ERSTE ASSET MANAGEMENT Ltd., ZAGREB

Annual Report

for the year ending 31 December 2021

Independent Auditor's Report

To the Owner of Erste Asset Management d.o.o.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erste Asset Management d.o.o. (the "Company") as at 31 December 2021, and the Company's financial performance and 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 28 January 2022.

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (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 in the period from 1 January 2021 to 31 December 2021.

PricewaterhouseCoopers d.o.o., Heinzelova 70, 10000 Zagreb, Croatia
T: +385 (1) 6328 888, F:+385 (1)6111 556, www.pwc.hr

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recognition of fee revenue Refer to Note 4 to the financial statements under heading Funds management fee, Note 5 under heading Portfolio management fee and Note 2 under heading Significant accounting policies for further information. The Company has recognized revenue of HRK 27.3 million for the period ended 31 December 2021, including revenue from funds management (HRK 26 million) and portfolio management (HRK 1.3 million). Although the transactions within the revenue streams are unified and revenue recognition is not complex, we focused on this area due to the higher risk and significance of these items to the Company's financial statements.	Our audit approach to revenue was based on test of controls and substantive audit testing of transactions as described below. For the total population of transactions each day, we recalculated the funds management fee by multiplying each fund's net asset value ("NAV") with the management fee percentage at a given date. We performed test of controls on each fund's net asset value which was the basis for the calculation of management fee. We compared the management fee percentage used in the calculation for each fund with the fund's prospectus. We also traced the revenue transactions to the bank statements to confirm the fees were paid by the funds. We tested portfolio management fees on a sample basis by recalculating monthly fees the Company charges its clients. We compared the management fee percentage for individual investors with their respective contracts with the Company. We also traced the selected sample of revenue transactions to the bank statements to confirm the fees were received.

Reporting on other information including the Management Report

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

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

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

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the other information, we are required to report that fact. In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and other information 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 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 on 18 May 2017. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 17 February 2021, representing a total period of uninterrupted engagement appointment of 5 years.

Other legal and regulatory requirements

Pursuant to Ordinance on structure and contents of financial statements and other reports of companies managing UCITS funds (Official Gazette: 105/2017) and Ordinance on structure and content of annual and semi-annual financial reports and other reports of alternative investment fund management companies (Official Gazette: 13/19) ("Ordinances"), the Company's Management Board prepared statements shown on pages 47 to 51 under headings Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year ended 31 December 2021. Preparation of these statements is the responsibility of the Company's Management Board and the statements are not an integral part of these financial statements, but contain information in accordance with Ordinances. Financial information in the statements isderived from the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted in European Union presented on pages 16 to 46 and adjusted in accordance with the Ordinances.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Marija Mihaljević.

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
31 January 2022

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted in the EU ("the IFRS"), which give a true and fair view of the financial position and results of Erste Asset Management Ltd., Zagreb (the "Company") for that period.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board of the Company continues to adopt the going concern basis in preparing the financial statements. In preparing those financial statements, the responsibilities of the Management Board of the Company, include ensuring that:

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

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

The Management Board is also responsible for the preparation and content of the Management Report, in accordance with the Croatian Accounting Act and the rest of the other information.

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

Signed on behalf of the Management Board:

Josip Glavaš	**Snježana Šalković Dasović**	**Miroslav Jurišić**
President of the Management board	**Management board member**	**Management board member**

Erste Asset Management Ltd.
Ivana Lučića 2a
10000 Zagreb
Republic of Croatia

ERSTE Asset Management d.o.o.
Ivana Lučića 2a, Zagreb
1

26 January 2022

1. BUSINESS AND DEVELOPMENT ACTIVITIES OF THE COMPANY

Company activities

Erste asset management d.o.o., Zagreb, Ivana Lučića 2a (the „Company“) is registered for the activities:

- management of the open-ended funds
- management of alternative investment funds
- portfolio management
- investment advisory.

The Company currently manages:

- seven UCITS funds: Erste Conservative, Erste E-Conservative, Erste Adriatic Bond, Erste Adriatic Equity, Erste Adriatic Multi Asset, Erste Green Equity, Erste Quality Equity
- two alternative funds: Erste PB1 and Erste PB2
- a larger number of discretionary managed portfolios of the clients.

The Company`s business results in year 2021

In 2021, the Company ended up with total assets under management of HRK 5.147 million, the former representing a yearly growth of 4.45% in relative terms, and in absolute terms an increase of HRK 219 million, the highest of which was achieved in the segment of UCITS funds in the amount of HRK 230 million. The segment of alternative investment funds decreased by HRK 15 million despite positive net sales of HRK 52 million, resulting from the negative performance of bond strategies and the liquidation of the PR-AZ1 fund. The discretionary portfolio management segment ended the year with assets under management in the amount of HRK 496 million, representing a yearly growth of 0.78%. In the same observed period, and according to the latest available data for November, the UCITS funds industry grew by HRK 3.353 million on aggregate level, which represents a relative increase of as much as 18% YTD. The Company thus reduced its market share from 14.68% to 13.26% last year, but still ranks third, as the largest increases in market share were achieved by the top two best-placed investment companies.

Viewed through the lens of different investment strategies, the best performance was achieved among equity strategies, most of which achieved double-digit returns. On the other hand, bond, and mixed strategies in 2021 recorded a negative performance, given stubbornly present inflation and the beginning of monetary policy tightening among most central banks. Nevertheless, the difference in performance between purely bond and mixed strategies supports the fact that even small diversification through equity exposure can significantly affect the overall performance.

Structurally, UCITS segment of the Company continues to be dominated by bond strategies with a share of as much as 84%, which is still slightly higher than the industry average. However, we are satisfied that the share of bond strategies in the Company is decreasing, and the share of mixed and equity strategies is growing, which is equivalent to industry trends. Mixed strategies nearly tripled their share of the UCITS funds segment to the current 7%, and equity strategies nearly doubled it to the current 9%. The latter was achieved dominantly through the sale of two new equity feeder funds Erste Green Equity and Erste Quality Equity, while Erste Adriatic Equity, despite its excellent result, did not grow significantly in assets.

In terms of net sales of UCITS funds, the best result in the amount of HRK 141 million was achieved by the mixed fund Erste Adriatic Multi Asset, followed by the short-term bond fund Erste E-Conservative with sales of HRK

76 million and the feeder fund Erste Green Equity established in June with sales of HRK 64 million. The only fund with negative net sales was Erste Adriatic Bond with a result of -HRK 87 million. The above confirms industry trends, i.e., the transition of investors from more conservative to more aggressive strategies in search of yield. Unfortunately, sales volumes at the aggregate level are again at a much lower level this year than those planned at the beginning of the year.

Macroeconomically, we finished the year as we started it, with a story about inflation, which will continue to be the main topic next year. In spite the fact that inflation was supposed to be a transitory phenomenon, given the low base effect and its underlying causes, it looks like it's going to keep us company in the coming year as well. Central banks therefore create maneuvering space so that, if necessary, they can technically reverse monetary policy towards a slightly tougher direction and move towards a slight raising of base interest rates. The ECB proverbially lags behind and publicly acknowledges that despite seeing inflation over 2% in all of 2022 (3,2% last estimate), they simply do not see the same levels in 2023 (1,8% last estimate) and consider it still a predominantly transitory phenomenon but are still starting to slow monetary support in terms of reducing monthly bond purchases before the official expiry of the agreed PEPP pandemic program in March next year.

Most analysts predict that in the coming period stock markets will have a better year than bond markets, with, of course, more volatility. Stocks are a natural choice in conditions of somewhat good growth, still stimulative monetary policy and painfully present, but not too high inflation. This year, too, stock markets have done exemplary, posting double-digit growth. On the other hand, bond markets of developed countries recorded a negative performance in the same period. This is the result of tougher inflationary expectations and central banks slowly turning towards slightly more restrictive monetary policy. The region's bond markets also had a slightly worse year in terms of performance, but the latter should be viewed in a different context potential-wise than comparable "core" bond markets. The convergence of yields should occur on the count of stronger economic growth, substantial provisions of EU funds that are, in percentage terms, relatively higher than the GDP contribution of the region, changes within the investment grade rating, and entry into the Eurozone. Analysts estimate that the CEE region will achieve higher GDP growth than the average of developed EU representatives this year and next. Although the region contributes 11% to the EU's total GDP, over 20% of Next Generation total funding has been allocated to it. This shows the clear support of the central to its "less developed" members. By joining the Eurozone, Croatia could also be rewarded by improvement in its rating within the current investment level, and Croatia's fate could be shared in some medium term by Serbia, which is held one notch below the investment grade rating by two of the three rating agencies on the grounds of strong macroeconomic growth despite the pandemic, record inflows of foreign investment, stable downward trajectory of public debt and a stable exchange rate.

