Wiener osiguranje Vienna Insurance Group d.d.

Annual report
for 2022

Contents

Management Board report

The Management Board is submitting its Management Board report together with the audited financial statements for the year ended 31 December 2022.

Wiener osiguranje Vienna Insurance Group d.d. (the "Company") is a joint stock company offering life and non-life insurance products, with headquarters in Zagreb, Slovenska 24. The major shareholder of the Company and the parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG" or "the Group"). The ultimate parent company is Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

The Company's membership to the Group is not only demonstrated by using the „family-name "Vienna Insurance Group, but also by sharing strategic objectives.

Values of the Company are part of the strategic corporate governance based on the vision of a future, in which the Company has a key role in insuring every person, home and company in Croatia.

Part of Vienna Insurance Group

VIG: "We are the leading insurance group in Central and Eastern Europe with the claim to be a stable and reliable partner for our target groups."

VIG, headquartered in Vienna, is the leading insurance group throughout Central and Eastern Europe (CEE). Around 50 insurance companies in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. The more than 25,000 employees in the VIG take care of the day-to-day needs of more than 22 million customers.

From first mover to market leader in CEE

VIG was one of the first European insurance groups to begin expanding into the markets of the CEE region after the fall of the Iron Curtain in 1989. Step by step, the Group established itself in new markets and has become the number one in the region. Vienna Insurance Group places an emphasis on Central and Eastern Europe as its home market and pursues a long-term strategy in the markets where it is represented. More than half of the total business volume and profit is generated in this region.

VIG: "We pursue a long-term business strategy in our markets that is focused on sustainable profitability and continuous earnings growth."

Expertise with local responsibility

VIG is synonymous with stability and expertise in providing its customers with financial protection against risks. Great importance is attached to a local multi-brand policy with regionally established brands and local entrepreneurship. Ultimately, the Group's success and closeness to its customers is down to the individual strengths of each brand and local know-how.

Strong Finances and Credit Rating

VIG has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor's. VIG is listed in Vienna, Prague and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

Management Board report (continued)

The Company

The year 2022 has been globally shaped by continuation of the Covid-19 pandemic and the inflation. Additionally, Croatia was preparing for the upcoming entry into the Euro-monetary Union as of 1st January 2023. Through 80 sales points located across the country, almost 500 sales employees, strong external sales channels, web-sales and support of the strategic partner Erste & Steiermärkische Bank d.d. (the "Bank"), the Company's goal is to constantly provide clients with complete insurance cover and to make claims handling faster and more efficient. With stability based on core competences, the Company is a conscious insurer. The Company always strives for reliability and trustworthiness in dealings with customers and business partners, employees and shareholders.

The premium results for 2022 are indicator of further strengthening of the market position of the Company. As one of the top three leading insurers on Croatian insurance market, the Company is following its vision to be a Company, which has a key role in insuring every person, home and company in Croatia.

The Company's vision, mission, and values, which have been introduced in order to put focus on a common organizational culture harmonizing different cultures existing due to the mergers, have achieved their targets. Values promoted in daily business, are result orientation, expertise, openness for change and positive attitude.

In the course of 2022, the Company continued the activities related to the implemented ISO standard ISO 9001:2015 certificate for quality management system.

With over 700 motivated and educated employees living the Company's values in daily business, the Company demonstrates its readiness to achieve great performance also in the next years.

Business performance

In 2022, the Company reported net profit of HRK 1.6 million, which despites the aggravating circumstances reflects stability in operations of the Company, strict cost management and conservative investment policy. Although implemented the growth strategy, the Company was following selective underwriting policy in order to be even more earning oriented, regardless of possible premium losses. This management principle has proved its effectiveness and success.

The Company wrote gross premiums (including premium written outside of the Croatian insurance market via freedom of service (further on FOS)) of HRK 1,271.1 million, representing an increase by 5% in comparison to 2021, which positioned the Company on fifth place among insurance companies in Croatia, with a total market share of 10%. On the Croatian insurance market, the Company wrote total gross written premiums (without FOS premiums) of HRK 1,257.4 million, representing an increase of 5% in comparison to 2021, while the market records increase by 6.9% which positioned the Company on third place. In life insurances, the Company realizes decrease in premium by 0.7% and holds first place with market share of 22.3%, while the market records decrease by 1.8%. In non-life insurances, the Company records growth in gross written premiums by 12.4% with market share of 6.5% or without FOS premium growth by 11.6% with market share of 7.1%, while the market records growth by 11.5% or without FOS premium growth by 10.1%. As in previous years, the largest share in the Company's total premium relates to life insurance (50.0%) and motor insurance (17.7%).

The Company is making a lot of effort in careful monitoring and reacting on market trends, strictly following the profitability strategy and will maintain these efforts in the future. The Company's clear focus is on the profitability of all lines of business.

