

Allianz Hrvatska d.d.

Annual report for 2020

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Management Report

Negative corona virus pandemic effects were manifested through GDP slump in 2020. After five years of consecutive growth, Croatian economy contracted by 8.4% in 2020. Although the slump was significant it was still slightly better than initial projections.

The main category of GDP growth, private consumption, decreased by 6.4% reflecting the restrictive socio-economic measures as well as a lack of tourism revenues and consumption. Fixed investment showed higher resilience with only 2.9% fall relative to 2019 levels.

Due to fiscal support and wage subsidies, adverse economic effects didn't largely spill over on the labor market. Unemployment rate at the end of 2020 stood at 7.5%, a 1.1 p.p. higher unemployment rate relative to the end of 2019. Real net wage growth amounted to 2,6% in 2020. Average inflation rate was subdued in 2020 and came at only 0,1% (after 0,8% in 2019).

Despite the increase in public debt ratio and high level of budget deficit, Croatia maintained its investment grade status. Currently, Croatia has investment grade status (BBB- with stable outlook) at credit rating agencies Fitch and S&P, while Moody's upgraded Croatia's rating to Ba1 in 2020. First wave of market selloff and accompanying illiquidity in 1Q 2020 widened bond spreads and adversely affected government bond prices, but further market recovery coupled with stimulating monetary measures from ECB and CNB managed to stabilize Croatia bond yields. Forming an EU Next Generation Fund from which Croatia is eligible to total allocation of EUR 10.6bn (roughly 20% of GDP), was also a good signal and yields on government bonds experienced further downward pressure by the end of the year.

In 2021 expected real GDP growth should be around 5%, while inflation rate is expected to slightly increase. Upcoming touristic season is still uncertain but with positive domestic and external pandemic and vaccine developments, Croatian economy should benefit significantly.

The Company's main focus in previous year was maintaining profitability on stable portfolio as well as maintaining a high level of capital adequacy to ensure a safe and stable continuation of the business operations. Although the profitability was under pressure due to the Supreme Court decision increasing the criteria for the body injury claims in motor where the Company conservatively increased the reserves by full amount in Q2 2021, additional negative impact coming from earthquakes in Zagreb and Petrinja were fully captured in 2020. Together with the pressure on the investment result and the low yield environment, the Company remained profitable with high liquidity level and strong solvency ratio.

In 2020, the Company was focused on ensuring the business continuity, ensuring work from home in a very short period focusing on the safety of the employees together with remaining the high quality service to our clients, especially by managing the claims coming from the two catastrophic earthquakes.

The company also continued with improvements of the claims management process as with optimization, harmonization and further digitalization of other business processes aiming to increase efficiency and ensure high level and timely service for our clients.

The Company continued by expanding the business on the Slovenian market where it operates through the branch established in July 2018. The Company has significant expectations in future premium growth both in retail and corporate segment due to high share of insurance premium in GDP on Slovenian market, good services recognized under Allianz brand and support by experienced Croatian team. In the previous year, the Company did not realized the planned growth on Slovenian market, as the COVID 19 effect was even stronger than in Croatia with a much stricter „lockdown“. However, the Company used the opportunity to improve the processes and set a stable foundation for future growth and market share increase in Slovenia.

During the whole previous years, the work on digitalization of business was continued through new digitally integrated solutions, simplified products and processes with focus on high level service to our clients.

Management Report (continued)

In this sense, we would like to emphasize that, besides our adaptation to the “new normal“ and regulatory requirements, we shall continue to work on retaining the Company's profitability, minimizing risks, simplification of our products and processes and ensure the best service for our clients, thereby ensuring the active, constructive and fair role of the Company on the insurance market and the financial market in the Croatia and Slovenia.

In accordance with the rules and regulations that apply to our profession, we still plan to attend to careful running of the entire business of the company by achieving the forecasted profitability and maintaining the adequate capital position in order to prevent the impairment of the financial stability of the Company at any time.

The business results accomplished during the year 2020 and during the previous years prove that we are on a good way to achieve our medium-term business plans and strengthen the position of Company both in the Croatian insurance market and Slovenia as well, all in line with the position of the Company brand in the global market.

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

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

Management Report (continued)

2020 financial performance

In 2020, the Company achieved a total gross premium in the amount of HRK 1,141.6 million (including impairment of receivables), which is 16.8 % less than in the previous year.

In non-life insurance segment, Company generated gross premium income in the amount of HRK 761.7 million (including net bad debt provision), decreasing compared to previous year by 4.6%. The premium decrease was mainly coming from commercial property and liability due to the strong selection of risks and improving the profitability of corporate portfolio while travel, accident, MTPL and PAT were decreasing due to the COVID 19 impact on the insurance market. Total premium income generated in Slovenia amounted to HRK 123 million which was on the same level as in 2019.

Despite of difficult macroeconomic environment, the premium income coming from retail property and health increased compared to previous year.

In life insurance, total realized gross premium income was HRK 379.8 million (2019: HRK 563.4 million). Life insurance premium was strongly impacted by the restrictions coming from COVID 19 where the banc assurance channel, the most important distribution channel for the life business, slowed down the production significantly in 2020. Additionally, in 2019 the Company launched a single premium unit linked tranche called Allianz Dolar increasing significantly the growth basis for 2020. In Q4 2020, a new traditional life insurance product tranche was launched, called Allianz Executive, providing upside potential for the clients with a significant premium income coming in Q1 2021.

The Group's gross profit in 2020 amounted to HRK 67.6 million (Company: HRK 67.3 million), which decreased in relation to the last year by 47%. The Company's gross profit decreased both in life and non-life insurance. In non-life insurance the decrease is coming primarily as a result of Supreme Court decision increasing the criteria for non-material claims in motor insurance and claims from earthquakes in Zagreb and Petrinja. In life business the decrease is coming from the investment result due to lower reinvestment yield as a consequence of low yield environment. Additional impact is coming from operating loss generated by Slovenian branch, still considered as start up with limited opportunity for growth in 2020 due to COVID 19 restrictions.

Despite on the several negative impacts on profitability in 2020, the Company realized combined ratio (net of reinsurance) in P&C business below 100%, including both markets in Croatia and Slovenia

At the same time, the solvency ratio, which is an important business and financial quality indicator, increased to 195% (186%) due to increase of own funds mainly coming from decrease in technical provisions, net of reinsurance (due to life provision decrease) and financial assets increase (partially accumulated dividend assets).

Management Report (continued)

Expected future development

When comparing the Croatian market with markets in the rest of Europe, we can freely say that the Croatian insurance industry is still underdeveloped, which is particularly pronounced in the segment of life insurance (the share in the insurance premium is around 1%). Taking these facts into account, the Croatian insurance market is characterized by a significant growth potential that the Company intends to make advantage of it. Life insurance is one of the most important strategic products as a result of ageing population and the greater need of provision of pensions.

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

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

Regarding the life insurance, the focus in the future period will still be on structuring the portfolio of "unit linked" and "risk" products, which include the development of new products and the further development of the sales channels in this segment.

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

By entering the new market in 2018, the Company intends to acquire a 3% of the Slovenian insurance market by 2024, through non-life and life insurance and increase its market share in the following manner:

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

There are significant expectations of growth in the next period in relation to Slovenian branch and operating on Slovenian market.

Through its branch office in Slovenia, Company also plans to use the existing corporate partnership for the development of the corporate segment, spread to "growing partnerships" (for instance banks) and strengthen existing partnerships with large distributors in the retail market.

Large growth potential is expected in bank insurance channel on both markets by strengthening the cooperation with Zagrebačka banka d.d. and Unicredit bank Slovenia d.d. under the umbrella of the Allianz& Unicredit regional partnership and exclusive contract signed for period of 15 years. Long-term experience in the sales of banc assurance on Croatia market and cooperation with the leading bank creates the prerequisites for the successful development of banc assurance business also in Slovenia.

Management Report (continued)

Research and development activities

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

Shares of the Company

The share capital is divided into 254,306 ordinary shares with a nominal value of HRK 400 each. At the reporting date, the majority shareholder is Allianz New Europe Holding GmbH, Austria with the share of 83.2% and Zagrebačka Banka d.d. with 16.8% share. Shares of companies are not listed on the capital market. The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

Information on the purchase of own shares

Till the end of 2020 the Company did not acquire and release any treasury shares.

The Company subsidiaries

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

Allianz Invest d.o.o. Investment Company, managing Allianz Short Term Bond, open-ended investment fund, Allianz Portfolio, open-ended investment fund and Allianz Equity, open-ended investment fund, AZ Servisni centar d.o.o. IT services company, and Autoelektro tehnički pregledi d.o.o. car evaluation services company.

Total investment in subsidiaries at the end of 2020 amounted to HRK 185.9 million. There were no new acquisitions in 2020, only changes in share of the investment funds. Details about structure of the ownership are shown under note 1.14.

Post balance sheet events

There are no post balance sheet events.

Non financial report

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

Management Report (continued)

The objectives and policies related to the management of financial risks

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

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

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

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

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

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

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

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

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

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

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

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

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

The portfolio is monitored and analysed daily.

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

Management Report (continued)

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

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

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

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

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

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

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

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

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

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

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

To reduce the risk of reinsurers not settling the obligations on time and in accordance with the contractual obligations, the Company complies with the Allianz Group standards to conduct business with high-quality reinsurers. Credit risks are also identified and measured through an established process for top risks, although such risks are already addressed within Solvency II Standard formula as a part of capital requirements.

Management Report (continued)

Statement on the corporate governance Code

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

General Assembly

The General Assembly is convened by the Management Board after the Supervisory Board approves the Decisions that are to be adopted by the General Assembly on the basis of the Statute and law.

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

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

The General Assembly decides on the appointment and dismissal of the Supervisory Board members, annual financial reports and profit distribution, the listing of the Company's shares on the regulated market for trading and withdrawal of shares from the market, approval of conduct to members of Supervisory Board and members of Management Board, appointment of the company's auditor, change of the statute, increasing and decreasing of the share capital of the company, appointment of auditors to examine the actions performed in the establishment of the company or management of the Company, membership in the insurance Associations, termination of the company and on all other matters as are prescribed by law and the Statute.

The Supervisory Board

The Supervisory Board consists of three, five or seven members. The Supervisory Board members are elected by the General Assembly and may be re-elected after their mandates expire. Number of The Supervisory Board members must be odd number.

The Supervisory Board elects the President and the Deputy Chairman of the Supervisory Board among its members.

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

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

Each member of the Supervisory Board shall have one vote. The Supervisory Board members vote and decide, among other, about the following: appointment and dismissal of members of the Board of management, adoption of the Decision on approval of other companies' shares acquisition, decision on purchase of shares or other securities (regardless of whether the Company has issued them or not) in possession of any Shareholder or any of its branches, or registered in such Shareholder's name, or which may be converted into or replaced for such shares or securities and decision of proposal for amendments to the Company Statute.

Management Report (continued)

The Supervisory Board (continued)

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

The Supervisory Board members are obliged to monitor the adequacy of the procedures and the effectiveness of internal audit; fulfil their obligations taking into account the facts found by the Regulatory Agency, the tax authorities and other supervisory bodies during the supervision of the insurance company; monitor the implementation and effectiveness of the system of governance; monitor the implementation of the business policy of the insurance company, strategic goals and strategies and policy of underwriting and risk management; monitor procedure of publishing information; examine the financial statements of insurance companies and submit a written report to the general assembly on their findings; to explain to the general meeting of shareholders their opinion on annual internal audit report and annual Management Board report.

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

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

Members of the Supervisory Board for business year 2020 and up to the date of issuing of these financial statements were as follows:

- Mr Petros Papanikolaou, President of the Supervisory Board,
- Mr Goran Gašparić, Supervisory Board Member
- Mr Mario Ferrero, Supervisory Board Member.

Members of the Supervisory Board of the Company were elected in 2019, after a preliminary check of their suitability and expertise, to a mandate of 4 (four) years - from May 12, 2019 to May 12, 2023. Mr Papanikolaou and Mr Ferrero are re-elected members of the Company's Supervisory Board. After the election of the members of the Supervisory Board by the General Assembly, May 10, 2019., the Chairman and the Deputy Chairman Board were elected by unanimous decision of the Supervisory Board.

Management Board of the Company

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

Management Report (continued)

Management Board of the Company (continued)

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

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

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

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

Members of the Management Board for business year 2019 were the following:

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

The Audit Committee

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

In the fiscal year 2020, the members of the Audit Committee were:

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

Management Report (continued)

The Audit Committee (continued)

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

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

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

Financial Committee

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

Governance and control Committee (GovCC)

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

Key functions

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

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

Management Report (continued)

Conflict of interest

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

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

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

Transactions with related parties

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

We believe that for all legal transactions and actions taken during 2020, and according to the circumstances that were known at the time when a particular legal transaction or action with related companies was undertaken or when it was missed to be undertaken, it received appropriate counteraction and without damages for the Company regardless of whether any action was taken or missed.

Member of the Management Board

Marijana Jakovac

Member of the Management Board

Slaven Dobrić

Member of the Management Board

Lukas Oliver Pavić

Member of the Management Board

Wassim El Helou

President of the Management Board

Daniel Matić

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Allianz Hrvatska d.d.

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

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

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

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

The separate and consolidated financial statements set out on pages 20 to 139 together with the schedules prepared in accordance with the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 37/16) ("the Schedules"), presented on pages 140 to 156, and the reconciliation, presented on pages 157 to 166, of the Schedules with the financial statements were authorised by the Management Board on 26th April 2021 for issue to the Supervisory Board and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the other information (Management Report as required by the Croatian Accounting Act and Corporate Governance Information). The Management Report set out on pages 1 to 12 were authorised by the Management Board on 26th April 2021 and signed accordingly.

Member of the Management Board

Marijana Jakovac



Member of the Management Board

Slaven Dobrić



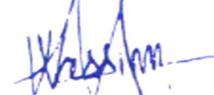
Member of the Management Board

Lukas Oliver Pavić



Member of the Management Board

Wassim El Helou



President of the Management Board

Daniel Matic



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Independent Auditor's Report

To the Shareholders of Allianz Hrvatska d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of Allianz Hrvatska d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Company's and the Group's separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 19 April 2021.

What we have audited

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

- the separate and consolidated statements of financial position as at 31 December 2020;
- the separate and consolidated statements of comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated cash flow statements for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

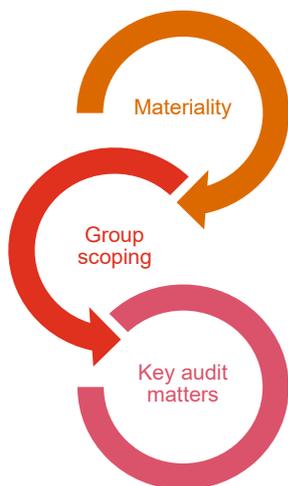
Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company and the Group in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



- Overall Company materiality: HRK 11.4 million, which represents 1% of gross written premium.
 - Overall Group materiality: HRK 11.4 million, which represents 1% of gross written premium.
-
- We audited the parent company two domestic direct subsidiaries including asset manager and investment funds.
 - Our audit scope addressed over 99.9% of the Group's revenues and over 99% of the Group's absolute value of underlying profit.
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- Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT).

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

Materiality

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

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

Overall materiality for the Company and the Group	The Company: HRK 11.4 million The Group: HRK 11.4 million
How we determined it	The Company: 1 % of gross written premiums The Group: 1 % of gross written premiums
Rationale for the materiality benchmark applied	We chose gross written premium as the appropriate benchmark because it is the benchmark against which the performance of the Company and the Group is measured, in terms of both its market share and customer base.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)</i></p> <p>Refer to note 1.6 ‘Principal assumptions that have the greatest effect on recognized insurance assets, liabilities, income and expenses’, note 1.7 “Liability adequacy test” and note 1.20 ‘Insurance contract liabilities’.</p> <p>As at 31 December 2020, the Company and the Group had insurance contract liabilities of HRK 4.35 billion, representing 93% of the Company’s total liabilities (Group’s: 91%). This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate / incomplete data or the design or application of the models. Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions.</p> <p>The Company’s IFRS liability adequacy test was performed in order to confirm that insurance contract liabilities were adequate in the context of expected future cash outflows.</p>	<p>We used our own actuarial specialists to assist us in performing our audit procedures.</p> <p>In particular, our audit focused on the models considered more complex and/or requiring significant judgement in determining the assumptions used in calculating technical provisions or performing the liability adequacy test.</p> <p>We obtained an understanding of the internal actuarial process and assessed how management determined and approved economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, the specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied and comparing them with applicable industry practices.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the product features. We also assessed whether the models comply with the applicable accounting standards. Furthermore, in our recalculations we determined whether the technical provisions calculations performed by the models and systems are accurate and complete.</p> <p>We tested the validity of the management’s liability adequacy testing, which is a key test performed to verify whether the liabilities are adequate as compared to expected future contract liabilities. The inputs used were reconciled with the accounting records.</p> <p>Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted both by the Group and the Company considering industry practices and specific product features.</p>

How we tailored our Group audit scope

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

Reporting on other information including the Management Report

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 7 December 2017. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 18 June 2020, representing a total period of uninterrupted engagement appointment of 3 years.

Forms in accordance with Regulatory Requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), "Ordinance", the Management Board of the Company prepared the forms presented in Appendix 1, entitled the Statement of financial position of the Company as at 31 December 2020, and the Statement of comprehensive income, Statement of Cash flow and Statement of changes in equity of the Company for the year then ended together with information to reconcile the Forms to the Company's financial statements as presented in Appendix 2. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's separate audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages from 21 to 139 and adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
26 April 2021

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

Statements of financial position

As at 31 December

	Note	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Assets					
Property and equipment	1.10	96,844	101,331	93,717	98,050
Investment property	1.11	24,524	25,363	24,524	25,363
Intangible assets					
- Deferred acquisition costs	1.12	74,110	70,536	74,110	70,536
- Other intangible assets	1.13	163,640	173,228	161,126	170,147
Investments in subsidiaries	1.14	-	-	185,952	177,540
Held-to-maturity investments	1.15	118,775	351,054	61,641	293,449
Available-for-sale financial assets	1.15	3,868,968	3,556,388	3,868,968	3,555,892
Financial assets at fair value through profit or loss	1.15	991,579	960,268	809,456	762,388
Loans and receivables	1.15	38,264	39,131	40,930	42,027
Reinsurers' share of insurance contract liabilities	1.16	235,673	160,194	235,673	160,194
Current tax asset		9,971	-	9,971	-
Deferred tax asset	1.17	-	-	-	-
Insurance receivables and other assets	1.18	202,608	304,516	202,411	304,018
Cash and cash equivalents	1.19	161,461	147,412	118,186	62,669
Total assets		5,986,416	5,889,421	5,886,665	5,722,273
Liabilities					
Insurance contract liabilities	1.20	4,351,957	4,268,863	4,351,957	4,268,863
Insurance and other payables and deferred income	1.21	291,031	325,868	192,866	160,092
Lease liabilities	1.35	63,994	68,296	63,994	68,296
Deferred tax liability	1.17	70,946	73,692	70,946	73,692
Current income tax liability		14	(3,012)	-	(3,037)
Total liabilities		4,777,942	4,733,707	4,679,763	4,567,906
Equity attributable to owners of the Company					
Issued share capital	1.22 (a)	101,722	101,722	101,722	101,722
Share premium	1.22 (b)	112,001	112,001	112,001	112,001
Fair value reserve	1.22 (c)	381,632	383,415	381,608	383,391
Legal reserve	1.22 (d)	25,053	25,052	25,053	25,052
Retained earnings		587,959	533,352	586,518	532,201
		1,208,367	1,155,542	1,206,902	1,154,367
Non-controlling interests		107	172	-	-
Total equity		1,208,474	1,155,714	1,206,902	1,154,367
Total liabilities and equity		5,986,416	5,889,421	5,886,665	5,722,273

Statements of comprehensive income

For the year ended 31 December

	Note	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Gross premiums written	1.23	1,141,640	1,362,046	1,141,640	1,362,046
Written premiums ceded to reinsurers	1.23	(101,200)	(134,290)	(101,200)	(134,290)
Net premiums written	1.23	1,040,440	1,227,756	1,040,440	1,227,756
Change in the gross provision for unearned premiums	1.23	(3,074)	(96,356)	(3,074)	(96,356)
Reinsurers' share of change in the provision for unearned premiums	1.23	(7,374)	27,340	(7,374)	27,340
Net earned premiums	1.23	1,029,992	1,158,740	1,029,992	1,158,740
Fee and commission income	1.24	5,950	10,177	5,950	8,278
Financial income	1.25	123,137	223,395	125,479	205,445
Other operating income	1.26	9,856	10,086	7,528	6,942
Net operating income		1,168,935	1,402,399	1,168,949	1,379,405
Claims and benefits incurred	1.27	(909,515)	(912,382)	(909,515)	(912,382)
Reinsurers' share of claims and benefits incurred	1.27	175,196	43,436	175,196	43,436
Net policyholder claims and benefits incurred	1.27	(734,319)	(868,946)	(734,319)	(868,946)
Acquisition costs	1.28	(199,432)	(183,903)	(199,317)	(181,443)
Administrative expenses	1.29	(162,656)	(187,672)	(155,932)	(179,868)
Other operating expenses	1.30	(19,234)	(11,845)	(19,293)	(11,845)
Financial expenses	1.31	(17,328)	(16,955)	(24,166)	(5,137)
Net foreign exchange translation gains on financial assets	1.32	31,655	9,264	31,444	9,122
Profit before income tax		67,621	142,342	67,366	141,288
Income tax expense	1.33	(13,078)	(25,655)	(13,049)	(25,488)
Profit for the year		54,543	116,688	54,317	115,800
Profit attributable to:					
- Owners of the Company		54,608	116,761	54,317	115,800
- Non-controlling interests		(65)	(73)	-	-
		54,543	116,688	54,317	115,800

Statements of comprehensive income (continued)

For the year ended 31 December

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Profit for the year	54,543	116,688	54,317	115,800
Other comprehensive income for the year				
<i>Items that may be reclassified subsequently to profit or loss:</i>	(1,783)	172,871	(1,783)	172,871
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax (Note 1.22c)	(1,783)	172,871	(1,783)	172,871
Total comprehensive income for the year	52,760	289,559	52,534	288,671
Attributable to:				
- Owners of the Company	52,825	289,632	52,534	288,671
- Non-controlling interests	(65)	(73)	-	-
	52,760	289,559	52,534	288,671

Statements of changes in equity

For the year ended 31 December

Group

	Attributable to owners of the Company						Non controlling interests HRK'000	Total equity HRK'000
	Issued share capital HRK'000	Share premium HRK'000	Fair value reserve HRK'000	Legal reserve HRK'000	Retained earnings HRK'000	Total HRK'000		
	At 1 January 2019	101,722	112,001	210,544	25,053	563,716		
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	210,818	-	-	210,818	-	210,818
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	(37,947)	-	-	(37,947)	-	(37,947)
<i>Total other comprehensive income</i>	-	-	172,871	-	-	172,871	-	172,871
<i>Profit for the year</i>	-	-	-	-	116,761	116,761	(73)	116,688
Total comprehensive income for the year	-	-	172,871	-	116,761	289,632	(73)	289,559
Transactions with owners recognised directly in equity								
Dividend for 2018 paid (Note 1.22f)	-	-	-	-	(147,100)	(147,100)	-	(147,100)
At 31 December 2019	101,722	112,001	383,415	25,053	533,351	1,155,542	172	1,155,711
At 1 January 2020	101,722	112,001	383,415	25,053	533,351	1,155,542	172	1,155,711
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(2,169)	-	-	(2,169)	-	(2,169)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	386	-	-	386	-	386
<i>Total other comprehensive income</i>	-	-	(1,783)	-	-	(1,783)	-	(1,783)
<i>Profit for the year</i>	-	-	-	-	54,608	54,608	(65)	54,543
Total comprehensive income for the year	-	-	(1,783)	-	54,608	52,825	(65)	52,760
At 31 December 2020	101,722	112,001	381,632	25,053	587,959	1,208,367	107	1,208,474

Statements of changes in equity

For the year ended 31 December

Company

	Issued share capital HRK'000	Share premium HRK'000	Fair value reserve HRK'000	Legal reserve HRK'000	Retained earnings HRK'000	Total HRK'000
At 1 January 2019	101,722	112,001	210,520	25,053	563,501	1,012,797
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and	-	-	210,819	-	-	210,819
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	(37,947)	-	-	(37,947)
<i>Total other comprehensive income</i>	-	-	172,872	-	-	172,872
<i>Profit for the year</i>	-	-	-	-	115,800	115,800
Total comprehensive income for the year	-	-	172,872	-	115,800	288,672
Transactions with owners recognised directly in equity						
Dividend for 2018 paid (Note 1.22f)	-	-	-	-	(147,100)	(147,100)
At 31 December 2019	101,722	112,001	383,392	25,053	532,201	1,154,369
At 1 January 2020	101,722	112,001	383,392	25,053	532,201	1,154,369
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and	-	-	(2,169)	-	-	(2,169)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	386	-	-	386
<i>Total other comprehensive income</i>	-	-	(1,783)	-	-	(1,783)
<i>Profit for the year</i>	-	-	-	-	54,317	54,317
Total comprehensive income for the year	-	-	(1,783)	-	54,317	52,534
At 31 December 2020	101,722	112,001	381,609	25,053	587,518	1,206,903

Cash flow statement

For the year ended 31 December		Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
	Notes				
Cash flow from operating activities					
Profit after tax		54,543	116,666	54,317	115,800
Adjustments for:					
- Tax	1.33	13,078	25,655	13,049	25,488
- Depreciation of property and equipment	1.29	13,194	12,486	12,892	12,134
- Depreciation of investment property	1.31	1,257	1,249	1,257	1,249
- Change in deferred acquisition costs	1.28	(3,574)	(17,951)	(3,574)	(17,951)
- Amortisation of other intangible assets	1.29	18,179	18,290	17,201	17,599
- Net foreign exchange losses on financial assets	1.32	(31,655)	(9,264)	(31,444)	(9,122)
- Loss on disposal of property and equipment	1.10	70	1,772	70	898
- Unrealised gains from financial assets at fair value through profit or loss	1.25	(527)	(85,322)	(7,255)	(63,803)
- Impairment losses on financial assets	1.31	14,360	32	14,315	(15)
- (Reversal of)/impairment losses on insurance receivables and other assets	1.18	4,516	2,318	4,516	2,318
- Interest income	1.25	(105,942)	(135,851)	(102,491)	(130,736)
		(22,501)	(69,920)	(27,147)	(46,141)
Changes in operating assets and liabilities					
Net decrease in held-to-maturity investments		228,548	257,768	228,459	284,296
Net increase in available-for-sale financial assets		(308,368)	(262,652)	(308,123)	(263,329)
Net increase in financial assets at fair value through profit or loss		(30,191)	(157,592)	(40,219)	(98,091)
Net decrease (increase) in loans and receivables		1,520	(6,978)	1,750	(6,265)
Net increase in reinsurance share in technical provisions		(75,479)	(33,771)	(75,479)	(33,771)
Net decrease/(increase) in insurance receivables and other assets		89,039	(128,208)	88,643	(128,122)
Net increase in insurance contract provisions		83,094	304,470	83,094	304,470
Net (decrease)/increase in insurance and other payables		(34,886)	24,743	32,601	27,034
Net cash from operating activities before income tax paid		(69,224)	(72,140)	(16,421)	40,080
- Interest received		109,002	126,589	106,387	123,229
Dividend received		11,052	12,951	9,698	10,960
Income tax paid		(22,349)	(36,308)	(22,338)	(36,166)
Net cash from operating activities		28,481	31,092	77,326	138,103
Cash flows from investing activities					
Purchase of property and equipment	1.10	(8,728)	(615)	(8,585)	(752)
Purchase of other intangible assets	1.13	(1,253)	(9,408)	(846)	(7,277)
Purchase of investment property	1.11	(418)	-	(418)	-
Proceeds from sale of property and equipment		96	292	96	292
Proceeds from sale of investment property		-	78	-	78
Decrease/(increase) in investment in subsidiaries carried at fair value		-	-	(7,927)	341
Cash flows from investing activities		(10,303)	(9,654)	(17,680)	(7,395)
Cash flows from financing activities					
Repayment of lease liabilities		(4,129)	(9,360)	(4,129)	(9,360)
Dividend paid	1.22f	-	(147,097)	-	(147,097)
Net cash from financing activities		(4,129)	(156,457)	(4,129)	(156,457)
Net (decrease)/increase in cash and cash equivalents		14,049	(135,018)	55,517	(25,749)
Cash and cash equivalents at 1 January		147,412	282,505	62,669	88,418
Cash and cash equivalents at 31 December	1.19	161,461	147,412	118,186	62,669

1. Notes to the financial statements

1.1 Reporting entity

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

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

The Company’s major shareholder (83.2% of voting rights) is Allianz New Europe Holding GmbH, Wien, Austria and ultimate parent company is Allianz SE, which is a joint stock company, incorporated and domiciled in Germany.