Looking at the funds that the Company has under management, we can note that last year was overall better than the previous one but not as good as we had expected.

Short-term bond funds ended the year with a negative performance of -0.13% and -1.25%, respectively, but nevertheless managed to achieve positive net sales. The coming period will be challenging for Erste Conservative, the only kuna-denominated fund that is expected to face a euro currency conversion at the end of 2022.

Bond fund Erste Adriatic Bond ended the year with a negative performance of -4.16% and negative net sales of HRK 87 million. Negative performance was the common denominator of all last year's bond markets, and clients naturally sought slightly higher returns in more aggressive strategies.

Mixed fund Erste Adriatic Multi Asset was an expected winner in net sales, and clients have shown unexpected stability even in periods of negative performance.

Equity funds were absolute winners in terms of realized return. Erste Adriatic Equity achieved an exceptional result of 17.8% growth, which was unfortunately accompanied only by a lukewarm net sales growth of HRK 5 million.

Erste Green Equity and Erste Stock Quality started operating in June and ended December with much better net sales amounting to HRK 113 million. In the coming year, the Company plans to offer the market two new feeder funds, Erste Future Equity and Erste Green Multi Asset for both of which the Company has already received approval from the Regulator.

In the segment of alternative investment funds, we ended the year with one fund less, considering the liquidation of the PR-AZ-1 fund. Nevertheless, net sales were overall positive given new inflows to the Erste PB1 fund.

Discretionary portfolio management segment records stable interest based on an individualized approach to each client's needs. In the last year, we managed to achieve better asset structure quality in terms of reducing the share of bond strategies in the overall structure of assets under management in this segment. Mixed strategies thus reached the level of bond strategies of about 45% of total assets while the share of pure equity strategies is still held at the traditional 10% level. Because of this change in asset structure, the average weighted management fee increased from 1.04% at the beginning of the year to the current 1.09% which will have a positive effect on the Company's total revenue.

The structure of investors in the Company's open-end investment funds is dominated by individual investors with a share of 72%, while institutional and corporate investors participate with a share of 28%.

Expected development of the Company

The Company will continue to be dedicated to provide high quality asset management through a variety of products in order to achieve growth in the value of the assets under management. The Company shall continue with dedicated work on organizational measures of improving the business, on professional personnel trainings, on technological improvements of operational processes, on development of new products in order to ensure business growth and development.

In 2022, as the biggest challenge we see the questionable recovery of assets, which was really absent in 2021. We remain positive about the targeted fund markets we offer and expect an increasingly dominant role of equity exposure in the construction of an ideal balanced portfolio. We have special expectations regarding the offer of feeder funds Erste Green Equity, Erste Green Multi Asset and Erste Future Equity, which have sustainable investments in their strategies according to Art. 8 and 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on disclosure requirements in relation to sustainability in the financial services sector (SFDR Regulation).

Human resources

Human resources (employees) are, alongside the assets, the Company's most valuable resource. On 31st December 2021 the Company has 19 full-time employees (31st December 2020: 19).

2. RISKS EXPOSURE

For the purpose of prudent risk management, the Company has set up a risk management system that is based on the size of the Company, its core business activities and the risk profile, which consists of organizational requirements, strategies, procedures and risk management measures that the Company is exposed or could be exposed in its business.

The Company identified several risk groups which could affect the Company's business:

Operational risk

The Company is exposed to operational risk through its regular operations. Operational risk is the risk of loss due to inadequate or unsuccessful internal procedures or systems due to human error, fraud or external influences (such as natural disasters), and due to a lack of compliance with the applicable legal regulations. Human errors refer to the possibility of errors occurring during business processes, such as errors in dealing with transaction and / or settlement of transactions or errors in the process of asset valuation. Fraud and theft are related to the possibility of intentional illegal conduct.

The basis for operational risk management is the process analysis within the Company and the identification of potential operational risks to certain categories. Based on the analysis, the Company determines whether some measures to reduce the level of risk in certain processes need to be implemented or not.

At quarterly level, the Company's Management Board receives reports on events that can be qualify as operational risk. The base of losses due to operational risk is monitored, in which all realized losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basle Committee and the CNB regarding classification of events in the database.

Risks Affecting the Management of Financial Assets of the Company

- Credit risk
- Liquidity risk
- Risk of changing the price of financial instrument

Certain portion of the profit is realized by the Company through investments in financial assets. In accordance with legal limits and with internally agreed strategy, the Company invested financial assets solely in low-risk instruments such as government bonds, deposits at domestic banks, money market funds, and the REPO operations, agreed with domestic financial institutions. The Company actively monitors all these risks, and according to all of these risks defines its investment policy. Company specially monitors events that could affect strategic risk, reputation risk, conflict of interest risk, outsourcing risk. Concerning all these risks, the Company accepts a low level of risk.

3. FINANCIAL RESULT OF THE COMPANY

Statement of comprehensive income

The Company had HRK 543 thousand of net profit in 2021.

Total revenues of the Company are HRK 28 million. The total revenue from the management fee in the amount of HRK 27 million primarily comes from bond funds 61%, alternative investment funds 19%, from the equity funds 10%, followed by individual portfolio management service 4%, and from balanced fund 6%. Income from other financial activities amounted HRK 0.2 million, entrance and exit fee and other income amounted HRK 0.3 million.

Total expenses of the Company are HRK 27 million out of which HRK 15 million are the costs for distribution channels while other expenses are related to asset management and administrative costs.

Report on financial position on 31 December 2021

The Company's assets at the end of 2021 amounted HRK 21 million, and consists of a HRK 1 million of fixed intangible and tangible assets and HRK 20 million of current assets. Current assets consist of placements at banks HRK 17 million and short-term receivables HRK 3 million.

The Company's capital at the end of 2021 consists of the registered capital in the amount of HRK 5 million, undistributed profit in the amount of HRK 11 million and profit in 2021 of HRK 543 thousand.

The Company's liability in the amount of HRK 5 million are related to short-term liabilities for distribution fees, accounts payable, employee benefit liabilities and other liabilities.

The Company has liabilities for contracted leases of business space and cars in the amount of HRK 0.2 million which maturity is in first quartal 2022.

4. OTHER INFORMATIONS

In December 2021, the company registered two new UCITS feeder funds, which we will offer to the market in the first quarter of 2022.
There were no other business events that significantly influenced the operations of the Company after year end.

