMPANY 31/12/2020
Long-term loans	€	2026	2	55,866	55,866
Long-term loans	HRK	2023	1.6	40,000	40,000
Long-term loans	€	2021	5.9	24,148	24,148
Financial leasing	€	2024	1.25	14,053	14,053
Long-term loans	€	2032	2.125	32,136	32,136
Financial leasing	HRK	2021	0.25	25,000	25,000
				191,203	**191,203**
LiabilitiesIFRS 16	€/HRK	2021/2027	2.64/6.99	44,823	44,823
				236,026	**236,026**

(all amounts in thousands of HRK)

30. LIABILITIES FROM DIRECT INSURANCE OPERATIONS

	GROUP AND COMPANY 31/12/2021	GROUP AND COMPANY 31/12/2020
Liabilities to the Croatian Insurance Bureau	35,092	35,705
Liabilities for received advances	1,305	1,403
Liabilities for payment of damages	458	801
	36,855	**37,909**

31. OTHER LIABILITIES

	Group 31/12/2021	Company 31/12/2021	Group 31/12/2020	Company 31/12/2020
Current tax liability	**911**	**911**	**2.583**	**2.575**
Other liabilities				
Liabilities based on the share in the result	23,328	23,328	1,940	1,940
Premium tax	160,306	160,306	158,269	158,269
Commitments towards suppliers	20,822	20,785	18,992	18,968
Liabilities to employees	16,853	16,852	16,339	16,339
Deferred income	39	39	1,300	1,300
Commission liabilities	7,039	7,039	4,059	4,059
Other liabilities	5,182	5,098	3,127	3,036
Provisions for liabilities	8,665	8,665	9,128	9,128
	242,234	**242,112**	**213,154**	**213,039**

The movement of provisions for expenses is as follows:

	Group 2021	Company 2021	Group 2020	Company 2020
Starting balance	**9,128**	**9,128**	**9,114**	**9,114**
Credited	(463)	(463)	-	-
New reservations	-	-	14	14
Closing balance	**8,665**	**8,665**	**9,128**	**9,128**

32. CAPITAL ADEQUACY

Solvency II, legislative and regulatory framework of the total business operations of the insurance and reinsurance companies in the European Union entered into force on 1 January 2017. The new system, Solvency II, has thoroughly changed the way solvency capital is calculated, and assets and liabilities valued, as well as introduced a series of new risk management requirements. In order to manage risks in a systematic manner, the Company devised and adopted risk management policies, own risk and solvency assessment (ORSA) and risk management for all risk categories.

Capital management aims, policies and approach

The main aims of Solvency II are the protection of policy holders, setting solvency margins which would represent total risk exposure, anticipating market changes, solvency based on principles, not strict rules, and maintaining financial stability. Achieving the Solvency II aims is possible through the risk management process. The risk management process entails precise identification, assessment, measurement and control of risks the Group is exposed to or could be exposed to in the future in order to efficiently manage them, all in order to protect the policy holders, achieve the planned financial results and increase the economic and market value of the Group's assets and equity.

The main traits of the organisation's risk management system also constitute its advantages:

- better understanding of key risks and implications,
- better resource management,
- higher probability of achieving targets,
- faster reaction to internal and external changes,
- increase in the Company's profitability,
- comprehensive and more concise reporting on risk management.

The Company's operations are subject to regulatory requirements stipulated by the Croatian Financial Services Supervisory Agency, which also supervises the implementation of those requirements. Such regulations not only stipulate the approval of activities and their monitoring, but also impose restrictive provisions in order to minimise the insurance companies' insolvency risk in terms of meeting contingent liabilities once they incur. Based on preliminary calculations, on 31 December 2021, the Company complied with requirements concerning the calculation of capital adequacy, pursuant to the Solvency II regulations. The Company complied with requirements concerning the calculation of capital adequacy, pursuant to the Solvency II regulation.

Solvency is calculated pursuant to rules stipulated by the European Insurance and Occupational Pensions Authority (EIOPA). Solvency II introduced economic/market assets and liabilities valuation based on the total balance sheet approach, meaning that it is necessary to establish the market value all risks balance sheet positions are exposed to.

33. CAPITAL ADEQUACY (CONTINUED)

Capital management aims, policies and approach (continued)

ORSA is one of the Solvency II requirements. ORSA is defined as a series of processes which form a decision making and strategic analyses tool. Its aim and task is to identify, assess, monitor, manage and report on short-term and long-term risks the insurance company is exposed to or might be exposed to in the future, as well as to assess own funds necessary for the company's constant solvency, i.e. for it to be able to cover all needs and liabilities.

Pursuant to applicable laws, ORSA entails the following three elements:

- own assessment of the total solvency need;
- uninterrupted assessment of compliance with capital requirements and technical provisions requirements;
- assessment of the significance of deviation of the insurance company’s risk profile from the assumptions for the calculation of the necessary solvency capital pursuant to the standard formula.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Significant Accounting Policies

Significant accounting policies and adopted methods, including the recognition criteria, valuation basis, and the basis for recognising profit and losses for all classes of financial assets, financial liabilities and equity instruments are stated in detail in Note 3 of the financial statements.

Financial instruments and risk management are analysed on the level of the Company, which represents the Group's exposure to financial instruments and relevant risks, since the subsidiary is not exposed to them.

Categories of financial instruments

	Group 31/12/2021	**Company 31/12/2021**	**Group 31/12/2020**	**Company 31/12/2020**
Available for sale financial assets	807,550	831,845	812,362	836,657
Receivables loans				
Loans	730,095	730,095	720,708	720,708
Guarantee deposit for lease contracts	9,681	9,681	10,523	10,523
Bank deposits	153,252	153,252	147,274	147,274
Reinsurance share in technical provisions	28,808	28,808	28,267	28,267
Premium and other receivables	629,468	629,269	650,908	650,218
Cash at bank and in hand	180,400	178,445	59,789	59,156
Financial liabilities				
Short-term loans	26,015	26,015	122,388	122,388
Long-term loans	120,569	120,569	113,638	113,638
Liabilities from direct insurance business	36,855	36,855	37,909	37,909
Other liabilities	249,988	249,866	222,731	222,608

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

The Company's exposure to market risks, including the currency and interest rate risk, is limited due to the assets and liabilities structure.

In order to actively manage assets, the Company uses approaches the aim of which is to balance quality, diversify and harmonise assets and liabilities, liquidity and return on assets. The aim of the investment process is to optimise income and total return on investment, risk-adjusted and after taxation, ensuring that the assets and liabilities are managed based on cash flows and duration. The management periodically reviews and approves target portfolios, sets guidelines for investment and investment limits, and monitors the asset management process. Due consideration is given to compliance with rules stipulated in the Insurance Act.

Currency risk management

The Company holds no significant amount of assets and liabilities in foreign currency. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Assets		**Liabilities**	
	31/12/2021	**31/12/2020**	**31/12/2021**	**31/12/2020**
EUR	405,259	395,859	419,868	385,227
HRK	3,610,998	3,538,012	1,787,700	1,820,797

The value of assets denominated in a foreign currency account for 10.09% of total assets, while the value of liabilities denominated in a foreign currency account for 10.45 % of total assets. The Company believes that changes in the foreign exchange rate cannot significantly affect the Company's operations. For the year ending on 31 December 2021, the Company recognised negative exchange rate differences in the amount of HRK 10,000 thousand (2020: HRK 1,493 thousand), which accounts for 0.01% of total net income for the year ending on 31 December 2021 and shows that changes in exchange rates have a limited influence on the Company's operations. The Management Board concluded that a 10% change would have no material effect on the Company's operations.