Significant events during the reporting period

The impact of COVID 19 on business and performance

Due to the coronavirus pandemic, starting from March 2020, unprecedented restrictions, quarantines, restricted movement of people, closure of borders occurred in our environment, which had a negative impact on economic trends and market freedom around the world.

As in the rest of the world, the negative effects of the coronavirus pandemic have a negative impact on the Croatian and Slovenian economy and the markets in the environment with which commercial exchanges are being made. In connection with it, the states’ governments came up with proposals for financial measures that should help the economy recover from the negative consequences of the coronavirus pandemic, and which are primarily aimed at preserving liquidity and jobs.

Following the new situation, the Company organized work from home for most employees in a very short period of time and adjusted the processes in order to provide maximum protection to employees and the sales network and ensure business continuity regardless of the set restrictions.

Ensuring business continuity through work from home, a high degree of digitalization of the process, a very good capital position of the Company and a high degree of liquidity enabled the Company to continue its business without hindrance in such uncertain market conditions.

Negative impact on premium income is expected in all segments: retail, small and medium enterprises, as well as in the corporate segment, regardless of the application of government measures to all business segments.

Main impacts of COVID 19 on top line result in P&C in 2020. are reflected through travel insurance, accident, MAT and MTPL. Strongly affected was life insurance business coming through decrease of activity in banc channel.

Potential impact on the investment result

The coronavirus pandemic, and consequently the “lockdown”, led to the cessation of economic activity and a decline in the value of shares and bonds in almost all markets around the world, including the Croatian market. However, due to the rapid reactions of central banks in the form of mass liquidity releases, bond redemptions, foreign exchange interventions and other monetary and fiscal measures to support the economy and incentives from the state, bond prices recovered and shares in markets partially recovered.

The Company implements a conservative investment policy primarily by investing in domestic and foreign fixed income instruments with maximum control of investment risks and low exposure to stock markets.

In 2020, the investment result was negatively impacted by impairment of financial assets in Q1 2020 in amount of HRK 14.3 million.

As the portfolios of institutional investors are exposed to certain cyclical periods, the impact of the coronavirus pandemic should not significantly affect the Company's investment performance given the long-term perspective of the portfolio under management.

1.1 Reporting entity (continued)

Potential impact on the management system

The risk management function shall be responsible, inter alia, for risk assessment, monitoring of the Company's defined limits and risk accumulation. This also includes quarterly risk assessments resulting from the COVID-19 pandemic. The assessment of risks and their potential impact on the Company is based on the possible impacts of COVID-19 on all aspects of the Company's operations and on scenario analysis.

Own Risk and Solvency Assessment (ORSA) is a comprehensive assessment of all the business risks to determine whether current and future capital is sufficient to ensure the Company's sustainable operations. In addition to regular annual ORSAs, the Company will prepare an ad-hoc assessment, where necessary.

In general, external events do not have an impact on the Company's management system and the Company does not expect that any adjustments will be required in view of the COVID-19 pandemic. However, if the Company reviews the adequacy of the management system and sees the need for adjustment, it will do so.

Potential effect on the risk profile

The Company measures and manages risks through the standard formula, which it uses to calculate the Solvency Capital Requirement, the Company's risk profile provides an overview for risk distribution according to risk category.

An overview of the potential impacts of the COVID-19 pandemic on individual risk categories is given below:

a) Underwriting insurance risk

Impact on underwritten insurance risk is expected primarily within the module of underwriting life insurance risk with regard to the developments on financial markets. It is possible to expect a further increase in the solvency capital requirement in the sub-modules of cancellation risk and life insurance cost risk.

In other modules of underwriting insurance risk, no significant impacts are expected for underwritten insurance risk for non-life insurance and underwritten risk for health insurance.

b) Market risk

Due to developments on financial markets caused by the COVID-19 pandemic, changes in the sub-module of interest rate risk and equity risk shall be expected. Due to adequate compliance of assets and liabilities, the Company did not record a significant impact on interest rate risk. The volatility of the equity market, i.e. the increase in the stress level of the equity risk sub-module resulted in an increase in the Company's capital requirements in the observed segment.

No significant impact on other market risk sub-modules shall be expected.

c) Credit risk

The Company did not record a significant impact on credit risk.

d) Liquidity Risk

The Company regularly monitors and manages liquidity risk and has an adequate liquidity of assets. No increase in liquidity risk shall be expected despite the realized pandemic risk.

e) Operational risk

No significant impact on operational risk was recorded. Given the organized work from home, the Company additionally protected itself from cyber attacks and continued with the existing business processes (with certain adjustments to the new situation) in addition to the existing controls.

f) Other risks and summary

The Company regularly monitors all risks of the Company and, where necessary, adopts adequate measures to reduce them. According to the current impacts of the COVID-19 pandemic, no significant changes in other risks have been reported compared to those listed in this chapter. Further impact on certain risk categories shall be expected, however, no significant changes in the Company's risk profile shall be expected.

1.1 Reporting entity (continued)

Potential impact on valuation for solvency purposes

a) Financial assets

The main categories of the Company's financial assets are the following: bonds, investment funds and equity securities. In March 2020, due to the COVID-19 pandemic, there was a correction of global markets with a negative impact on the main investment categories of the Company as follows:

- Bond portfolio - the movement of interest rates on the financial markets has a negative impact on the market value of the Company's bond portfolio.
- Equity securities - states' restrictions, quarantines, limited movement of people, closing of borders, all of the above increases uncertainty and negatively affects economic activities and thus the value of equity securities at the global level, and thus of course the Company's equity portfolio.
- Investment funds - analogously written under the above two items, the pandemic during March 2020 negatively affected the market values of investment funds.

b) Technical provisions of the Company

The movement of interest rates on global markets due to the COVID-19 pandemic that could be seen during March 2020, and thus the HRK curve that has the most significant impact on the valuation of the Company's liabilities, has a positive impact on the value of the Company's technical reserves, that is, there is a decrease in technical provisions according to market values. Given the long-term nature, it is expected that the effects of the same changes will be more pronounced in the life insurance segment.

Given the calculation methodology, at this time the Company does not expect a negative impact of the COVID-19 pandemic on the amount of the Company's technical provisions according to accounting standards, both in the life and non-life insurance segment.

Due to the adequate adjustment of assets and liabilities, the resulting impacts on the side of assets and liabilities will be cancelled to a certain extent and have a limited effect on the total balance sheet according to the Company's solvency.

Potential impact on capital management

Given the significant solvency ratio on 31.12.2020. and implemented stress scenarios, the Company is adequately capitalized and all regulatory capital requirements have been met. That statement also applies in the context of the COVID-19 pandemic. Based on the available data in mid-March 2021 and the stress test and risk assessment conducted, it is expected that the Company will continue to have a satisfactory solvency position and be compliant with all regulatory capital requirements.

The Company continues to monitor the risks associated with the further course of the pandemic and their impact on the Company's capital position (assets, liabilities and required solvency capital).

Supreme Court decision on orientation criteria for non-material claims in motor insurance

The decision of the Supreme Court from June 2020 increased the orientation criteria in average for 50% for non-material claims in motor insurance.

The Company increase the reserves for the full amount of the criteria increase in June 2020 with a negative impact on claims and motor loss ratio in amount of HRK 26.7 million.

Earthquakes in Zagreb and Petrinja

Following the earthquakes that happened in March in Zagreb and in December in Petrinja, the impact on the 2020 P&C income before tax (net of reinsurance) was HRK 11 million per event, for both events in total HRK 22 million.

The Company organized an earthquake team and focused on paying the claims without any delay. After the Petrinja earthquake, the team proactively contacted our clients that live in the affected area to help them with the claim notification.

1.1 Reporting entity (continued)

Regulator decision on dividend payment for insurance market

HANFA decided on 26th March 2020 to restrict the dividend payment for the Company until 30th April 2021.

The decision was made for the whole insurance market in Croatia due to extraordinary developments caused by COVID 19 to ensure the stability and liquidity of the insurance system in Croatia.

Although the dividend for 2019 was not paid, the company conservatively included the foreseeable dividend into the solvency ratio calculation of 195%.

On 1st April 2021, HANFA provided new guidelines for the dividend payment in 2021 according to which the Company needs to follow certain criteria for the amount and timing of the payment till 30th September 2021. The Company will follow the guidelines and pay dividends accordingly.

1.2 Basis of preparation

a) Statement of compliance

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

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

The financial statements were authorised for issue by the Management Board on 17th April 2020. The financial statements are prepared in English and Croatian language.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

1.2 Basis of preparation (continued)

e) Consolidation

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

Business combinations

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

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

Subsidiaries

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

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

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

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

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

Non-controlling interests

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

Non-controlling interests in subsidiaries are included in the total equity of the Group except for those non-controlling interests which represent the share of the net assets of investment funds attributable to unitholders in those funds, which are classified as a financial liability and measured at fair value based on the value of investment portfolio of the funds.

Loss of control

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

1.2 Basis of preparation (continued)

e) Consolidation (continued)

Transactions eliminated on consolidation

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

f) Foreign currency transactions

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

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

The most significant currency in which the Group holds assets and liabilities is Euro. The exchange rates used for translation at 31 December 2020 was EUR 1 = HRK 7,536898 (31 December 2019 was EUR 1 = HRK 7,442580), and USD 1 = HRK 6,139039 (31 December 2019: USD 1 = HRK 6,649911).

g) Macroeconomics impact

Croatian economy outlook

After positive developments in recent years and GDP growth of 2,9% in 2019, corona virus pandemic and related social and economical restrictions put pressure on the economy in 2020. Expected GDP drop for 2020 is at 9%, while the tourism drag was felt especially strong in 3Q20 when GDP recorded a slump of 10,0% relative to 3Q19. High reliance on tourism sector (around 20% of GDP) puts additional pressure on the whole economy and although the main touristic season during the Summer was better than initially expected, still number of nights spent fell by 50% in whole 2020.

Private consumption is expected to fall by 6% in 2020 and fixed investment should record a drop of around 5,5% due to still solid construction sector and strong residential real estate market. Retail trade turnover was 5,8% lower in whole 2020 (real terms), while industrial production recorded a decrease of 3,3%.

Due to the significant decrease of services export, current account position was at -1,5% of GDP at the end of 3Q20 (T12M), while the same indicator stood at 2,8% of GDP in 2019. Regarding the export and import of goods, Croatia actually improved its export/import coverage ratio due to the more pronounced decrease in imports than in exports of goods. The ratio was at 65,0% in 2020, a 4,0 p.p. improvement relative to the previous year.

Average rate of inflation was at 0,1% in 2020 (after 0,8% in 2019). Labor market deterioration was somewhat mitigated by Government measures aimed at job preservation. At the end of 2020 unemployment rate was at 7,5% (+1,1 p.p. yoy), still below euro zone average and in line with the EU reading (source: Eurostat). Average employment dropped by 1,2% in 2020 and 34 thousand fewer people were employed. However, the impact on aggregate wages is supported by (real) wage growth of 2,3%.

1.2 Basis of preparation (continued)

g) Macroeconomics impact (continued)

Estimated direct Government measures accounted for 5% of GDP. Budget deficit should come at 6,7% of GDP (after surplus of 0,4% in 2019), and recent positive trends regarding deleveraging, adversely changed in 2020. At the end of 3Q20 public debt / GDP ratio stood at 86,4% (+12,0 p.p. yoy) which is also close to the expected ratio for the full year. Still, structural deleveraging trends have emboldened rating agencies to keep and improve Croatia's credit rating. Both Fitch and S&P place Croatia into IG rating with BBB- rating and stable outlook. Moody's improved their assessment in November by one notch and currently the agency rates Croatia at Ba1.

During the market turmoil in March, low liquidity and general risk-off market sentiment negatively impacted yields on both eurobonds and local bonds. CNB stepped on the secondary market and purchased HRK 17,9 bn of local bonds, thus facilitating Government financing and stabilizing the local market. Also, in order to stabilize local currency due to depreciation pressures, CNB made significant FX interventions during 1Q20. Average EUR/HRK FX rate increased by 1,6% last year to the level of 7,533.

Important factor for market normalization was the established swap line between ECB and CNB. Further, supportive fiscal and monetary measures from both, EU and ECB, as well as the development of EU Next Generation fund, positively impacted eurobond yields. At the end of the year, CROATI 2031, which was issued in June at YTM of 1,64%, was trading at 0,55%.

EC expects GDP growth of 5,3% in 2021, while CNB forecasts a growth of 5%. Recovery of the economic activity should come from better results in tourism and higher private consumption, but also from stronger fixed investment. Two tragic earthquakes (Zagreb in March 2020 and Petrinja-Sisak in December 2020) should spur the investment activity, while construction sector and real estate market should continue at the current pace. Inflation is expected to rise with the increase in economic activity and average rate of inflation is expected between 1%-1,5%. Government is planning the budget deficit of 2,9% of GDP, while public debt ratio should start the downward trajectory this year. Important factor for the economy is EU fiscal stance and NGEU disbursements. Banking system is well-capitalized and even in negative loan moratorium scenario, the financial stability should not come in the question. Main risks are related to epidemic developments and implementation of vaccinations due to the high dependence of GDP on tourism revenues. Also, longer and slower disbursements of NGEU funds may put additional pressure on budget and negatively affect labor market through lower available Government subsidies.

Stabilization of HRK and eurobond yields is expected at the current level, potentially a little bit higher if core rates show strengthening signals. Equity market is subdued and relatively low level of liquidity is impeding market recovery and activity. Still, there are good utility and stable (defensive industries) companies that may support the market, while tourism companies may further benefit if the expectations regarding the sector performance and epidemic restraint become more optimistic.

The Group continues to duly monitor the changes and potential risks from the capital markets, as well as changes in portfolio needs and liabilities, and is ready to react in order to minimize market effects on business activities. Although the market brings a lot of challenges, especially in low interest rate environment and still heightened level of uncertainty, the Group continues with activities aimed at ensuring the adequate liquidity position through all available money market instruments. Group is focused on maximizing life insurer's profit per given level of risk, while protecting shareholders' and policyholders' assets. Timely and effectively solving all claims and needs remains the core of the business operations.

Group has an internationally diversified portfolio, comprising of IG fixed-income assets. Diligent and gradual expansion of investment opportunity set has led to decrease of the concentration risk to Croatian Government bonds that was previously present due to historical regulatory reasons. Investments take into account macroeconomic, credit and all other specific risks of the particular investment and are viewed in the context of the whole portfolio with the aim of improving the risk and return profile. In periods of prolonged low interest rates, increasing the duration and expanding portfolio allocation into new asset classes is more preferred option relative to increasing the credit risk by investing in high-yield instruments.

Impact on customers

Furthermore, the Group has recognised that an increase in the client's purchasing power may impact prospective premium income and cash flow.

Measures are taken towards keeping the existing clients of the Group and attracting new ones.

1.3 Significant accounting policies

(a) Property and equipment

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

Recognition and measurement

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

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

Reclassification to investment property

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

	2020	2019
• Buildings	40 years	40 years
• Motor vehicles	5 years	5 years
• Furniture	5 years	5 years
• Other equipment	4 years	4 years

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

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

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

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

1.3 Significant accounting policies (continued)

(b) Leased assets

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2020 same leases will be valued through IFRS 16 due to purchase of new cars.

1.3 Significant accounting policies (continued)

(c) Intangible assets

Deferred acquisition costs – insurance contracts

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

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

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

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

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

Research and development

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

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

Goodwill

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

Other intangible assets

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

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

Subsequent expenditure

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

1.3 Significant accounting policies (continued)

(c) Intangible assets (continued)

Amortisation

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

	2020	2019
• Internally developed software	5 years	5 years
• Computer software	5 years	5 years
• Exclusive distribution right	15 years	15 years

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

(c) Investment property

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

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

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

	2020	2019
• Investment property	40 years	40 years

1.3 Significant accounting policies (continued)

(d) Financial instruments

Classification

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

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

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

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

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

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

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

Loans and receivables

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

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

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

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. The Group does not have financial liabilities designated at fair value through profit or loss except those related to the index-linked products described in accounting policy 1.3 (x). Payables arising from insurance contracts are accounted for under *IFRS 4 Insurance Contracts*. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables and deferred income".

Reclassification

During 2020, there was no reclassification of debt securities from available for sale to held to maturity. In previous years the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments. On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss only when the financial asset is disposed of or impaired. The impact of this reclassification is shown in Note 1.15 (b).

Recognition and derecognition

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

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

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Initial and subsequent measurement

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

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

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

Gains and losses

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

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

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

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

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

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

Fair value measurement

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Specific instruments

Embedded derivatives within insurance contracts

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

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

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

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

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

Debt securities

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

Deposits with banks

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

Loans to customers

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

Loans and receivables from policyholders

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

Equity securities

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Investments in funds

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

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

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

Trade and other receivables

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

Investments in subsidiaries

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

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

Trade and other payables

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

Offsetting of financial instruments

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

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

(f) Cash and cash equivalents

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

(g) Employee benefits

Pension obligations

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

1.3 Significant accounting policies (continued)

g) Employee benefits (continued)

Share-based payment transactions

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

Short-term employee benefits

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

Other employee benefits

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

(h) Income tax

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

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

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

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

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

(i) Provisions

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

Restructuring

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

1.3 Significant accounting policies (continued)

(i) Provisions (continued)

Onerous contracts

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

(j) Equity

Issued share capital

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

Share premium

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

Repurchase of share capital

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

Dividends

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

Legal reserve

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

Fair value reserve

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

Retained earnings

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

1.3 Significant accounting policies (continued)

(k) Impairment of non-financial assets

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

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

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

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

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

(l) Revenue

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

Financial income

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

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

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

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

Fee and commission income

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

1.3 Significant accounting policies (continued)

(m) Expenses

Operating expenses

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

Acquisition costs

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

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

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

Administrative expenses

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

Financial expenses

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

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

(n) Classification of contracts

For classification of contracts Group use Group Accounting Manual from Allianz Group.

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

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

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

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

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

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

1.3 Significant accounting policies (continued)

(n) Classification of contracts (continued)

Contracts with discretionary participation features

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

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

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

At the reporting date the Group accounted for HRK 40,4 million of provision for discretionary profit participation bonuses (2019: HRK 43,4 million) which is included within the life assurance provision. From this amount HRK 2,5 million (2019: HRK 2,5 million) is not allocated to individual policyholders.

(o) Premiums

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

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

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

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

(p) Unearned premium reserve

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

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

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

1.3 Significant accounting policies (continued)

(q) Unexpired risk reserve

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

(r) Claims provisions

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

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

(s) Life assurance provisions

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

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

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

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

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

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

1.3 Significant accounting policies (continued)

(t) Claims

Claims arising from non-life business

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

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

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

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

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

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

Claims and benefits arising from life assurance business

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

(u) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in the profit and loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are recorded using the deposit method of accounting. During 2020 and 2019 the Group had no such contracts. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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

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

1.3 Significant accounting policies (continued)

(u) Reinsurance (continued)

Reinsurance commissions and profit participations

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

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

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

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

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

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

(x) Insurance receivables and payables

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

1.3 Significant accounting policies (continued)

(y) Adoption of New or Revised Standards and interpretations

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

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

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

(z) New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

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

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

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

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

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

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

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

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

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

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

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

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

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

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

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

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

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

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

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

- **Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:** For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

1.3 Significant accounting policies (continued)

(z) New Accounting Pronouncements (continued)

- *End date for Phase 1 relief for non-contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

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

1.4 Accounting estimates and judgements

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

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

1.4.1 Key sources of estimation uncertainty

Estimation of uncertainty in relation to reserving for the Company

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

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

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

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

A significant source of estimation uncertainty stems from court claims. At 31 December 2020, the Group was involved in 706 (2019: 976) court cases for which HRK 105.205 thousand (2019: HRK 111.248 thousand) was provided as part of the claims reserve for reported but not yet settled claims, excluding Dunav claims which are discussed in Note 1.6. The Management Board believes that the related provisions are sufficient.

Estimation of uncertainty in relation to court cases against the Company (non-claims related)

The Group and the Company recognised a provision of HRK 118 thousand (2019: HRK 200 thousand) in respect of other court cases against the Group and the Company. The Management Board believes that the provision for court cases has been set up at an adequate level.

1.4 Accounting estimates and judgements (continued)

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

Financial asset and liability classification for the Group and the Company

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

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (d).

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

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

Control over Allianz Invest managed, open ended investment funds

The Company's stakes in Allianz Portfolio at 31 December 2020 was 10.03% (along with unit linked investments 74.4%) (2019: 9.81% and 65.52%), in Allianz Short Term Bond 63.3% (2019: 50.72%) and in Allianz Equity 30.0% (2019: 21.79%).

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one of the open-ended funds at 31 December 2020, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor.

1.5 Insurance risk management

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

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

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

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

Risk management

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

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

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Group contracts a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk or event, depending on line of business, but with a maximum net exposure of EUR 1.0 million. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 140 million (2019: EUR 125 million) of losses exceeding the first EUR 1,5 million (2019: EUR 1,5 million).

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

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

1.5 Insurance risk management (continued)

Concentration of insurance risk

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

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

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

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

	2020 Group and Company			2019 Group and Company		
	Gross claims incurred HRK'000	Reinsurers' share of claims and benefits incurred HRK'000	Net claims incurred HRK'000	Gross claims incurred HRK'000	Reinsurers' share of claims and benefits incurred HRK'000	Net claims incurred HRK'000
<i>Non-life insurance business</i>						
Motor (third party)	(87,307)	3,286	(84,021)	(23,591)	(1,129)	(24,720)
Motor (other classes)	(86,964)	2,164	(84,800)	(67,569)	(675)	(68,244)
Property	(313,524)	161,854	(151,670)	(176,149)	34,878	(141,271)
Personal lines	(35,901)	4,851	(31,050)	(34,028)	2,515	(31,513)
Other	(11,254)	2,627	(8,627)	(25,948)	7,218	(18,730)
Total non-life	(534,950)	174,782	(360,168)	(327,285)	42,807	(284,478)
<i>Life assurance business</i>						
Periodic premiums	(229,623)	414	(229,209)	(261,417)	629	(260,788)
Single premiums	(144,942)	-	(144,942)	(323,680)	-	(323,680)
Total life	(374,565)	414	(374,151)	(585,097)	629	(584,468)
<i>Thereof unit linked and index linked</i>	89,613	-	89,613	(319,927)	-	(319,927)
Grand total	(909,515)	175,196	(734,319)	(912,382)	43,436	(868,946)

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

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

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

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

Non-life insurance

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

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

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

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

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

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

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

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

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

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

Expected claims ratio

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

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

Non-life insurance (continued)

Tail factors

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

Discounting

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

Annuities

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of 0.8% per annum (2019: 2,5%) . Annuities are calculated using the Republic of Croatia mortality tables from 2010-12. Annuity claims are fixed at their nominal value over the length of the period of payment.

Claims handling provisions

The provision for claims handling expenses is computed as a certain percentage (percentage is based on information on the ratio of claims handling expenses and settled claims) of the NOCR provision and the IBNR provision. For computing the provision for claims handling expenses as at 31 December 2020 a percentage of 6% (2019: 6%) was used for both provisions except for claims greater than HRK 6.5 million, which are provided for individually.

Dunav osiguranje claims

The Company, formerly known as Adriatic osiguranje, was founded in 1991, upon the secession of the Croatian Republic from the Yugoslav Federation, with the Company taking over (or continuing) the business operations of Dunav osiguranje (a Belgrade based state insurer) at its branches in Zagreb, Rijeka, Sisak and Karlovac.

The Company maintained and occupied part of the Dunav osiguranje owned business premises in Zagreb, Rijeka and Karlovac. The Company's initial headquarters were registered at the former Dunav osiguranje address at "Kneza Mislava" street in Zagreb, and after finalisation of the privatisation process, ownership of part of the Dunav osiguranje owned business premises was transferred to Adriatic osiguranje.

During the initial stages of the Company's business operations (1991-92), the Company accepted Dunav osiguranje insurance contracts, and settled claims arising out of Dunav osiguranje policies. The Company accepted premiums written on Dunav osiguranje policies, issued policies on Dunav osiguranje letterhead (stamped with the Adriatic stamp), and replaced active Dunav osiguranje policies with policies printed on Adriatic osiguranje letterhead.

On 1 November 1992, when the Government declared the first Privatisation Act for the insurance industry, the Company initiated a privatisation process that was completed in March 1993. The state-owned Privatisation Fund took control of 43% of the share capital, whilst the remaining 57% was distributed among small shareholders and employees.