(all amounts are expressed in thousands of Kuna)

	Notes	2021.	2020.
Revenue			
Funds management fee	4	26,012	27,070
Portfolio management fee	5	1,318	1,357
Exit fee		233	218
Other operating income		414	133
		27,977	**28,778**
Expenses			
Service expenses	6	(18,109)	(18,259)
Staff expenses	7	(7,156)	(6,804)
Other operating expenses	8	(849)	(868)
Depreciation of tangible, intangible assets and right-of-use assets		(1,048)	(1,055)
Cost of materials		(50)	(68)
		(27,212)	**(27,054)**
Net financial (expenses)/income			
Interest income calculated using the effective interest method		111	206
Other financial income		63	-
Financial expenses		(204)	(256)
		(30)	**(50)**
Profit before tax		**735**	**1.674**
Income tax	9	(192)	(419)
Profit for the year		**543**	**1,255**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**543**	**1,255**

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

(all amounts are expressed in thousands of Kuna)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Equipment		59	51
Right to use asset	10	120	621
Intangible assets	11	546	768
Financial asset at amortized cost	12	-	6,991
Deferred tax assets		181	262
Total non-current assets		**906**	**8,693**
Current assets			
Receivables	13	3,159	3,119
Cash and bank balances	14	17,178	10,817
Total current assets		**20,337**	**13,936**
Total assets		**21,243**	**22,629**
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	5,000	5,000
Retained earnings		11,378	12,214
Total equity		**16,378**	**17,214**
Liabilities			
Long term liabilities			
Lease liabilities	18	-	104
Total long term liabilities		**-**	**104**
Short term liabilities			
Provisions	16	1,397	321
Lease liabilities	18	204	595
Other current liabilities	17	3,264	4,395
Total short term liabilities		**4,865**	**5,311**
Total liabilities		**4,865**	**5,415**
Total equity and liabilities		**21,243**	**22,629**

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

(all amounts are expressed in thousands of Kuna)

	Issued capital	Retained earnings	Total
Balance as at 1 January 2020	**5,000**	**17,695**	**22,695**
Profit for the year	**-**	**1,255**	**1,255**
Other comprehensive income	-	1,255	1,255
Total comprehensive income for period		**1,255**	**1,255**
Dividends paid	-	(6,736)	(6,736)
Shareholder transactions recognized directly in equity	-	**(6,736)**	**(6,736)**
Balance as at 31 December 2020	**5,000**	**1,214**	**17,214**
Balance as at 1 January 2021	**5,000**	**12,214**	**17,214**
Profit for the year		**543**	**543**
Other comprehensive income	-	**543**	543
Total comprehensive income for period		**543**	**543**
Dividends paid	-	(1,380)	(1,380)
Shareholder transactions recognized directly in equity	-	**(1,380)**	**(1,380)**
Balance as at 31 December 2021	**5,000**	**11,377**	**16,377**

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

(all amounts are expressed in thousands of Kuna)

	2021	2020
Cash flows from operating activities		
Profit before tax	735	1,674
Adjustments for:		
Interest income	(111)	(206)
Depreciation	1,048	1,055
Interest expense	36	82
Other non-cash items	(86)	5
	1,622	2,610
Movements in working capital		
(Increase)/decrease in receivables	(29)	1,623
Increase/(decrease) in current liabilities	33	(4,058)
(Decrease) in provisions	-	(2,406)
Net cash used by operating activities	**1,626**	**(2,231)**
Income tax paid	(280)	1,546
Net cash realized by operating activities	**1,346**	**(685)**
Cash flows from investing activities		
Interest received	204	192
Purchase of equipment	(31)	(13)
Purchase of intangible assets	(148)	(253)
Proceeds from financial instruments	6,901	-
Net cash from investing activities	**6,926**	**(74)**
Cash flows from financing activities		
Payments for lease – principal	(495)	(656)
Payments for lease – interest	(36)	(82)
Dividends paid	(1,380)	(6,736)
Net cash used in financial activities	**(1,911)**	**(7,474)**
Net (decrease)/increase in cash and bank balances	**6,306**	**(8,233)**
Net effect in currency difference on cash and bank balances	55	(9)
Cash and bank balances at beginning of the year	**10,817**	**19,059**
Cash and bank balances at end of the year	**17,178**	**10,817**

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

(all amounts are expressed in thousands of Kuna)

1. GENERAL

Erste Asset Management Ltd., registered in Zagreb, Ivana Lučića 2a (the “Company”), is an investment fund management company. The Company was registered at the Commercial Court in Zagreb on 31 July 1998. The Croatian Securities Exchange Commission issued the operating license to the Company on 19 October 2000. Direct owner of the Company is Erste Asset Management GmbH Vienna (100% ownership) while ultimate controlling party is Erste Group Bank AG.

On 28 January 2010, the Croatian Financial Services Supervision Agency passed a decision granting to Company the authorization to perform the activities specified in Article 5 Paragraphs 1.4 and 1.5 of the Capital Market Act concerning the provision of investment services:

- portfolio management
- investment advisory services.

In 2021, the company established two new feeder UCITS funds, Erste Green Equity and Erste Quality Equity in order to increase the supply of its products with new strategies. Erste Green Equity aims at sustainable investment according to Art. 9. Regulation (EU) 2019/2088 of the European Parliament and of the Council on disclosure requirements regarding sustainability in the financial services sector (SFDR Regulation). In addition to the above, at the end of the year the Company registered two more funds with a sustainable investment strategy that will be offered to investors during the first quarter of 2022.

List of funds managed by the Company:

Erste Conservative, Erste E-Conservative, Erste Adriatic Bond, Erste Adriatic Equity, Erste PB1, Erste PB2, Erste Adriatic Multi Asset, Erste Green Equity i Erste Quality Equity

Management Board:

Josip Glavaš	President	from 3 February 2003
Snježana Šalković Dasović	Member	from 5 November 2004
Miroslav Jurišić	Member	from 17 December 2007

Supervisory Board:

Heinz Bednar	President	from 1 October 2013
Ivica Smiljan	Member	from 21 October 2016
Adrianus Janmaat	Vice president	from 19 May 2016

General Assembly of the Company consists of one member Erste Asset Management GmbH Vienna.

Operating Environment of the Company

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Croatian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as restrictions, quarantines and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is still not on adequate level, and there is a risk that the Croatian authorities would impose additional restrictions in subsequent periods, due to rapidly increasing infection levels related to new soy of virus. The future effects of the current economic situation and the above measures are difficult to predict and management’s current expectations and estimates could differ from actual results.

However, monetary assistance in Republic of Croatia was launched with the aim of combating the pandemic and restarting the economy and it will continue to be the dominant factor in the coming years. Global central banks continue to increase their sovereign bond buyback programs, reducing interest yields on government debt which implicitly allows a larger government deficit and higher government debt and makes it sustainable.

The ECB acknowledges that despite seeing inflation over 2% in all of 2022 (3,2% last estimate), it will not be expected on the same levels in 2023 (1,8% last estimate) and consider it still a predominantly transitory phenomenon but are still starting to slow monetary support in terms of reducing monthly bond purchases before the official expiry of the agreed PEPP pandemic program in March next year. Most analysts predict that in the coming period stock markets will have a better year than bond markets, with more volatility. Analysts estimate that the CEE region will achieve higher GDP growth than the average of developed EU representatives this year and next. Although the region contributes 11% to the EU's total GDP, over 20% of Next Generation total funding has been allocated to it. This shows the clear support of the central to its "less developed" members. By joining the Eurozone, Croatia could also be rewarded by improvement in its rating within the current investment level.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company maintains its books and accounts in the Croatian kuna (HRK) and in accordance with the Croatian Accounting Act as well as the accounting principles and practices adopted by enterprises in Croatia.

Statement of compliance

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

Basis of preparation

These financial statements have been prepared under the historical cost convention. The basic accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impact of Covid 19 pandemic

Assets under management fell significantly during 2020, resulting from the impact of the crisis caused by the Sars-CoV-2 virus pandemic. Clients withdraw their investments from funds and individual portfolios scared by uncertainty that was spread on global level. Although global markets calmed down after a drastic correction at the beginning of pandemic, assets under management unfortunately did not follow the same trend. The return of investors in funds and portfolios is very slow, and by the end of 2021 the total assets under management have not reached the levels funds had at the end of the 2019 pre-pandemic year. As of December 2021, and compared to December 2020, total assets under management increased by a modest HRK 185 million. As a result of significantly lower assets under management throughout year 2020 and 2021, management company experienced significant drop in management fee income. Even after respective movements and negative downturns, Company remains in strong position in terms of profitability, liquidity and capital adequacy and therefore Company's going concern ability was not put into question.

(all amounts are expressed in thousands of Kuna)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional and presentation currency

The financial statements are presented in Croatian kuna (''HRK''), which is the Company's functional currency. All financial information presented in Croatian kuna has been rounded to the nearest thousand. The effective exchange rate at 31 December 2021 was HRK 7.517174 for EUR 1 (2020: HRK 7.536898).

Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, value added taxes and other similar mandatory payments. The Company provides services under variable price contracts. If the Company transfers control of a service over time and therefore satisfies a performance obligation over time, revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from managing of open-end investment funds

The Company recognizes management fees as revenue over time according to monthly invoices which are based on daily calculation according to the Prospectus. The exit fee revenues are recognized when units are sold as percentage of sold unit value point in time. Management fee is calculated on the total fund's assets decreased for the value of liabilities from securities transactions for each fund. The exit fee is charged in accordance with fund's Prospectus. The breakdown of the fees charged in 2021 and 2020 by the Company to Erste open-end investment funds is presented below:

Erste open end investment fund	**Management fee (%)**
Erste Conservative	0,20
Erste E-Conservative	0,15
Erste Adriatic Bond	1,00
Erste Adriatic Multi Asset	1,50
Erste Adriatic Equity	2,00
Erste Green Equity	1,16
Erste Quality Equity	1,44

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from portfolio management

The Company charges a portfolio management fee and an incentive fee for the portfolio management, recognised over time in accordance with the following price list.

Type of fee	**Abbreviation used in the General Terms and Conditions**	**Aggressive strategy**	**Moderate Strategy**	**Conservative strategy**	**Ultra-conservative strategy**
Type of fee in %		**A**	**B**	**C**	**D**
Portfolio management fee	(P1)	2	1,3	1	1
Incentive fee	(P2)	10	10	5	5
Front-end fee	(P3)	-	-	-	-
Exit fee in the first year	(P4)	1	1	1	1

The Company charges the Portfolio Management Fee and the Incentive Portfolio Management Fee in accordance with the price list and the Agreement, plus VAT. The Company calculates the Portfolio Management Fee (P1) at over time, taking into account the value of the assets in the Portfolio, and the Client is obliged to pay it monthly, up to 10 days a month for the previous month. The percentage share is defined in the Price List and is linked to a specific Portfolio Management Strategy. The Company calculates the incentive fee (P2) as a percentage of the realized profit for the Client point in time. The percentage of fee is defined in the Price List and is linked to a specific Portfolio Management Strategy. The Client is obliged to pay the incentive fee on the day of settlement or upon termination of the Agreement, whichever is earlier. The day of calculation is considered to be the last working day of the business year. In accordance with the Price List and the Agreement, the Company will charge the Client an entry fee when depositing funds or financial instruments in the Portfolio, and an exit fee when withdrawing funds or financial instruments from the Portfolio. Entrance fee (P3) is calculated as a percentage of the value of assets that the Client enters in the Portfolio. Exit fee (P4) is calculated as a percentage of the amount of paid funds and / or value transferred financial instruments increased by the amount of the tax liability if it exists. In case of multiple payments / disbursements of funds, the exit fee (P4) is calculated and charged using the FIFO method (FIRST IN FIRST OUT), based on which it is considered that the funds that were paid first are also the ones that are paid first. The Company can exempt Client from paying entry and / or exit fees. The Company charges above mention fees for the portfolios it manages according to directly concluded Agreements with clients. Since 2018, the Company does not have a single direct Agreement with the client.

Revenue from portfolio management fees is collected from Erste & Steiermärkische banka d.d for portfolios that Erste & Steiermärkische banka d.d has contracted with clients and given to the Company for management as an externalized business. Fees charged to clients in these contracts are included in Erste & Steiermärkische banka d.d 's price list. The Company calculates and charges Erste & Steiermärkische banka d.d for the portfolio management service a fee of 25% of the portfolio management fee (excluding VAT) that Erste Bank calculates and charges from clients for the client asset management and advisory services provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

Interest is recognized in the statement of comprehensive income by reference to the principal outstanding and on accrual basis using the interest method. Interest income includes interest income from sight deposits, term deposits and interests from bonds securities.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a business premise the Company leases. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the Company’s incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. currency.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and telephones with single value item of HRK 10 thousand or less.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

The Company leases office space and cars. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Office space	Up to 5
Cars	3 - 5

As of 31 December 2021. The Company is still under negotiation with the lessor for business premise lease which will end in Q1 2022. and while extension option is embedded in the contract it is unclear whether the Company will continue to lease respective object and therefore extension option is not exercised.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated to Croatian Kuna by applying the mid exchange rate of the Croatian National Bank effective on the statement of financial position date. Income and expenditure in foreign currencies are translated at rates effective on the transaction date. Realized gains and losses on translation of foreign currency statement of financial position items are included in the statement of comprehensive income. Foreign currency gains and losses related to securities at fair value through profit and loss are included in the statement of comprehensive income as part of realized and unrealized gain/losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

The Company's current tax liability is calculated by applying the 18% tax rate to the taxable profit. Taxable result differs from accounting result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxes are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the balance sheet liability method. Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilized. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Equipment

Equipment is stated at cost less accumulated depreciation.
Depreciation is provided under the straight-line method over the estimated useful life from 4 to 5 years based on the type of the equipment. The gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

Intangible assets

Intangible assets with finite useful life are stated at purchase cost less accumulated amortization. Amortization is provided under the straight-line method over the estimated useful life of 4-5 years.
The gain or loss arising on the disposal or retirement of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists and in any case for intangible assets with infinite useful life, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and bank balances

Cash and cash equivalents include cash in bank and in hand. It consists of cash in current accounts denominated in Croatian kuna and foreign currency and is carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payment of principal and interest, and (ii) they are not designated at fair value through profit or loss.

Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC resulting in an immediate accounting loss.

The Company classifies financial assets in the measurement category at amortized cost (AC). The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets impairment – credit loss allowance for expected credit loss ("ECL").

On each reporting period the Company measures and recognizes, on a forward-looking basis, the ECL for debt instruments measured at AC. Credit loss allowance is based on ECL model measurement that reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

In statement of financial position debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies simplified approach for impairment of receivables. For other financial assets the Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at 12 Months ECL". If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. Credit loss allowance is recognised using a simplified approach at lifetime ECL for receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits.

Bonus plans

A liability for employee bonuses is recognized in provisions based on the Company’s formal plan and when past practice has created a valid expectation by the Management Board that they will receive a bonus and the amount can be determined before the time of issuing the financial statements. Liabilities for bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

3. ACCOUNTING STANDARDS

Adoption of New or Revised Standards and Interpretations

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

- 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.
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:
  - *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform. *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
  - *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform
  - Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform

The Company was not impacted significantly with IBOR reform as they hold one derivative instrument which was impacted by change to other interbank offered rate which is immaterial to the financial statements.

- Amendment to IFRS 4 – deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2021).

3. ACCOUNTING STANDARDS (CONTINUED)

New Accounting Pronouncements

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

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- 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)
- 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).
- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021

Unless otherwise described above, the new standards and interpretations are either not relevant or not expected to affect significantly the Company’s financial statements.

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

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- 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).

3. ACCOUNTING STANDARDS (CONTINUED)

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. The Company is currently assessing the impact of the amendments on its financial statements.
- 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)
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

Unless otherwise described above, the new standards and interpretations are either not relevant or not expected to affect significantly the Company's financial statements.

(all amounts are expressed in thousands of Kuna)

4. FUNDS MANAGEMENT FEE

	2021.	2020.
Erste Adriatic Bond	14,695	17,012
Erste Conservative	738	908
Erste E-Conservative	581	513
Erste Adriatic Equity	2,147	1,934
Erste PB1	5,087	5.449
You Invest Solid	-	106
You Invest Active	-	81
Erste PB2	391	245
You Invest Balanced	-	111
Erste Quality Equity	215	-
Erste Green Equity	250	-
Erste Adriatic Multi Asset	1,760	679
Erste PB-AZ-1	148	32
	26,012	**27,070**

5. PORTFOLIO MANAGEMENT FEE

The Company calculates and charges fee to clients for the portfolio management service. The Company realized revenue from this activity in the amount of HRK 1,318 thousand (2020: HRK 1,357 thousand).

6. SERVICE EXPENSES

	2021.	2020.
Exit and trailer fee	15,341	15,893
Cost of maintenance	1,757	1,307
Financial information service providers fee	513	461
Post and phone expense	81	85
Audit services	107	167
Marketing expense	56	29
Other cost of services	254	317
	18,109	**18,259**

(all amounts are expressed in thousands of Kuna)

6. SERVICE EXPENSES (continued)

The Company pays to Erste & Steiermaerkische Bank (the “Bank”) an exit and trailer fee for the distribution of units in Erste open-end investment funds (Note 20). The Bank charges an exit fee and a trailer fee on units sold through the Bank. Liabilities for trailer and exit fee invoiced but not yet paid are presented in Note 17.