Interest rate risk management

The Company is not significantly exposed to interest rate risk, and Company has no assets with variable interest rates. Changes in interest rates cannot significantly affect the Company's operations, since the total interest rate cost per loan (Note 7) in the amount of HRK 7,069 thousand (2020: HRK 5,293 thousand) account for 5.56 % of the total net income for the year ending on 31 December 2021 (2020: 4.27%). The Management Board concluded that a 50 base point change would have no material effect on the Company's operations.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

The Company is exposed to risks of principal price change since equity instruments account for a significant part of the Company's assets. A certain number of equity instruments classified in the "available for sale" category is not quoted on the market. The Company assessed the influence of the price change of securities which are actively traded on the stock market, and it is not relevant considering that the total share of these securities is not relevant.

Credit risk management

Credit risk refers to the default risk of the other contracting party, which would lead to substantial financial losses of the Company. The Company adopted the policy of doing business with only creditworthy parties and obtaining sufficient insurance instruments in order to mitigate the financial loss risk due to default. The Company's exposure and the credit rating of the parties it cooperates with is continuously monitored, and the total value of concluded transactions is allocated to approved clients. An assessment of creditworthiness for claims is carried out continuously and, where appropriate, insurance coverage for credit guarantees is obtained.

The Company assesses the debtor's creditworthiness based on the debtor's capital, debtor's assets, including his ability to achieve future cash flows for the payment of debt, the debtor's liquidity and profitability, the debtor's cash flows from the past period and expected future cash flows, general operating conditions and the debtor's prospective and position on the market of the debtor's activities.

Maximum credit risk exposure

	31/12/2021	**31/12/2020**
Bonds	259,941	265,400
Credits and receivables	730,095	720,708
Guarantee deposit for lease contracts	9,681	10,523
Bank deposits	153,252	147,274
Premium receivables	430,825	405,067
Reinsurance share in technical provisions	28,808	28,267
Credit cards and checks receivables	38,066	40,019
Other receivables	160,378	205,132
Cash at bank and in hand	178,445	59,156
	1,989,491	**2,003,597**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Credit quality of financial assets

The credit quality of undue or not impaired financial assets may be assessed by referring to external credit rating (if available) or historical information on the credit quality of the other contracting party. The historical data may be divided into the following groups:

Group 1 – new partners / subsidiaries (less than 6 months)

Group 2 – existing partners (over 6 months) with no past payment delays

Group 3 – existing partners (over 6 months) with slight past payment delays. All delays have been fully paid.

	31/12/2021	**31/12/2020**
BB - government bonds and treasury bills	202,059	221,986
Group 1 - corporate bonds	57,881	43,414
Group 1 - corporate records	-	-
Group 2 - investment funds	8,013	7,966
Total securities available for sale	**267,953**	**273,366**
Group 2	729,473	719,569
Group 3	622	1,139
Total loans and receivables	**730,095**	**720,708**
Group 2	9,681	10,523
Total guarantee deposits under lease agreements	**9,681**	**10,523**
Group 2	153,252	147,274
Total deposits in banks	**153,252**	**147,274**
Group 1	22,540	22,714
Group 2	402,239	375,323
Group 3	6,046	7,030
Total claims on premiums	**430,825**	**405,067**
Group 2	178,455	59,156
Total cash and cash equivalents	**178,455**	**59,156**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Management Board is responsible for risk management and has set a high-quality framework for management of liquidity risk for short, medium and long positions of the Company and defined the requisites which refer to liquidity management. The Company manages its liquidity by maintaining adequate provisions, which it calculates pursuant to the Insurance Act (Note 3) in order to cover its potential claims liabilities. Furthermore, the Company has significant amounts of short-term loans which ensure the Company has sufficient funds in the short and long term. The actuarial calculation of technical provisions is done on a quarterly basis, in order to ensure the existence of sufficient amounts of provisions. The Company also needs to ensure additional investment funds in order to cover its provisions pursuant to the Insurance Act. On 31 December 2021 and 31 December 2020, the Company was operating pursuant to those requirements.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturity of assets and liabilities

2021	Less than 1 year	From 1 to 5 years	From 5 to 10 years	From 10 to 15 years	From 15 to 20 years	More than 20 years	Total
Securities available for sale	168,688	593,982	64,255	4,920	-	-	831,845
Loans and receivables	89,455	238,772	130,672	202,476	69,610	-	730,985
Guarantee deposit under lease agreements	-	9,681	-	-	-	-	9,681
Deposits in banks	113,789	33,098	6,365	-	-	-	153,252
Premium receivables	430,825	-	-	-	-	-	430,825
Share of reinsurance in technical provisions	21,224	6,017	955	398	106	108	28,808
Credit card and check receivables	38,066	-	-	-	-	-	38,066
Other receivables	101,570	50,946	7,862	-	-	-	160,378
Money in the account and in the cash register	178,445	-	-	-	-	-	178,445
	1,142,062	**932,496**	**210,109**	**207,794**	**69,716**	**108**	**2,562,285**
Technical provisions	1,075,011	319,191	150,509	70,821	22,532	55,110	1,693,174
Deferred tax liability	81,088	-	-	-	-	-	81,088
Loans and receivables	15,417	73,868	21,251	-	-	-	110,536
Lease obligation	10,599	16,581	8,869	-	-	-	36,049
Liabilities from direct insurance business	36,855	-	-	-	-	-	36,855
Liabilities from reinsurance business	6,843	-	-	-	-	-	6,843
Other liabilities	243,023	-	-	-	-	-	243,023
	1,468,836	**409,640**	**180,629**	**70,821**	**22,532**	**55,110**	**2,207,568**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturity of assets and liabilities

2020	Less than 1 year	From 1 to 5 years	From 5 to 10 years	From 10 to 15 years	From 15 to 20 years	More than 20 years	Total
Securities available for sale	146,213	626,687	58,541	5,216	-	-	836,657
Loans and receivables	57,098	194,649	162,901	218,116	87,944	-	720,708
Guarantee deposit under lease agreements	4,411	6,112	-	-	-	-	10,523
Deposits in banks	111,302	29,186	6,786	-	-	-	147,274
Premium receivables	405,067	-	-	-	-	-	405,067
Share of reinsurance in technical provisions	15,571	4,349	1,418	771	493	5,665	28,267
Credit card and check receivables	40,019	-	-	-	-	-	40,019
Other receivables	102,053	100,660	2,419	-	-	-	205,132
Money in the account and in the cash register	59,156	-	-	-	-	-	59,156
	940,890	**961,643**	**232,065**	**224,105**	**88,436**	**5,665**	**2,452,803**
Technical provisions	974,191	291,878	159,449	92,640	60,784	50,193	1,629,135
Deferred tax liability	80,346	-	-	-	-	-	80,346
Loans and receivables	110,134	57,243	9,475	14,350	-	-	191,202
	12,254	21,376	11,194	-	-	-	44,824
Liabilities from direct insurance business	37,909	-	-	-	-	-	37,909
Liabilities from reinsurance business	6,994	-	-	-	-	-	6,994
Other liabilities	215,614	-	-	-	-	-	215,614
	1,437,442	**370,497**	**180,118**	**106,990**	**60,784**	**50,193**	**2,206,024**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair value of financial instruments is determined based on prices of securities quoted in the market (Note 18) or comparative valuation methods (Note 18) if relevant and reliable market prices are not available. The assumption used when determining the fair value is explained in Note 4. The Management Board believes that the Company's assets and liabilities carried at amortised cost reflect the fair value of these securities.

The following table provides an analysis of financial instruments which have been stated at fair value after their first recognition and classified into three groups depending on the availability of fair value indicators:

- Indicator level 1 – fair value indicators have been derived from (unaligned) prices quoted in active markets for identical assets and liabilities;
- Indicator level 2 – fair value indicators have been derived from other assets and liabilities data which are not quoted Level 1 prices and are obtained directly (i.e. from their prices) or indirectly (i.e. derived from their prices); and
- Indicator level 3 – indicators established through the application of valuation methods whose input is asset or liabilities data which is not based on available market data (unavailable input).