From 1991 to the reporting date, Allianz accumulated 117 such claims (or court cases) that originate from the aforementioned transitional period. Since 1996, there have been a number of inconsistent court rulings as to whether or not Allianz Hrvatska is the legal successor of Dunav osiguranje.

At the reporting date, however, management has provided HRK 0.32 million (2019: HRK 1.68 million) in respect of Dunav osiguranje related claims as a part of claims reserves based on court experience up to date. Exposure to cases with potential liability has been estimated taking into consideration the possible settlement value of the case and the probability of this outcome.

During 2020, the Company paid out HRK 164 thousand (2019: 107 thousand) in respect to these claims either per court rulings or through out-of-court settlement.

In 2020, there have been no major changes in assumptions used to measure non-life insurance assets and liabilities.

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

Life assurance

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

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

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

- 3,3% for portfolio issued before 2010
- 3% for policies issued in 2010
- 2,75% for policies issued between 1.1.2011. and 30.6.2016.
- 1.75% for policies issued between 1.7.2016. and 31.12.2017.
- 1% for policies issued after 1.1.2018.

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

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

Product	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020	Rates of interest for calculating reserve at 31 December 2019	Mortality tables used in 2019
M1, M2, M2-J	2,60%	MT RH 2000-02	3,30%	MT RH 2000-02
M1-J	2,60%	MT RH 2010-12	3,30%	MT RH 2010-12
MZ1	2,60%	MT RH 2000-02	3,30%	MT RH 2000-02
S1, S1-J	2,60%	MT RH 2000-02	3,30%	MT RH 2000-02
S1, S1-J	2,60%	MT RH 2000-02	3,00%	MT RH 2000-02
S3, S3-J, SDJ03	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
S3U, S3U-J, SDJU03	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
S3U, S3U-J, SDJU03	1,75%	MT RH 2000-02	1,75%	MT RH 2000-02
M3, M3-J	2,60%	MT RH 2000-02	3,30%	MT RH 2000-02
MZ2	2,60%	MT RH 2000-02	3,30%	MT RH 2000-02
MZ2-J	2,60%	MT RH 2010-12	3,30%	MT RH 2010-12
M4, M4-J, M6J, M6DJ	2,60%	MT RH 2000-02	2,75%	MT RH 2000-02
MZ4, MZ4-J	2,60%	MT RH 1989-91 (less 30% smoothed)	2,75%	MT RH 1989-91 (less 30% smoothed)
M5	2,60%	MT RH 2000-02	2,75%	MT RH 2000-02
M5-50	2,60%	MT RH 2010-12	2,75%	MT RH 2010-12
MZ5	2,60%	MT RH 2000-02	2,75%	MT RH 2000-02

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020	Rates of interest for calculating reserve at 31 December 2019	Mortality tables used in 2019
MZ5-50	2,60%	MT RH 2010-12	2,75%	MT RH 2010-12
MB1-J	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
M5U, M4U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
M5U-50	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
MZ5U, MZ4U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
MZ5U-50	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
M7U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
M6U, M8U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
MZ6U, MZ8U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
MB1U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
MB2U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
M5U-J, MZ5U-J, M6UJ, M6DUJ	2,60%	MT RH 2000-02, unisex	2,75%	MT RH 2000-02, unisex
M9U-J	0,74%	MT RH 2010-12, unisex		
D1	2,60%	MT RH 2010-12	3,30%	MT RH 2010-12
D1	2,60%	MT RH 2010-12	3,00%	MT RH 2010-12
DJ01, DJ01-J	2,60%	MT RH 2010-12	2,75%	MT RH 2010-12
DJ02, DJ02-J	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
DJ03, DJ03-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
RM1	2,60%	Mix of German tables DAV1994R and MT RH 1989-91	3,30%	Mix of German tables DAV1994R and MT RH 1989-91
RND-100, RND-150	2,50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2,50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP-150	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
RND1-100, RND1-150, RND2-100, RND2-150	0,00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	0,00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP1-150	0,00%	MT RH 2000-02, unisex	0,00%	MT RH 2000-02, unisex
TB1, DJTB01, DJTB01-J	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,75%	MT RH 2010-12, incidence rates from Republic of Slovakia
TBZ1	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,75%	MT RH 2010-12, incidence rates from Republic of Slovakia
TB5, TB5-U	2,60%	MT RH 2010-12, incidence rates from GenRe	2,75%	MT RH 2010-12, incidence rates from GenRe
TBZ5, TBZ5-U	2,60%	MT RH 2010-12, incidence rates from GenRe	2,75%	MT RH 2010-12, incidence rates from GenRe
DJTB02, DJTB02-J	2,50%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,50%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB02, DJTB02-J	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB03	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2020	Mortality tables used in 2020	Rates of interest for calculating reserve at 31 December 2019	Mortality tables used in 2019
TB5U, TB5U-U, TBZ5U, TBZ5U-U	1,75%	MT RH 2010-12, incidence rates from GenRe, unisex	1,75%	MT RH 2010-12, incidence rates from GenRe, unisex
TBZ5, TBZ5-U	2,50%	MT RH 2010-12, incidence rates from GenRe, unisex	2,50%	MT RH 2010-12, incidence rates from GenRe, unisex
TB6UJ-U	0,00%	MT RH 2010-12, incidence rates from GenRe, unisex	0,00%	MT RH 2010-12, incidence rates from GenRe, unisex
IL, SPI-01	2,60%	MT RH 2000-02	2,75%	MT RH 2000-02
ULNZ, ULR	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
BD1	2,60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health	2,75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health
BD1U	2,50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	2,50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
BD1U	1,75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	0,0175	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
S4UN, S4UN-J	1,00%	MT RH 2010-12	1,00%	MT RH 2010-12
S4UP, S4UP-J	1,00%	MT RH 2010-12, uz korekciju za smrtnost za pušenje po organizaciji WHO	1,00%	MT RH 2010-12, uz korekciju za smrtnost za pušenje po organizaciji WHO
SS1US	1,00%	* Objašnjenje ispod tablice	1,00%	* Objašnjenje ispod tablice
SS1UN, SS1UPN	1,00%	MT SLO 2007	1,00%	MT SLO 2007
STB1UN	1,00%	** Objašnjenje ispod tablice	0,01	** Objašnjenje ispod tablice

Policyholder bonuses

Discretionary bonuses

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

Guaranteed bonus

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

1.7 Liability adequacy test

Life assurance

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

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

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

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

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

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

The principal assumptions used are:

Segmentation

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

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

Mortality and morbidity

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

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

Persistency

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

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

Expenses

Estimations of future renewal and maintenance expenses included in the liability adequacy test are derived from the Group’s current experience. For future periods cash flows for expenses have been increased by a factor equal to the Group’s estimate of annual inflation (1,5%).

1.7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

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

Interest rate guarantee

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

Profit sharing

Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the credited rate over the guaranteed technical interest rate on individual policies. According to past experience credited rate is difference of risk-free rate and fixed margin (2%) and cannot be higher than 2.50%.

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

LAT result

At year end the Company recognised HRK 981 thousand (2019: HRK 988 thousand) as a result of liability adequacy test for life assurance.

Non-life insurance

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

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

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

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

At year end no reserves for unexpired risk have been recognized as a result of liability adequacy testing (2019: 0 thousand).

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

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

In 2020 the Group has estimated the impact on the Best Estimate Liabilities (“BEL”) at the end of the year of changes in key variables that may have a material effect, aligned with the parent company instructions and guidelines. For each time in projection period cash flows are calculated and BEL were calculated as best estimate liabilities.

Life assurance

	2020	2019
	HRK'000	HRK'000
Base run	3,243,924	3,304,082
Risk free rate +100bp	3,053,062	3,090,066
Risk free rate –100bp	3,453,377	3,540,083
Mortality (for products with death risk) +15%	3,252,897	3,313,105
Policy maintenance expenses +10%	3,279,234	3,343,035
Expense inflation +1%	3,265,744	3,330,241

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

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

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

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

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

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

Non-life insurance

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

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

Non-life insurance contracts

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

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

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

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

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

Motor insurance

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

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

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

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

Property insurance

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

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

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

Non-life insurance contracts (continued)

Liability insurance

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

Accident insurance

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

Life assurance contracts

Bonuses

About 72,88% (2019: 75,72%) of the Group's life assurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders bonuses are guaranteed.

Premiums

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

Term life insurance products

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

Endowment products

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

Pure endowments

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

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

Life assurance contracts (continued)

Unit-linked and index-linked life assurance

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

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

Annuity insurance

The Group has one active annuity product: immediate lifelong annuity. Policies are paid by single premium. After payment monthly annuity should be paid.

The Group does not have an active immediate temporary risk annuity and deferred lifelong annuity product. Policyholders can regularly pay premiums for deferred lifelong annuity under the existing contracts.

1.10 Property and equipment

Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets HRK'000	Acquired but not brought into use HRK'000	Total HRK'000
Cost						
At 1 January 2019	41,133	2,915	41,189	77,370	814	163,421
Additions	-	133	482	252	-	867
Disposals	-	(971)	(10,557)	-	(814)	(12,342)
At 31 December 2019	41,133	2,077	31,114	77,622		151,946
At 1 January 2020	41,133	2,077	31,114	77,622	-	151,946
Additions	-	-	3,428	5,303	-	8,731
Disposals	(19)	-	(441)	-	-	(460)
At 31 December 2020	41,114	2,077	34,101	82,925	-	160,217
Depreciation and impairment losses						
At 1 January 2019	8,001	2,852	37,867	-	-	48,720
Depreciation charge for the year (Note 1.29)	911	15	1,543	10,006	-	12,475
Disposals	-	(923)	(9,659)	-	-	(10,582)
At 31 December 2019	8,912	1,944	29,751	10,006	-	50,613
At 1 January 2020	8,912	1,944	29,751	10,006	-	50,613
Depreciation charge for the year (Note 1.29)	1,006	13	2,049	10,126	-	13,194
Disposals	(7)	-	(427)	-	-	(434)
At 31 December 2020	9,911	1,957	31,373	20,132	-	63,373
Carrying amounts						
At 1 January 2019	33,132	62	3,322	77,370	814	114,700
At 31 December 2019	32,221	133	1,363	67,616	-	101,333
At 1 January 2020	32,221	133	1,363	67,616	-	101,333
At 31 December 2020	31,203	120	2,728	62,793	-	96,844

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,288 thousand (2019: HRK 4,874 thousand).

During 2020 and 2019 there were no capitalised borrowing costs related to the acquisition of property and equipment.

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

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

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

1.10 Property and equipment (continued)

Company

	Land and buildings	Motor vehicles	Equipment and furniture	Right-of- use assets	Acquired but not brought into use	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Cost						
At 1 January 2019	37,376	2,732	39,551	77,370	-	157,029
Additions	-	-	460	252	-	712
Disposals	-	(788)	(10,557)	-	-	(11,345)
At 31 December 2019	37,376	1,944	29,454	77,622	-	146,396
At 1 January 2020	37,376	1,944	29,454	77,622	-	146,396
Additions	-	-	3,281	5,303	-	8,584
Disposals	(19)	-	(441)	-	-	(460)
At 31 December 2020	37,357	1,944	32,294	82,925	-	154,520
Depreciation and impairment losses						
At 1 January 2019	7,226	2,726	36,706	-	-	46,658
Depreciation charge for the year (Note 1.29)	827	6	1,295	10,006	-	12,134
Disposals	-	(788)	(9,659)	-	-	(10,447)
At 31 December 2019	8,053	1,944	28,342	10,006	-	48,345
At 1 January 2020	8,053	1,944	28,342	10,006	-	48,345
Depreciation charge for the year (Note 1.29)	925	-	1,841	10,126	-	12,892
Disposals	(7)	-	(427)	-	-	(434)
At 31 December 2020	8,971	1,944	29,756	20,132	-	60,803
Carrying amounts						
At 1 January 2019	30,150	5	2,845	77,370	-	110,370
At 31 December 2019	29,323	-	1,112	67,616	-	98,050
At 1 January 2020	29,323	-	1,112	67,616	-	98,050
At 31 December 2020	28,386	-	2,538	62,793	-	93,717

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,288 thousand (2019: HRK 4,288 thousand).

During 2020 and 2019 there were no capitalised borrowing costs related to the acquisition of property and equipment.

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

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

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

1.11 Investment property

	Group and Company HRK'000
Cost	
At 1 January 2019	51,377
Disposals	5
At 31 December 2019	51,382
At 1 January 2020	51,382
Additions	418
At 31 December 2020	51,800
Depreciation	
At 1 January 2019	24,770
Depreciation charge for the year (Note 1.31)	1,249
Disposals	
At 31 December 2019	26,019
At 1 January 2020	26,019
Depreciation charge for the year (Note 1.31)	1,257
Disposals	
At 31 December 2020	27,276
Carrying amounts	
At 1 January 2019	26,607
At 31 December 2019	25,363
At 1 January 2020	25,363
At 31 December 2020	24,524

The rental income arising during the year amounted to HRK 3,329 thousand (2019: HRK 1,716 thousand), which is recognised in “Financial income” (Note 1.25). The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.31). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to HRK 514 thousand (2019: HRK 489 thousand) and are recognised in profit or loss within “Financial expenses” (Note 1.31).

The fair value of investment property is higher than carrying amount and amounts to HRK 42,071 thousand (2019: HRK 37,770 thousand).

The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.31).

1.12 Net change recognised in profit or loss (Note 1.31) Deferred acquisition costs

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

An analysis of these deferred costs is set out below:

Group and Company

	Non-life		Life rider		Total	
	2020 <i>HRK'000</i>	2019 <i>HRK'000</i>	2020 <i>HRK'000</i>	2019 <i>HRK'000</i>	2020 <i>HRK'000</i>	2019 <i>HRK'000</i>
At 1 January	69.006	51.091	1.530	1.494	70.536	52.585
Capitalization of acquisition costs	66.669	67.242	459	1.530	67.128	68.772
Amortization of acquisition costs	(62.904)	(49.327)	(650)	(1.494)	(63.554)	(50.821)
Net change recognised in profit or loss (Note 1.28)	3.765	17.915	(191)	36	3.574	17.951
At 31 December	<u>72.771</u>	<u>69.006</u>	<u>1.339</u>	<u>1.530</u>	<u>74.110</u>	<u>70.536</u>

1.13 Other intangible assets

Group

	Goodwill HRK'000	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under developmen t HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost						
At 1 January 2019	24	51,495	47,904	2,504	165,702	267,629
Additions	-	4,491	3,435	1,482	-	9,408
Transfer into use	-	-	-	-	-	-
Write off	-	-	(376)	(340)	-	(716)
At 31 December 2019	24	55,986	50,963	3,646	165,702	276,321
At 1 January 2020	24	55,986	50,963	3,646	165,702	276,321
Additions	-	7,334	1,067	187	-	8,588
Transfer into use	-	3,511	135	3,646	-	7,292
Write off	-	-	(1,333)	-	-	(1,333)
At 31 December 2020	24	66,831	50,832	187	165,702	283,576
Amortisation						
At 1 January 2019	-	38,930	44,403	-	1,840	85,173
Amortisation charge for the year (Note 1.29)	-	5,448	1,795	-	11,047	18,290
Write off	-	-	(376)	-	-	(376)
At 31 December 2019	-	44,378	45,823	-	12,887	103,088
At 1 January 2020	-	44,378	45,823	-	12,887	103,088
Amortisation charge for the year (Note 1.29)	-	5,228	1,900	-	11,052	18,180
Write off	-	-	(1,332)	-	-	(1,332)
At 31 December 2020	-	49,606	46,391	-	23,939	119,936
Carrying amounts						
At 1 January 2019	24	12,565	3,501	2,504	163,862	182,456
At 31 December 2019	24	11,608	5,140	3,646	152,815	173,238
At 1 January 2020	24	11,608	5,140	3,646	152,815	173,238
At 31 December 2020	24	17,225	4,441	187	141,763	163,640

During 2020 and 2019 there were no capitalised borrowing costs related to the acquisition of software.

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

1.13 Other intangible assets (continued)

Company

	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under developmen t HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost					
At 1 January 2019	51,495	40,819	2,164	165,702	260,179
Additions	4,491	1,304	1,482	-	7,277
Write off	-	(376)	-	-	(376)
At 31 December 2019	55,986	41,747	3,646	165,702	267,080
At 1 January 2020	55,986	41,747	3,646	165,702	267,080
Additions	7,334	795	52	-	8,181
Transfer into use	3,511	-	(3,511)	-	-
Write off	-	(1,332)	-	-	(1,332)
At 31 December 2020	66.831	41.209	187	165.702	273.928
Amortisation					
At 1 January 2019	38,930	38,939	-	1,840	79,707
Amortisation charge for the year (Note 1.29)	5,448	1,104	-	11,047	17,599
Write off	-	(376)	-	-	(376)
At 31 December 2019	44,378	39,667	-	12,887	96,933
At 1 January 2020	44,378	39,667	-	12,888	96,933
Amortisation charge for the year (Note 1.29)	5,228	921	-	11,052	17,201
Write off	-	(1,332)	-	-	(1,332)
At 31 December 2020	49,606	39,256	-	23,940	112,802
Carrying amounts					
At 1 January 2019	12,565	1,880	2,164	163,862	180,471
At 31 December 2019	11,608	2,079	3,646	152,815	170,147
At 1 January 2020	11,608	2,079	3,646	152,814	170,147
At 31 December 2020	17,224	1,954	187	141,762	161,126

During 2020 and 2019 there were no capitalised borrowing costs related to the acquisition of software. The amortisation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.14 Investments in subsidiaries

a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2020	Group ownership at 31 December 2019
<i>Investments in subsidiaries - held at cost</i>				
Allianz Invest d.o.o.	Investment	Croatia	100%	100%
AZ Servisni centar d.o.o.	Claim evaluation and IT services	Croatia	100%	100%
Autoelektro tehnički pregledi d.o.o.	Car evaluation services	Croatia	49%	49%
<i>Investments in subsidiaries - held at fair value through profit or loss</i>				
Allianz Short Term Bond, open-ended investment fund	Investment	Croatia	63,3%	50,7%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	74,4%	65,5%
<i>Investments in subsidiaries – available for sale</i>				
Allianz Equity, open-ended investment fund	Investment	Croatia	30%	21,8%

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

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one open-ended fund at 31 December 2020, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor. Investment in Allianz Portfolio relates also to investments made through unit linked products. At 31 December 2020 total investment in Allianz Portfolio, related to unit linked investments, amounted to HRK 70,420 thousands (2019: HRK 63,478 thousands).

b) Investments in subsidiaries are as follows:

	Company 2020 HRK'000	Company 2019 HRK'000
<i>Investments in subsidiaries - held at cost</i>		
Allianz Invest d.o.o.	5,000	5,000
AZ Servisni centar d.o.o.	200	200
Autoelektro tehnički pregledi d.o.o.	488	488
Total subsidiaries at cost	5,688	5,688
<i>Investments in subsidiaries - designated at fair value through profit or loss</i>		
Allianz Short Term Bond, open-ended investment fund	88,413	85,780
Allianz Portfolio, open-ended investment fund	81,401	74,655
Total subsidiaries at fair value through profit or loss	169,814	160,435
<i>Investments in subsidiaries - available for sale</i>		
Allianz Equity, open-ended investment fund	10,450	11,417
Total subsidiaries available for sale	10,450	11,417
	185,952	177,540

1.14 Investments in subsidiaries (continued)

c) Movements in investments in subsidiaries was as follows:

	Company 2020 HRK'000	Company 2019 HRK'000
At 1 January	177,540	176,518
Acquisition of units in Allianz Short Term Bond, open-ended investment fund	16,000	
Disposal of units in Allianz Short Term Bond, open-ended investment fund	(14,029)	(18,162)
Fair value gains on investment in Allianz Short Term Bond, open-ended investment fund	681	28
Acquisition of units in Allianz Portfolio, investment fund	16,196	8,873
Disposal of Allianz Portfolio	(8,250)	
Fair value losses on investment in Allianz Portfolio, open-ended investment fund	(6,636)	8,488
Fair value losses on investment in Allianz Equity, open-ended investment fund	4,450	1,795
At 31 December	<u>185,952</u>	<u>177,540</u>

d) Non-controlling interest

The following is summarised financial information for the Autoelektro tehnički pregledi d.o.o. The information is before inter-company eliminations with other companies in the Group:

	2020 HRK'000	2019 HRK'000
Revenue	534	509
Profit	131	145
Profit attributable to NCI	<u>65</u>	<u>73</u>
Current assets	489	393
Non-current assets	2,842	2,926
Current liabilities	(107)	(16)
Non-current liabilities	(2,529)	(2,738)
Net assets	<u>694</u>	<u>565</u>
Net assets attributable to NCI	<u>340</u>	<u>288</u>

The remaining of non-controlling interest is related to Allianz Invest d.o.o., management company for open-ended investment funds that are presented under financial liabilities.

1.15 Financial investments (continued)

a) Loans and receivables

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Deposits with banks	6,173	6,232	6,173	6,232
Loans to customers	32,629	33,482	32,604	36,379
Subordinated loan to subsidiary	-	-	2,692	-
Impairment allowance on loans to customers	(539)	(583)	(539)	(584)
	<u>38,264</u>	<u>39,131</u>	<u>40,930</u>	<u>42,027</u>

Loans to customers are predominantly collateralised by the redemption value of life assurance policies or by real estate.

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
At 1 January	584	512	584	521
Impairment losses on loans	99	87	99	87
Release of impairment allowance	(9)	(15)	(9)	(15)
Collection of amounts previously provided	-	-	-	-
Net impairment losses/(reversal of impairment losses) recognised in profit or loss (Note 1.31)	90	72	90	72
Amounts written off	(135)	-	(135)	-
At 31 December	539	584	539	584

1.15 Financial investments (continued)

b) Reclassifications

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

Reclassification date	Net book value at the reclassification date HRK'000	Effective interest rate at the reclassification date %	Other comprehensive income up to the reclassification date HRK'000
21 August 2008	127,607	5,66	(9,173)
6 October 2008	177,632	5,66	(1,306)
26 March 2010	156,691	6,06	8,518
4 July 2011	77,388	6,06	4,047
10 October 2011	57,927	6,96	(356)
Total	597,245	5,87	(1,730)

	At the reclassification date		31 December 2020		31 December 2019	
	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000
Assets reclassified in 2008:						
Debt securities	226,974	226,974	-	-	-	-
Assets reclassified in 2010:						
Debt securities	156,691	156,691	-	-	153,281	155,013
Assets reclassified in 2011:						
Debt securities	135,315	135,315	59,904	66,535	133,647	145,065
	518,980	518,980	59,904	66,535	286,928	300,078

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

	2020		2019	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	6,538	-	30,480	-
Amortisation of premium	410	-	(630)	-
Amortisation of fair value reserve to profit or loss	(251)	-	(148)	-
Fair value reserve balance, net of income tax	-	(206)	-	(121)
	6,697	(206)	29,702	(121)

1.15 Financial investments (continued)

b) Reclassifications (continued)

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

	2020		2019	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	6,538	-	30,480	-
Amortisation of premium	410	-	(630)	-
Change in fair value reserve, net of income tax	-	(2,949)	-	(16,555)
	<u>6,948</u>	<u>(2,949)</u>	<u>29,850</u>	<u>(16,555)</u>

1.15 Financial investments (continued)

c) Breakdown

Group

	Held-to-maturity investments HRK	Available-for-sale financial assets HRK '000	Fair value through profit or loss HRK'000	Loans and receivables HRK '000	Total HRK '000
31 December 2020					
Shares		88,240	60,028		148,270
Shares relating to share-based payments			7,514		7,514
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	118,775	2,314,885	75,474	-	2,509,134
Bonds – Governments of EU member states – listed	-	885,271	41,904	-	927,175
Bonds – Governments of other states – listed	-	240,803	-	-	240,803
Foreign and domestic corporate bonds – listed	-	9,516	35	-	9,551
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	-	-
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	-	-
	118,775	3,450,475	117,413	-	3,686,663
Investment funds - quoted					
Open – ended investment funds	-	225,805	28,191	-	253,996
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	778,432	-	778,432
Close – ended investment funds – quoted	-	104,446	-	-	104,446
	-	330,251	806,623	-	1,136,874
Loans and receivables					
Deposits with credit institutions	-	-	-	6,173	6,173
Loans to policyholders	-	-	-	12,045	12,045
Mortgage loans	-	-	-	16,834	16,834
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	2,692	2,692
Other loans	-	-	-	514	514
	118,775	3,868,968	991,578	38,258	5,017,579
31 December 2019					
Shares	-	75,886	77,278	-	153,164
Shares relating to share-based payments	-	-	7,473	-	7,473
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	351,054	2,200,434	112,261	-	2,663,748
Bonds – Governments of EU member states – listed	-	943,582	5,767	-	949,349
Foreign and domestic corporate bonds – listed	-	6,453	-	-	6,453
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	3,735	-	3,735
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	4,886	-	4,886
	351,054	3,150,468	126,649	-	3,628,172
Investment funds - quoted					
Open – ended investment funds	-	298,623	3,070	-	301,693
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	746,294	-	746,294
Close – ended investment funds – quoted	-	30,915	-	-	30,915
	-	329,538	749,364	-	1,078,902
Loans and receivables					
Deposits with credit institutions	-	-	-	6,232	6,232
Loans to policyholders	-	-	-	12,388	12,388
Mortgage loans	-	-	-	16,766	16,766
Other loans	-	-	-	3,745	3,745
	-	-	-	39,131	39,131
	351,054	3,555,892	960,764	39,131	4,906,842

1.15 Financial investments (continued)

c) Breakdown (continued)

Company	Investment	Held-to-	Available-	Financial assets	Loans and	Total
	s in subsidiaries	maturity investments	for-sale financial assets	at fair value through profit or loss	receivable s	
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2020						
Shares	-	-	88,242	-	-	88,242
Shares relating to share-based payments	-	-	-	7,514	-	7,514
Investments in subsidiaries	185,952	-	-	-	-	185,952
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	61,641	2,314,886	-	-	2,376,527
Bonds – Governments of EU member states – listed	-	-	885,271	-	-	885,271
Bonds – Governments of other states – listed	-	-	240,803	-	-	240,803
Foreign and domestic corporate bonds – listed	-	-	9,515	-	-	9,515
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	-	-	-
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	-	-	-
	-	61,641	3,450,475	-	-	3,512,116
Investment funds - quoted						
Open – ended investment funds	-	-	225,805	23,509	-	249,314
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	778,432	-	778,432
Close – ended investment funds – quoted	-	-	104,446	-	-	104,446
	-	-	330,251	801,941	-	1,132,192
Loans and receivables						
Deposits with credit institutions	-	-	-	-	6,173	6,173
Loans to policyholders	-	-	-	-	12,045	12,045
Mortgage loans	-	-	-	-	19,363	19,363
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	-	2,692	2,692
Other loans	-	-	-	-	657	657
	185,952	61,641	3,868,968	809,455	40,930	4,966,946
31 December 2019						
Shares	-	-	75,886	-	-	75,886
Shares relating to share-based payments	-	-	-	7,473	-	7,473
Investments in subsidiaries	177,540	-	-	-	-	177,540
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	293,449	2,200,434	-	-	2,493,883
Bonds – Governments of EU member states – listed	-	-	943,582	-	-	943,582
Foreign and domestic corporate bonds – listed	-	-	6,453	-	-	-
Foreign corporate bonds – assets backing index-linked products – quoted	-	-	-	3,735	-	6,453
Foreign corporate bonds – assets backing unit-linked products – quoted	-	-	-	4,886	-	3,735
	-	293,449	3,150,469	8,621	-	3,452,539
Investment funds - quoted						
Open – ended investment funds	-	-	298,623	-	-	298,623
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	746,294	-	746,294
Close – ended investment funds – quoted	-	-	30,915	-	-	30,915
	-	-	329,538	746,294	-	1,075,832
Loans and receivables						
Deposits with credit institutions	-	-	-	-	6,232	6,232
Loans to policyholders	-	-	-	-	12,388	12,388
Mortgage loans	-	-	-	-	19,403	19,403
Other loans	-	-	-	-	4,004	4,004
	-	-	-	-	42,027	42,027
	177,540	293,449	3,555,893	762,388	42,027	4,831,296

1.15 Financial investments (continued)

c) Breakdown (continued)

Bonds issued by governments of EU member states include bonds of the Republic of Germany of HRK 182,192 thousand (2019: HRK 178,378 thousand), Republic of Poland of HRK 19,884 thousand (2019: 18,650 thousand), Slovak Republic of HRK 108,438 thousand (2019: 105,562 thousand) and the Kingdom of Spain of 187,442 thousand (2019: HRK 177,776 thousand) , Romania of HRK 160.882 thousand (2019: HRK 109,418 thousand), Portugal of HRK 78.668 thousand (2019: HRK 72,319 thousand) , Austria of HRK 100.168 thousand (2019: HRK 90,179 thousand).