7. STAFF EXPENSES

	2021.	**2020.**
Net salaries	3,833	3,709
Taxes and contributions from and on salaries	3,008	3,086
Bonuses	315	9
	7,156	**6,804**

Taxes and contributions from and on salaries include HRK 292 thousand (in 2020: HRK 285 thousand) of defined pension contributions paid or calculated for payment to mandatory pension funds. The number of staff employed by the Company as at 31 December 2021 was 19 (19 as at 31 December 2020). Management Board's compensations are also included in payroll costs. Costs of bonuses are variable rewards for success. During 2021 there are no bonus payments and for 2020 bonuses paid are related to the three board member in the amount of HRK 1,515 thousand and 16 full-time employees in the amount of HRK 985 thousand.

8. OTHER OPERATING EXPENSES

	2021.	**2020.**
Representation and promotion	80	48
Cost of business trips (inland and abroad)	97	34
Fees to regulatory bodies	104	191
Employee costs (travel and accommodation on business trips)	262	235
Cost of energy utilities	194	210
Fund for the protection of investors contribution	20	20
Professional training	60	50
Donations and sponsorships	-	17
Insurance premium	13	26
Other	19	37
	849	**868**

(all amounts are expressed in thousands of Kuna)

9. CORPORATE INCOME TAX

The following table reconciles the profit before tax and the income tax expense for 2021 and 2020:

Income tax expense recorded in profit or loss comprises the following:

(a) Components of income tax expense

	2021.	**2020.**
Current tax	111	227
Deffered tax	81	192
Income tax expense for the year	**192**	**419**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

Income tax in 2021 is calculated as 18% of the taxable profit for the year (2020: 18%). The Company had no tax losses available to be carried forward to next fiscal periods as at 31 December 2021.

The following table reconciles the profit before tax and the income tax expense for 2021 and 2020:

	2021.	**2020.**
Profit before tax	735	1.674
Income tax at the statutory tax rate 18%	132	301
Provisions taxable in previous periods	(55)	(56)
Other tax base decreasing items	(6)	(23)
Effect of tax base increasing items	40	5
Deferred tax from temporary differences	81	192
Income tax	**192**	**419**
Effective tax rate	**26,12 %**	**25,03 %**
Income tax paid in advance	488	265

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Croatia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of HRK	**1 January 2021**	**(Charged)/ credited to profit or loss**	**31 December 2021**
Tax effect of deductible/(taxable) temporary differences			
Net impairment losses on financial and contract assets	(1)	1	-
Provisions for liabilities and charges	274	(106)	168
Lease liabilities	(11)	24	13
Net deferred tax asset/(liability)	**262**	**(81)**	**181**
Recognised deferred tax asset	**262**	**(81)**	**181**
Net deferred tax asset/(liability)	**262**	**(81)**	**181**

In thousands of HRK	**1 January 2020**	**(Charged)/ credited to profit or loss**	**31 December 2020**
Tax effect of deductible/(taxable) temporary differences			
Net impairment losses on financial and contract assets	(1)	-	(1)
Provisions for liabilities and charges	445	(171)	274
Lease liabilities	10	(21)	(11)
Net deferred tax asset/(liability)	**454**	**(192)**	**262**
Recognised deferred tax asset	**454**	**(192)**	**262**
Net deferred tax asset/(liability)	**454**	**(192)**	**262**

(all amounts are expressed in thousands of Kuna)

10. RIGHT OF USE ASSET

The statement of financial position discloses a separate item for right of use asset which includes the following:

	31 December 2021	**31 December 2020**
Office space	105	545
Cars	15	76
	120	**621**

	Office space	**Cars**	**Total**
Balance as at 1 January 2021	**545**	**76**	**621**
Value adjustment due to rent indexation	154	-	154
Annual depreciation expense	(594)	(61)	(655)
Balance as at 31 December 2021	**105**	**15**	**120**

(all amounts are expressed in thousands of Kuna)

11. INTANGIBLE ASSETS

	Total
COST	
As at 31 December 2019	**5,118**
Additions	253
As at 31 December 2020	**5,371**
Additions	148
As at 31 December 2021	**5,519**
AMORTISATION	
As at 31 December 2019	**4,239**
Charge for the year	364
As at 31 December 2020	**4,603**
Charge for the year	370
As at 31 December 2021	**4,973**
CARRYING AMOUNT	
As at 31 December 2020	**768**
As at 31 December 2021	**546**

Intangible assets relate to software.

As at 31 December 2021 and as at 31 December 2020 the Company has performed impairment testing of intangible assets and concluded that no value adjustments are necessary. No assets have been pledged as security as at 31 December 2021 and as at 31 December 2020.

(all amounts are expressed in thousands of Kuna)

12. FINANCIAL ASSETS

On 31.12.2021. the value of bond RHMF-O-217A8 is HRK 0.00 since it matured on July 8th 2021 and was settled in full.

	Currency	Interest rate **%**	Maturity date	Accrued interest	Cost	Amortization premiums	Interest income	Expected credit losses	Value
	31 December 2020 – Financial assets at amortized cost								
RHMF-O-217A8	HRK	2,75	08.07.2021.	92	6,968	7	193	(7)	6,991
									6,991

13. RECEIVABLES

	31 December 2021	31 December 2020
Receivables for funds management fee	2,482	2,353
Receivables for portfolio management fee	143	134
Other receivables	534	632
	3,159	**3,119**

Receivables are not older than 30 days and considered fully recoverable.

14. CASH IN BANK

	31 December 2021	31 December 2020
Bank account - domestic currency		
Erste & Steiermaerkische Bank d.d.	3,381	10,801
Other banks	3,747	2
Bank account - foreign currency		
Erste & Steiermaerkische Bank d.d.	6,269	12
Other banks	3,780	1
Petty cash balance	1	1
	17,178	**10,817**

Interest rates in domestic currency on cash accounts was 0.01%. Interest rates on foreign currency are 0.00%.

(all amounts are expressed in thousands of Kuna)

15. ISSUED CAPITAL

As at 31 December 2021, the issued capital amounts of HRK 5,000 thousand (2020: HRK 5,000 thousand). Sole owner of the Company is Erste Asset Management Management G.m.b.H., Vienna. In 2020, the Company has paid dividends of HRK 1,380 thousand to the sole owner from retained earnings (2020: HRK 6,736 thousand).

16. PROVISONS

	31 December 2021	31 December 2020
Accrued bonuses	1,297	321
Other provisions	100	-
	1,397	**321**

As at 31 December 2021 the Company accrued the bonuses for their employees in the amount of 1,297 thousand that will be paid in 2022. In 2020. bonuses for employees were accrued only for part of employees but were not paid in 2021 since minimal requirements for bonuses distribution in 2020 were not fulfilled.

17. OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Liabilities for trailer and exit fee (Note 6)	1,325	1,244
Due to employees	1,123	1,880
Other liabilities to state	284	238
Liabilities for distributors	204	220
Other liabilities	328	813
	3,264	**4,395**

18. LEASE LIABILITIES

At the reporting date, the Company had outstanding commitments under non-cancellable leases, which matured as follows:

	Car lease	Office space lease	Total
Current liabilities			
Up to one year	16	188	204
	16	**188**	**204**

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has different kinds of financial assets such as receivables from the Fund, bonds, cash and short term deposits. The main risks to the Company are interest rate risk, liquidity risk, foreign exchange risk, credit risk and operational risk. The Management reviews and determines management policies for governance of all mentioned risks as presented below:

- Risks Affecting the Management of Financial Assets of the Company
    - Credit risk
    - Currency risk
    - Liquidity risk
    - Risk of changing the price of financial instrument

Currency risk

Currency risk is the risk of decrease in the value of the Company's assets due to changes in the exchange rate. The Company's assets may be invested in financial instruments denominated in currencies other than HRK, and changes in the exchange rate against the HRK may cause decrease in value of that portion of the assets.