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

31/12/2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	76	-	563,815	563,891
Bonds	202,059	-	57,882	259,941
Investment funds	8,013	-	-	8,013
Total securities available for sale	**210,148**	**-**	**621,697**	**831,845**

31/12/2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	53	-	563,238	563,291
Bonds	221,986	-	43,414	265,400
Investment funds	7,966	-	-	7,966
Total securities available for sale	**230,005**	**-**	**606,652**	**836,657**

There was no reclassification between levels during the period.

Valuation of equity securities that are not actively traded in markets used valuation models and techniques primarily based on market inputs based on market method concepts where peer groups were used to calculate multipliers.

The estimated values of the companies, i.e. their shares, thus represent the fair value under the assumption of continuous (going concern) business, i.e. by comparison with companies of similar business activities through the observation of beta coefficients.

In 2021, the PEER method of comparable companies and DDM was used for part of the valuations. The method of valuation according to the value of a group of comparable companies is carried out by selecting comparable companies grouped according to multiple criteria - activity, geographical area in which they operate, size and the like. These methods have been used because we believe that they best reflect the fair value of these companies. Equity securities valued by this method have a total value of HRK 350,300 thousand.

The Company's management believes that the estimated values of the companies represent their fair and objective values.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

The following is fair value information that uses significant parameters that are not available in the market:

Description	Fair value 2021	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameters to fair value
Equity securities	350,300	Method of comparable companies	*Non-liquidity discount*	10.9%	*The higher the parameter, the lower the fair value*
			Discount rate	6.49%-7.73%	*The higher the parameter, the lower the fair value*
			Residual growth rate	1.13%	*The higher the parameter, the lower the fair value*
			Beta	0.92-1.07	*The higher the parameter, the lower the fair value*

Description	Fair value 2020	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameters to fair value
Equity securities	351,174	Method of comparable companies	*Non-liquidity discount*	10.9%	*The higher the parameter, the lower the fair value*
			Discount rate	7.67%-9.66%	*The higher the parameter, the lower the fair value*
			Residual growth rate	1.04%	*The higher the parameter, the lower the fair value*
			Beta	1.00-1.30	*The higher the parameter, the lower the fair value*

35. INSURANCE RISK MANAGEMENT

The Company is exposed to actuarial risk and underwriting risk which derive from a vast offer of products of all types of non-life insurance (Motor Vehicle Insurance, Accident Insurance, Property insurance, Liability Insurance, Vessel Insurance, Aircraft Insurance, and Transport Insurance).

Insurance risk refers to insurance uncertainty. The most relevant insurance risk components are premium risk and provision risk. They refer to the adequacy of premium tariffs and adequacy of provisions in relation to insurance liabilities and the capital basis.

The premium risk is present in the moment of the policy issuance before the claim is incurred. There is a risk that the costs and claims incurred exceed the received premiums. The provision risk is the risk of mis-estimation of the absolute level of technical provisions or risk of the value of real claims varying around the statistical medium value.

The underwriting risk also entails the disaster risk, which derives from outstanding events which have not been sufficiently covered by the premium risk or the provision risk.

Risk Management

The Company manages the insurance risk through underwriting limits, transaction approval procedures which entail new products or exceed the set limits, tariffing, product design and reinsurance management.

The aim of the underwriting strategy is to achieve a variety which will ensure a balanced portfolio, based on a large portfolio of similar risks during several years, which will lead to a decrease in result variability. Considering the nature of non-life insurance, the underwriters have the right to refuse a contract extension or change the contract conditions upon its renewal.

The Company reinsures a part of the risk it underwrites in order to control the exposure to losses and protect the capital basis. The Company purchases a proportional property insurance contract (property surplus treaty) and disproportionate XL Green Card and earthquake reinsurance contracts (Green Card reinsurance and CAT XL reinsurance).

The ceded reinsurance contains a credit risk and such insurance receivables are stated after the impairment of non-recoverable amounts. The Company monitors the reinsurer’s financial situation and cautiously enters into reinsurance contracts. The Company controls and limits the relevant risk by selecting and maintaining the best possible business relations with European reinsurers of high credit rating. The Company decreases this risk by dispersing the reinsurance coverage on several partners. This brings the reinsurer’s credit risk to the minimum.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance Concentration Risk

The key aspect of the reinsurance risk the Company is exposed to is the level of the insurance concentration risk which sets the level by which a certain event or a series of events may affect the Company's liabilities. Such concentration may derive from an individual insurance contract or multiple contracts. An important aspect of insurance concentration risk is that it may derive from the accumulation of risk through different types of insurance.

Concentration risk may derive from rare events with great consequences such as natural disasters, in situations when the Company is exposed to unexpected trend changes; for example, when significant court or regulatory risks provoke great individual losses or substantially impact a great number of contracts.

Risks the Company underwrites are primarily located in the Republic of Croatia.

The Company has no significant concentration exposures to any group of policy holders according to social, professional, generational, and similar criteria.

Significant losses are most likely to arise from disastrous events, such as storms or earthquake damages. Techniques and presumptions the Company uses to calculate these risks entail:

- geographical accumulation measurements,
- assessment of the largest potential losses,
- reinsurance of excess earthquake claims.

Insurance concentration risk before and after reinsurance in relation to the type of accepted insurance risk is shown below with reference to the carrying amount of fees and claims (gross and net of reinsurance) incurred based on the insurance contract:

For the year ended 31 December 2021

GROUP AND COMPANY

	Gross incurred claims	Reinsurance share	Net incurred claims
Motor Third Party Liability Insurance	(396,625)	-	(396,625)
Road Vehicle Insurance (Casco)	(162,852)	-	(162,852)
Assets	(56,249)	6,851	(49,398)
Personal Insurance	(10,762)	(1)	(10,763)
Other	(38,431)	624	(37,807)
Total	**(664,919)**	**7,474**	**(657,445)**

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance risk concentration (continued)

For the year ended 31 December 2020

GROUP AND COMPANY

	Gross incurred claims	Reinsurance share	Net incurred claims
Motor Third Party Liability Insurance	(343,681)	-	(343,681)
Road Vehicle Insurance (Casco)	(159,677)	12	(159,665)
Assets	(47,101)	1,641	(45,460)
Personal Insurance	(9,920)	-	(9,920)
Other	(19,819)	203	(19,616)
Total	**(580,198)**	**1,856**	**(578,324)**

Claims development

When estimating provisions for claims outstanding, to the extent in which calculation methods use the historical claims development, it is presumed that the historical claims development will recur. In case of “long-tail” claims, the claims provisions level greatly depends on claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical methods which project the observed growth factors or are based on the actuarial judgements.

For materially relevant types in the Company’s portfolio, as well as types of insurance with long-tail claims, a run-off analysis which was carried out on 31 December 2021 with regard to liquidations during 2021 and claims provisions on 31 December 2021 for claims incurred before 31 December 2021 showed that the amount of gross claims provision was sufficient.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Claims development

Analysis of provisions of claims outstanding trends:

	Before 2015	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Estimates of accumulated claims at the end of year they incurred in	-	233,017	233,580	234,116	355,090	410,624	415,646	**493,450**	-
1 year later	-	227,498	228,017	229,279	232,691	254,656	209,063	-	-
2 years later	-	191,815	192,239	212,778	226,092	232,582	-	-	-
3 years later	-	188,785	183,929	206,913	214,616	-	-	-	-
4 years later	-	180,698	180,740	196,077	-	-	-	-	-
5 years later	-	179,035	174,513	-	-	-	-	-	-
6 years later	-	180,638	-	-	-	-	-	-	-
Assessment of accumulated claims	**-**	**180,638**	**174,513**	**196,077**	**214,616**	**232,582**	**209,063**	**493,450**	**1,700,939**
Accumulated payments	-	152,452	149,392	166,083	172,801	178,194	146,260	127,221	**1,092,402**
Provisions for previous years	262,593	-	-	-	-	-	-	-	**262,593**
Claims handling costs	10,229	1,098	979	1,168	1,629	2,119	2,446	14,265	**33,933**
Value recognised in the statement of financial position of the current year	272,822	29,284	26,099	31,163	43,444	56,506	65,249	380,495	**905,062**

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty

The main source of insurance uncertainty derives from the uncertainty of occurrence of harmful events and uncertainty connected to their amounts.