1.16 Reinsurers' share of insurance contract liabilities

Group and Company

	<i>Note</i>	2020 HRK'000	2019 HRK'000
Non-life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	90,760	98,125
Reinsurance share in notified outstanding claims reserve	1.20 b)	68,407	53,958
Reinsurance share in incurred but not reported claims reserve	1.20 c)	75,444	7,072
Reinsurance share in other reserves		-	-
Total non-life insurance		234,611	159,155
Life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	123	131
Reinsurance share incurred but not reported claims reserve	1.20 c)	612	610
Reinsurance share in life assurance provision	1.20 d)	327	298
Total life insurance		1,062	1,039
Total reinsurance share of insurance		235,673	160,194

1.17 Deferred tax liability

Group

	Temporary differences						Deferred tax asset on tax losses HRK'000
	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000	
Balance as at 1 January 2019	(35,044)	54	6,580	(46,213)	2,687	1,848	27
Recognised in profit or loss (Note 1.33)	(701)	-	(701)	-	-	-	-
<i>Total recognised in in profit and loss</i>	(701)	-	(701)	-	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	(37,947)	-	-	(37,947)	-	-	(27)
<i>Total recognised in other comprehensive income</i>	(37,947)	-	-	(37,947)	-	-	-
Balance as at 31 December 2019	(73,692)	54	5,879	(84,160)	2,687	1,848	-
Balance as at 1 January 2020	(73,692)	54	5,879	(84,160)	2,687	1,848	-
Recognised in profit or loss (Note 1.33)	2,355	2,355	-	-	-	-	-
<i>Total recognised in in profit and loss</i>	2,355	2,355	-	-	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	391	-	-	391	-	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-	-
Balance as at 31 December 2020	(70,946)	2,409	5,879	(83,769)	2,687	1,848	-

Company

	Total deferred tax liability on temporary differences HRK'000	Financial assets at fair value through profit or loss HRK'000	Impairment losses on financial assets AFS HRK'000	AFS financial assets in fair value reserve HRK'000	Impairment losses on investment property HRK'000	Impairment losses on receivables for overdue securities HRK'000
Balance as at 1 January 2019	(35,044)	54	6,580	(46,213)	2,687	1,848
Recognised in profit or loss (Note 1.33)	(701)	-	(701)	-	-	-
<i>Total recognised in profit and loss</i>	(701)	-	(701)	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised, recognised in other comprehensive income (Note 1.22c)	(37,947)	-	-	(37,947)	-	-
<i>Total recognised in other comprehensive income</i>	(37,947)	-	-	(37,947)	-	-
Balance as at 31 December 2019	(73,692)	54	5,879	(84,160)	2,687	1,848
Balance as at 1 January 2020	(73,692)	54	5,879	(84,160)	2,687	1,848
Recognised in profit or loss (Note 1.33)	2,355	2,355	-	-	-	-
<i>Total recognised in profit and loss</i>	2,355	2,355	-	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realised (Note 1.22c)	391	-	-	391	-	-
<i>Total recognised in other comprehensive income</i>	-	-	-	-	-	-
Balance as at 31 December 2020	(70,946)	2,409	5,879	(83,769)	2,687	1,848

1.18 Insurance receivables and other assets

	Group	Group	Company	Company
	2020	2019	2020	2019
	HRK'000	HRK'000	HRK'000	HRK'000
Receivables arising from insurance contracts				
- from contract holders (from policyholders)	162,481	180,115	162,481	180,115
- from agents, brokers and intermediaries	-	-	-	-
Receivables from reinsurance				
- for claims recoveries	34,562	23,721	34,562	23,721
- for reinsurance commission	2,667	1,342	2,668	1,342
- for reinsurance premium paid in advance	-	-	-	-
Other receivables and prepayments	48,007	148,845	47,903	148,348
Impairment allowance				
- for insurance receivables	(39,703)	(41,869)	(39,703)	(41,869)
- for reinsurance receivables	(1,128)	(1,128)	(1,128)	(1,128)
- for other receivables	(4,278)	(6,512)	(4,372)	(6,512)
	<u>202,608</u>	<u>304,514</u>	<u>202,411</u>	<u>304,017</u>

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

	Group	Group	Company	Company
	2020	2019	2020	2019
	HRK'000	HRK'000	HRK'000	HRK'000
Neither past due nor impaired	106,602	117,188	153,611	117,188
Past due	141,115	235,709	94,003	236,339
Impairment allowance	(45,109)	(48,381)	(45,203)	(49,509)
	<u>202,608</u>	<u>304,516</u>	<u>202,411</u>	<u>304,018</u>

1.18 Insurance receivables and other assets (continued)

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

	Group and Company 2020 HRK'000	Group and Company 2019 HRK'000
At 1 January	41,868	44,914
Increase in impairment losses	12,401	10,579
Collection of amounts previously provided	(7,885)	(8,261)
Reversal of impairment losses recognised in profit or loss (Note 1.23)	4,516	2,318
Amounts written off	(6,683)	(5,364)
At 31 December	39,701	41,868

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

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

	Group and Company 2020 HRK'000	Group and Company 2019 HRK'000
At 1 January	6,512	12,522
Increase in provisions for other receivables	3,455	436
Collection of amounts previously provided	(2,769)	(216)
Transfer to loans and receivables	-	-
Impairment losses recognised in profit or loss (Note 1.30)	686	220
Amounts written off	(1,698)	(6,230)
At 31 December	5,500	6,512

1.19 Cash and cash equivalents

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Cash at bank	107,008	103,974	70,733	60,270
Deposits in banks with original maturity up to three months	54,453	43,438	47,453	2,399
	161,461	147,412	118,186	62,669

1.20 Insurance contract liabilities

Group and Company

	2020 HRK'000	2019 HRK'000
Non-life insurance		
Provision for unearned premiums (Note 1.20a)	442,511	437,188
Notified outstanding claims reserve (Note 1.20b)	267,927	271,680
Incurred but not reported claims reserve (Note 1.20c)	264,822	166,871
Other provisions	4,811	3,226
Total non-life	980,071	878,965
Life assurance		
Provision for unearned premiums (Note 1.20a)	10,282	12,532
Life assurance provision (Note 1.20d)	2,428,603	2,487,175
Provision arising from liability adequacy test (Note 1.20d)	981	998
	2,429,584	2,488,173
Life assurance provision for unit-linked and index-linked products (Note 1.20e)	848,853	814,657
Notified outstanding claims reserve (Note 1.20b)	80,366	71,610
Incurred but not reported claims reserve (Note 1.20c)	2,801	2,774
Other provisions	-	152
Total life	3,371,886	3,389,898
Total insurance contract liabilities	4,351,957	4,268,863

Other provisions relate to provisions for bonuses and rebates and unexpired risk reserve. As at 31 December 2020 there is no unexpired risk reserve (2019: no unexpired risk reserve).

a) Analysis of movement on provision for unearned premium

Group and Company	2020 Gross	2020 Reinsurance	2020 Net	2019 Gross	2019 Reinsuran e	2019 Net
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life business</i>						
At 1 January	437,188	98,125	339,063	341,265	70,783	270,482
Premiums written during the year	766,289	98,197	668,092	800,924	24,121	776,803
Premiums earned during the year	(760,965)	(105,562)	(655,403)	(705,001)	3,221	(708,222)
At 31 December	442,512	90,760	351,752	437,188	98,125	339,063
<i>Life assurance business</i>						
At 1 January	12,532	131	12,401	12,099	134	11,965
Premiums written during the year	27,273	1,668	25,605	30,254	1,152	29,102
Premiums earned during the year	(29,523)	(1,676)	(27,847)	(29,821)	(1,155)	(28,666)
At 31 December	10,282	123	10,159	12,532	131	12,401

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

1.20 Insurance contract liabilities (continued)

b) Analysis of movements in notified outstanding claims reserve

	Group and Company			Group and Company		
	2020 Gross HRK'000	2020 Reinsurance HRK'000	2020 Net HRK'000	2019 Gross HRK'000	2019 Reinsurance HRK'000	2019 Net HRK'000
<i>Non-life business</i>						
At 1 January	271,681	53,958	217,723	276,829	51,524	225,305
Current year claims	442,506	113,128	329,378	369,901	46,090	323,811
Change in previous year claims	(7,094)	(6,718)	(376)	(28,015)	(7,226)	(20,789)
Claims paid	(439,166)	(91,961)	(347,205)	(347,034)	(36,430)	(310,604)
At 31 December	267,927	68,407	199,520	271,681	53,958	217,723
<i>Life assurance business</i>						
At 1 January	71,610	-	71,610	54,643	-	54,643
Current year claims	424,525	-	424,525	395,861	-	395,861
Change in previous year claims	(25,441)	-	(25,441)	(21,660)	-	(21,660)
Claims paid	(390,328)	-	(390,328)	(357,234)	-	(357,234)
At 31 December	80,366	-	80,366	71,610	-	71,610

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

	Group and Company			Group and Company		
	2020 Gross HRK'000	2020 Reinsurance HRK'000	2020 Net HRK'000	2019 Gross HRK'000	2019 Reinsurance HRK'000	2019 Net HRK'000
<i>Non-life business</i>						
At 1 January	166,871	7,072	159,799	182,055	3,129	178,926
Increase	157,586	71,927	85,659	59,515	23,615	35,900
Less transfer to claims reported provision	(59,636)	(3,555)	(56,081)	(74,699)	(19,672)	(55,027)
At 31 December	264,821	75,444	189,377	166,871	7,072	159,799
<i>Life assurance business</i>						
At 1 January	2,772	610	2,162	2,708	554	2,154
Increase	847	77	770	1,414	234	1,180
Less transfer to claims reported provision Transfer	(818)	(75)	(743)	(1,350)	(178)	(1,172)
At 31 December	2,801	612	2,189	2,772	610	2,162

1.20 Insurance contract liabilities (continued)

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

Group and Company	2020	2020	2020	2019	2019	2019
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsurance HRK'000	Net HRK'000
At 1 January	2,488,173	298	2,487,875	2,571,905	300	2,571,605
Premium allocation	206,788	1,151	205,637	221,121	1,153	219,968
Release of liabilities due to benefits paid, surrenders and other terminations	(322,360)	(1,122)	(321,238)	(339,476)	(1,155)	(338,321)
Unwinding of discount/accretion of interest	64,892	-	64,892	64,892	-	64,892
Change in liability arising from liability adequacy test	(17)	-	(17)	(33)	-	(33)
Change in Zillmer adjustment	9,364	-	9,364	14,112	-	14,112
Allocation of discretionary and guaranteed bonuses	(13,921)	-	(13,921)	(41,412)	-	(41,412)
Change in unearned premium reserve	(3,335)	-	(3,335)	(2,936)	-	(2,936)
At 31 December	<u>2,429,584</u>	<u>327</u>	<u>2,429,257</u>	<u>2,488,173</u>	<u>298</u>	<u>2,487,875</u>

Life assurance provision amounted to HRK 2,428,603 thousand (2019: HRK 2,487,176 thousand). Provision arising from liability adequacy test amounted to HRK 981 thousand (2019: HRK 998 thousand).

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

Group and Company	2020	2019
	Gross and Net HRK'000	Gross and Net HRK'000
At 1 January	814,657	520,094
Premium allocation	88,630	264,349
Release of liabilities due to benefits paid, surrenders and other terminations	(47,927)	(23,194)
Net gains from change in fair value of assets backing life assurance provision for unit-linked and index-linked products	(6,507)	53,408
At 31 December	<u>848,853</u>	<u>814,657</u>

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR continued)

For the year ended 31 December 2020

Life	Prior 2014 HRK'000	2014 HRK'000	2015 HRK'000	2016 HRK'000	2017 HRK'000	2018 HRK'000	2019 HRK'000	2020 HRK'000	Total HRK'000
Estimate of cumulative claims at the end of accident year	288,228	16,303	20,234	22,149	23,551	33,692	39,777	56,680	-
One year later	28,704	5,527	7,708	9,811	10,791	17,335	12,671		-
Two years later	24,414	5,139	5,826	7,160	8,472	7,057			-
Three years later	19,126	4,474	5,109	6,263	5,437				-
Four years later	13,856	4,142	4,500	4,090					-
Five years later	10,414	3,733	2,687						-
Six years later	5,133	4,836							-
Estimate of cumulative claims	-	4,836	2,687	4,090	5,437	7,057	12,671	56,680	93,459
Cumulative payments	-	2,781	1,826	2,120	1,911	1,613	1,419	1,045	12,715
Provisions for prior years	-	-	-	-	-	-	-	-	-
Claims handling cost	-	62	26	59	106	163	338	1,669	2,422
Value recognised in the statement of financial position	-	2,117	887	2,030	3,632	5,608	11,590	57,304	83,166

1.20 Insurance contract liabilities (continued)

g) Remaining maturities of insurance liabilities

Group and Company 2020

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

Group and Company 2019

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	342,691	103,318	3,482	212	17	-	449,720
NOCR & IBNR	248,823	162,505	52,591	25,413	10,392	13,211	512,935
Life assurance provisions, provision for unit linked products and provision arising from LAT	265,706	1,342,487	638,427	548,585	324,082	183,543	3,302,830
Other insurance provisions	3,378	-	-	-	-	-	3,378
Insurance liabilities	860,598	1,608,310	694,500	574,210	334,491	196,754	4,268,863

UPR stands for unearned premium reserve.

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

IBNR stands for incurred but not reported claims reserve.

LAT stands for liability adequacy test.

1.20 Insurance contract liabilities (continued)

h) Analysis of claims ratio, gross

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

Non-life insurance business	Claims ratio	Costs ratio	Combined	Claims	Costs ratio	Combined
	gross	gross	ratio gross	ratio gross	gross	ratio gross
	2020	2020	2020	2019	2019	2019
Motor vehicle liability insurance	68,95%	39,97%	108,92%	19,94%	43,34%	63,28%
Other motor insurance	64,71%	32,45%	97,15%	60,88%	41,50%	102,37%
Fire and other damage to property insurance	123,60%	46,20%	169,80%	44,45%	43,71%	88,16%
General liability insurance	31,70%	34,60%	66,30%	70,46%	34,57%	105,03%
Marine, aviation and transport	48,93%	31,44%	80,36%	106,68%	35,26%	141,94%
Credit and suretyship insurance	-1,65%	19,71%	18,07%	4,61%	23,81%	28,42%
Personal accident insurance	21,72%	47,29%	69,01%	20,10%	40,50%	60,60%
Health insurance	37,56%	31,95%	69,51%	47,04%	32,62%	79,66%
Miscellaneous financial loss	26,93%	29,09%	56,02%	54,78%	35,56%	90,34%
Assistance	26,48%	30,69%	57,18%	29,38%	35,56%	64,94%
TOTAL - NON LIFE	70,51%	38,80%	109,31%	46,48%	40,31%	86,80%

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

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

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

Combined ratio = claims ratio + costs ratio

1.21 Insurance and other payables and deferred income

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Direct insurance contract payables				
- to policyholders	12,418	11,984	12,418	11,984
- to agents, brokers and intermediaries	22,290	18,214	22,290	18,214
Reinsurance contract payables	58,409	31,967	58,409	31,967
Reinsurance commission deferral	4,168	3,697	4,168	3,697
Commission expenses accrual	2,985	4,204	2,985	4,204
Provision for bonuses to employees	7,819	9,328	7,009	8,381
Liabilities for salaries	7,281	8,278	6,903	8,017
Liabilities for premium paid in advance	17,647	8,177	17,647	8,177
Liabilities for share based payments (Note 1,34)	6,087	6,172	6,087	6,172
Liabilities to investment funds non-controlling unitholders	95,868	163,778	-	-
Other payables and accrued expenses	56,059	60,069	54,950	59,280
	<u>291,031</u>	<u>325,868</u>	<u>192,866</u>	<u>160,092</u>

1.22 Equity

a) Issued share capital

	2020 HRK'000	2019 HRK'000
Authorised, issued and fully paid		
254,306 (2019: 254,306) ordinary shares of HRK 400	<u>101,722</u>	<u>101,722</u>

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

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

	2020 % ownership	2019 % ownership
Allianz New Europe Holding GmbH, Austria	83,2	83,2
Zagrebačka banka d.d., Croatia	16,8	16,8
	<u>100,00</u>	<u>100,0</u>

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

b) Share premium

As a result of the shares issues in period from 1999 to 2008, the Company recognised total share premium in the amount of HRK 112,001 thousand (2019: HRK 112,001 thousand) representing the excess of the paid-in amount over the nominal value of the issued shares. In 2013 the Company increased its issued share capital by converting share premium amounting to HRK 7,500 thousand into share capital (bonus share issue) by issuing 18,750 new ordinary shares each with the nominal amount of HRK 400. New shares were awarded to the existing shareholders in proportion to their current shareholdings. There were no subsequent changes.

1.22 Equity (continued)

c) Fair value reserve

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
At 1 January				
Gross fair value reserve	467,575	256,756	467,551	256,732
Deferred tax (Note 1,17)	(84,160)	(46,212)	(84,160)	(46,212)
Net	<u>383,415</u>	<u>210,544</u>	<u>383,391</u>	<u>210,520</u>
Net gains from change in fair value of available-for-sale financial assets	(9,736)	218,641	(9,576)	220,225
Net gains on disposal of available-for-sale financial assets - transfer to profit or loss (Note 1,25)	(6,799)	(7,869)	(6,914)	(9,408)
Impairment loss on financial assets available for sale (Note 1,31)	14,360	47	14,315	2
	<u>(2,175)</u>	<u>210,819</u>	<u>(2,175)</u>	<u>210,819</u>
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1,17)	391	(37,947)	391	(37,947)
<i>Net deferred tax expense/credit recognised in other comprehensive income</i>	<u>(1,784)</u>	<u>172,872</u>	<u>(1,784)</u>	<u>172,872</u>
At 31 December				
Gross fair value reserve	465,401	467,575	465,377	467,551
Deferred tax (Note 1,17)	(83,769)	(84,160)	(83,769)	(84,160)
Net	<u><u>381,632</u></u>	<u><u>383,415</u></u>	<u><u>381,608</u></u>	<u><u>383,391</u></u>

d) Legal reserve

The legal reserve (HRK 25,053 thousand at 31 December 2020 and 2019) represents accumulated appropriations from retained earnings in accordance with Insurance Law effective until 31 December 2005, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable statutory reserve until the reserve reaches half of the average of earned premium of the preceding two years.

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

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

e) Retained earnings

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

1.22 Equity (continued)

f) Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Company (the Company has no preference shares). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares (no treasury shares in either 2020 or 2019). The weighted average number of ordinary shares used for basic earnings per share was 254,306 (2019: 254,306). Given that there is no effect of options, convertible bonds or similar effect, the weighted average number of ordinary shares used for diluted earnings per share was the same as used to calculate basic earnings per share: 254,306 (2019: 254,306).

	Group 2020	Group 2019	Company 2020	Company 2019
Profit attributable to ordinary shareholders of the Company for earnings per share in HRK '000	<u>54,543</u>	<u>116,761</u>	<u>54,317</u>	<u>115,800</u>
Weighted average number of ordinary shares at 31 December	<u>254,306</u>	<u>254,306</u>	<u>254,306</u>	<u>254,306</u>
Basic and diluted earnings per share attributable to equity holders of the Company in HRK	<u>214.48</u>	<u>459.14</u>	<u>213.59</u>	<u>455.36</u>

g) Dividends per share

During 2020, the Company paid no dividend.

Due to COVID 19 crisis, the Regulatory Agency made decision in March 2020 to stop the dividend payout for all insurance companies in Croatia till 30th April 2021.

The Management Board will propose dividend payment in the amount and timing approved by Regulatory Agency and in accordance with the Guidelines on the criteria for dividend payments by insurance companies in 2021 issued by Regulatory Agency on 1 April 2021.

1.23 Premiums

	Group and Company 2020 HRK'000	Group and Company 2019 HRK'000
<i>Non-life insurance</i>		
Gross premium written	761,773	798,606
Written premiums ceded to reinsurers	(98,197)	(131,151)
Net premiums written from non-life insurance	663,576	667,455
Change in unearned premiums, gross	(5,324)	(95,923)
Change in unearned premiums, reinsurance share	(7,365)	27,342
Total premium income net, (earned) from non-life insurance	650,887	598,874
<i>Life assurance</i>		
Gross premium written	379,867	563,440
Written premiums ceded to reinsurers	(3,003)	(3,139)
Net premiums written from life assurance	376,864	560,301
Change in unearned premiums, gross	2,250	(433)
Change in unearned premiums, reinsurance share	(8)	(2)
Total premium income net, (earned) from life assurance	379,106	559,866
Total gross premiums written	1,141,640	1,362,046
Total premiums ceded to reinsurers	(101,200)	(134,290)
Total net premiums written	1,040,440	1,227,756
Total change in the gross provision for unearned premiums	(3,074)	(96,356)
Total reinsurers' share of change in the provision for unearned premiums	(7,374)	27,340
Net earned premiums non-life and life	1,029,992	1,158,740

Gross premiums written for the Group and the Company have been presented after deducting net impairment losses of HRK 4,516 thousand (2019: net impairment reversal of HRK 2,318 thousand), as presented in Note 1.18.