Exposure to the Company's currency risk is presented in the following currencies, expressed in thousands of HRK

	31 December 2021 EUR	**31 December 2020** EUR
Assets		
Cash amount	10,047	8
Total asset exposed to currency risk	10,047	8
Liability		
Lease liability	204	699
Total liability exposed to currency risk	204	699
Net assets of company exposed to currency risk	**9,843**	**(691)**

If the EUR exchange rate changes to 1% higher / lower for HRK at 31 December 2021, assuming other unchanged variables, the pre-tax profit would be lower / higher by HRK 98 thousand (2020: pre-tax profit would be lower/higher by HRK 7 thousand).

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk to loss assets value which is invested in debt securities, money market instruments or deposits due to default of a debt securities issuer or a bank. Credit risk also includes the risk of decreasing in the value of a debt instrument due to decreasing in the rating of the issuer's credit rating. The Management believes that exposure to this type of risk is not significant as it is about government bonds and deposits with reputable banks.

As at 31 December 2021, the Company has no outstanding and unpaid claims (as at 31 December 2020 the Company had no due and unpaid claims).

The Company's financial assets exposed to credit risk are presented in the following categories and represent the maximum exposure to credit risk:

	31 December 2021	**31 December 2020**
Cash account	17,178	10,817
Transferable financial instruments at amortised cost	-	6,991
Receivables for management fee and other receivables	2,667	2,800
Maximum credit risk exposure	**19,845**	**20,608**
Other assets not exposed to credit risk	1,398	2,021
Total assets	**21,243**	**22,629**

The following table shows the financial assets of the Company according to the agency's rating:

	S&P Rating	**31 December 2021**	**31 December 2020**
Cash account	No rating	80,87%	52.49%
Transferable financial instruments at amortised cost	BBB-	-	33.92%
Receivables for management fee and other receivables	No rating	19,13%	13.59%
	Total	**100,00%**	**100.00%**

At December 31, 2021, the bank with which the Company has a current account has no credit rating, but the rating of the parent banks is A and BBB according to Standards & Poor (as at 31 December 2020: A). Majority of financial assets are related to transactions with rated parties and are short-term (Note 20).

It is considered that Company is not exposed to interest rate risk since vast majority of its assets and liabilities have fixed interest rates.

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk associated with entity's having insufficient liquid assets to satisfy entity's liabilities. For the purpose of liquidity risk management, the Company applies an active asset management / liquidity management policy, in order to align cash inflows and outflows. Given that the Company has no financial obligation and has a significant amount of cash assets and short-term investments, the Management believes that the risk is insignificant.

As at 31 December 2021 and 31 December 2020, table is presented showing the remaining period to contractual maturity of financial liabilities.

2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Lease liability	99	105	-	-	-	204
Liabilities for exit and trailer fee	-	1,325	-	-	-	1,325
Other liabilities	-	204	-	-	-	204
Total liabilities	99	1,634	-	-	-	1,733

2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Lease liability	50	99	446	104	-	699
Liabilities for exit and trailer fee	-	1,244	-	-	-	1,244
Other liabilities	-	220	-	-	-	220
Total liabilities	50	1,563	446	104	-	2,163

The following table shows the maturity of undiscounted cash flows of assets and liabilities in HRK:

2021	On demand	Up to 3 months	3-12 months	1-5 years	Total
Cash account	17,178	-	-	-	17,178
Receivables	-	2,625	-	-	2,625
Total Assets	**17,178**	**2,625**	**-**	**-**	**19,803**
Lease liability	-	210	-	-	210
Liabilities for exit and trailer fee	-	1,325	-	-	1,325
Other liabilities	-	204	-	-	204
Total liabilities	-	**1,739**	**-**	**-**	**1,739**
Net asset surplus	**17,178**	**886**	-	-	**18,064**

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The following table shows the maturity of undiscounted cash flows of assets and liabilities in HRK:

2020	On demand	Up to 3 months	3-12 months	1-5 years	Total
Transferable securities at amortised cost	-	5	6,991	-	6,996
Cash account	10,817	-	-	-	10,817
Receivables	-	2,487	-	-	2,487
Total assets	**10,817**	**2,532**	**6,991**	**-**	**20,300**
Lease liability	57	114	464	103	738
Other liabilities	-	220	-	-	220
Total liabilities	**57**	**314**	**464**	**103**	**958**
Net asset surplus / (shortfall)	**10,760**	**2,218**	**6,527**	**(103)**	**19,342**

Risk of changing the price of financial instrument

The risk of changing the price of financial instrument represents the risk of falling market value of the individual financial instrument in which the Company's assets are invested. By limiting investment in debt securities of Croatia's state, deposits and short-term bond funds, i.e. low-volatility-class assets, and inactive trading, the Company secured a low risk.

Operational risk

The Company is exposed to operational risk through its regular operations. Operational risk is the risk of loss due to inadequate or unsuccessful internal procedures or systems due to human error, fraud or external influences (such as natural disasters), and due to a lack of compliance with the applicable legal regulations. Human errors refer to the possibility of errors occurring during business processes, such as errors in dealing with transaction and / or settlement of transactions or errors in the process of asset valuation. Fraud and theft are related to the possibility of intentional illegal conduct.

The basis for operational risk management is the process analysis within the Company and the identification of potential operational risks to certain categories. Based on the analysis, the Company determines whether some measures to reduce the level of risk in certain processes need to be implemented or not.

At quarterly level, the Company's Management Board receives reports on events that can be qualify as operational risk. The base of losses due to operational risk is monitored, in which all realized losses and possible losses due to operational risk are monitored according to guidelines and terminology of the Basle Committee and the CNB regarding classification of events in the database.

(all amounts are expressed in thousands of Kuna)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management

The Company actively managed capital base to cover risks in the business. The maintenance of the Company's capital is monitored also by rules established by the Croatian Financial Services Supervisory Agency which require that capital of the investment fund management company shall at any time be equal to or higher than the higher of the following two amounts: 1) HRK 2,531 (minimal amount of the share capital required by the Investment Funds Act) and 2) HRK 2,896 (one quarter of general costs from the previous business year).There were no changes in goals, policies or procedures during 2021 and 2020. The Company is in full compliance with capital requirements for year 2021 and 2020.

Fair value

The fair value of receivables, cash and liabilities is approximately equal to the fair value due to the immediate or short-term maturity of these financial assets.

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2021				31 December 2020			
In HRK thousand	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carry-ing value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carry-ing value**
ASSETS								
Financial assets at AC								
- Cash account	-	17,178	-	17,178	-	10,817	-	10,817
- Transferable financial instruments at amortised cost	-	-	-	-	7,104	-	-	6,991
- Receivables for management fee and other receivables	-	2,625	-	2,625	-	2,487	-	2,487
TOTAL ASSETS	**-**	**19,803**	**-**	**19,803**	**7,104**	**13,304**	**-**	**20,295**
LIABILITIES								
Financial liabilities at AC								
- Liabilities for exit and trailer fee	-	1,325	-	1,325	-	-	-	-
- Other liabilities	-	204	-	204	-	220	-	220
TOTAL LIABILITIES		**1,529**	**-**	**1,529**	**-**	**220**	**-**	**220**

(all amounts are expressed in thousands of Kuna)

20. RELATED PARTIES

Company related parties are members of the Erste group and fund that are managed by the Company.

	Revenues		Expenses		Receivables and cash		Liabilities	
	2021	**2020**	**2021**	**2020**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Transactions with the owner								
Erste Asset Management GmbH	176	162	115	118	43	39	1	-
	176	**162**	**115**	**118**	**43**	**39**	**1**	**-**
Transactions with other related parties								
Funds managed by the management company								
Erste Conservative	770	908	-	-	67	60	-	-
Erste E-Conservative	558	687	-	-	54	44	-	-
Erste Adriatic Equity	2,192	1,978	-	-	237	185	-	-
Erste PB2	391	245	-	-	33	34	-	-
Erste PB1	5,087	5,449	-	-	343	504	-	-
Erste Adriatic Bond	14,839	17,012	-	-	1,380	1,415	-	-
You invest Solid	-	106	-	-	-	-	-	-
You invest Balanced	-	111	-	-	-	-	-	-
You invest Active	-	81	-	-	-	-	-	-
Erste Adriatic Multi Asset	1,769	678	-	-	246	79	-	-
Erste PR-AZ-1	148	32	-	-	-	32	-	-
Erste Quality Equity	225	-	-	-	62	-	-	-
Erste Green Equity	267	-	-	-	60	-	-	-
	26,246	**27,287**	**-**	**-**	**2,482**	**2,353**	**-**	**-**

(all amounts are expressed in thousands of Kuna)

20. RELATED PARTIES (Continued)

Company related parties are members of the Erste group and funds that are managed by the Company.