Insurance amount

Considering the fact that there is no product which guarantees an unlimited guarantee when it comes to non-life insurance, the maximum amount the insured person may be liable for per individual policy if a harmful event occurs is always limited to the contracted insurance amount. The exception is the Motor Vehicle Liability Insurance in countries with an established Green Card system with an unlimited cover. The Company transfers this risk through reinsuring the claims surplus over 1 million EUR.

Provisions of claims outstanding

The provisions for the estimated final settlement cost of all claims incurred by the reporting date, resulting from a reported or unreported event, together with the relevant claims handling costs, less the amounts already paid.

Reported but not settled (RBNS) claims liability is estimated for every claim individually, considering the claims circumstances, available evaluators' information and historical proof of similar claims amounts. Individual claims are reviewed regulatory and the provision is regularly updated when new information appear.

Incurred But Not Reported (IBNR) claims estimates are, in general, subject to a greater level of uncertainty than the provisions for claims reported. IBNR provisions are estimated by an authorised actuary using statistical and actuarial methods such as the Chain-Ladder Method (CLM), which extrapolates historical data in order to estimate the final claims costs.

The Chain-Ladder Method (CLM) is an essential method, which uses historical data in order to estimate the share of so-far incurred and unreported claims in the final cost of claims.

The real flat rate or actuarial method or a combination of methods used depends on the year the relevant claim incurred, type of insurance and the noted historical development of claims.

Considering the extent in which calculation methods use the historical claims development, it is presumed that the historical sample of claims development will recur. There are reasons why this may not be the case, which can be established and considered by method adjustment. These reasons entail:

- economic, legal, political and social trends (which cause different levels of inflation in relation to the expected inflation level);
- changes in the combination of insurance contracts type which are being underwritten;
- random variations, including the influence of great claims.

Provisions for claims outstanding are initially estimated in gross amounts and a special calculation is performed in order to estimate the reinsurance share.

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty (continued)

The presumptions which have the greatest effect on the evaluation of non-life insurance provisions amounts are the following:

Remaining claims development factors

In case of “long-tail” claims, the claims provisions level greatly depends on claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical curve methods which project the observed growth factors or are based on the actuarial judgements.

Discounting

Except for annuity claims, non-life insurance provisions are not discounted.

Provision for annuity liabilities from Motor Third Party Liability Insurance was set with actuarial methods pursuant to the Mortality tables of the Republic of Croatia for the period 2010-2012, for males and females separately, discounted by a 2.6% annual rate, with an assumed 1.5% increase in annuity amount. With the above assumptions, the discount rate finally applied is 1.08%.

Liability adequacy test

The liability adequacy test is limited to the non-expired part of the existing insurance contracts. The expected value of claims and costs which can be attributed to non-expired contracts valid on the reporting date is compared to the unearned premiums for those policies (unearned premiums). The expected amounts connected to claims and costs are estimated based on the experience form the previous period and, where applicable, adjusted for significant individual losses which are not expected to recur. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2021.

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS

Related parties are parties able to control the other party or parties which significantly affect the other party when making financial or business decisions. Transactions and outstanding balances among related parties within a group are published in the subject's financial statement.

The fees paid to key managers:

GROUP AND COMPANY

	2021	2020
Payments and compensations	4,372	3,436

In accordance with the definition in IAS-24 Related Party Disclosures and IFRS-10 Consolidated Financial Statements, the Group consists of the parent and its subsidiaries. Since there is no parent company, the Company cannot disclose the name of the parent company or the ultimate entity that has control over the Company, i.e. there are no transactions that could be considered intragroup transactions in accordance with the requirements of IFRS.

Independent of IFRS, the Croatian Financial Services Supervisory Agency, by Decision CLASS: UP / I 974-08 / 17-01 / 07 REGISTRATION NUMBER: 326-01-660-662-17-47 of 15 December 2017, qualified the Company as a participating company in a "group of companies within the meaning of the provisions of the Insurance Act". By the decision of the Administrative Court Usl-162 / 18-25 of 4 January 2021, the Company was obliged to report separately to the Agency in terms of meeting the solvency requirements in accordance with the Insurance Act and Directive 2009/138 / EC of the European Parliament and of the Council (Solvency II), which the Company duly fulfils. An administrative dispute is being conducted against the Decision at the High Administrative Court of the Republic of Croatia.

Although stated without prejudice to the presentation of financial statements prepared in accordance with IFRS, for reasons of transparency, the following is an overview of assets, receivables, liabilities, income and expenses in relations with entities in accordance with the Decision of the Agency:

	2021		2020	
	Income	**Expenses**	**Income**	**Expenses**
Other related companies	128,981	161,786	138,758	146,702
Other related companies	**128,981**	**161,786**	**138,758**	**146,702**

	31/12/2021		31/12/2020	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Other related companies	956,257	42,636	784,850	74,171
Other related companies	**956,257**	**42,636**	**784,850**	**74,171**

As of 31 December 2021, shares in associates amounted to HRK 544,691 thousand (2020: HRK 545,565 thousand).

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31/12/2021			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	7	8,336	26,937	37,742
Agram life d.d.	7,265	27,659	20,948	27,185
Agram banka Zagreb d.d.	218,320	184	5,441	5,741
Agram TIS d.o.o.	353,972	575	34,688	53,784
Auto -Dubrovnik d.d.	6,791	79	491	884
Autoslavonija d.d.	678	164	799	902
Euro daus d.d.	229,200	353	17,545	8,310
Agram invest d.d.	8,188	209	706	-
Agramleasing d.o.o.	114,622	381	3,979	12,355
Agram brokeri d.d.	2	10	12	272
Specijalna bolnica Zagreb	2,150	4	7,506	49
Autocentar Agram d.d.	7,310	5	539	2,138
Agram Yachting d.o.o.	989	-	997	844
Autoservisni centar d.d.	3,825	12	600	538
Strukturiranja d.o.o. Zagreb	500	-	20	171
MTT d.o.o. Rijeka	-	2	2,056	127
AGRAM d.d. Ljubuški	-	-	1,374	-
Agram nekretnine d.d. Mostar	2,205	-	-	-
Agram Invest d.o.o. Mostar	-	-	-	-
Adriatic osiguranje d.d. Sarajevo	-	1,020	-	1,851
Autocentar Vrbovec d.o.o.	233	12	889	712
EUROHERC osiguranje d.d. Sarajevo	-	3,631	3,454	8,181
TOTAL	**956,257**	**42,636**	**128,981**	**161,786**

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31/12/2020			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	3	4,274	25,868	23,098
Agram life d.d.	233	24,150	24,830	19,069
Agram banka Zagreb d.d.	94,937	40,125	5,806	5,251
Euroagram TIS d.o.o.	354,131	561	37,118	59,036
Auto -Dubrovnik d.d.	9,906	9	611	828
Autoslavonija d.d.	1,853	54	792	791
Euro daus d.d.	228,094	13	19,942	11,508
Agram invest d.d.	(4)	212	134	-
Euroleasing d.o.o.	72,197	1,072	7,486	14,040
Agram brokeri d.d.	2	12	13	350
Specijalna bolnica Zagreb	758	-	7,366	81
Automehanika servisi d.d.	10,696	-	797	2,041
Agram Yachting d.o.o.	1,366	-	995	1,102
Autoservisni centar d.d.	6,646	-	419	526
Strukturiranja d.o.o. Zagreb	1,500	18	34	202
MTT d.o.o. Rijeka	-	-	1,033	127
AGRAM d.d. Ljubuški	-	-	150	-
Agram nekretnine d.d. Mostar	2,205	-	1,807	-
Agram Invest d.o.o. Mostar	130	-	-	-
Adriatic osiguranje d.d. Sarajevo	-	774	2,664	-
Autocentar Vrbovec d.o.o.	197	1	893	679
EUROHERC osiguranje d.d. Sarajevo	-	2,896	-	7,973
TOTAL	**784,850**	**74,171**	**138,758**	**146,702**

37. CONTINGENT LIABILITIES

There are several pending legal disputes against the Group and the Company, with legal claims for which the Group, on 31 December 2021, has reserved assets in the total amount of 2,530 thousand HRK.