1.23 Premiums (continued)

Analysis by class of business

Group and Company

2020	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1,28) HRK'000	Administrative expenses (Note 1,29) HRK'000	Ceded contribution HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	50,948	51,507	11,220	17,419	6,912	92
Health insurance	48,856	44,337	17,247	6,797	7,005	1,888
Insurance of motor vehicles - full comprehensive motor (casco)	132,400	134,054	87,041	25,577	18,211	905
Full comprehensive motor insurance (casco) of track	0	16	-77	3	0	-
Hull insurance of aircrafts	434	391	224	97	59	552
Marine and inland marine hull insurance	11,847	12,531	6,949	1,922	1,643	1,931
Insurance of goods in transport	5,767	5,728	2,183	1,161	814	607
Insurance of property against fire and allied perils	151,102	150,079	242,004	43,407	20,941	(75,576)
Other property insurances	72,654	71,993	33,164	27,441	9,992	15,939
Motor third-party liability insurance	124,234	126,660	87,307	27,740	16,939	6,650
Aviation third-party liability insurance	380	338	448	29	51	(71)
Shipowners' liability insurance	3,744	4,116	1,506	739	570	685
Other liability insurances	113,688	106,351	33,756	21,009	15,655	114,362
Credit insurance	3,173	3,312	-11	275	434	2,381
Suretyship insurance	3	73	-45	4	2	-
Insurance of financial losses	15,179	16,900	4,600	2,708	2,136	8,185
Travel insurance	27,364	28,063	7,434	4,855	3,802	11,109
Total non life	761,773	756,449	534,950	181,183	105,166	89,639
<i>Life assurance business</i>						
Traditional life	255,600	255,600	276,590	9,475	36,253	1,235
Annuity contracts	1,508	1,508	5,270	118	1,344	-
Supplementary insurance	27,273	29,523	3,091	2,603	259	1,677
Unit linked and index-linked	95,486	95,486	89,614	5,938	12,910	98
Total life	379,867	382,117	374,565	18,134	50,766	3,010
Grand total	1,141,640	1,138,566	909,515	199,317	155,932	92,649

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

1.23 Premiums (continued)

Analysis by class of business (continued)

Group and Company

2019	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition costs (Note 1,28) HRK'000	Administrative expenses (Note 1,29) HRK'000	Ceded contribution HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	53,968	52,442	10,541	12,287	8,942	82
Health insurance	39,278	31,451	15,558	4,611	5,598	1,098
Insurance of motor vehicles - full comprehensive motor (casco)	129,660	110,232	69,400	26,553	18,395	1,140
Full comprehensive motor insurance (casco) of track	140	723	(1,812)	203	123	500
Hull insurance of aircrafts	204	297	781	55	43	(372)
Marine and inland marine hull insurance	13,732	13,492	20,451	3,247	2,327	(4,194)
Insurance of goods in transport	5,218	5,177	2,872	1,099	882	608
Insurance of property against fire and allied perils	156,729	150,898	78,630	37,637	25,346	20,689
Other property insurances	81,887	64,167	16,881	19,529	10,389	14,008
Motor third-party liability insurance	126,078	118,263	23,576	25,690	20,752	4,335
Aviation third-party liability insurance	240	248	1,067	25	37	(838)
Shipowners' liability insurance	5,030	4,938	571	1,166	849	1,431
Other liability insurances	131,227	98,791	69,545	17,163	16,910	(2,019)
Credit insurance	4,106	4,109	213	390	701	2,229
Suretyship insurance	240	315	(9)	32	53	-
Insurance of financial losses	21,389	20,251	11,095	3,708	3,438	9,285
Travel insurance	29,480	26,889	7,925	5,001	4,555	7,593
Total non life	798,606	702,683	327,285	158,396	119,340	55,575
<i>Life assurance business</i>						
Traditional life	250,396	250,397	254,910	10,427	31,547	304
Annuity contracts	2,554	2,554	7,781	778	12,403	-
Supplementary insurance	30,254	29,953	2,480	2,977	3,408	1,618
Unit linked and index-linked	280,236	280,103	319,926	8,865	13,170	109
Total life	563,440	563,007	585,097	23,047	60,528	2,031
Grand total	1,362,046	1,265,690	912,382	181,443	179,868	57,606

1.24 Fee and commission income

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Fee income				
Fund management based fees	-	4,270	-	2,371
Commission income				
Reinsurance commission	5,950	5,907	5,950	5,907
Total fee and commission income	5,950	10,177	5,950	8,278

1.25 Financial income

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
<i>Interest income</i>				
- Available for sale	86,392	87,445	85,198	86,016
- Held-to-maturity	7,771	33,398	6,697	32,198
- Loans and receivables	1,715	1,830	1,694	1,754
	95,878	122,673	93,589	119,968
Dividend income	10,064	12,951	8,903	10,768
Rental income from investment property	3,329	1,498	3,329	1,498
Net realised gains from available-for-sale financial assets (Note 1,22c)	9,566	724	9,566	9,408
Net gains from fair-value-through-P&L assets	527	85,322	7,255	63,803
Net realized gains from fair-value-through-P&L assets	84	-	84	-
Other	3,689	-	2,753	-
Total financial income	123,137	223,168	125,479	205,445

Company	Non-life 2020 HRK'000	Life 2020 HRK'000	Total 2020 HRK'000	Non-life 2019 HRK'000	Life 2019 HRK'000	Total 2019 HRK'000
Net financial income						
Income from assets backing equity	5,744	1,942	7,686	4,174	62,518	66,692
Income from assets backing life assurance provision	-	85,577	85,577	-	104,646	104,646
Income from assets backing other technical provisions	20,020	2,724	22,744	29,909	4,198	34,107
Income from asset backing index linked products	-	9,472	9,472	-	-	-
	25,764	99,715	125,479	34,083	171,362	205,445

1.26 Other operating income

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Service claims	3,978	3,226	1,905	3,014
IT Services	2,614	2,361	1,001	-
Other	3,264	4,499	4,622	3,928
	9,856	10,086	7,528	6,942

1.27 Net policyholder claims and benefits incurred

	Group and Company 2020 HRK'000	Group and Company 2019 HRK'000
<i>Non-life insurance</i>		
Claims paid		
Gross amount	439,166	347,033
Reinsurers' share	(91,961)	(36,430)
Change in notified outstanding claims reserve		
Gross amount	(3,754)	(5,146)
Reinsurers' share	(14,449)	(2,434)
Change in incurred but not reported claims reserve		
Gross amount	97,952	(15,184)
Reinsurers' share	(68,372)	(3,943)
Change in other technical provisions		
Gross amount	1,586	582
Reinsurers' share	-	-
	<hr/>	<hr/>
Total gross claims incurred from non-life insurance	534,950	327,285
Total reinsurance share in claims incurred from non-life insurance	(174,782)	(42,807)
	<hr/>	<hr/>
Total net claims incurred from non-life insurance	360,168	284,478
	<hr/> <hr/>	<hr/> <hr/>
<i>Life assurance</i>		
Claims paid (benefits and surrenders)		
Gross amount	338,329	334,305
Reinsurers' share	(383)	(575)
Claims paid for unit linked products, gross and net	51,996	22,928
Change in life assurance provision and provision arising from LAT		-
Gross amount	(58,589)	(83,733)
Reinsurers' share	(29)	2
Change in life assurance provision for unit linked products, gross and net	34,196	294,563
Change in notified outstanding claims reserve, gross and net	8,756	16,967
Change in incurred but not reported claims reserve		-
Gross amount	29	66
Reinsurers' share	(2)	(56)
Change in other provisions, gross and net	(152)	1
	<hr/>	<hr/>
Total gross claims and benefits incurred from life assurance	374,565	585,096
Total reinsurance share in claims and benefits incurred from life assurance	(414)	(628)
	<hr/>	<hr/>
Total net claims and benefits incurred from life assurance	374,151	584,468
	<hr/> <hr/>	<hr/> <hr/>
Total gross claims and benefits incurred	909,515	912,381
Total reinsurers' share in claims and benefits incurred	(175,196)	(43,435)
	<hr/>	<hr/>
Total non-life and life	734,319	868,946
	<hr/> <hr/>	<hr/> <hr/>

1.28 Acquisition costs

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
<i>Non-life</i>				
Commission expenses paid	165,295	157,428	165,177	154,968
Other acquisition costs paid	19,771	21,343	19,771	21,343
Changes in deferred acquisition costs (Note 1,12)	(3,765)	(17,915)	(3,765)	(17,915)
Total acquisition costs, non-life	181,301	160,856	181,183	158,396
<i>Life</i>				
Commission expenses paid	14,354	19,216	14,357	19,216
Other acquisition costs paid	3,586	3,867	3,586	3,867
Changes in deferred acquisition costs (Note 1,12)	191	(36)	191	(36)
Total acquisition costs, life	18,131	23,047	18,134	23,047
	199,432	183,903	199,317	181,443

Included within acquisition costs for the Group and the Company are internal sales staff costs amounting to HRK 30 million (2019: HRK 31 million). Breakdown of total acquisition cost per line of business of the Company is also analysed in Note 1.23.

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

<i>For 2020</i>	Commission HRK'000	Other acquisition costs HRK'000	Change in deferred acquisition costs (+/-) HRK'000	Total acquisition costs HRK'000
Non-life insurance business				
Personal accident insurance	(12,450)	(738)	4,231	(17,419)
Health insurance	(6,725)	(894)	(822)	(6,797)
Motor hull	(28,822)	(4,582)	(7,825)	(25,579)
Track vehicles hull	(3)	(0)	-	(3)
Hull insurance of aircrafts	(132)	(14)	(49)	(97)
Marine and inland marine hull	(2,828)	(148)	(1,055)	(1,921)
Insurance of goods in transport	(1,059)	(73)	29	(1,161)
Insurance of property against fire and allied perils	(35,725)	(4,084)	3,598	(43,407)
Other property insurances	(25,424)	(1,599)	418	(27,441)
Motor third-party liability	(26,142)	(4,432)	(2,834)	(27,740)
Aviation third-party liability	(25)	(4)	0	(29)
Shipowners' liability insurance	(884)	(54)	(199)	(739)
Other liability insurances	(17,536)	(2,521)	953	(21,009)
Credit insurance	(290)	(37)	(52)	(275)
Suretyship insurance	(4)	(0)	0	(4)
Insurance of financial losses	(2,270)	(192)	246	(2,708)
Insurance of legal protection	-	-	-	-
Assistance (Travel insurance) Deferred	(4,858)	(399)	(404)	(4,854)
Total Non-life insurance business	(165,177)	(19,771)	(3,765)	(181,183)
Life insurance business				
Traditional life	(7,132)	(2,343)	-	(9,475)
Annuity contracts	(45)	(73)	-	(118)
Supplementary insurance	(2,358)	(55)	190	(2,603)
Unit linked	(4,821)	(1,117)	-	(5,938)
Total life insurance business	(14,356)	(3,588)	190	(18,134)
Grand total	(179,533)	(23,359)	(3,574)	(199,317)

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

1.28 Acquisition costs (continued)

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

For 2019

	Commission	Other acquisition costs	Change in deferred acquisition costs (+/-)	Total acquisition costs
	HRK'000	HRK'000	HRK'000	HRK'000
Non-life insurance business				
Personal accident insurance	(11,695)	(889)	(294)	(12,290)
Health insurance	(4,810)	(718)	(917)	(4,611)
Motor hull	(24,730)	(4,500)	(2,678)	(26,552)
Track vehicles hull	(152)	(52)	-	(204)
Hull insurance of aircrafts	(46)	(9)	1	(56)
Marine and inland marine hull	(3,019)	(228)	-	(3,247)
Insurance of goods in transport	(1,052)	(94)	(46)	(1,100)
Insurance of property against fire and allied perils	(32,323)	(5,198)	114	(37,635)
Other property insurances	(24,006)	(1,790)	(6,265)	(19,531)
Motor third-party liability	(24,041)	(3,718)	(2,070)	(25,689)
Aviation third-party liability	(28)	(8)	(11)	(25)
Shipowners' liability insurance	(1,092)	(86)	(12)	(1,166)
Other liability insurances	(19,325)	(3,132)	(5,295)	(17,162)
Credit insurance	(318)	(72)	-	(390)
Suretyship insurance	(27)	(5)	-	(32)
Insurance of financial losses	(3,493)	(358)	(144)	(3,707)
Assistance (Travel insurance)	(4,812)	(486)	(298)	(5,001)
Total Non-life insurance business	(154,968)	(21,343)	(17,915)	(158,396)
Life insurance business				
Traditional life	(8,360)	(2,068)	-	(10,426)
Annuity contracts	(69)	(708)	-	(778)
Supplementary insurance	(2,776)	(236)	(36)	(2,977)
Unit linked	(8,011)	(855)	-	(8,866)
Total life insurance business	(19,216)	(3,867)	(36)	(23,047)
Grand total	(174,184)	(25,210)	(17,951)	(181,443)

1.29 Administrative expenses

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Depreciation of property and equipment (Note 1,10)	13,194	12,475	12,892	12,134
Amortisation (Note 1,13)	18,179	18,290	17,201	17,599
Staff costs	72,346	81,138	68,053	76,892
Cash-settled-share-based staff costs (Note 1,34)	1,796	3,294	1,796	3,294
Goods and services	19,629	25,399	20,860	24,243
Software maintenance costs	23,847	24,113	21,816	22,510
Other costs	13,665	22,963	13,314	23,196
	162,656	187,672	155,932	179,868

In 2020, the average number of employees of the Group was 421 (2019: 387).

In 2020, the Group paid HRK 14.1 million (2019: HRK 16.9 million) of pension contributions into obligatory pension funds, and for the Company HRK 13.4 million (2019: HRK 15.9 million).

Included within administrative expenses is audit fee for the Group HRK 0,88 million (2019: HRK 0,88 million) and for the Company HRK 0,82 million (2019: HRK 0,81 million).

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

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

<i>For 2020</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
Non-life insurance business				
Personal accident insurance	1,035	3,267	2,610	6,912
Health insurance	1,049	3,311	2,645	7,005
Motor hull	2,727	8,607	6,877	18,211
Track vehicles hull	-	-	-	0
Hull insurance of aircrafts	9	28	22	59
Marine and inland marine hull	246	777	620	1,643
Insurance of goods in transport	122	385	307	814
Insurance of property against fire and allied perils	3,228	9,898	7,815	20,941
Other property insurances	1,496	4,723	3,773	9,992
Motor third-party liability	2,536	8,007	6,396	16,939
Aviation third-party liability	8	24	19	51
Shipowners' liability insurance	85	270	215	570
Other liability insurances	2,344	7,399	5,912	15,655
Credit insurance	65	205	164	434
Suretyship insurance	-	1	1	2
Insurance of financial losses	320	1,010	806	2,136
Travel insurance	569	1,797	1,436	3,802
Total Non-life insurance business	15,839	49,709	39,618	105,166
Life insurance business				
Traditional life	10,178	14,385	11,690	36,253
Annuity contracts	378	533	433	1,344
Supplementary insurance	73	103	83	259
Unit linked	3,624	5,123	4,163	12,910
Total life insurance business	14,253	20,144	16,369	50,766
Grand total	30,092	69,853	55,987	155,932

1.29 Administrative expenses (continued)

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

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

<i>For 2019</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
Non-life insurance business				
Personal accident insurance	(1,566)	(4,183)	(3,193)	(8,942)
Health insurance	(987)	(2,616)	(1,994)	(5,597)
Motor hull	(3,094)	(8,655)	(6,644)	(18,393)
Track vehicles hull	(21)	(58)	(44)	(123)
Hull insurance of aircrafts	(5)	(21)	(17)	(43)
Marine and inland marine hull	(440)	(1,065)	(822)	(2,327)
Insurance of goods in transport	(149)	(416)	(317)	(882)
Insurance of property against fire and allied perils	(4,287)	(11,935)	(9,124)	(25,346)
Other property insurances	(1,640)	(4,926)	(3,823)	(10,389)
Motor third-party liability	(4,063)	(9,377)	(7,315)	(20,755)
Aviation third-party liability	(6)	(17)	(14)	(37)
Shipowners' liability insurance	(153)	(394)	(302)	(849)
Other liability insurances	(3,156)	(7,716)	(6,038)	(16,910)
Credit insurance	(122)	(329)	(250)	(701)
Suretyship insurance	(9)	(25)	(19)	(53)
Insurance of financial losses	(572)	(1,626)	(1,240)	(3,438)
Travel insurance	(761)	(2,154)	(1,640)	(4,555)
Total Non-life insurance business	(21,031)	(55,513)	(42,796)	(119,340)
Life insurance business				
Traditional life	(4,535)	(12,667)	(14,346)	(31,548)
Annuity contracts	(1,783)	(4,979)	(5,640)	(12,402)
Supplementary insurance	(490)	(1,368)	(1,549)	(3,407)
Unit linked	(1,893)	(5,288)	(5,990)	(13,171)
Total life insurance business	(8,701)	(24,302)	(27,525)	(60,528)
Grand total	(29,732)	(79,815)	(70,321)	(179,868)

1.30 Other operating expenses

	Group	Group	Company	Company
	2020	2019	2020	2019
	HRK'000	HRK'000	HRK'000	HRK'000
Health care charges from functional premiums	4,188	4,237	4,188	4,237
Charges for guarantee fund	880	830	880	830
Fire brigade contributions	1,452	1,278	1,452	1,278
Impairment losses of other receivables (Note 1.18)	3,454	220	3,455	220
Other charges	9,260	5,280	9,318	5,280
	19,234	11,845	19,293	11,845

1.31 Financial expenses

	Group	Group	Company	Company
	2020	2019	2020	2019
	HRK'000	HRK'000	HRK'000	HRK'000
Depreciation of investment property (Note 1.11)	1,257	1,249	1,257	1,249
Interest expense on rights of use assets	1,402		1,402	
Impairment losses on financial assets available for sale (1,22c)	14,360	47	14,315	2
Impairment losses / (reversal) on loans to customers (Note 1,15a)	95	72	90	72
Net realised losses from available-for-sale financial assets (Note 1,22c)	2,726		2,726	-
Net realised losses from fair-value-through-P&L assets	164	-	164	-
Other expenses	4,384	2,134	4,212	3,814
Allocation (from)/to investment fund non-controlling unitholders	(7,060)	13,453	-	-
	17,328	16,955	24,166	5,137

Company

	Non-life	Life	Total	Non-life	Life	Total
	2020	2020	2020	2019	2019	2019
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial expenses						
Expenses from assets backing equity	11,526	7,205	18,731	1,337	-14	1,323
Expenses from assets backing life assurance provision	-	4,561	4,561	0	2,997	2,997
Expenses from assets backing other technical provisions	834	40	874	745	72	817
	12,360	11,806	24,166	2,082	3,055	5,137

1.32 Net foreign exchange translation gains/losses on financial assets

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
<i>Net foreign exchange translation gains/losses on financial assets:</i>				
- Held-to-maturity	1,276	1,569	1,276	1,569
- Available for sale	30,357	7,425	30,282	7,264
- Fair value through profit or loss	88	31	88	31
- Loans and receivables	116	81	116	81
- Other	(182)	158	(318)	177
	<u>31,655</u>	<u>9,264</u>	<u>31,444</u>	<u>9,122</u>

Company

	Non-life 2020 HRK'000	Life 2020 HRK'000	Total 2020 HRK'000	Non-life 2019 HRK'000	Life 2019 HRK'000	Total 2019 HRK'000
Net foreign exchange translation gains/losses on financial assets						
Expenses from assets backing equity	218	-	218	35	179	214
Expenses from assets backing life assurance provision	-	29,583	29,583	-	8,434	8,434
Expenses from assets backing other technical provisions	778	865	1,643	240	234	474
	<u>996</u>	<u>30,448</u>	<u>31,444</u>	<u>275</u>	<u>8,847</u>	<u>9,122</u>

1.33 Income taxes

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Current tax expense	15,433	24,954	15,404	24,787
Deferred tax expense/(credit) (Note 1.17)	(2,355)	701	(2,355)	701
Total income tax expense	13,078	25,655	13,049	25,488

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Accounting profit for the period before income taxes	67,621	142,321	67,366	141,288
Income tax at 18% (2019: 18%)	(14,801)	(28,508)	(14,786)	(28,310)
Non-deductible expenses	(4,491)	(1,470)	(4,443)	(1,382)
Non-taxable income	3,839	4,727	3,794	4,610
Correction tax from previous years	(107)	(405)	(107)	(405)
Income tax losses not recognised as deferred tax asset	(11)	-	-	-
Difference in abroad tax rates	(167)	-	(167)	-
Deffered tax assets on tax losses	2,660	-	2,660	-
Total income tax expense	(13,078)	(25,655)	(13,049)	(25,488)
Effective income tax rate	19%	18%	19%	18%

Income tax recognised in other comprehensive income:

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
On available-for-sale financial assets				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1,22c; 1,17)	391	701	391	701

Tax losses, carried forward to future periods, not recognized as deferred tax assets:

	Group 2020 HRK'000	Group 2019 HRK'000
31 December 2020	-	438
	-	438

1.34 Share based payments

The Group and the Company

Restricted stock units

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

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

	Number of items	Fair value at grant date EUR per option	Fair value at 31 December 2020 EUR per option	Fair value at 31 December 2020 HRK ‘000	End of vesting period
AEI 2017/RSU	937	200,7	188,06	1,417	05,03,2021
AEI 2018/RSU	1,442	191,08	275,54	2,077	04,03,2022
AEI 2019/RSU	1,571	181,01	284,37	2,143	03,03,2023
AEI 2020/RSU	1,464	170,15	249,1	1,877	01,03,2024

	Number of items	Fair value at grant date EUR per option	Fair value at 31 December 2019 EUR per option	Fair value at 31 December 2019 HRK ‘000	End of vesting period
AEI 2016/RSU	1,041	218,4	227,35	1,692	28.02.2020
AEI 2017/RSU	937	208,86	195,70	1,456	05.03.2021
AEI 2018/RSU	1442	198,55	286,31	2,130	04.03.2022
AEI 2019/RSU	1,571	187,59	294,70	2,193	03.03.2023

Share appreciation rights

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

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

Liabilities for share based remuneration (RSU) to management amounted to HRK 6,087 thousand at 31 December 2020 (2019: HRK 6,178 thousand) (Note 1.21). while expense recognised in 2020 amounted to HRK 1,796 thousand (2019: HRK 3,294 thousand) (Note 1.29).

1.35 Leases

The future aggregate minimum lease payments under operating leases recognised as Rights-of-use assets are as follows:

	2020
	HRK'000
No later than 1 year	11,079
Later than 1 year and no later than 5 years	50,188
Later than 5 year and no later than 10 years	2,727
	<hr/>
	63,994
	<hr/> <hr/>

1.36 Related parties

The Company is the parent of the Allianz Hrvatska Group. The key shareholder of the Company and of the Group is Allianz New Europe Holding GmbH, Austria with holdings of 83,2% (2019: 83,2%) of the Company's shares at year end. Ultimate parent of the Company is Allianz SE, Germany. The Company considers that it has an immediate related party relationship with its shareholders the ultimate parent of its key shareholder and its subsidiaries; the Supervisory Board members, Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" ("IAS 24").

(a) Relationship with Zagrebačka banka d.d.

The Group holds deposits and current accounts in the amount of HRK 34,904 million (2019: HRK 41,665 million) with Zagrebačka banka d.d. Deposits attract standard commercial rates of interest, and are subject to standard commercial transaction and service fees and charges.

During 2020, gross written premium acquired through the Zagrebačka banka Group distribution channels amounted HRK 244,5 million (2019: HRK 417,9 million). Commission paid to Zagrebačka banka Group relating to bank assurance sales amounted to HRK 19,3 million (2019: HRK 24,4 million).

Zagrebačka banka Group has property, motor, life and personal lines insurance policies with the Company, Policies written for Zagrebačka banka Group during 2020 amounted to HRK 18,9 million (2019: HRK 24,5 million) of gross written premiums.

In 2019, the Company signed a 15 years exclusive distribution contract with Zagrebačka banka d.d. and Unicredit bank in Slovenia under the umbrella of the Allianz & Unicredit regional partnership.

(b) Relationship with key management personnel

Gross emoluments paid or payable by the Group to the members of the Management Board for the year ended 31 December 2020, amounted to HRK 10.8 million (2019: HRK 16 million), including fixed salary, accrued bonuses for 2020 and life assurance premiums paid by the Group. Out of this amount HRK 724 thousand (2019: HRK 1,142 thousand) relate to pension contributions. Value of units in the Group investment funds owned by Management Board at 31 December 2020 amounted to HRK 292 (31 December 2019: HRK 735 thousand).

Liabilities for share based remuneration to management as at 31 December 2020 amounted to HRK 6,087 thousand (31 December 2019: HRK 6,172 thousand), while expense recognised in 2020 amounted to HRK 1,796 thousand (2019: HRK 3,294 thousand). (please refer to Note 1.34).

1.36 Related parties (continued)

(c) Relationship with Allianz SE, Munich

Liabilities to Allianz SE, Munich as at 31 December 2020 amounted to HRK 183,8 thousand (31 December 2019: HRK 1,676 thousand), while expense recognised in 2020 amounted to HRK 4,715 thousand (2019: HRK 3,763 thousand) and relate to group charges for services provided.

(d) Relationship with fellow subsidiaries of Allianz SE Group

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

	Company 2020 HRK'000	Company 2019 HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of year	26,533	13,804
Reinsurance premiums ceded during the year	85,766	123,428
Reinsurance premiums paid during the year	(62,063)	(110,699)
	<u>50,236</u>	<u>26,533</u>
Reinsurance recoveries:		
Statement of changes in equity	20,956	18,415
Invoiced during the year	89,775	32,032
Received during the year	(79,170)	(29,491)
	<u>31,561</u>	<u>20,956</u>
Reinsurance commission:		
At the beginning of the year	1,203	484
Invoiced during the year	9,824	5,019
Received during the year	(8,712)	(4,300)
	<u>2,315</u>	<u>1,203</u>

(e) Relationship with subsidiaries of the Company

Receivables from AZ Servisni Centar d.o.o. as at 31 December 2020 amounted to HRK 167 thousand (31 December 2019: HRK 284 thousand), while income recognised in 2020 amounted to HRK 59 thousand (2019: HRK 88 thousand) and relate to sublease of office space. Liabilities to AZ Servisni Centar d.o.o. as at 31 December 2020 amounted to HRK 39 thousand (31 December 2019: HRK 101 thousand), while expense recognised in 2020 amounted to HRK 511 thousand (2019: HRK 372 thousand) and relate to IT services provided.

Receivables from Autoelektro tehnički pregledi d.o.o. as at 31 December 2020 amounted to HRK 2,529 thousand (31 December 2019: HRK 2,637 thousand), while income recognised in 2020 amounted to HRK 155 thousand (2019: HRK 161 thousand) and relates to the loan given.

Open receivables from Allianz Invest d.o.o. as at 31 December 2020 amounted 199 thousand HRK (31 December 2019: HRK 187 thousand), while income recognised in 2020 amounted to HRK 986 (2019: HRK 20 thousand) and relate to sublease of office space. Liabilities to Allianz Invest d.o.o. as at 31 December 2020 amounted 179 thousand (31 December 2019: 179 HRK), while expense recognised in 2020 amounted to HRK 1,720 thousand (2019: HRK 1,720 thousand) and relate to management fee.

1.36 Related parties (continued)

Group 2020	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>	-	292	-	-
<i>Ultimate parent company</i>				
Allianz SE, Munich	218	183,811	2,231	4,715
<i>Owners</i>				
Zagrebačka banka d.d.	41,904	-	18,950	22,449
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	33,876	50,236	99,,600	85,766
<i>Other related companies</i>	333	8,763	5,609	17,780
	76,331	243,102	126,390	130,710
Company 2020	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>	-	-	-	-
Allianz SE, Munich	-	651	-	3,515
<i>Owners</i>				
Zagrebačka banka d.d.	34,904	-	18,950	22,429
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o,	167	39	59	511
Allianz Short Term Bond, open-ended investment fund	88,413	-	-	-
Allianz Portfolio, open-ended investment fund	81,401	-	-	-
Allianz Equity, open-ended investment fund	10,450	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,529	-	155	-
Allianz Invest d.o.o.	199	179	986	1,720
<i>Related companies</i>	-	-	-	-
Other subsidiaries of Allianz SE Group - Reinsurers	33,876	50,236	99,600	85,766
<i>Other related companies</i>	333	8,763	2,212	17,780
	252,272	59,868	121,962	131,721

1.36 Related parties (continued)

Group 2019	Assets	Liabilities	Income	Expense
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Key management personnel (including remuneration)</i>	201	3,950	1,130	16,209
<i>Ultimate parent company</i>				
Allianz SE, Munich	161,545	1,676	172,779	176,542
<i>Owners</i>				
Zagrebačka banka d,d,	53,753	11,423	35,911	27,967
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	22,105	16,781	36,906	111,985
<i>Other related companies</i>	16	5,035	573	19,754
	<u>354,740</u>	<u>42,461</u>	<u>256,650</u>	<u>366,159</u>

Company 2019	Assets	Liabilities	Income	Expense
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Key management personnel (including remuneration)</i>	169	2,820	-	14,555
<i>Ultimate parent company</i>				
Allianz SE, Munich	13	1,676	-	3,763
<i>Owners</i>				
Zagrebačka banka d,d,	41,664	-	24,488	27,941
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	284	101	88	372
Allianz Short Term Bond, open-ended investment fund	85,780	-	28	-
Allianz Portfolio, open-ended investment fund	11,177	-	1,342	-
Allianz Equity, open-ended investment fund	11,417	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,637	-	161	-
Allianz Invest d.o.o.	187	179	20	1,720
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	22,105	16,781	36,906	111,985
<i>Other related companies</i>	16	5,035	573	19,754
	<u>175,448</u>	<u>26,593</u>	<u>63,607</u>	<u>180,089</u>

1.37 Financial Risk Management

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

Market risk

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

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

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

Asset and liability matching

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

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

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

Interest rate risk

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

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

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

1.37 Financial Risk Management (continued)

Interest rate risk (continued)

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

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

An increase in 100 basis points in interest yields would be recognised as loss directly in other comprehensive income of the Group in the amount of HRK 245,658 thousand (2019: loss of HRK 223,957 thousand). A decrease in 100 basis points in interest yields would be recognised as gain directly in other comprehensive income of the Group in the amount HRK 313,360 thousand (2019: loss of HRK 134,387 thousand).