	Revenues		Expenses		Receivables and cash		Liabilities	
	2021	**2020**	**2021**	**2020**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Transactions with other related parties								
Depositary bank								
Erste & Steiermaerkische bank d.d., Zagreb	1,318	1,357	15,542	15,846	9,793	10,948	1,335	1,258
	1,318	**1,357**	**15,542**	**15,846**	**9,793**	**10,948**	**1,335**	**1,258**
Other related parties								
Erste Group IT HR d.o.o.	-	-	537	376	-	-	-	-
Erste banka Crna Gora	-	-	30	30	-	-	2	3
Erste Card Club	-	-	431	451	-	-	-	36
	-	**-**	**998**	**857**	**-**	**-**	**2**	**39**
Transactions with key management								
Key management	-	-	2,559	4,113	-	-	614	116
	-	**-**	**2,559**	**4,113**	**-**	**-**	**614**	**116**
Total	**27,740**	**28,806**	**19,214**	**20,934**	**12,318**	**13,340**	**1,952**	**1,413**

20. RELATED PARTIES (CONTINUED)

During 2021, the Company had transactions with related parties: with the managed funds a transactions related to the collection of management fee, as well as investment transactions with the assets of the fund in other funds under the management of the Company.

In 2021. as well as 2020. Company did not have any transactions with ultimate controlling party. During 2021 the Company has disbursed total of HRK 1,380 thousand to the sole owner from retained earnings (2020: HRK 6,736 thousand).

The Depository Bank of the Company is Erste & Steiermarkische banka d.d. with which the Company has had transactions related to the collection of the depository bank's fee, the payment of trailer fee for the sale of fund unites, the payment of the fee for the asset management services for the clients of the bank and related to the trading of the assets of the funds. The Company holds funds in an account with the bank.

The aforementioned related parties are legal entities that are interconnected through their ownership relations and are thus also linked to the Company and are under common control since they are owned directly or indirectly by Erste Group Bank AG.

The Company considers the Management Board to be the key management. Total expenses for the members of Management board, that refer to gross salaries, contribution expenses and bonuses, for the year ended 31 December 2021 was HRK 2,559 thousand (2020: HRK 4,113 thousand) out of that HRK 98 thousand was paid for pension fund (2020.: HRK 159 thousand).

Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin of 4,5% (2020: 4,5%). Management services are negotiated with related parties by using profit-split method. The receivables from related parties arise mainly from sale transactions and are due 30 days after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties in 2021 and 2020. The payables to related parties arise mainly from services received and are due 30 days after the date of service. The payables bear no interest. In 2021 as well as 2020 the Company had no commitments with related parties, no collaterals are pledged as part of the transactions, there was no bad debt, and no guarantees were provided.

Form IFP

Statement of Financial Position
Erste Asset Management d.o.o.
OIB: 68572873963
Date: 31.12.2021.

(in HRK)

	31.12.2021.	**31.12.2020.**
1. assets		
2. cash	17.178.155,64	10.817.375,16
3. financial assets at fair value	0,00	0,00
4. financial assets at amortized cost	0,00	6.990.624,57
5. receivables in respect of fund and portfolio management	2.624.591,30	2.487.904,59
6. other receivables	45.871,80	139.425,09
7. property, plant and equipment	58.722,90	50.699,11
8. intangible assets	546.421,39	767.873,72
9. deferred tax assets	181.132,19	261.875,67
10. other assets	607.403,93	1.113.185,01
11. total assets ((∑ EDP2 to EDP10))	21.242.299,15	22.628.962,92
12. OFF-BALANCE SHEET ITEMS	0,00	0,00
13. capital and liability	0,00	0,00
14. capital and reserves (∑ EDP15 to EDP20)	16.377.857,37	17.214.755,60
15. subscribed capital	5.000.000,00	5.000.000,00
16. capital reserves	0,00	0,00
17. fair value reserve	0,00	0,00
18. other revaluation reserves	0,00	0,00
19. retained profit or accumulated losses	10.834.755,59	10.959.464,04
20. profit or loss for the year	543.101,78	1.255.291,56
21. liabilities (∑ EDP22 to EDP25)	4.864.441,78	5.414.207,32
22. liabilities in respect of fund and portfolio management	1.528.978,83	1.463.869,47
23. financial liabilities	0,00	0,00
24. other liabilities	3.335.462,95	3.950.337,85
25. deferred tax liabilities	0,00	
26. total equity and liabilities (EDP14 to EDP21)	21.242.299,15	22.628.962,92
27. OFF-BALANCE SHEET ITEMS	0,00	0,00

Form ISD

Statement of comprehensive income
Erste Asset Management d.o.o.
OIB: 68572873963
For the period: 01.01.2021.-3.12.2021.

(in HRK)

	31.12.2021.	31.12.2020.
28. management fee income ((EDP29+EDP32+EDP35+EDP38))	28.671.839,46	30.773.740,44
29. management fee (EDP30+EDP31)	28.438.279,08	30.555.351,79
30.UCITS fund management	22.960.406,49	24.828.617,41
31. alternative investment fund management	5.477.872,59	5.726.734,38
32. income from entrance charges (EDP33+EDP34)	0,00	0,00
33. UCITS fund	0,00	0,00
34. alternative investment fund management	0,00	0,00
35. income from exit charges (EDP36+EDP37)	233.560,38	218.388,65
36. UCITS fund	233.560,38	218.388,65
37. alternative investment fund management	0,00	0,00
38. other income	0,00	0,00
39. fund management expenses (EDP40+EDP41)	-17.767.279,17	-19.378.075,59
40. costs of unit sales charges	-17.767.279,17	-19.378.075,59
41. other expenses	0,00	0,00
42. net investment fund management result (EDP28+EDP39)	10.904.560,29	11.395.664,85
43. net portfolio management income	1.317.791,46	1.327.389,71
44. investment advisory service income	0,00	0,00
45. general and administrative expenses	-13.288.877,69	-11.762.085,85
46. financial income and expenses (∑ EDP47 to EDP50)	133.963,51	112.491,20
47. net interest income	75.639,40	126.660,52
48. net exchange differences	48.948,68	-18.528,31
49. net impairment loss for expected credit losses	6.643,91	-2.721,37
50. other income and expenses from financial instruments	2.731,52	7.080,36
51. other income and expenses	1.667.937,91	600.930,14
52. total income	31.861.353,61	32.956.104,01
53. total expenses	-31.125.978,13	-31.281.713,96
54. profit / loss before taxation (EDP42+EDP43+EDP44+EDP45+EDP46+EDP51)	735.375,48	1.674.390,05
55. income tax	192.273,70	419.098,49
56. profit / loss (EDP54 – EDP55)	543.101,78	1.255.291,56
57. other comprehensive income (EDP58+EDP63)	0,00	0,00
58. items that will not be reclassified to the income statement (∑ EDP59 to EDP62)	0,00	0,00
59. change in revaluation reserves: real estate, plant, equipment and intangible assets	0,00	0,00
60. change in fair value of equity instruments	0,00	0,00
61. changes to other items that will not be reclassified to the income statement	0,00	0,00
62. Profit tax relating to items that will not be reclassified	0,00	0,00
63 items that can be reclassified to the income statement (EDP64 + EDP67 + EDP70)	0,00	0,00
64. change in revaluation reserves: debt securities (EDP65 + EDP66)	0,00	0,00
65. unrealized gains / losses	0,00	0,00
66. transferred to the income statement (reclassification adjustments)	0,00	0,00
67. changes to other items that can be reclassified to the income statement (EDP68 + EDP69)	0,00	0,00
68. - gains / losses	0,00	0,00
69. transferred to the income statement (reclassification adjust.)	0,00	0,00
70. profit tax relating to items that can be reclassified to profit or loss	0,00	0,00
71. total comprehensive income (EDP56 + EDP57)	543.101,78	1.255.291,56

Form IPK

Statement of changes in equity
Erste Asset Management d.o.o.
OIB: 68572873963
For the period: 01.01.2021.-31.12.2021.