(all amounts in thousands of HRK)

38. OFF-BALANCE SHEET RECORDS

	31/12/2021	31/12/2020
Guarantees received	21,219	4,675
Guarantees given	25,468	114,333
	46,687	**119,008**

39. EVENTS AFTER THE REPORTING PERIOD

After 31 December 2021, no additional business events or transactions occurred that would have a material impact on the financial statements on or for the period then ended.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 31 March 2022. Signed on behalf of and for the Management Board:

Željko Kordić, *President of the Management Board*

ŽKordić

Tomislav Čizmić, *Member of the Management Board*

Darinko Ivković, *Member of the Management Board*

Vjeran Zadro, *Member of the Management Board*

Tomislav Abramović, *Member of the Management Board*

Statement of Comprehensive Income

STATEMENT OF THE OTHER COMPREHENSIVE INCOME (PROFIT AND LOSS ACCOUNT) FOR THE PERIOD 01/01/2021-31/12/2021

in HRK

No.	Sum elements	Position	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	**I**	**Earned premium**	**,000**	**1.266.876.590**	**1.266.876.590**		**1.377.056.885**	**1.377.056.885**
002		1	Written gross premium	,000	1.341.591.231	1.341.591.231		1.482.141.565	1.482.141.565
003		2	Value adjustment and paid premium value adjustment	,000	-8.982.781	-8.982.781		-5.884.890	-5.884.890
004		3	Outward reinsurance (-)	,000	-34.519.454	-34.519.454		-35.241.231	-35.241.231
005		4	Changes in gross unearned premium provisions (+/-)	,000	-31.415.445	-31.415.445		-63.710.960	-63.710.960
006		5	Changes in unearned premium provisions, reinsurer's share (+/-)	,000	203.039	203.039		-247.599	-247.599
007	008+009+010+011+012+013+014	**II**	**Investment income**	**,000**	**102.210.182**	**102.210.182**		**90.016.386**	**90.016.386**
008		1	Income from subsidiaries, associates and joint ventures	,000					
009		2	Income from investment in land and buildings	,000	43.036.387	43.036.387		43.196.534	43.196.534
010		3	Interest income	,000	45.195.631	45.195.631		33.652.561	33.652.561
011		4	Unrealised investmnet gains	,000					
012		5	Realised investment gains	,000	964.254	964.254		384.114	384.114
013		6	Net positive exchange rate diferences	,000	2.051.358	2.051.358		1.424.669	1.424.669
014		7	Other investment income	,000	10.962.550	10.962.550		11.358.508	11.358.508
015		**III**	**Income from fees and commissions**	**,000**	**3.217.653**	**3.217.653**		**2.767.462**	**2.767.462**
016		**IV**	**Other insurance-tehnical income, net of reinsurance**	**,000**	**29.652.309**	**29.652.309**		**23.733.000**	**23.733.000**
017		**V**	**Other income**	**,000**	**17.653.848**	**17.653.848**		**18.085.681**	**18.085.681**
018	019+022	**VI**	**Claims incurred, net**	**,000**	**-588.241.898**	**-588.241.898**		**-654.791.583**	**-654.791.583**
019	020+021	1	Liquidated claims	,000	-578.342.051	-578.342.051		-657.444.543	-657.444.543
020		1.1	Gross amount (-)	,000	-580.197.596	-580.197.596		-664.918.745	-664.918.745
021		1.2	Reinsurance share(+)	,000	1.855.545	1.855.545		7.474.202	7.474.202
022	023+024	2	Changes in claims outstanding (+/-)	,000	-9.899.847	-9.899.847		2.652.960	2.652.960
023		2.1	Gross amount (-)	,000	-15.829.864	-15.829.864		1.864.494	1.864.494
024		2.2	Reinsurance share (+)	,000	5.930.017	5.930.017		788.466	788.466
025	026+029	**VII**	**Changes in mathematical and other tehnical provisions, net of reinsurance**	**,000**					
026	027+028	1	Changes in mathematical provision (+/-)	,000					
027		1.1	Gross amount (-)	,000					
028		1.2	Reinsurance share (+)	,000					
029	030+031	2	Changes in other tehnical provisions for claims outstanding, net of reinsurance (+/-)	,000					
030		1.1	Gross amount (-)	,000					
031		1.3	reinsurance share (+)	,000					
032	033+034	**VIII**	**Changes in provisions for special life insurance for which the insured person bears the investment risk**	**,000**					
033		1	Gross amount (-)	,000					
034		2	Reinsurance share (+)	,000					
035	036+037	**IX**	**Return of premium (bonuses and rebates) expenses, net of reinsurance**	**,000**	**2.496.306**	**2.496.306**		**-2.192.444**	**-2.192.444**
036		1	Result-related (bonuses)	,000	2.496.306	2.496.306		-2.192.444	-2.192.444
037		2	Result-.unrelated (bonuses)	,000					
038	039+043	**X**	**Operating expenses (activity performance expenses), net**	**,000**	**-539.368.946**	**-539.368.946**		**-545.084.801**	**-545.084.801**
039	040+041+042	1	Acquisition cost	,000	-343.633.749	-343.633.749		-359.586.527	-359.586.527
040		1.1	Commission	,000	-45.826.540	-45.826.540		-57.200.527	-57.200.527
041		1.2	Other underwriting costs	,000	-297.807.209	-297.807.209		-302.386.001	-302.386.001
042		1.3	Changes in deffered aquisition costs (+/-)	,000					
043	044+045+046	2	Management costs (administrative costs)	,000	-195.735.197	-195.735.197		-185.498.273	-185.498.273
044		2.1	Depreciation and amortisation	,000	-48.216.304	-48.216.304		-36.343.305	-36.343.305
045		2.3.	Salaries, taxes and contributions from and on salaries	,000	-73.640.141	-73.640.141		-74.230.939	-74.230.939
046		2.4.	Other management costs	,000	-73.878.752	-73.878.752		-74.924.029	-74.924.029

Statement of Comprehensive Income (continued)