An increase in 100 basis points in interest yields would be recognised as a loss directly in profit or loss of the Group in the amount of HRK 39,044 thousand (2019: loss of HRK 38,348 thousand). A decrease in 100 basis points in interest yields would be recognised as a gain directly in profit or loss of the Group in the amount HRK 39,044 thousand (2019: gain of HRK 38,348 thousand).

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

Price risk

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

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

Group	Impact on profit or	Impact on other	Impact on profit or	Impact on other
	loss after tax	comprehensive	loss after tax	comprehensive
	2020	income after tax	2019	income after tax
	HRK'000	2020	HRK'000	2019
		HRK'000	HRK'000	HRK'000
Change in price by \pm 3%	19,247/(19,247)	2,917/(2,917)	19,766/(19,766)	3,001/(3,001)
Change in price by \pm 5%	32,078/(32,078)	4,862/(4,862)	32,943/(32,943)	5,002/(5,002)

Company	Impact on profit or	Impact on other	Impact on profit or	Impact on other
	loss after tax	comprehensive	loss after tax	comprehensive
	2020	income after tax	2019	income after tax
	HRK'000	2020	HRK'000	2019
		HRK'000	HRK'000	HRK'000
Change in price by \pm 3%	19,247 / (19,247)	2,917 / (2,917)	17,911/(17,911)	2,727/(2,727)
Change in price by \pm 5%	32,078 / (32,078)	4,862 / (4,862)	29,852/(29,852)	4,546/(4,546)

1.37 Financial Risk Management (continued)

Foreign exchange risk

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

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

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

Note 1,40 discloses the currency analysis at the statement of financial position for Group's and the Company's financial assets and financial liabilities.

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

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

Group	Impact on profit or loss after tax 2020	Impact on other comprehensive income after tax 2020	Impact on profit or loss after tax 2019	Impact on other comprehensive income after tax 2019
	HRK'000	HRK'000	HRK'000	HRK'000
EUR / HRK rate				
Change in fx rate by ± 1%	24,036 / (24,036)	2,708 / (2,708)	23,126/(23,126)	2,702/(2,702)
Change in fx rate by ± 2%	48,073 / (48,073)	5,416 / (5,416)	46,252/(46,252)	5,404/(5,404)

Company	Impact on profit or loss after tax 2020	Impact on other comprehensive income after tax 2020	Impact on profit or loss after tax 2019	Impact on other comprehensive income after tax 2019
	HRK'000	HRK'000	HRK'000	HRK'000
EUR / HRK rate				
Change in fx rate by ± 1%	1,852 / (1,852)	2,794 / (2,794)	580/(580)	2,702/(2,702)
Change in fx rate by ± 2%	3,704 / (3,704)	5,587 / (5,587)	1,159/(1,159)	5,404/(5,404)

These movements would be offset by the opposite movements in the liabilities. Currency structure of asset and liability is shown in detail in 1.40.

Credit risk

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

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans. Collateral is as prescribed by the Insurance Law.

The Group has adopted a conservative investment policy.

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Government bonds and bonds issued by local authorities	2,480,031	2,626,416	2,345,772	2,456,563
Treasury bills	-	-	-	-
Accrued interest on Government bonds and bonds issued by local authorities	30,755	37,332	30,755	37,320
	<u>2,510,786</u>	<u>2,663,748</u>	<u>2,376,527</u>	<u>2,493,883</u>

The total exposure to Croatian state risk represents 50% of the total assets of the Group (2019: 45%) and 48% of the Company (2019: 52%).

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Debt securities				
Available for sale (Note 1,15c)	3,450,475	3,150,468	3,450,475	3,150,468
Held to maturity (Note 1,15c)	118,775	351,054	61,641	293,449
Loans and receivables				
Deposits with credit institutions (Note 1,15c)	6,173	6,232	6,173	6,232
Loans (Note 1,15c)	32,085	32,899	34,757	35,795
Foreign corporate bonds backing index linked products (Note 1,15c)	-	8,621	-	8,621
Cash and cash equivalents (Note 1,19)	161,461	147,412	118,186	62,669
Insurance receivables and other assets (Note 1,18)	202,617	303,737	202,354	304,017
Reinsurers' share of insurance contract liabilities (Note 1,16)	235,673	160,194	235,673	160,194
Total assets bearing credit risk	<u>4,207,259</u>	<u>4,160,617</u>	<u>4,109,259</u>	<u>4,021,445</u>

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

	Group 2020 HRK'000	Group 2019 HRK'000	Company 2020 HRK'000	Company 2019 HRK'000
Debt securities				
AAA	182,192	178,738	182,192	178,738
AA	100,168	90,179	100,168	90,179
A	341,810	330,968	341,810	330,968
BBB	314,918	238,012	314,918	238,012
BB	-	-	-	-
BB+	-	2,820,372	-	2,614,640
Below BBB or not rated	2,630,162	-	2,573,027	-
Total debt securities	3,569,250	3,658,271	3,512,115	3,452,539
Loans and receivables				
Below BBB or not rated	38,264	39,131	40,930	42,027
Total loans and receivables	38,264	39,131	40,930	42,027
Foreign corporate bonds backing index linked products (Note 1,15c)				
A	-	8,621	-	8,621
Foreign corporate bonds backing index linked products	-	8,621	-	8,621
Cash and cash equivalents				
Below BBB or not rated	161,461	147,412	118,186	62,669
Total cash and cash equivalents	161,461	147,412	118,186	62,669
Insurance receivables and other assets				
AA	35,044	13,093	35,044	13,093
Below BBB or not rated	167,573	291,421	167,310	290,924
Total Insurance receivables and other assets	202,617	304,514	202,354	304,017
Reinsurers' share of insurance contract liabilities				
AA+				
AA	76,742	52,164	76,742	52,164
AA-	47,740	32,450	47,740	32,450
A+	3,125	2,124	3,125	2,124
A	104,062	70,734	104,062	70,734
A-	-	-	-	-
Below BBB or not rated	4,004	2,722	4,004	2,722
Total reinsurance share of insurance contract liabilities	235,673	160,194	235,673	160,194
Total financial asset bearing credit risk	4,207,265	4,317,367	4,109,259	4,030,067

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

The following is an analysis of credit quality of reinsurance receivables as at 31 December 2020:

	Company 2020 HRK'000	Company 2019 HRK'000	Financial Strength Rating
Allianz Global Automotive Division	14,729	4,472	AA
Allianz SE	6,576	11,183	AA
Allianz Global Corporate & Specialty SE	4,325	1,910	AA
Jardine Lloyd Thompson Limited	1,108	1,195	NR
Other	11,048	6,303	
	37,786	25,063	

Liquidity risk

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

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

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

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

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

1.37 Financial Risk Management (continued)

Fair values

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

The fair value hierarchy has the following levels:

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

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

Group

For the year ended 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>				
-Equity securities	86,055	2,186	-	88,242
-Debt securities	-	3,450,475	-	3,450,475
-Investment funds	64,452	176,190	89,609	330,251
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	-	-	-	-
-Equity securities	60,028	-	-	60,028
-Debt securities	88,216	29,162	35	117,413
-Financial assets relating to share-based payments	-	-	7,515	7,515
-Investment funds	4,682	801,941	-	806,623
Total Assets	303,433	4,459,955	97,159	4,860,546

Group

For the year ended 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>				
-Equity securities	75,886	-	-	75,886
-Debt securities	3,149,619	1,345	-	3,150,964
-Investment funds	87,461	242,076	-	329,538
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	4,886	-	-	4,886
-Equity securities	71,876	-	5,402	77,278
-Debt securities	81,987	39,246	35	121,267
-Financial assets relating to share-based payments	-	-	7,473	7,473
-Investment funds	3,070	746,294	-	749,364
Total Assets	3,474,785	1,028,961	12,910	4,516,656

1.37 Financial Risk Management (continued)

Fair values (continued)

Group (continued)

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

- Multiple (Peer group)
- Discounted Cash Flow Method

The fair value of above mentioned financial instruments is measured using different methods depending on available data, Estimated final value is calculated using the weighted average of the methods used.

Table below presents reconciliation the between initial and final state for measurement of fair value in level 3, within fair value hierarchy:

	HRK'000
As at 1 January 2019	4,756
Net gains recognised in profit and loss	1,608
Purchase/Sale/Expiration	(1,135)
Transfers to/from level 3	2,244
As at 31 December 2019	7,473
Net gains recognised in profit and loss	(7)
Purchase/Sale/Expiration	(1,604)
Transfers to/from level 3	1,653
As at 31 December 2020	7,515

1.37 Financial Risk Management (continued)

Fair values (continued)

Company

For the year ended 31 December 2020

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

Company

For the year ended 31 December 2019

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
Assets				
<i>Investments in subsidiaries at fair value</i>	-	177,540	-	177,540
<i>Available-for-sale financial assets</i>				
-Equity securities	75,886	-	-	75,886
-Debt securities	3,149,123	1,345	-	3,150,468
-Investment funds	87,462	242,076	-	329,538
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	4,886	-	-	4,886
- Debt securities	3,735	-	-	3,735
-Financial assets relating to share-based payments	-	-	7,473	7,473
-Investment funds	-	746,294	-	746,294
Total Assets	3,321,092	1,167,255	7,473	4,495,820

At 31 December 2020, investments classified as Level 2 comprise approximately 91,76% (2019: 26%) of Group's financial assets measured as fair value on recurring basis. At 31 December 2020, investments classified as Level 2 comprise approximately 94,98% (2019: 26%) of the Company's financial assets measured as fair value on recurring basis. Financial assets classified as Level 3 include shares relating to share-based payments. Cordiant Emerging loan fund and Real estate fund for the Company and domestic bonds for the Group in 2020.

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

None of available for sale equity securities in level 1 at the year end (2019: 0) were included in level 2 during the year. There were no available for sale equity securities in level 2 at the year end (2019: HRK 0) that were included in level 1 during the year.

Starting with 1st of January Company changed price policy for domestic debt securities and securities of foreign issuers. All debt securities are valued using Allianz standard security price provided by IDS system, closing Bllomberg Generic (BGN) price which placed all debt securities in level 2 at year end in the amount of HRK 3,450,475 HRK (During 2019 :level 1 HRK 3,149,639 thousand ,level 2 HRK 1,345 thousand).

1.37 Financial Risk Management (continued)

Fair values (continued)

There were no available for sale debt securities at year end (2019: -) and available for sale equity securities at year end (2019: -) that were during the year directly included in level 2.

Group	2020		2019	
	Book value	Fair value	Book value	Fair value
	HRK '000	HRK '000	HRK '000	HRK '000
Held-to-maturity investments	118,775	77,574	351,055	306,600
Available for sale financial assets	3,868,968	3,868,968	3,556,388	3,556,388
Financial assets at fair value through profit or loss	991,579	991,579	960,268	960,268
Loans and receivables	38,263	38,263	39,131	39,131
	<u>5,017,584</u>	<u>4,976,384</u>	<u>4,906,842</u>	<u>4,862,387</u>
Investment property	24,524	24,524	25,363	37,770
	<u>5,042,108</u>	<u>5,000,908</u>	<u>4,932,205</u>	<u>4,900,157</u>
Financial liabilities (including liabilities to investment funds non-controlling unitholders)	<u>(21,678)</u>	<u>(21,678)</u>	<u>(237,082)</u>	<u>(237,082)</u>
Company				
Held-to-maturity investments	61,641	68,270	293,449	306,599
Available for sale financial assets	3,868,968	3,868,968	3,555,892	3,555,892
Financial assets at fair value through profit or loss	809,456	809,456	762,388	762,388
Loans and receivables	40,929	40,929	42,027	42,027
	<u>4,780,994</u>	<u>4,787,623</u>	<u>4,653,756</u>	<u>4,666,906</u>
Investments in subsidiaries at cost	5,688	5,688	5,688	5,688
Investments in subsidiaries at fair value	180,264	180,264	171,852	171,852
Investment property	24,524	24,524	25,363	37,770
	<u>4,991,470</u>	<u>4,998,099</u>	<u>4,856,659</u>	<u>4,882,216</u>
Financial liabilities	<u>(174,533)</u>	<u>(174,533)</u>	<u>(228,388)</u>	<u>(228,388)</u>

Loans and receivables are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses. Fair value of loans and receivables is determined by the inputs other than quoted prices that are observable for the assets therefore these would be classified as level 2 within fair value hierarchy. For held-to-maturity investment fair value is determined by using quoted prices therefore these would be classified as level 1 within fair value hierarchy.

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

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

1.37 Financial Risk Management (continued)

Capital management

In 2016 new Solvency II regulatory came into force,

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

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

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

At 31 December 2020 and 2019, guarantee capital of the Company was higher than minimum core capital required by Act 19 of Insurance law, and as far from solvency margin calculated based on Act 98 Insurance law, as follows.

	Unaudited 31.12.2020. HRK'000 Company	Unaudited 31.12.2019. HRK'000 Company
Basic own funds	953,641	849,357
Ordinary share capital	101,722	101,722
Share premium account related to ordinary share capital	112,001	112,001
Reconciliation reserve	739,918	635,634
Excess of assets over liabilities	1,155,065	1,023,181
Total assets	5,516,692	5,344,819
Total liabilities	4,361,627	4,321,638
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	201,424	173,826
Other basic own fund items	213,723	213,723
Ancillary own funds	-	-
Total available own funds to meet the SCR	953,641	849,357
Total available own funds to meet the MCR	953,641	849,357
SCR	488,109	457,339
MCR	214,067	205,803
Ratio of Eligible own funds to SCR	195%	186%
Ratio of Eligible own funds to MCR	445%	413%

Due to the decision of the Croatian financial services supervisory agency (HANFA) from 26th of March 2020 the dividend payment for insurance companies in Croatia is forbidden till 30th of April 2021. The decision is a preventive measure to keep stability and financial resistance of insurance companies due to extraordinary environment caused by the COVID 19 pandemic.

The solvency ratio, with excluding the foreseeable dividend of 173,826 thousand HRK, on 31st December 2020, would amount to 232%.

1.38 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Group and the Company at 31 December 2020 and 31 December 2019 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. Highly liquid investments without contractual maturity are classified as up to 6 months. Investments in subsidiaries are classified as over 5 years. Estimated remaining contractual maturities of insurance provisions are analysed in Note 1.21 h). The amounts of financial liabilities disclosed in the table (all non-interest bearing) are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows.

Group – 2020

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	-	-	66,767	31,254	20,755	118,776
Debt securities	-	-	66,767	31,254	20,755	118,776
<i>Available-for-sale financial assets</i>	-	467,707	302,232	828,166	2,270,863	3,868,968
Debt securities	-	137,456	213,990	828,166	2,270,863	3,450,475
Equity securities	-	-	88,242	-	-	88,242
Investment funds	-	330,251	-	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	66,127	839,925	2,077	14,040	69,410	991,579
Debt securities	-	37,984	-	10,019	69,410	117,413
Equity securities	60,028	-	-	-	-	60,028
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	1,417	-	2,077	4,021	-	7,515
Investment funds	4,682	801,941	-	-	-	806,623
<i>Loans and receivables</i>	13,182	3,589	1,924	2,681	16,889	38,264
Deposits with banks	6,173	-	-	-	-	6,173
Loans to customers	7,009	3,589	1,924	2,681	16,889	32,091
Reinsurers' share of insurance contract liabilities	73,643	69,591	38,948	44,510	8,981	235,673
Receivables	174,298	7,680	20,639	-	-	202,617
Cash and cash equivalents	161,461	-	-	-	-	161,461
Total financial assets	488,711	1,388,492	432,586	920,651	2,386,898	5,617,338
Financial liabilities						
Liabilities to investment funds	-	-	-	-	-	-
Payables	139,293	-	1,210	-	-	140,501
Other liabilities	150,655	-	-	-	-	150,655
Lease liabilities	5,478	5,478	19,395	31,000	2,643	63,994
Financial liabilities	295,425	5,478	20,605	31,000	2,643	355,150
Maturity gap	193,285	1,383,014	411,981	889,651	2,384,255	5,262,188

1.38 Maturity analysis (continued)

Group – 2019

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	232,828	-	-	97,312	20,916	351,056
Debt securities	232,828	-	-	97,312	20,916	351,056
<i>Available-for-sale financial assets</i>	136,492	329,538	216,436	684,650	2,189,272	3,556,388
Debt securities	136,492	-	140,551	684,650	2,189,272	3,150,965
Equity securities	-	-	75,885	-	-	75,885
Investment funds	-	329,538	-	-	-	329,538
<i>Financial assets at fair value through profit or loss</i>	136,151	746,294	4,643	7,015	66,165	960,268
Debt securities	49,225	-	3,186	2,691	66,165	121,267
Equity securities	77,278	-	-	-	-	77,278
Foreign corporate bonds backing index linked products	4,886	-	-	-	-	4,886
Shares relating to share-based payments	1,692	-	1,457	4,324	-	7,473
Investment funds	3,070	746,294	-	-	-	749,364
<i>Loans and receivables</i>	13,188	3,679	2,201	2,749	17,314	39,131
Deposits with banks	6,003	-	229	-	-	6,232
Loans to customers	7,185	3,679	1,972	2,749	17,314	32,899
Reinsurers' share of insurance contract liabilities	24,498	29,437	36,137	57,573	12,550	160,195
Receivables	261,955	11,543	31,018	-	-	304,516
Cash and cash equivalents	147,412	-	-	-	-	147,412
Total financial assets	952,524	1,120,491	290,435	849,299	2,306,216	5,518,966
Financial liabilities						
Liabilities to investment funds	-	-	-	-	-	-
Payables	130,925	-	1,137	-	-	132,061
Other liabilities	36,725	-	-	-	-	36,725
Lease liabilities	5,407	10,814	21,112	29,366	1,597	68,296
Financial liabilities	173,057	10,814	22,249	29,366	1,597	237,083
Maturity gap	779,467	1,109,677	268,184	819,933	2,304,621	5,281,882

1.38 Maturity analysis (continued)

Company – 2020

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>	-	-	-	-	185,953	185,953
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	169,815	169,815
AFS	-	-	-	-	10,450	10,450
<i>Held-to-maturity investments</i>	-	-	61,641	-	-	61,641
Debt securities	-	-	61,641	-	-	61,641
<i>Available-for-sale financial assets</i>	-	467,707	302,232	828,166	2,270,863	3,868,968
Debt securities	-	137,456	213,990	828,166	2,270,863	3,450,475
Equity securities	-	-	88,242	-	-	88,242
Investment funds	-	330,251	-	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	1,417	801,941	2,077	4,021	-	809,456
Debt securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	1,417	-	2,077	4,021	-	7,515
Investment funds	-	801,941	-	-	-	801,941
<i>Loans and receivables</i>	10,708	6,186	2,216	3,948	17,872	40,930
Deposits with banks	6,173	-	-	-	-	6,173
Loans to customers	4,535	6,186	2,216	3,948	17,872	34,757
Reinsurers' share of insurance contract liabilities	73,620	69,591	38,948	44,510	9,004	235,673
Receivables	174,075	7,685	20,651	-	-	202,411
Cash and cash equivalents	118,186	-	-	-	-	118,186
Total financial assets	378,006	1,353,110	427,765	880,645	2,483,692	5,523,218
Financial liabilities						
Payables	93,070	-	-	-	-	93,070
Other liabilities	99,796	-	-	-	-	99,796
Lease liabilities	5,478	5,478	19,395	31,000	2,643	63,994
Financial liabilities	198,344	5,478	19,395	31,000	2,643	256,860
Maturity gap	179,662	1,347,632	408,370	849,645	2,481,049	5,266,358

1.38 Maturity analysis (continued)

Company – 2019

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>					177,540	177,540
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	160,435	160,435
AFS	-	-	-	-	11,417	11,417
<i>Held-to-maturity investments</i>	232,828	-	-	60,621	-	293,449
Debt securities	232,828	-	-	60,621	-	293,449
<i>Available-for-sale financial assets</i>	136,492	329,538	216,437	684,650	2,188,775	3,555,892
Debt securities	136,492	-	140,551	684,650	2,188,775	3,150,468
Equity securities	-	-	75,886	-	-	75,886
Investment funds	-	329,538	-	-	-	329,538
<i>Financial assets at fair value through profit or loss</i>	10,313	746,294	1,457	4,324	-	762,388
Debt securities	3,735	-	-	-	-	3,735
Foreign corporate bonds backing index linked products	4,886	-	-	-	-	4,886
Shares relating to share-based payments	1,692	-	1,457	4,324	-	7,473
Investment funds	-	746,294	-	-	-	746,294
<i>Loans and receivables</i>	13,188	3,679	2,485	2,749	19,926	42,027
Deposits with banks	6,003	-	229	-	-	6,232
Loans to customers	7,185	3,679	2,256	2,749	19,926	35,795
Reinsurers' share of insurance contract liabilities	24,498	29,437	36,137	57,573	12,550	160,195
Receivables	261,458	11,543	31,017	-	-	304,018
Cash and cash equivalents	62,669	-	-	-	-	62,669
Total financial assets	741,446	1,120,491	287,532	809,917	2,398,791	5,358,177
Financial liabilities						
Payables	130,926	-	1,137	-	-	132,061
Other liabilities	28,031	-	-	-	-	28,031
Lease liabilities	5,408	10,814	21,112	29,366	1,596	68,296
Financial liabilities	164,365	10,814	22,249	29,366	1,596	228,388
Maturity gap	577,083	1,109,677	265,282	780,551	2,397,195	5,129,788

1.39 Interest rate repricing analysis

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

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2020 and 31 December 2019 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of mathematical reserve is based (Note 1.21 (f)), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

Group – 2020

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Other* HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Held-to-maturity investments</i>		-	-	66,766	31,254	20,755	-	118,775	118,775
Debt securities	5.99	-	-	66,766	31,254	20,755	-	118,775	118,775
<i>Available-for-sale financial assets</i>		-	467,707	302,232	828,166	2,270,863	-	3,868,968	3,450,475
Debt securities	3.33	-	137,456	213,990	828,166	2,270,863	-	3,450,475	3,450,475
Equity securities		-	-	88,242	-	-	-	88,242	-
Investment funds		-	330,251	-	-	-	-	330,251	-
<i>Financial assets at fair value through profit or loss</i>		64,059	839,925	2,077	14,040	64,679	6,799	991,579	117,413
Debt securities		-	37,984	-	10,019	64,679	4,731	117,413	117,413
Equity securities		60,028	-	-	-	-	-	60,028	-
Foreign corporate bonds backing index linked products	n/a	-	-	-	-	-	-	-	-
Shares relating to share-based payments	n/a	1,417	-	2,077	4,021	-	-	7,515	-
Investment funds		2,614	801,941	-	-	-	2,068	806,623	-
<i>Loans and receivables</i>		13,182	3,589	1,924	2,681	16,889	-	38,264	38,264
Deposits with banks	0.06	6,173	-	-	-	-	-	6,173	6,173
Loans to customers	4.46	7,009	3,589	1,924	2,681	16,889	-	32,091	32,091
Reinsurers' share of insurance contract liabilities		73,643	69,591	38,948	44,510	8,981	-	235,673	-
Receivables		694	-	-	-	-	201,923	202,617	-
Cash and cash equivalents		161,461	-	-	-	-	-	161,461	161,461
Total financial assets		313,039	1,380,812	411,947	920,651	2,382,167	208,722	5,617,337	3,886,388
Financial liabilities									
Liabilities to investment funds		-	-	-	-	-	-	-	-
Payables		-	-	-	-	-	140,501	140,501	140,501
Other liabilities		-	-	-	-	-	150,655	150,655	150,655
Lease liabilities		5,478	5,478	19,395	31,000	2,643	-	63,994	63,994
Total financial liabilities		5,478	5,478	19,395	31,000	2,643	291,156	355,150	355,150
Repricing gap		307,561	1,375,334	392,552	889,651	2,379,524	(82,434)	5,262,187	3,531,238

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

1.39 Interest rate repricing analysis (continued)

Group – 2019

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Other* HRK'00 0	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000		HRK'000	HRK'000
Financial assets									
<i>Held-to-maturity investments</i>		232,828	-	-	97,312	20,914	-	351,054	351,054
Debt securities	7.91	232,828	-	-	97,312	20,914	-	351,054	351,054
<i>Available-for-sale financial assets</i>		136,492	329,538	216,436	684,650	2,189,271	-	3,556,388	3,150,965
Debt securities	3.81	136,492	-	140,551	684,650	2,189,271	-	3,150,965	3,150,965
Equity securities		-	-	75,886	-	-	-	75,886	
Investment funds		-	329,538	-	-	-	-	329,538	
<i>Financial assets at fair value through profit or loss</i>		134,083	746,294	4,643	7,015	66,165	2,068	960,268	126,153
Debt securities		49,225	-	3,186	2,691	66,165	-	121,267	121,267
Equity securities		77,278	-	-	-	-	-	77,278	
Foreign corporate bonds backing index linked products	n/a	4,886	-	-	-	-	-	4,886	4,886
Shares relating to share-based payments	n/a	1,692	-	1,457	4,324	-	-	7,473	
Investment funds		1,002	746,294	-	-	-	2,068	749,364	
<i>Loans and receivables</i>		13,188	3,679	2,201	2,749	17,314	-	39,131	39,131
Deposits with banks	0.60	6,003	-	229	-	-	-	6,232	6,232
Loans to customers	5.27	7,185	3,679	1,972	2,749	17,314	-	32,899	32,899
Reinsurers' share of insurance contract liabilities		24,498	29,437	36,137	57,573	12,550	-	160,194	
Receivables		223	-	-	-	-	304,289	304,514	-
Cash and cash equivalents		147,412	-	-	-	-	-	147,412	147,412
Total financial assets		688,725	1,108,948	259,417	849,299	2,306,215	306,357	5,518,962	3,814,714
Financial liabilities									
Liabilities to investment funds		-	-	-	-	-	-	-	-
Payables		-	-	-	-	-	132,061	132,061	132,061
Other liabilities		-	-	-	-	-	36,725	36,725	36,725
Lease liabilities		5,407	10,814	21,112	29,366	1,596	-	68,296	68,296
Total financial liabilities		5,407	10,814	21,112	29,366	1,596	168,786	237,082	237,082
Repricing gap		683,318	1,098,134	238,305	819,933	2,304,619	137,571	5,281,879	3,577,632