(in HRK)

	Attributable to the equity holders of the parent							
	Subscribed capital	Capital reserves	Revaluation of financial assets available for sale	Other revaluation reserves	Retained profit or accumulated losses	Profit or loss for the year (period)	Non-controlling interest	Total equity
Prior-year opening balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**6.735.991,89**	**0,00**	**22.695.455,93**
Changes in accounting policies	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Correction of prior-period error	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Prior-year opening balance (as restated)	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**6.735.991,89**	**0,00**	**22.695.455,93**
Profit / Loss for the period	0,00	0,00	0,00	0,00	0,00	1.255.291,56	0,00	1.255.291,56
changes in fair value of financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
other gains and losses on investments in financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
changes in other revaluation reserves (real estate, plant, equipment and intangible assets)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other changes in equity not attributable to the equity holders in their capacity as owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
tax on items directly recognized or transferred from equity and reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total directly recognised prior-year (period) income and expenses	0,00	0,00	0,00	0,00	0,00	1.255.291,56	0,00	1.255.291,56
Increase/Decrease in subscribed capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other payments made by the owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividends (profit) paid	0,00	0,00	0,00	0,00	0,00	-6.735.991,89	0,00	-6.735.991,89
Other distributions to owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Prior-year closing balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**1.255.291,56**	**0,00**	**17.214.755,60**
Current-year opening balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**1.255.291,56**	**0,00**	**17.214.755,60**
Changes in accounting policies	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Correction of prior-period error	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Current-year opening balance (as restated)	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.959.464,04**	**1.255.291,56**	**0,00**	**17.214.755,60**
Profit or loss for the period	0,00	0,00	0,00	0,00	0,00	543.101,78	0,00	543.101,78
changes in fair value of financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
other gains and losses on investments in financial instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
changes in other revaluation reserves (real estate, plant, equipment and intangible assets)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other changes in equity not attributable to the equity holders in their capacity as owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
tax on items directly recognized or transferred from equity and reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total directly recognised income and expenses of the current year (period)	0,00	0,00	0,00	0,00	0,00	543.101,78	0,00	543.101,78
Increase/Decrease in subscribed capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other payments made by the owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividends (profit) paid	0,00	0,00	0,00	0,00	-124.708,45	-1.255.291,56	0,00	-1.380.000,01
Other distributions to owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Current-year closing balance	**5.000.000,00**	**0,00**	**0,00**	**0,00**	**10.834.755,59**	**543.101,78**	**0,00**	**16.377.857,37**

Form INTi

Statement of Cash Flow (Indirect Method)
Erste Asset Management d.o.o.
OIB: 68572873963
For the period: 01.01.2021.-31.12.2021.

(in HRK)

	31.12.2021.	**31.12.2020.**
108. net cash flows from operating activities (∑EDP109 to EDP123)	7.708.449,22	-1.417.147,97
109. profit/Loss for the current year (period) before taxation	543.101,78	1.674.390,05
110. depreciation and amortisation	392.922,41	399.689,06
111. value adjustment of receivables and similar write-offs and write-downs	-100.367,79	0,00
112. provisions	1.491.866,00	0,00
113. interest income	-111.457,34	-208.680,92
114. interest expense	23.902,28	82.020,40
115. gains / losses on investments in financial instruments	6.990.624,57	
116. net impairment loss for expected credit losses	0,00	0,00
117. increase / decrease in receivables from fund and portfolio management	-136.686,71	2.528.541,66
118. increase / decrease in other receivables	355.428,96	388.687,63
119. interest paid	-23.902,28	-82.020,40
120. increase / decrease in other items of assets	324.648,89	0,00
120. increase/Decrease of liabilities arising from fund and portfolio management	65.109,36	-1.589.961,87
122. increase / decrease in other liabilities	-2.106.740,91	-4.609.813,58
123. paid profit tax	0,00	0,00
124. net cash flows from investing activities (∑EDP125 to EDP134)	32.331,26	-88.157,56
125. receipts from the sale of financial instruments	0,00	0,00
126. payments for purchase of financial instruments	0,00	0,00
127. interest received	111.457,34	208.680,92
12. dividends received	0,00	0,00
129. payments for placements in loans and other financial instruments	0,00	0,00
130. receipts from the collection of loans and other financial instruments	0,00	0,00
131. payments for the purchase of real estate, plant, equipment and intangible assets	-79.126,08	-292.479,49
132. receipts from the sale of property, plant, equipment and intangible assets	0,00	0,00
133. other receipts from investment activities	0,00	-4.358,99
134. other Payments from investment activities	0,00	0,00
135. net cash flows from financing activities (∑EDP136 to EDP144)	-1.380.000,00	-6.735.991,89
136. payment of the owner of the management company	0,00	0,00
137. expenses for the purchase of own shares / redemption of shares	0,00	0,00
138. pay dividends or profit shares	-1.380.000,00	-6.735.991,89
139. loan receipts	0,00	0,00
140. payments for repayment of received loans	0,00	0,00
141. receipts by issued financial instruments	0,00	0,00
142. payments on issued financial instruments	0,00	0,00
143. other receipts from financial activities	0,00	0,00
144. other payments from financial activities	0,00	0,00
145. net increase/decrease in cash and cash equivalents (EDP108+EDP124+EDP135)	6.360.780,48	-8.241.297,42
146. cash and cash equivalents at beginning of period	10.817.375,16	19.058.672,58
147. cash and cash equivalents at end of period (EDP145+EDP146)	17.178.155,64	10.817.375,16

Regulatory financial statements are prepared in accordance with the HANFA`s regulations which are based on the International Financial Reporting Standards as adopted by the European Union.

The main differences between the regulatory financial statements prepared in accordance with the HANFA`s regulations and the financial statements prepared in accordance with the IFRS are disclosure requirements. Regulatory financial statements are prepared in accordance with the Ordinance on structure and contents of financial statements and other reports of companies managing UCITS funds (Official Gazette: 105/2017) and Ordinance on structure and content of annual and semi-annual financial reports and other reports of alternative investment fund management companies (Official Gazette: 13/2019; further “Ordinances”).
Differences are:

- Receivables in the Regulatory financial statements are presented analytically in three items while financial statements prepared in accordance with IFRS are shown in one aggregate item
- Intangible assets in the Regulatory financial statements are summarized, while in the financial statements prepared in accordance with IFRS they are presented analytically, distinguishing the right to use property related to leases, as required by IFRS-16
- Other short-term liabilities in the Regulatory financial statements are presented analytically in three items by type of occurrence, while in the financial statements prepared in accordance with IFRS they are shown in terms of maturity and lease items are separated according to the requirements of IFRS 16
- Income and expenses in the Regulatory financial statements are presented in such a way that the items belonging to this position in the report are netted as well as in the financial statements prepared in accordance with the IFRS, with a slightly different layout of the items. Items that participate in largest portion of revenue and expenses are shown separately in both reports.

The Company's management believes that there is no need for additional notes to the financial statements, and that is possible based on the above reconciliation make a link to the notes of financial statements prepared under IFRS and financial statements prepared under the provisions of Law on Investment Funds with Public Offering (Official Gazette 44/16, 126/19 and 110/21) and the Law on alternative investment funds (Official Gazette 110/21, 21/18 and 126/19) that regulates the financial reporting and the Ordinance on the structure and content of financial statements and other statements of investment fund management company of UCITS funds (Official Gazette 105/17) and the Ordinance on the structure and content of annual and semi-annual financial statements and other statements of investment fund management company of alternative investment funds (Official Gazette 13/19).