No.	Sum elements	Position	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
047	048+049+050+051+052+053+054	**XI**	**Investment costs**	**,000**	**-59.720.052**	**-59.720.052**		**-63.072.020**	**-63.072.020**
048		1	Depreciation of land and bulidings not used by the Company for its activities	,000					
049		2	Interests	,000	-5.293.110	-5.293.110		-7.069.011	-7.069.011
050		3	Investment impairment	,000	-1.566.547	-1.566.547		-1.292.775	-1.292.775
051		4	Realised investment losses	,000	-3.091.943	-3.091.943		-26.322	-26.322
052		5	Unrealised investment losses	,000					
053		6	Net negative exchange rate differences	,000	-3.543.986	-3.543.986		-1.415.000	-1.415.000
054		7	Other investment costs	,000	-46.224.466	-46.224.466		-53.268.912	-53.268.912
055	056+057	**XII**	**Other tehnical costs, net of reinsurance**	**,000**	**-69.659.526**	**-69.659.526**		**-61.947.190**	**-61.947.190**
056		1	Prevention activities costs	,000					
057		2	Other tehnical insurance costs	,000	-69.659.526	-69.659.526		-61.947.190	-61.947.190
058		**XIII**	**Other costs, including value adjustments**	**,000**	**-14.281.764**	**-14.281.764**		**-30.525.904**	**-30.525.904**
059	001+007+015+016+017+018+025+032+035+038+047+055+058	**XIV**	**Profit or loss for the accounting period, before taxes (+/-)**	**,000**	**150.834.703**	**150.834.703**		**154.045.471**	**154.045.471**
060	061+062	**XV**	**Income or tax loss**	**,000**	**-26.892.443**	**-26.892.443**		**-26.922.701**	**-26.922.701**
061		1	Current tax expense	,000	-28.502.928	-28.502.928		-28.140.084	-28.140.084
062		2	Defered tax expense (income)	,000	1.610.485	1.610.485		1.217.383	1.217.383
063	059+060	**XVI**	**Profit or loss for the accounting period, after taxes (+/-)**	**,000**	**123.942.260**	**123.942.260**		**127.122.771**	**127.122.771**
064		1	Atributed to equity holders of the parent	,000					
065		2	Atributed to the non-controlling interest	,000					
066	001+007+015+016+017+062	**XVII**	**TOTAL REVENUE**	**,000**	**1.421.221.068**	**1.421.221.068**		**1.512.876.797**	**1.512.876.797**
067	018+025+032+035+038+047+055+058+061	**XVIII**	**TOTAL EXPENSES**	**,000**	**-1.297.278.807**	**-1.297.278.807**		**-1.385.754.026**	**-1.385.754.026**
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**,000**	**32.137.344**	**32.137.344**		**8.925.398**	**8.925.398**
069		1	Gains/losses derived from the recalculation of foreign operation's financial statements	,000					
070		2	Gains/losses derived from the revaluation of financial assets available for sale	,000	20.318.493	20.318.493		-2.715.553	-2.715.553
071		3	Gains/losses derived from the revaluation of land and buildings used by the Company for its activities	,000	11.818.851	11.818.851		11.640.951	11.640.951
072		4	Gains/losses derived from the revaluation of other tangible (other than land and buildings) and intangible assets	,000					
073		5	Effects of cash flows hedging instruments	,000					
074		6	Actuarial gains/losses per pension plans with defined pensions	,000					
075		7	Share in other comprehensive income and associated pensions	,000					
076		8	Corporate income tax and other comprehensive income	,000					
077	063+068	**XX**	**Total comprehensive income**	**,000**	**156.079.604**	**156.079.604**		**136.048.169**	**136.048.169**
078		1	Attributed to equity holders to parent	,000					
079		2	Attributed to non-controlling interest	,000					
080		**XXI**	**Reclassification adjustments**	**,000**					

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) on the day 31 December 2021

ASSETS *in HRK*

No	Sum elements	Position	Position description	Previous year Life	Previous year Non-Life	Previous year Total	Current year Life	Current year Non-Life	Current year Total
001	002+003	**I**	**INTANGIBLE ASSETS**		**244.229**	**244.229**		**324.525**	**324.525**
002		1	Goodwill						
003		2	Other intengible assets		244.229	244.229		324.525	324.525
004	005+006+007	**II**	**TANGIBLE ASSETS**		**512.351.284**	**512.351.284**		**501.602.104**	**501.602.104**
005		1	Land and buildings used by the Company for tis activities		470.464.216	470.464.216		472.115.580	472.115.580
006		2	Equipment		30.918.092	30.918.092		24.208.155	24.208.155
007		3	Other tangible assets and inventories		10.968.975	10.968.975		5.278.369	5.278.369
008	009+010+014+033	**III**	**ULAGANJA**		**2.612.496.850**	**2.612.496.850**		**2.634.381.667**	**2.634.381.667**
009		**A**	**Investment in land and buildings not used by the**		**898.776.994**	**898.776.994**		**910.047.469**	**910.047.469**
010	011+012+013	**B**	**Investment in subsidiaries, associates and joint ventures**						
011		1	Stocks and shares in subsidiaries						
012		2	Stocks and shares in associates						
013		3	Stocks and shares in joint ventures						
014	015+018+023+029	**C**	**Financial assets**		**1.713.719.856**	**1.713.719.856**		**1.724.334.198**	**1.724.334.198**
015	016+017	**1**	**Financial assets held to maturity**						
016		1.1	Debt financial instruments						
017		1.2	Other						
018	019+020+021+022	**2**	**Financial assets available for sale**		**836.657.952**	**836.657.952**		**831.844.946**	**831.844.946**
019		2.1	Equity financial instruments		563.291.386	563.291.386		563.891.186	563.891.186
020		2.2	Debt financial instruments		265.400.271	265.400.271		259.940.513	259.940.513
021		2.3	Units in investment funds		7.966.295	7.966.295		8.013.247	8.013.247
022		2.4	Other						
023	024+025+026+027+028	**3**	**Financial assets at fair value in the P/L**						
024		3.1	Equity financial instruments						
025		3.2	Debt financial instruments						
026		3.3	Derivate financial instruments						
027		3.4	Units in investment funds						
028		3.5	Other						
029	030+031+032	**4**	**Loans and receivables**		**877.061.903**	**877.061.903**		**892.489.253**	**892.489.253**
030		4.1	Deposits with credit institutions		147.273.790	147.273.790		153.251.748	153.251.748
031		4.2	Loans and receivables		729.788.113	729.788.113		739.237.504	739.237.504
032		4.3	Other						
033		**D**	**Deposit with the ceding company**						
034		**IV**	**INVESTMENT FOR THE ACCOUNT AND RISK OF THE**						
035	036+037+038+039	**V**	**SHARE IN REINSURANCE IN TECHNICAL PROVISIONS**		**28.267.140**	**28.267.140**		**28.808.007**	**28.808.007**
036		1	Unearned premium provisions, reinsurance share		13.252.578	13.252.578		13.004.979	13.004.979
037		2	Mathematical provisions, reinsurance share						
038		3	Provisions for claims outstanding, reinsurance share		15.014.562	15.014.562		15.803.028	15.803.028
039		4	Provisions for bonuses and rebates, reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other technical provisions, reinsurance share						
042		7	Special provisions for life insurance for which the insured						
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSETS**		**8.423.202**	**8.423.202**		**9.054.280**	**9.054.280**
044		1	Deferred tax assets		8.423.202	8.423.202		9.054.280	9.054.280
045		2	Current tax assets						
046	047+050+051	**VII**	**RECEIVABLES**		**630.094.307**	**630.094.307**		**605.268.610**	**605.268.610**
047	048+049	**1**	**Claims from insurance operations**		**405.067.202**	**405.067.202**		**430.825.647**	**430.825.647**
048		1.1	From insured person		405.067.202	405.067.202		430.825.647	430.825.647
049		1.2	From agents, i.e. insurance intermediaries						
050		**2**	**Claims for reinsurance operations**						
051	052+053+054	**3**	**Other receivables**		**225.027.104**	**225.027.104**		**174.442.962**	**174.442.962**
052		3.1	Claims from other insurance operations		4.305.803	4.305.803		8.241.195	8.241.195
053		3.1	Receivables for investment income						
054		3.2	Other receivables		220.721.301	220.721.301		166.201.767	166.201.767
055	056+060+061	**VIII**	**OTHER ASSETS**		**99.203.654**	**99.203.654**		**216.510.600**	**216.510.600**
056	060+061+062	**1**	**Cash at bank and in hand**		**59.185.603**	**59.185.603**		**178.445.075**	**178.445.075**
057		1.1	Funds on business account		58.818.736	58.818.736		178.049.855	178.049.855
058		1.2	Funds on account for assets covering mathematical provisions						
059		1.3	Cash in hand		366.867	366.867		395.220	395.220
060		**2**	**Non-current assets held for sale and discontinued**						
061		**3**	**Other**		**40.018.051**	**40.018.051**		**38.065.525**	**38.065.525**
062	063+064+065	**IX**	**PAID EXPENSES OF THE FUTURE PERIOD AND UNDUE**		**69.695.523**	**69.695.523**		**42.887.876**	**42.887.876**
063		1	Deferred interest and lease payments		67.673.977	67.673.977		40.090.870	40.090.870
064		2	Deferred underwriting cost						
065		3	Other paid expenses of the future periods and undue income		2.021.546	2.021.546		2.797.005	2.797.005
066	001+004+008+034+035+04	**X**	**TOTAL ASSETS**		**3.960.776.188**	**3.960.776.188**		**4.038.837.667**	**4.038.837.667**
067		**XI**	**OFF-BALANCE SHEET ITEMS**		**119.007.782**	**119.007.782**		**46.686.961**	**46.686.961**