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

1.39 Interest rate repricing analysis (continued)

Company – 2020

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>									
At cost		-	-	-	-	-	185,953	185,953	-
At fair value through P&L		-	-	-	-	-	5,688	5,688	-
AFS		-	-	-	-	-	169,815	169,815	-
<i>Held-to-maturity investments</i>		-	-	61,641	-	-	-	61,641	61,641
Debt securities	6.99	-	-	61,641	-	-	-	61,641	61,641
<i>Available-for-sale financial assets</i>		-	467,707	302,232	828,166	2,270,863	-	3,868,968	3,450,475
Debt securities	3.33	-	137,456	213,990	828,166	2,270,863	-	3,450,475	3,450,475
Equity securities		-	-	88,242	-	-	-	88,242	-
Investment funds		-	330,251	-	-	-	-	330,251	-
<i>Financial assets at fair value through profit or loss</i>		1,417	801,941	2,077	4,021	-	-	809,456	-
Debt securities		-	-	-	-	-	-	-	-
Foreign corporate bonds backing index linked products		-	-	-	-	-	-	-	-
Shares relating to share-based payments		1,417	-	2,077	4,021	-	-	7,515	-
Investment funds		-	801,941	-	-	-	-	801,941	-
<i>Loans and receivables</i>		4,535	12,359	2,216	3,948	17,872	-	40,930	40,930
Deposits with banks	0.06	-	6,173	-	-	-	-	6,173	6,173
Loans to customers	4.46	4,535	6,186	2,216	3,948	17,872	-	34,757	34,757
Reinsurance share in technical provisions	-	73,620	69,591	38,948	44,510	9,004	-	235,673	-
Receivables		-	-	-	-	-	202,411	202,411	-
Cash and cash equivalents		118,186	-	-	-	-	-	118,186	118,186
Total financial assets		197,758	1,351,598	407,114	880,645	2,297,739	388,364	5,523,218	3,671,232
Financial liabilities									
Payables		-	-	-	-	-	93,070	93,070	-
Other liabilities		-	-	-	-	-	99,796	99,796	-
Lease liabilities		5,478	5,478	19,395	31,000	2,643	-	63,994	63,994
Total financial liabilities		5,478	5,478	19,395	31,000	2,643	192,866	256,860	63,994
Repricing gap		192,280	1,346,120	387,719	849,645	2,295,096	195,498	5,266,358	3,607,238

1.39 Interest rate repricing analysis (continued)

Company – 2019

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>									
At cost	-	-	-	-	-	-	5,688	5,688	-
At fair value through P&L	-	-	-	-	-	-	160,435	160,435	-
AFS	-	-	-	-	-	-	11,417	11,417	-
<i>Held-to-maturity investments</i>									
		232,828	-	-	60,621	-	-	293,449	293,449
Debt securities	6.00	232,828	-	-	60,621	-	-	293,449	293,449
<i>Available-for-sale financial assets</i>									
		136,492	329,538	216,437	684,650	2,188,775	-	3,555,892	2,755,063
Debt securities	4.00	136,492	-	140,551	684,650	2,188,775	-	3,150,468	2,755,063
Equity securities	-	-	-	75,886	-	-	-	75,886	-
Investment funds	-	-	329,538	-	-	-	-	329,538	-
<i>Financial assets at fair value through profit or loss</i>									
		10,313	746,294	1,457	4,324	-	-	762,388	-
Debt securities	-	3,735	-	-	-	-	-	3,735	-
Foreign corporate bonds backing index linked products	-	4,886	-	-	-	-	-	4,886	-
Shares relating to share-based payments	-	1,692	-	1,457	4,324	-	-	7,473	-
Investment funds	-	-	746,294	-	-	-	-	746,294	-
<i>Loans and receivables</i>									
		13,188	3,679	2,485	2,749	19,926	-	42,027	42,027
Deposits with banks	0.67	6,003	-	229	-	-	-	6,232	6,232
Loans to customers	4.06	7,185	3,679	2,256	2,749	19,926	-	35,795	35,795
Reinsurance share in technical provisions	-	24,498	29,437	36,137	57,573	12,550	-	160,194	-
Receivables	-	-	-	-	-	-	304,017	304,017	-
Cash and cash equivalents	-	62,669	-	-	-	-	-	62,669	-
Total financial assets		479,989	1,108,948	256,515	809,917	2,221,252	481,557	5,358,176	3,090,539
Financial liabilities									
<i>Payables</i>									
Payables	-	-	-	-	-	-	132,061	132,061	-
Other liabilities	-	-	-	-	-	-	28,031	28,031	-
<i>Lease liabilities</i>									
		5,408	10,814	21,112	29,366	1,596	-	68,296	68,296
Total financial liabilities		5,408	10,814	21,112	29,366	1,596	160,092	228,388	68,296
Repricing gap		474,581	1,098,134	235,403	780,551	2,219,656	228,389	5,129,788	3,022,243

1.40 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within scope of IAS 39 were denominated as follows as at 31 December 2020 and 31 December 2019.

Group – 2020

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	-	61,640	61,640	-	57,134	118,774
Debt securities	-	61,640	61,640	-	57,134	118,774
<i>Available-for-sale financial assets</i>	1,760,184	574,758	2,334,942	-	1,534,026	3,868,968
Debt securities	1,421,311	574,758	1,996,069	-	1,454,407	3,450,476
Equity securities	8,622	-	8,622	-	79,619	88,241
Investment funds	330,251	-	330,251	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	709,399	-	709,399	108,936	173,246	991,580
Debt securities	50,267	-	50,267	-	67,147	117,414
Equity securities	12,174	-	12,174	-	47,854	60,028
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	7,515	-	7,515	-	-	7,515
Investment funds	639,443	-	639,443	108,936	58,245	806,623
<i>Loans and receivables</i>	15,343	2,420	17,763	-	20,500	38,264
Deposits with banks	227	-	227	-	5,945	6,173
Loans to customers	15,117	2,420	17,536	-	14,555	32,091
Reinsurance share in technical provisions	46,535	1,877	48,412	96	187,165	235,673
Receivables	78,493	-	78,493	1,734	122,390	202,617
Cash and cash equivalents	121,498	-	121,498	7,558	32,405	161,461
Total financial assets	2,731,452	640,695	3,372,146	118,324	2,126,866	5,617,337
Insurance liabilities						
Financial liabilities						
Liabilities to investment funds						
Payables	31,496	-	31,496	373	108,632	140,501
Other liabilities	86	-	86	-	150,569	150,655
Lease liabilities	63,802	-	63,802	-	192	63,994
Financial liabilities	95,384	-	95,384	373	259,392	355,150
Currency gap on financial assets and financial liabilities	2,636,068	640,695	3,276,762	117,951	1,867,473	5,262,187

1.40 Currency risk analysis (continued)

Group – 2019

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>	-	220,340	220,340	-	130,714	351,054
Debt securities	-	220,340	220,340	-	130,714	351,054
<i>Available-for-sale financial assets</i>	1,550,161	562,802	2,112,963	-	1,443,425	3,556,388
Debt securities	1,220,624	562,802	1,783,426	-	1,367,539	3,150,965
Equity securities	-	-	-	-	75,886	75,886
Investment funds	329,537	-	329,538	-	-	329,538
<i>Financial assets at fair value through profit or loss</i>	633,394	-	633,394	105,779	221,095	960,268
Debt securities	15,772	-	15,772	-	105,495	121,267
Equity securities	11,212	-	11,212	4,576	61,490	77,278
Foreign corporate bonds backing index linked products	4,886	-	4,886	-	-	4,886
Shares relating to share-based payments	7,473	-	7,473	-	-	7,473
Investment funds	594,051	-	594,051	101,203	54,110	749,364
<i>Loans and receivables</i>	18,478	(2,921)	15,557	-	23,573	39,131
Deposits with banks	229	-	229	-	6,002	6,232
Loans to customers	18,249	(2,921)	15,328	-	17,571	32,899
Reinsurance share in technical provisions	25,629	4,843	30,472	2,259	127,463	160,194
Receivables	117,968	-	117,968	2,606	183,942	304,516
Cash and cash equivalents	60,579	-	60,579	13,744	73,089	147,412
Total financial assets	2,406,209	785,064	3,191,273	124,388	2,203,302	5,518,965
Insurance liabilities						
Financial liabilities						
Liabilities to investment funds						
Payables	29,604	-	29,604	351	102,106	132,061
Other liabilities	21	-	21	-	36,704	36,725
Lease liabilities	68,056	-	68,056	-	240	68,296
Financial liabilities	97,681	-	97,681	351	139,051	237,082
Currency gap on financial assets and financial liabilities	2,308,528	785,064	3,093,592	124,037	2,064,251	5,281,883

1.40 Currency risk analysis (continued)

Company – 2020

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>	10,450	-	10,450	-	175,503	185,953
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	169,815	169,815
AFS	10,450	-	10,450	-	-	10,450
<i>Held-to-maturity investments</i>	-	61,641	61,641	-	-	61,641
Debt securities	-	61,641	61,641	-	-	61,641
<i>Available-for-sale financial assets</i>	1,760,184	574,758	2,334,942	-	1,534,026	3,868,968
Debt securities	1,421,311	574,758	1,996,069	-	1,454,406	3,450,475
Equity securities	8,622	-	8,622	-	79,620	88,242
Investment funds	330,251	-	330,251	-	-	330,251
<i>Financial assets at fair value through profit or loss</i>	645,861	-	645,861	107,672	55,922	809,456
Debt securities	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	-	-
Shares relating to share-based payments	7,515	-	7,515	-	-	7,515
Investment funds	638,346	-	638,346	107,672	55,922	801,941
<i>Loans and receivables</i>	17,437	-	17,437	-	23,493	40,930
Deposits with banks	173	-	173	-	6,000	6,173
Loans to customers	17,264	-	17,264	-	17,493	34,757
Reinsurers' share of insurance contract liabilities	46,535	1,877	48,412	96	187,165	235,673
Receivables	78,488	-	78,488	1,735	122,188	202,411
Cash and cash equivalents	88,934	-	88,934	5,532	23,720	118,186
Total financial assets	2,647,889	638,276	3,286,165	115,036	2,122,017	5,523,218
Financial liabilities						
Payables	28,987	-	28,978	-	64,083	93,070
Other liabilities	32	-	32	-	99,764	99,796
Lease liabilities	63,802	-	63,802	-	192	63,994
Financial liabilities	92,821	-	92,812	-	164,039	256,860
Currency gap on financial assets and financial liabilities	2,555,068	638,276	3,193,353	115,036	1,957,978	5,266,358

1.40 Currency risk analysis (continued)

Company – 2019

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>	11,417	-	11,417	-	166,122	177,539
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	160,434	160,434
AFS	11,417	-	11,417	-	-	11,417
<i>Held-to-maturity investments</i>	-	220,340	220,340	-	73,109	293,449
Debt securities	-	220,340	220,340	-	73,109	293,449
<i>Available-for-sale financial assets</i>	1,550,161	562,802	2,112,963	-	1,442,929	3,555,892
Debt securities	1,220,624	562,802	1,783,426	-	1,367,044	3,150,470
Equity securities	-	-	-	-	75,885	75,885
Investment funds	329,537	-	329,537	-	-	329,537
<i>Financial assets at fair value through profit or loss</i>	610,145	-	610,145	100,201	52,042	762,388
Debt securities	3,735	-	3,735	-	-	3,735
Equity securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	4,886	-	4,886	-	-	4,886
Shares relating to share-based payments	7,473	-	7,473	-	-	7,473
Investment funds	594,051	-	594,051	100,201	52,042	746,294
<i>Loans and receivables</i>	18,478	-	18,478	-	23,549	42,027
Deposits with banks	229	-	229	-	6,003	6,232
Loans to customers	18,249	-	18,249	-	17,546	35,795
Reinsurers' share of insurance contract liabilities	25,629	4,843	30,472	2,259	127,463	160,194
Receivables	117,887	-	117,887	2,606	183,525	304,018
Cash and cash equivalents	28,704	-	28,704	5,158	28,807	62,669
Total financial assets	2,362,421	787,985	3,150,406	110,224	2,097,546	5,358,175
Financial liabilities						
Payables	29,604	-	29,604	351	102,106	132,061
Other liabilities	21	-	21	-	28,010	28,031
Lease liabilities	68,056	-	68,056	-	240	68,296
Financial liabilities	97,681	-	97,681	351	130,357	228,388
Currency gap on financial assets and financial liabilities	2,264,740	787,985	3,052,725	109,873	1,967,189	5,129,787

1.41 Post balance sheet events

After 31 December 2020, there were no events that would have a significant impact on the financial statements as at that day or for the period then ended, or that are of such importance to the Company and Group that would require disclosure in the notes to the financial statements.

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1

Statement of financial position (balance sheet) 31.12.2020

ASSETS				<i>in HRK</i>					
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003	I	INTANGIBLE ASSETS	120,369,912	49,777,362	170,147,274	111,666,035	49,460,508	161,126,543
002		1	Goodwill						
003		2	Other intangible assets	120,369,912	49,777,362	170,147,274	111,666,035	49,460,508	161,126,543
004	005+006+007	II	TANGIBLE ASSETS		98,049,729	98,049,729		93,717,383	93,717,383
005		1	Land and buildings intended for company business operations		96,938,151	96,938,151		28,386,196	28,386,196
006		2	Equipment		1,111,578	1,111,578		2,537,950	2,537,950
007		3	Other tangible assets and stock					62,793,237	62,793,237
008	009+010+014+033	III	INVESTMENTS	3,103,168,219	940,962,554	4,044,130,772	3,197,357,412	991,440,298	4,188,797,710
009		A	Investments in land and buildings not intended for company business operations		25,362,888	25,362,888		24,523,561	24,523,561
010	011+012+013	B	Investments in subsidiaries, associates and joint ventures		5,688,100	5,688,100		5,688,100	5,688,100
011		1	Shares and stakes in subsidiaries		5,688,100	5,688,100		5,688,100	5,688,100
012		2	Shares and stakes in associates						
013		3	Joint venture participation						
014	015+018+023+029	C	Financial investments	3,103,168,219	909,911,566	4,013,079,784	3,197,357,412	961,228,637	4,158,586,049
015	016+017	1	Investments held-to-maturity	220,339,517	73,108,900	293,448,417	61,640,072		61,640,072
016		1.1	<i>Debt securities and other securities with fixed revenue</i>	220,339,517	73,108,900	293,448,417	61,640,072		61,640,072
017		1.2	<i>Other investments held to maturity</i>						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

ASSETS									<i>in HRK</i>
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
018	019+020+021+022	2	Investments available-for-sale	2,794,905,205	772,406,896	3,567,312,101	3,049,810,467	829,606,801	3,879,417,268
019		2.1	<i>Shares, stakes and other securities with variable revenue</i>	59,785,387	16,100,397	75,885,784	69,278,818	18,963,055	88,241,873
020		2.2	<i>Debt securities and other securities with fixed revenue</i>	2,430,592,763	719,878,908	3,150,471,670	2,664,905,316	785,569,876	3,450,475,192
021		2.3	<i>Investment fund units</i>	304,527,055	36,427,592	340,954,647	315,626,333	25,073,870	340,700,203
022		2.4	<i>Other investments available for sale</i>						
023	024+025+026+027+028	3	Investments at fair value through profit and loss account	58,423,703	49,740,659	108,164,363	59,829,825	70,588,408	130,418,233
024		3.1	<i>Shares, stakes and other securities with variable revenue</i>						
025		3.2	<i>Debt securities and other securities with fixed revenue</i>						
026		3.3	<i>Derivative financial instruments</i>		7,472,865	7,472,865		7,514,736	7,514,736
027		3.4	<i>Investment fund units</i>	54,688,890	42,267,794	96,956,685	59,829,825	63,073,672	122,903,497
028		3.5	<i>Other investments</i>	3,734,813		3,734,813			
029	030+031+032	4	Deposits, loans and receivables	29,499,793	14,655,110	44,154,903	26,077,048	61,033,428	87,110,476
030		4.1	<i>Deposits with credit institutions (banks)</i>	2,398,807	6,231,947	8,630,754		53,626,073	53,626,073
031		4.2	<i>Loans</i>	27,100,986	8,423,163	35,524,150	26,077,048	7,407,355	33,484,403
032		4.3	<i>Other loans and receivables</i>						
033		D	Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	814,657,381		814,657,381	848,852,609		848,852,609

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

ASSETS

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	1,038,653	159,154,426	160,193,079	1,062,317	234,610,443	235,672,760
036		1	Unearned premiums, reinsurance share	131,123	98,124,627	98,255,750	122,724	90,760,110	90,882,834
037		2	Mathematical provision, reinsurance share	297,730		297,730	327,693		327,693
038		3	Provision for claims outstanding, reinsurance share	609,800	61,029,799	61,639,599	611,900	143,850,333	144,462,233
039		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other insurance technical provisions, reinsurance share						
042		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSET					9,971,392	9,971,392
044		1	Deferred tax asset						
045		2	Current tax asset					9,971,392	9,971,392
046	047+050+051	VII	RECEIVABLES	81,274,522	215,880,971	297,155,493	2,389,113	196,768,038	199,157,151
047	048+049	1	Receivables from direct insurance business	209,045	138,036,377	138,245,422		123,720,204	123,720,204
048		1.1	<i>From policyholders</i>	209,045	138,036,377	138,245,422		123,720,204	123,720,204
049		1.2	<i>From insurance agents, or insurance brokers</i>						
050		2	Receivables from co-insurance and reinsurance business	264,289	23,668,123	23,932,412	79,591	36,578,479	36,658,070

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

ASSETS									<i>in HRK</i>
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
051	052+053+054	3	Other receivables	80,801,188	54,176,471	134,977,659	2,309,522	36,469,355	38,778,877
052		3.1	Receivables from other insurance business		13,501,222	13,501,222	1,191,335	29,896,430	31,087,765
053		3.2	Receivables for return on investments	250,199	49,354	299,553	1,226,079	63,398	1,289,477
054		3.3	Other receivables	80,550,989	40,625,895	121,176,884	-107,892	6,509,527	6,401,634
055	056+060+061	VIII	OTHER ASSETS	18,947,435	41,721,991	60,669,426	15,581,310	55,376,756	70,958,065
056	057+058+059	1	Cash at bank and in hand	18,947,435	41,721,991	60,669,426	15,581,310	55,376,756	70,958,065
057		1.1	Funds in the business account	15,637,154	41,439,568	57,076,722	13,001,390	55,269,111	68,270,501
058		1.2	Funds in the account of assets covering mathematical provision	3,193,214		3,193,214	2,462,852		2,462,852
059		1.3	Cash in hand	117,068	282,423	399,491	117,068	107,645	224,712
060		2	Long-term assets intended for sale and business cessation						
061		3	Other						
062	063+064+065	IX	PREPAYMENTS AND ACCRUED INCOME	1,760,950	75,494,542	77,255,492	1,606,770	76,804,994	78,411,764
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs	1,530,019	69,006,200	70,536,218	1,339,906	72,770,060	74,109,966
065		3	Other prepayments and accrued income	230,931	6,488,343	6,719,273	266,865	4,034,934	4,301,798
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS (A+B+C+D+E+F+G+H+I+J)	4,141,217,071	1,581,041,575	5,722,258,645	4,178,515,565	1,708,149,812	5,886,665,377
067		XI	OFF BALANCE SHEET ITEMS						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
068	069+072+073+077+081+084	XII	CAPITAL AND RESERVES	649,273,701	505,092,351	1,154,366,052	697,802,602	509,098,378	1,206,900,981
069	070+071	1	Subscribed capital	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
070		1.1	<i>Paid-up capital - ordinary shares</i>	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
071		1.2	<i>Paid-up capital - preference shares</i>						
072		2	Issued shares premiums (capital reserves)	80,500,000	31,500,600	112,000,600	80,500,000	31,500,600	112,000,600
073	074+075+076	3	Revaluation reserve	327,221,292	56,168,723	383,390,015	331,672,234	49,936,163	381,608,397
074		3.1	<i>Land and buildings</i>						
075		3.2	<i>Financial investments</i>	327,221,292	56,168,723	383,390,015	331,672,234	49,936,163	381,608,397
076		3.3	<i>Other revaluation reserves</i>						
077	078+079+080	4	Reserves	2,397,219	22,655,124	25,052,343	2,397,219	22,655,124	25,052,343
078		4.1	<i>Legally stipulated reserves</i>	1,300,066	7,098,754	8,398,820	1,300,066	7,098,754	8,398,820
079		4.2	<i>Statutory reserve</i>	1,097,153	15,556,369	16,653,523	1,097,153	15,556,369	16,653,523
080		4.3	<i>Other reserve</i>						
081	082+083	5	Transferred (retained) profit or loss	151,473,462	264,927,721	416,401,183	209,118,024	323,082,670	532,200,694
082		5.1	<i>Retained profit</i>	151,473,462	264,927,721	416,401,183	209,118,024	323,082,670	532,200,694
083		5.2	<i>Transferred loss (-)</i>						
084	085+086	6	Profit or loss of the current accounting period	57,681,728	58,117,783	115,799,511	44,115,126	10,201,422	54,316,548
085		6.1	<i>Profit of the current accounting period</i>	57,681,728	58,117,783	115,799,511	44,115,126	10,201,422	54,316,548
086		6.2	<i>Loss of the current accounting period (-)</i>						
087		XIII	SUBORDINATED LIABILITIES						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,575,241,566	878,963,634	3,454,205,200	2,523,032,767	980,072,070	3,503,104,837
090		1	Unearned premiums, gross amount	12,532,454	437,188,115	449,720,569	10,281,887	442,511,954	452,793,841
091		2	Mathematical provision, gross amount	2,488,173,525		2,488,173,525	2,429,584,391		2,429,584,391
092		3	Provision for claims outstanding, gross amount	74,383,258	438,550,476	512,933,733	83,166,488	532,748,427	615,914,916
093		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount		3,225,043	3,225,043		4,811,688	4,811,688
094		5	Equalisation provision, gross amount						
095		6	Other insurance technical provisions, gross amount	152,329		152,329			
096		XVI	LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	814,657,381		814,657,381	848,852,602		848,852,602
097	098+099	XVII	OTHER RESERVES				877,518	2,305,433	3,182,951
098		1	Provisions for pensions and similar liabilities				838,464	2,226,140	3,064,604
099		2	Other provisions				39,055	79,293	118,348
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	67,034,941	3,617,697	70,652,639	67,732,816	3,212,568	70,945,384
101		1	Deferred tax liability	67,030,515	6,658,804	73,689,318	67,732,816	3,212,568	70,945,384
102		2	Current tax liability	4,427	-3,041,106	-3,036,679			
103		XIX	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES		68,261,735	68,261,735		63,993,942	63,993,942
105		1	Liabilities on the basis of loans						
106		2	Liabilities on the basis of issued securities						
107		3	Other financial liabilities		68,261,735	68,261,735		63,993,942	63,993,942

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31.12.2020 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
108	109+110+111+112	XXI	OTHER LIABILITIES	24,415,912	98,683,685	123,099,597	32,741,519	100,354,702	133,096,221
109		1	Liabilities from direct insurance business	17,522,550	45,578,883	63,101,432	27,017,551	21,332,795	48,350,347
110		2	Liabilities from co-insurance and reinsurance business	1,025,904	30,941,076	31,966,981	889,958	57,472,198	58,362,155
111		3	Liabilities for sale and ceased business						
112		4	Other liabilities	5,867,459	22,163,726	28,031,184	4,834,011	21,549,709	26,383,719
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	10,593,570	26,422,472	37,016,042	7,475,740	49,112,720	56,588,460
114		1	Deferred reinsurance commission		3,696,980	3,696,980		4,167,615	4,167,615
115		2	Other accrued expenses and deferred income	10,593,570	22,725,491	33,319,061	7,475,740	44,945,105	52,420,845
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL LIABILITIES+Equity (A+B+C+D+E+F+G+H+I+J)	4,141,217,071	1,581,041,575	5,722,258,645	4,178,515,565	1,708,149,812	5,886,665,377
117		XXIV	OFF BALANCE SHEET ITEMS						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1(continued)

Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003+004 +005+006	I	Earned premiums (recognized in revenue)	559,864,348	598,872,380	1,158,736,729	379,105,433	650,887,780	1,029,993,212
002		1	Written gross premiums	563,439,164	800,923,502	1,364,362,667	379,867,108	766,289,341	1,146,156,449
003		2	Value adjustment and charged adjustment of insurance/co-insurance premium value		-2,318,099	-2,318,099		-4,516,161	-4,516,161
004		3	Premiums ceded to reinsurance (-)	-3,139,536	-131,151,355	-134,290,891	-3,003,844	-98,197,044	-101,200,888
005		4	Change in gross provisions for unearned premiums (+/-)	-432,841	-95,923,538	-96,356,380	2,250,567	-5,323,839	-3,073,272
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-2,439	27,341,871	27,339,432	-8,398	-7,364,517	-7,372,916
007	008+009+010+011 +012+013+014	II	Income from investments	183,022,349	37,137,741	220,160,091	130,531,278	26,391,207	156,922,484
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings		2,927,061	2,927,061		3,329,587	3,329,587
010		3	Interest income	93,006,978	26,962,443	119,969,421	77,072,041	16,516,414	93,588,454
011		4	Unrealized profits from investment	61,889,167	1,624,256	63,513,423	6,962,188	292,875	7,255,062
012		5	Realized profits from investment	9,022,914	2,206,166	11,229,080	6,358,876	3,290,650	9,649,526
013		6	Net positive exchange rate differentials	10,131,671	1,607,440	11,739,112	29,615,922	1,828,361	31,444,283
014		7	Other investment profits	8,971,619	1,810,375	10,781,994	10,522,251	1,133,320	11,655,571