Statement of Financial Position (continued)

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) on the day 31 December 2021

EQUITY AND LIABILITIES *in HRK*

No	Sum elements	Position	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	**XII**	**EQUITY AND RESERVES**		**1.727.848.409**	**1.727.848.409**		**1.808.689.768**	**1.808.689.768**
069	070+071	**1**	**Share capital**		**61.002.000**	**61.002.000**		**61.002.000**	**61.002.000**
070		1.1	*Paid-in capital - ordinary shares*		61.002.000	61.002.000		61.002.000	61.002.000
071		1.2	*Paid-in capital - preferred shares*						
072		**2**	**Premiums on issued shares (capital reserves)**						
073	074+075+076	**3**	**Reveluation reserves**		**397.946.652**	**397.946.652**		**401.740.527**	**401.740.527**
074		3.1	*Land and buildings*		341.335.266	341.335.266		347.844.693	347.844.693
075		3.2	*Financial assets available for sale*		56.611.386	56.611.386		53.895.833	53.895.833
076		3.3	*Other revalutaion reserves*						
077	078+079+080	**4**	**Reserves**		**172.585.302**	**172.585.302**		**172.585.302**	**172.585.302**
078		4.1	*Legal reserves*		133.541.827	133.541.827		133.541.827	133.541.827
079		4.2	*Statutary reserves*		39.043.475	39.043.475		39.043.475	39.043.475
080		4.3.	*Other reserves*						
081	082+083	**5**	**Retained earnings or loss carried forward**		**972.372.195**	**972.372.195**		**1.046.239.169**	**1.046.239.169**
082		5.1	*Retained earnings*		972.372.195	972.372.195		1.046.239.169	1.046.239.169
083		5.2	*Transferred loss (-)*						
084	085+086	**6**	**Profit or loss for the current accounting period**		**123.942.260**	**123.942.260**		**127.122.771**	**127.122.771**
085		6.1	*Profit for the current accounting period*		123.942.260	123.942.260		127.122.771	127.122.771
086		6.2	*Loss of the current accounting period (-)*						
087		**XIII**	**SECOND LINE LIABILITIES (SUBORDINATE LIABILITIES)**						
088		**XIV**	**MINORITY INTEREST**						
089	090+091+092+093+094+095	**XV**	**TECHNICAL RESERVES**		**1.629.135.074**	**1.629.135.074**		**1.693.173.984**	**1.693.173.984**
090		1	Unearned premium reserves, gross amount		720.058.301	720.058.301		783.769.261	783.769.261
091		2	Mathematical reserves, gross amount						
092		3	Claims reserves, gross amount		906.926.215	906.926.215		905.061.721	905.061.721
093		4	Reserves for bonuses and discounts, gross amount		2.150.559	2.150.559		4.343.003	4.343.003
094		5	Provisions for claims fluctuations, gross amount						
095		6	Other technical provisions, gross amount						
096		**XVI**	**SPECIAL LIFE INSURANCE RESERVES WITH WHICH THE INSURANCE CONTRACTOR BEARS INVESTMENT RISK, gross and**						
097	098+099	**XVII**	**OTHER RESERVES**		**18.208.782**	**18.208.782**		**17.807.393**	**17.807.393**
098		1	Provisions for pensions and similar liabilities		18.208.782	18.208.782		17.807.393	17.807.393
099		2	Other reserves						
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX LIABILITY**		**91.344.398**	**91.344.398**		**91.053.282**	**91.053.282**
101		1	Deferred tax liability		88.769.442	88.769.442		90.142.371	90.142.371
102		2	Current tax liability		2.574.956	2.574.956		910.911	910.911
103		**XIX**	**DEPOSITS RETAINED FROM BUSINESS SUBMITTED TO REINSURANCE**						
104	105+106+107	**XX**	**FINANCIAL LIABILITIES**		**236.025.961**	**236.025.961**		**146.584.458**	**146.584.458**
105		1	Loan liabilities		192.032.009	192.032.009		110.799.471	110.799.471
106		2	Liabilities under issued financial instruments						
107		3	Other financial liabilities		43.993.952	43.993.952		35.784.987	35.784.987
108	109+110+111+112	**XXI**	**OTHER LIABILITIES**		**247.512.268**	**247.512.268**		**277.106.498**	**277.106.498**
109		1	Liabilities arising from direct insurance business		36.675.917	36.675.917		35.681.067	35.681.067
110		2	Liabilities arising from co-insurance and reinsurance business		6.994.288	6.994.288		6.843.302	6.843.302
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities		203.842.063	203.842.063		234.582.129	234.582.129
113	114+115	**XXII**	**DEFERRED PAYMENT OF EXPENSES AND INCOME**		**10.701.295**	**10.701.295**		**4.422.284**	**4.422.284**
114		1	Accrued reinsurance commission						
115		2	Other deferred payment of expenses and income		10.701.295	10.701.295		4.422.284	4.422.284
116	068+087+088+089+096+097+10	**XXIII**	**TOTAL EQUITY AND LIABILITIES**		**3.960.776.188**	**3.960.776.188**		**4.038.837.667**	**4.038.837.667**
117		**XXIV**	**OFF-BALANCE SHEET ITEMS**		**119.007.782**	**119.007.782**		**46.686.961**	**46.686.961**

Statement of Cash Flows

STATEMENT OF CASH FLOW FOR THE PERIOD 01/01/2020-31/12/2021

in HRK

No.	Sum elements	Position	Position description	Current accounting period	Same period of the previous yeare
001	002+013+031	I	**CASH FLOW FROM OPERATING ACTIVITIES**	**236.876.878**	**-6.176.267**
002	003+004	1	**Cash flow before changes in operating assets and liabilities**	**122.398.464**	**110.595.455**
003		1.1	Profit/loss before taxes	154.045.471	150.834.703
004	005+006+007 +008+009+010 +011+012	1.2	**Adjustments:**	**-31.647.007**	**-40.239.248**
005		1.2.1	Depreciation of property and equipment	35.855.437	48.138.417
006		1.2.2	Amortization of intangible assets	235.941	77.887
007		1.2.3	Impairment and gains / losses from reduction to fair value	-42.199.130	-73.280.208
008		1.2.4	Interest expense	7.069.011	5.293.110
009		1.2.5	Interest income	-33.652.561	-45.195.631
010		1.2.6	Profit shares of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	357.793	106.975
012		1.2.8	Other adjustments	686.503	24.620.201
013	014+015+...+030	2	**Increase/decrease in assets and liabilities**	**144.282.542**	**-82.369.392**
014		2.1	Increase/decrease in financial assets available-for-sale	11.640.951	11.818.851
015		2.2	Increase/decrease in financial assets at fair value through P/L		
016		2.3	Increase/decrease in loans and receivables	-15.427.349	-26.872.946
017		2.4	Increase/decrease in deposits with cedants		
018		2.5	Increase/decrease in investments at the expense and risk of the life insurance policyholde		
019		2.6	Increase/decrease in the share of reinsurance in tehnical provisions	-540.866	-6.133.056
020		2.7	Increase/decrease in tax assets	993.023	
021		2.8	Increase/decrease in receivables	69.023.873	-100.167.719
022		2.9	Increase/decrease in other assets	-1.065.789	-747.284
023		2.10	Increase/decrease in paid expenses for the future period and overdue revenue collection	26.807.647	-50.532.198
024		2.11	Increase/decrease in tehnical provisions	64.038.910	44.749.003
025		2.12	Increase/decrease in in special life insurance reserves where the policyholder bears the in		
026		2.13	Increase/decrease in in tax liabilities	5.063.901	26.719.974
027		2.14	Increase/decrease in in deposits retained from business submitted to reinsurance		
028		2.15	Increase/decrease in financial liabilities	5.088.912	25.410.666
029		2.16	Increase/decrease in other liabilities	-15.061.659	-9.036.692
030		2.17	Increase/decrease in deffered expenses of future expenses and income	-6.279.011	2.422.010
031		3	**Income tax paid**	**-29.804.128**	**-34.402.330**
032	033+034+...+046	II	**CASH FLOW FROM INVESTMENT ACTIVITIES**	**-1.958.915**	**19.062.453**
033		1	Receipts from sale of tangible assets		
034		2	Expendituresfor acquisition of tangible assets	-11.829.174	-42.523.616
035		3	Receipts from sale of intangible assets		
036		4	Expendituresfor acquisition of intangible assets	-316.237	-239.920
037		5	Gains from sale of land and buildings not used by the Company for its activities		10.175.805
038		6	Expenses for the purchase of land and buildings not used by the Company for its activities	-1.063.375	-21.700.000
039		7	Increase/decrease in investment in subsidiares, associates and joint vetures		
040		8	Receipts from investments held to maturity		
041		9	Expenditures from investments held to maturity		
042		10	Receipts from the sale of securitas	-151.716.522	-46.116.432
043		11	Expenditures for the investment in securitas	151.663.415	84.828.579
044		12	Receipts from dividends and shares in profit	11.309.664	7.765.090
045		13	Receipts from repayment of short-term and long-term loans	-654.893.007	-451.168.625
046		14	Expenditures for short-term and long-term loans	654.886.320	478.041.572
047	048+049+050 +051+052	III	**CASH FLOW FROM FINANCIAL ACTIVITIES**	**-115.658.491**	**861.646**
048		1	Cash receipts due to increase in share capital		
049		2	Cash receipts from received short-term and long-term loans	99.384.475	85.807.207
050		3	Cash outflows for repayment of received short-term and long-term loans	-187.688.112	-84.945.561
051		4	Cash outflows for the repurchase of treasury shares		
052		5	Cash outflows for the payment of profit shares (dividends)	-27.354.854	
053	001+032+047		**NET CASH FLOWS**	**119.259.472**	**13.747.832**
054		IV	**NET CASH FLOW EFFECTS OF CHANGE IN FOREIGN CURRENCY ECHANGE RATES**		
055	053+054	V	**NET DECREASE/INCREASE OF CASH AND CASH EQUIVALENTS**	**119.259.472**	**13.747.832**
056		1	Cash and cash equivalents at the beginning of the year	59.185.603	45.437.771
057	055+056	2	**Cash and cash equivalents at the end of the year**	**178.445.075**	**59.185.603**

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 01/01/2020-31/12/2021

in HRK

No.	Position description	Attributable to the parent's owners							Attrinutable to the non-controlling interest	Total capital and reserves
		Paid capital (regular and preferential shares)	Share premium account	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferes loss	Profit/loss for the year	Total capital and reserves		
I.	**Balance at 1 January of the previous year**	**61.002.000**		**365.809.309**	**172.585.302**	**830.986.123**	**131.944.955**	**1.562.327.689**		**1.562.327.689**
1.	Change in accounting policies									
2.	Prior period adjustment									
II.	**Balance at 1 January of the previous year (adjusted)**	**61.002.000**		**365.809.309**	**172.585.302**	**830.986.123**	**131.944.955**	**1.562.327.689**		**1.562.327.689**
III.	**Comprehensive income or loss for the previous year**			**32.137.344**		**141.386.071**	**-8.002.695**	**165.520.721**		**165.520.721**
1.	Profit or loss for the period						123.942.260	123.942.260		123.942.260
2.	**Other comprehensive income or loss for the previous year**			**32.137.344**		**141.386.071**	**-131.944.955**	**41.578.460**		**41.578.460**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			11.818.851				11.818.851		11.818.851
2.2.	Unrealised gains or losses from financial assets available-for-sale			20.318.493				20.318.493		20.318.493
2.3.	Realised gains or losses from financial assets available-for-sale					141.386.071	-131.944.955	9.441.116		9.441.116
2.4.	Other non-owner changes in equity									
IV.	**Transactions with owners (previous period)**									
1.	Increase/decrease in shared capital									
2.	Other owner's payments									
3.	Payment of shares profit/dividends									
4.	Other allocations to owners									
V.	**Balance on the last day of the reporting period in the previous year**	**61.002.000**		**397.946.652**	**172.585.302**	**972.372.195**	**123.942.260**	**1.727.848.409**		**1.727.848.409**
VI.	**Balance at 1 January of the current year**	**61.002.000**		**397.946.652**	**172.585.302**	**972.372.195**	**123.942.260**	**1.727.848.409**		**1.727.848.409**
1.	Change in accounting policies									
2.	Prior period adjustment									
VII.	**balance at 1 January of the current year (adjusted)**	**61.002.000**		**397.946.652**	**172.585.302**	**972.372.195**	**123.942.260**	**1.727.848.409**		**1.727.848.409**
VIII.	**Comprehensive income or loss for the current year**			**3.793.874**		**129.073.784**	**3.180.510**	**136.048.169**		**136.048.169**
1.	Profit or loss for the period						127.122.771	127.122.771		127.122.771
2.	**Other comprehensive income or loss for the current year**			**3.793.874**		**129.073.784**	**-123.942.260**	**8.925.398**		**8.925.398**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			6.509.427				6.509.427		6.509.427
2.2.	Unrealised gains or losses from financial assets available-for-sale			-2.715.553				-2.715.553		-2.715.553
2.3.	Realised gains or losses from financial assets available-for-sale					129.073.784	-123.942.260	5.131.524		5.131.524
2.4.	Other non-owner changes in equity									
IX.	**Transactions with owners (current period)**					**-55.206.810**		**-55.206.810**		**-55.206.810**
1.	Increase/decrease in shared capital									
2.	Other owner's payments									
3.	Payment of shares profit/dividends									
4.	Other allocations to owners					-55.206.810		-55.206.810		-55.206.810
X.	**Balance at the last day of the reporting period in the current year**	**61.002.000**		**401.740.527**	**172.585.302**	**1.046.239.169**	**127.122.771**	**1.808.689.768**		**1.808.689.768**

Differences between the financial statements prepared in accordance with the International Financial Reporting Standards refer to the following business events:

Statement of Financial Position

The guarantee deposits for leasing contracts, premium receivables, credit cards and checks receivables, other receivables, and cash and cash equivalents given in the financial statement prepared in accordance with the IFRS are recorded in the financial statement in the 049 (Receivables) and 064 (Other assets) positions.
Investments in other assets are recorded in the financial statement in the non-tangible assets position, and in the tangible asset positions in special financial statements.
Liabilities from direct insurance and liabilities from reinsurance recorded in the financial statement prepared in accordance with the IFRS are given in the following positions of the financial statement:

- 103 – Deferred tax liabilities
- 110 – Other financial liabilities
- 111 – Other liabilities.

Interests for loans in a financial statement prepared in accordance with the IFRS are classified as credits and receivables, whereas in the report for HANFA's use, they are classified as other receivables. Provisions on a group basis for loans in a financial statement prepared in accordance with the IFRS are classified as impairment of loss, whereas in the report for HANFA's use, they are classified as other receivables.
Deferred tax liabilities in financial statements prepared in accordance with the IFRS are given in the net amount.

Statement of Comprehensive Income

The Underwriting costs and Administrative costs positions stated in the financial statements prepared in accordance with the IFRS are given in the 051 position of the financial statement (Business expenses (Activity performance expenses), net).
Other business expenses in financial statements prepared in accordance with the IFRS are given in the 068 position (Other technical expenses, net of reinsurance) and 023 (Other investment income).