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
015		III	Income from commissions and fees	2,852,003	5,425,355	8,277,357	635,880	5,314,458	5,950,338
016		IV	Other insurance-technical income, net of reinsurance	29,015	3,600,653	3,629,669	122,172	6,112,318	6,234,490
017		V	Other income	36,161	3,502,820	3,538,981	21,777	93,150	114,927
018	019+022	VI	Expenditures for insured events, net	-373,634,051	-283,890,586	-657,524,637	-398,726,829	-358,582,373	-757,309,201
019	020+021	1	Settled claims	-356,658,291	-310,604,908	-667,263,199	-389,945,698	-347,204,955	-737,150,653
020		1.1	Gross amount (-)	-357,233,092	-347,034,656	-704,267,748	-390,327,868	-439,166,211	-829,494,079
021		1.2	Reinsurer share(+)	574,801	36,429,749	37,004,549	382,170	91,961,256	92,343,426
022	023+024	2	Change in provisions for claims outstanding (+/-)	-16,975,759	26,714,322	9,738,562	-8,781,131	-11,377,417	-20,158,548
023		2.1	Gross amount (-)	-17,031,659	20,334,257	3,302,597	-8,783,231	-94,197,951	-102,981,182
024		2.2	Reinsurer share(+)	55,900	6,380,065	6,435,965	2,100	82,820,534	82,822,634
025	026+029	VII	Change in other technical provisions, net of reinsurance	83,728,909	87,539	83,816,448	58,771,425		58,771,425
026	027+028	1	Change in mathematical provision (+/-)	83,728,816		83,728,816	58,619,096		58,619,096
027		1.1	Gross amount (-)	83,731,957		83,731,957	58,589,134		58,589,134
028		1.2	Reinsurer share(+)	-3,142		-3,142	29,962		29,962
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)	93	87,539	87,632	152,329		152,329
030		2.1	Gross amount (-)	93	87,539	87,632	152,329		152,329
031		2.2	Reinsurer share(+)						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
032	033+034	VIII	Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+-)	-294,563,345		-294,563,345	-34,195,222		-34,195,222
033		1	<i>Gross amount (-)</i>	-294,563,345		-294,563,345	-34,195,222		-34,195,222
034		2	<i>Reinsurer share(+)</i>						
035	036+037	IX	Expenditures for return of premium (bonuses and rebates), net of reinsurance		-669,642	-669,642		-1,586,645	-1,586,645
036		1	Depending on the result (bonuses)						
037		2	Not depending on the result (rebates)		-669,642	-669,642		-1,586,645	-1,586,645
038	039+043	X	Business expenditures (for business operations), net	-83,577,549	-277,762,213	-361,339,762	-68,899,774	-286,348,297	-355,248,071
039	040+041+042	1	Acquisition costs	-23,046,582	-158,400,820	-181,447,402	-18,133,992	-181,183,379	-199,317,371
040		1.1	<i>Commission</i>	-19,216,385	-154,969,175	-174,185,560	-14,356,278	-165,176,742	-179,533,020
041		1.2	<i>Other acquisition costs</i>	-3,865,746	-21,346,641	-25,212,387	-3,587,601	-19,517,485	-23,105,087
042		1.3	<i>Change in deferred acquisition costs (+/-)</i>	35,548	17,914,996	17,950,545	-190,113	3,510,848	3,320,735
043	044+045+046	2	Administration costs	-60,530,966	-119,361,394	-179,892,360	-50,765,782	-105,164,918	-155,930,700
044		2.1	<i>Depreciation of tangible assets</i>	-8,701,385	-21,032,182	-29,733,567	-14,252,963	-15,747,652	-30,000,614
045		2.2	<i>Salaries, taxes and contributions to and from salaries</i>	-24,301,893	-55,512,991	-79,814,884	-20,142,705	-49,706,412	-69,849,117
046		2.3	<i>Other administration costs</i>	-27,527,688	-42,816,221	-70,343,909	-16,370,114	-39,710,854	-56,080,968

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
047	048+049+050+051 +052+053+054	XI	Investment expenses	-6,130,461	-4,576,711	-10,707,173	-11,750,004	-12,415,904	-24,165,907
048		1	Depreciation (buildings not intended for business operations of the company)		-1,248,653	-1,248,653		-1,257,274	-1,257,274
049		2	Interest		-1,428,347	-1,428,347	-457,426	-944,567	-1,401,993
050		3	Investment value adjustment (reduction)		-88,424	-88,424	-7,205,427	-7,199,390	-14,404,817
051		4	Losses from sale (realization) of financial assets	-1,518,792	-12,495	-1,531,288	-965,522	-1,760,664	-2,726,185
052		5	Unrealised losses from financial investment				-6		-6
053		6	Net negative exchange rate differences						
054		7	Other investment expenses	-4,611,669	-1,798,792	-6,410,461	-3,121,623	-1,254,009	-4,375,632
055	056+057	XII	Other technical expenses, net of reinsurance	-2,266,453	-9,135,113	-11,401,566	-3,165,329	-14,951,143	-18,116,472
056		1	Expenses for preventive operations	-1,311,914	-17,969	-1,329,882	-946,617	-1,511,695	-2,458,312
057		2	Other technical expenses of insurance	-954,539	-9,117,144	-10,071,684	-2,218,712	-13,439,448	-15,658,160
058		XIII	Other expenses including value adjustments	-14,534	-652,076	-666,610			
059	001+007+015+016 +017+018+025+ 032+035+038+047 +055+058	XIV	Profit or loss of the accounting period before taxation (+/-)	69,346,393	71,940,147	141,286,540	52,450,807	14,914,550	67,365,358
060	061+062	XV	Profit or loss tax	-11,664,664	-13,822,364	-25,487,028	-8,335,682	-4,713,128	-13,048,810
061		1	Current tax expense	-9,142,808	-15,643,905	-24,786,712	-8,609,249	-6,791,241	-15,400,490
062		2	Deferred tax expense (income)	-2,521,856	1,821,540	-700,316	273,567	2,078,113	2,351,680

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
063	059-060	XVI	Profit or loss of the accounting period after taxation (+/-)	57,681,728	58,117,783	115,799,511	44,115,126	10,201,422	54,316,548
064		1	Attributable to owners of the parent						
065		2	Attributable to non-controlling interests						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	743,282,020	650,360,490	1,393,642,510	510,690,106	690,877,024	1,201,567,131
067	018+025+032+035+038+047 +055+058+061	XVII I	TOTAL EXPENDITURE	-685,600,291	-592,242,707	-1,277,842,999	-466,574,981	-680,675,602	-1,147,250,583

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01.01.2020 – 31.12.2020 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	150,456,768	22,411,457	172,868,225	4,450,942	-6,232,561	-1,781,618
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	183,483,864	27,331,045	210,814,908	5,427,978	-7,600,684	-2,172,705
071		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
072		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associated companies						
076		8	Profit tax on other comprehensive income	-33,027,096	-4,919,588	-37,946,684	-977,036	1,368,123	391,087
077	066+067+068	XX	Total comprehensive income	208,138,497	80,529,239	288,667,736	48,566,068	3,968,861	52,534,929
078		1	Attributable to owners of the parent						
079		2	Attributable to non-controlling interests						
080		XXI	Reclassification adjustments						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2020 – 31.12.2020

in HRK

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-209,678,128	-92,441,642
002	003+004	1	Cash flow before the change in assets and liabilities	-29,856,985	-56,585,831
003		1.1	Profit/loss before taxation	67,365,358	141,286,540
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	-97,222,343	-197,872,370
005		1.2.1	Depreciation of real estate and equipment	14,149,000	13,383,031
006		1.2.2	Depreciation of intangible assets	17,201,000	17,599,189
007		1.2.3	Value impairment and profits/losses on reduction to fair value	11,566,961	-61,498,001
008		1.2.4	Interest expense	1,401,993	1,428,347
009		1.2.5	Interest income	-93,588,454	-119,969,421
010		1.2.6	Shares in profit of associated companies		
011		1.2.7	Profits/losses on sale of tangible assets (including land and buildings)	70,096	898,248
012		1.2.8	Other adjustments	-48,022,938	-49,713,765
013	014+015+...+030	2	Increase/decrease in assets and liabilities	-157,482,430	309,253
014		2.1	Increase/decrease in investments available-for-sale	-292,527,328	-263,267,565
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	-14,910,870	198,617,641
016		2.3	Increase/decrease in deposits, loans and receivables	-42,750,373	-9,071,348
017		2.4	Increase/decrease of deposits in insurance business ceded to reinsurance		
018		2.5	Increase/decrease in investments for the account and risk of life assurance policyholders	-34,195,229	-294,563,345
019		2.6	Increase/decrease in reinsurance share in technical provisions	-75,479,681	-33,772,255
020		2.7	Increase/decrease in tax assets	-9,971,392	
021		2.8	Increase/decrease in receivables	198,355,658	5,887,136
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepayments and accrued income	2,417,727	-3,277,400
024		2.11	Increase/decrease in technical provisions	48,899,637	9,903,835
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	34,195,222	294,563,345
026		2.13	Increase/decrease in tax liabilities		
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	-4,267,794	68,261,735
029		2.16	Increase/decrease in other liabilities	26,075,076	26,406,671
030		2.17	Increase/decrease in accruals and deferred income	6,676,917	620,804

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01.01.2020 – 31.12.2020

in HRK

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
031		3	Paid profit tax	-22,338,713	-36,165,065
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	232,651,540	211,830,382
033		1	Inflows from sale of tangible assets	95,958	291,586
034		2	Outflows for purchase of tangible assets	-8,585,516	-78,234,477
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	-846,269	-7,276,805
037		5	Inflows from sale of land and buildings not intended for business operations of the company		
038		6	Outflows for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Inflows from investments held to maturity	233,084,346	286,089,929
041		9	Outflows for investments held to maturity		
042		10	Inflows from sale of securities and stakes		
043		11	Outflows for investments in securities and stakes		
044		12	Inflows from dividends and shares in profit	8,903,021	10,960,149
045		13	Inflows on the basis of payment of given short-term and long-term loans		
046		14	Outflows for given short-term and long-term loans		
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES		-147,096,526
048		1	Cash inflows on the basis of initial capital increase		
049		2	Cash inflows from received short-term and long-term loans		
050		3	Cash outflows for payment of received short-term and long-term loans		
051		4	Cash outflows for repurchase of own shares		
052		5	Cash outflows for payment of dividends		-147,096,526
053	001+032+047		NET CASH FLOW	22,973,412	-27,707,786
054		IV	EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS	-12,684,773	-526,965
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	10,288,639	-28,234,751
056		1	Cash and cash equivalents at the beginning of the period	60,669,426	88,904,177
057	055+056	2	Cash and cash equivalents at the end of the period	70,958,065	60,669,426

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CHANGES IN EQUITY for period 01.01.2020 – 31.12.2020

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
I.	Balance as at 1 January of previous year	101,722,400	112,000,600	210,521,790	25,052,343	439,584,223	123,917,792	1,012,799,147		1,012,799,147
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
II.	Balance as at 1 January of previous year (corrected)	101,722,400	112,000,600	210,521,790	25,052,343	439,584,223	123,917,792	1,012,799,147		1,012,799,147
III.	Comprehensive income/loss of the previous year			172,868,225			115,799,511	288,667,736		288,667,736
1.	Profit or loss of the period						115,799,511	115,799,511		115,799,511
2.	Other comprehensive income or loss of the previous year			172,868,225				172,868,225		172,868,225
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			210,814,909				210,814,909		210,814,909
2.3.	Realised gains or losses from financial assets available for sale			-37,946,684				-37,946,684		-37,946,684
2.4.	Other non-owner changes in equity									
IV.	Transactions with owners (previous period)					-23,183,040	-123,917,792	-147,100,831		-147,100,831
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends					-23,178,734	-123,917,792	-147,096,526		-147,096,526
4.	Other distributions to owners					-4,305		-4,305		-4,305
V.	Balance as at the last day of the reporting period in previous year	101,722,400	112,000,600	383,390,015	25,052,343	416,401,183	115,799,511	1,154,366,052		1,154,366,052

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
STATEMENT OF CHANGES IN EQUITY for period 01.01.2020 – 31.12.2020

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
VI.	Balance as at 1 January of the current year	101,722,400	112,000,600	383,390,015	25,052,343	416,401,183	115,799,511	1,154,366,052		1,154,366,052
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
VII.	Balance as at 1 January of the current year (corrected)	101,722,400	112,000,600	383,390,015	25,052,343	416,401,183	115,799,511	1,154,366,052		1,154,366,052
VIII.	Comprehensive income/loss of the current year			-1,781,618			54,316,548	52,534,929		52,534,929
1.	Profit or loss of the previous period						54,316,548	54,316,548		54,316,548
2.	Other comprehensive income or loss of the current year			-1,781,618				-1,781,618		-1,781,618
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-2,172,705				-2,172,705		-2,172,705
2.3.	Realised gains or losses from financial assets available for sale			391,087				391,087		391,087
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)					115,799,511	-115,799,511			
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends									
4.	Other transactions with owners					115,799,511	-115,799,511			
X.	Balance as at the last day of the reporting period in the current year	101,722,400	112,000,600	381,608,397	25,052,343	532,200,694	54,316,548	1,206,900,981		1,206,900,981

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2

Statement of financial position – Assets as at 31 December 2020

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from cash and cash equivalents to deposits	Transfer of cardholder slips to cardholder receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	Statutory financial statements
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-									
Called up capital	-									
Uncalled capital	-									
INTANGIBLE ASSETS	161,126									
Goodwill	-									
Other intangible assets	161,126								161,126	Other intangible assets
TANGIBLE ASSETS	93,717								93,717	Property and equipment
Land and buildings intended for company business operations	28,386									
Equipment	2,538									
Other tangible assets and stock	62,793									
INVESTMENTS	4,188,797	848,852	-		(47,453)					
Investments in land and buildings not intended for company business operations	24,524								24,524	Investment property
Investments in subsidiaries, associates and joint ventures	5,688						180,264		185,952	Investment in subsidiaries
Shares and stakes in subsidiaries	5,688									
Shares and stakes in associates	-									
Joint venture participation	-									
Other financial investments	4,158,586	848,852			(47,453)		(180,264)	(1)		
Investments held-to-maturity	61,640								61,640	Held-to-maturity investments
Debt securities and other securities with fixed revenue	61,640									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2020

Schedules prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from cash and cash equivalents to deposits	Transfer of cardholder slips to cardholder receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	Statutory financial statements
Investments available-for-sale	3,879,417						(10,449)		3,868,968	Available-for-sale financial assets
<i>Shares, stakes and other securities with variable revenue</i>	88,241									
<i>Debt securities and other securities with fixed revenue</i>	3,450,475									
<i>Investment fund units</i>	340,700									
<i>Other investments available for sale</i>	-									
Investments at fair value through profit and loss account	130,418	848,852					(169,815)	1	809,456	Financial assets at fair value through profit or loss
<i>Shares, stakes and other securities with variable revenue</i>	-									
<i>Debt securities and other securities with fixed revenue</i>	-									
<i>Derivative financial instruments</i>	7,514									
<i>Investment fund units</i>	122,903									
<i>Other investments</i>	-									
Deposits, loans and receivables	87,110			1273	(47,453)			-	40,930	Loans and receivables
<i>Deposits with credit institutions (banks)</i>	53,626									
<i>Loans</i>	33,484									
<i>Other loans and receivables</i>	-									
<i>Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)</i>	-									
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	848,525	(848,852)								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2020

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

Statutory financial statements

		Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from cash and cash equivalents to deposits	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding differenc e		
	HRK'000							HRK'000	
REINSURANCE SHARE IN TECHNICAL PROVISIONS	235,673							235,673	Reinsurers' share of insurance contract liabilities
Unearned premiums, reinsurance share	90,882								
Mathematical provision, reinsurance share	327								
Provision for claims outstanding, reinsurance share	144,462								
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share	-								
Equalisation provisions, reinsurance share	-								
Other insurance technical provisions, reinsurance share	-								
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-								
DEFERRED AND CURRENT TAX ASSETS	9,971							9,971	
Deferred tax asset	-								
Current tax asset	9,971							9,971	Current income tax prepayment
RECEIVABLES	199,157		4,302	(1,273)		225		202,411	Insurance receivables and other assets
Receivables from direct insurance business	123,720								
<i>From policyholders</i>	123,720								
<i>From insurance agents, or insurance brokers</i>	-								
Receivables from co-insurance and reinsurance business	36,658								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2020

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

Statutory financial statements

	HRK '000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of accrued interest from financial assets to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from cash and cash equivalents to deposits	Transfer of cardholder slips to cardholder receivables	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK '000	
Other receivables	38,779									
<i>Receivables from other insurance business</i>	31,088									
<i>Receivables for return on investments</i>	1,289									
<i>Other receivables</i>	6,402									
OTHER ASSETS	70,958				47,453					
Cash at bank and in hand	70,958				47,453	(225)			118,186	Cash and cash equivalents
<i>Funds in the business account</i>	68,271									
<i>Funds in the account of assets covering mathematical provision</i>	2,463									
<i>Cash in hand</i>	225									
Long-term assets intended for sale and business cessation	-									
Other	-									
PREPAYMENTS AND ACCRUED INCOME	78,412		(4,302)							
<i>Deferred interest and rent</i>	-									
<i>Deferred acquisition costs</i>	74,110								74,110	DAC
<i>Other prepayments and accrued income</i>	4,302		(4,302)							
TOTAL ASSETS	5,886,665								5,886,665	Total assets
Total assets difference	-									
OFF BALANCE SHEET ITEMS	-									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Equity and liabilities as at 31 December 2020

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency					Statutory financial statements		
	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Rounding difference	HRK'000	
CAPITAL AND RESERVES	1,206,900				2	1,206,902	Total equity
Subscribed capital	101,722					101,722	Issued share capital
<i>Paid-up capital - ordinary shares</i>	<i>101,722</i>						
<i>Paid-up capital - preference shares</i>	<i>-</i>						
<i>Called up capital</i>	<i>-</i>						
Issued shares premiums (capital reserves)	112,001					112,001	Share premium
Revaluation reserves	381,606				2	381,608	Fair value reserve
<i>Land and buildings</i>	<i>-</i>						
<i>Financial investments</i>	<i>210,522</i>						
<i>Other revaluation reserves</i>	<i>-</i>						
Reserves	25,052				1	25,053	Legal reserve
<i>Legally stipulated reserves</i>	<i>8,399</i>						
<i>Statutory reserves</i>	<i>16,654</i>						
<i>Other reserves</i>	<i>-</i>						
Transferred (retained) profit or loss	532,201	54,317				586,518	Retained earnings
<i>Retained profit</i>	<i>532,201</i>						
<i>Transferred loss (-)</i>	<i>-</i>						
Profit or loss of the current accounting period	54,317						
<i>Profit of the current accounting period</i>	<i>54,317</i>	(54,317)					
<i>Loss of the current accounting period (-)</i>	<i>-</i>						
SUBORDINATED LIABILITIES	0						
TECHNICAL PROVISIONS	3,503,105			848,852		4,351,957	Insurance contract liabilities
<i>Unearned premiums, gross amount</i>	<i>452,794</i>						
<i>Mathematical provision, gross amount</i>	<i>2,429,584</i>						
<i>Provision for claims outstanding, gross amount</i>	<i>615,915</i>						
<i>Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount</i>	<i>4,812</i>						
<i>Equalisation provision, gross amount</i>	<i>-</i>						
<i>Other insurance technical provisions, gross amount</i>	<i>-</i>						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Equity and liabilities as at 31 December 2020

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Rounding difference	Statutory financial statements HRK'000
LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	848,852			(848,852)		
OTHER RESERVES	3,183		3,183			
Provisions for pensions and similar liabilities	3,065					
Other provisions	118					
DEFERRED AND CURRENT TAX LIABILITY	70,945					70,945
Deferred tax liability	70,945					70,945
Current tax liability	-					-
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	-					
FINANCIAL LIABILITIES	63,994					63,994
Liabilities on the basis of loans	-					
Liabilities on the basis of issued securities	-					
Other financial liabilities	63,994					63,994
OTHER LIABILITIES	133,096		59,771		1	192,866
Liabilities from direct insurance business	48,350					
Liabilities from co-insurance and reinsurance business	58,362					
Liabilities for sale and ceased business	-					
Other liabilities	26,384					
ACCRUED EXPENSES AND DEFERRED INCOME	56,588		(56,588)			
Deferred reinsurance commission	4,168					
Other accrued expenses and deferred income	52,420					
TOTAL LIABILITIES AND EQUITY	5,886,665					5,886,665
Total liabilities and equity difference	-					
OFF BALANCE SHEET ITEMS						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2020

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

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	Statutory financial statements
Earned premiums (recognised in revenue)	1,029,993								1,029,993	Net earned premiums
Written gross premiums	1,146,156			(4,516)					1,141,640	Gross premiums written
Value adjustment and charged adjustment of insurance/coinsurance premium value	(4,516)			4,516						
Premiums ceded to reinsurance (-)	(101,201)							1	(101,200)	Written premiums ceded to reinsurers
Change in gross provisions for unearned premiums +/-	(3,073)							(1)	(3,074)	Change in the gross provision for unearned premiums
Change in provisions for unearned premiums, reinsurance share (+/-)	(7,373)							(1)	(7,374)	Reinsurers' share of change in the provision for unearned premiums
Income from investments	156,922					(31,444)		1	125,479	Financial income
Income from subsidiaries, associates and joint ventures	0									
Income from investment in land and buildings	3,330									
Interest income	93,588									
Unrealized profits from investment	7,255									
Realized profits from investment investments	9,650									
Net positive exchange rate differentials	31,444								31,444	Net foreign exchange translation gains on financial assets
Other investment profits	11,656									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2020

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

											Statutory financial statements
	HRK '000	Transfer of other technical income to other income	Transfer of other expenses to other operating expenses	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip. from other tech, expenses to other oper. income	Rounding difference	HRK '000		
Income from commissions and fees	5,950								5,950		Fee and commission income
Other insurance-technical income, net of reinsurance	6,234	(6,234)									
Other income	115	6,234					1,179		7,528		Other operating income
Expenditures for insured events, net	(757,309)										
Settled claims	(737,150)										
Gross amount (-)	(829,494)		829,494					1	(909,515)		Claims and benefits incurred
Reinsurer share(+)	92,343		(92,343)					1	175,196		Reinsurers' share of claims and benefits incurred
Change in provisions for claims outstanding (+/-)	(20,159)										
Gross amount (-)	(102,981)		102,981								
Reinsurer share(+)	82,823		(82,823)								
Change in other technical provisions, net of reinsurance	58,771										
Change in mathematical provision (+/-)	58,619										
Gross amount (-)	58,589		(58,589)								
Reinsurer share(+)	29		(29)								
Change in other technical provisions, net of reinsurance (+/-)	152										
Gross amount (-)	152		(152)								
Reinsurer share(+)	-										
Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance(+/-)	(34,195)										
Gross amount (-)	(34,195)		34,195								
Reinsurer share(+)	-										
Expenditures for return of premium (bonuses and rebate), net of reinsurance +/-	(1,587)		1,587								
Depending on the result (bonuses)	-										
Not depending on the result (rebates)	1,587										

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2020

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

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	Statutory financial statements
Business expenditures (for business operations), net	(355,248)									
Acquisition costs	(199,317)								(199,317)	Acquisition costs
Commission	(179,533)									
Other acquisition costs	(23,105)									
Change in deferred acquisition costs (+/-)	3,321									
Administration costs	(155,931)							(1)	(155,932)	Administrative expenses
Depreciation of tangible assets	(30,001)									
Salaries, taxes and contributions to and from salaries	(69,849)									
Other administration costs	(56,081)									
Investment expenses	(24,166)									Financial expenses
Depreciation (buildings not intended for business operations of the company)	(1,257)								(24,166)	
Interest	(1,402)									
Investment value adjustment (reduction)	(14,405)									
Losses from sale (realization) of financial assets	(2,726)									
Unrealised losses from financial investments	(6)									
FX losses	-									
Other investment expenses	(4,376)									
Other technical expenses, net of reinsurance	(18,116)						(1,179)			Other operating expenses
Expenses for preventive operations	(2,458)								(19,295)	
Other technical expenses of insurance	(15,658)									
Other expenses including value adjustments	0									
Profit or loss of the accounting period before taxation (+/-)	67,365							1	67,366	Profit before income tax

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income for year ended 31 December 2020

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

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Transfer of gain/loss from sale of property and equip, from other tech, expenses to other oper, income	Rounding difference	HRK'000	
Profit or loss tax	(13,049)								(13,049)	Income tax expense
Current tax expense	(15,400)									
Deferred tax expense (income)	2,352									
Profit or loss of the accounting period after taxation (+/-)	54,317								54,317	Profit for the year
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
TOTAL INCOME	1,201,567									
TOTAL EXPENDITURE	(1,147,251)									
Other comprehensive income	(1,782)									
Profits/losses on revaluation of available for sale financial assets	(2,173)								(2)	(1,784) Change in fair value of available for sale financial assets, net of amounts realised and net of deferred tax
Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets	-									
Effects from cash flow hedging instruments	-									
Actuarial profits/losses on defined benefit pension plans	-									
Share in other comprehensive income of associated companies	-									
Profit tax on other comprehensive income	391									
Total comprehensive income	52,535								(2)	52,533 Total comprehensive income for the year
Attributable to owners of the parent	-									
Attributable to non-controlling interests	-									
Reclassification adjustments	-									

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of the cash flow for the year ended 31 December 2020

Statement of cash flow prepared in accordance with the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18), the preparation of which is described in detail in the Instructions for completing financial statements and additional reports of insurance and reinsurance companies (“HANFA CF”) differ in the presentation from the Statement of cash flows (“CF”) forming a part of statutory financial statements.

Differences are as follows:

1. Net impairment losses and write off losses on property and equipment and investment property are shown in CF together with amortization or depreciation correspondingly, while in CF HANFA they are presented within Impairment losses and fair value gains/losses.
2. Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within Other adjustments.
3. Depreciation of small inventory is shown separately in CF, while in CF HANFA is shown within Depreciation of property and equipment.
4. Net impairment losses on financial assets and insurance and other receivables are presented separately in CF while in HANFA CF are presented within Impairment losses and fair value gains/losses.
5. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains/losses while in CF HANFA unrealised gains are presented within Impairment losses and fair value gains/losses and realised gains are presented within Other adjustments.
6. Net foreign exchange losses are presented separately in CF while in HANFA CF are shown within Other adjustments.
7. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA dividend income is presented within Other adjustments and dividend cash receipts within investing activities.
8. Net gain/loss on disposal of property and equipment as well investment property are shown separately in CF, while in CF HANFA they are shown together within Profit/losses on sale of tangible assets (including land and buildings).
9. Provision for liabilities and charges in CF is shown separately while in CF HANFA is shown within Other adjustments.
10. Net decrease in held-to-maturity investments in CF is shown within cash flow from operating activities, while in HANFA CF within cash flow from investing activities.
11. Net decrease / (increase) in financial assets at fair value through profit and loss in CF is shown comprising investments for the account and risk of life assurance policyholders as opposed to being shown separately in HANFA CF.

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of the cash flow for the year ended 31 December 2020

13. Net (increase) / decrease in investment property in CF is shown within cash flow from operating activities while in CF HANFA is presented within cash flow from investing activities.
14. Net increase in technical provision in CF comprise Increase/decrease in technical provisions and Increase/decrease in life assurance technical provisions where the policyholder bears the investment risk which are shown separately in HANFA CF.
15. Net decrease / (increase) in receivables and other assets in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in receivables and Increase/decrease in prepayments and accrued income after deducting Interest received shown separately in CF.
16. Net decrease in insurance and other liabilities in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in deposits retained from business ceded to reinsurance, Increase/decrease in other liabilities, Increase/decrease in financial liabilities, Increase/decrease in accruals and deferred income after deducting Interest paid which is shown separately in CF.