Management Board report (continued)

Business performance (continued)

In 2022, net policyholder claims and benefits incurred amounted to HRK 810.6 million, which is, compared to the previous year, an increase of HRK 11.3 million or 1.4%. The Company continued with group-wide anti-fraud initiative and with structured fraud management process, expecting additional profit potentials. Total acquisition, administrative and other operating expenses amounted to HRK 348.8 million, which is an increase of HRK 39.1 million or 12.6%, compared to the previous year.

As of 31 December 2022, the Company's total assets amounted to HRK 4,782 billion, which is, compared to the previous year, a decrease of HRK 88.1 million or 1.8%.

The Company has strong capital base and was in compliance with all regulatory capital requirements during 2022. In light of the expected introduction of Euro as official currency in Republic of Croatia as of 1st January 2023 and the impact it would have on the calculation of the Company's solvency ratio, the parent company further boosted the capital base of the Company. In September 2022, VIG paid HRK 75,6 million into the Other reserves within Shareholders' equity and granted two subordinated loans to the Company in total amount of HRK 187,9 million. Strong capital base provides security to our policyholders.

In the course of 2022, the Company did not buy back any shares and has no subsidiaries.

Keeping stability in operations, as well as the growth and profitability strategy sustainable also in future asks for further development of the digitization process of sales and portfolio management. In 2022, the Company was also deeply involved in IT projects in many segments of business, in order to adapt to the global digital transformation and to optimize business processes in the field of Business Intelligence, Document Management System, Client Relation Management and Sales support (apps WOPIS). Focus will be also on ongoing KING Non-life project, as well as on George project in cooperation with the Bank.

In the course of 2022, the Management Board continued activities supporting the implemented Strategy and its main initiative related to sustainable profitable premium growth of Non-life segment, active management of Life portfolio, investments in Internal sales network, digitization and strategic partnership with Erste bank. In order to cope with the inflation, the Company was closely monitoring prices of the products and took corrective measures when necessary.

After very successful sales of the complementary health insurance product and good start of sales of the supplementary health insurance product the Company is focused on further development in this line of business. Besides the health insurance as one of the strategic lines of business, the Company is also focused on regular life insurances, corporate and motor business, as well as the further development of the bank assurance.

In order to maintain sustainable growth and financial stability, the Company is focused on the overall profitability and will continue with the optimisation of underwriting and claims processes. Further on, the Company puts strong emphasis on increase of productivity of sales forces, which is one of the processes that started in 2022 and will continue in the following years.

The Company is continuously working on implementation of the Company's values, increasing key competencies and actively developing employer branding and HR strategy to attract new quality employees as well as retaining existing key employees.

The Croatian Chamber of Commerce, as a representative of the Croatian economy with 167 years of tradition, every year points out the best examples, candidates for the valuable Golden Kuna recognition, in the desire to reward them but also to encourage them to maintain continuity of success. The 26th Golden Kuna was held in November 2022, awarding companies that guaranteed stability, innovation, and sustainability in the challenging 2021. Wiener osiguranje was awarded the best insurance company in 2021 in the Croatian market.

Management Board report (continued)

Risk management

The management of risks to which the Company is exposed in its ordinary business is conducted on regular basis. Risk management allows for identification, analysis, quantification and control of risks. The main risks to which the Company is exposed to are insurance risks, credit risk, market risks (price risk, interest rate risk and foreign exchange risk), liquidity risk, operational risks, strategic risks and reputational risks. In each risk category, the Company undertakes measures for management and control of risks in order to limit the risks to acceptable level.

Further, the Company is aware of potential emerging risks for insurance industry (cyber risks, sustainability risks) and performs evaluation of those risks as part of its ORSA process.

Solvency II takes into consideration all risks to which the Company is exposed in its business activities. The most important role is given to the market and insurances risks. Exposure to these risks is shown in the notes to the financial statements. The Company will continue to pay particular attention to the assessment of all risks to which the balance sheet positions are exposed.

Social responsibility

Corporate social responsibility (the “CSR”) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. Actively engaging in CSR means that the Company is operating in ways that enhance society and the environment, instead of contributing negatively to them. As important as CSR is for the community, it is equally valuable for the Company. CSR activities can help forge a stronger bond between employees and organizations, boost morale, and help both employees and employers feel more connected with the world around them.

During 2022, our main CSR focus was on helping children. In our Social Active Day activity, CSR project called Wiener Zmajstori, we continued supporting Mali zmaj (transl. Little dragon), a humanitarian association dedicated to improving the life quality of poor and neglected children. Their activities include organizing workshops for children that include playing, sports, entertainment and field trips, but also providing professional learning assistance, speech therapy exercises and psychotherapy. We have conceded them one of our former offices, which is now used for their activities, such as speech therapy exercises, conversations with a psychologist or professional learning assistance. Also, our employees volunteered and gathered Christmas and Easter gifts for the children of Mali zmaj, We painted two murals in Zagreb to help raise awareness in public regarding poor and neglected children. In December 2022, we compiled a list of associations that help vulnerable groups across Croatia and called on our employees to help associations in their local communities during one working day and donate their time to make the holidays happier for those for whom it is often the loneliest and saddest time of the year. In order to create a framework for the involvement of our employees in our CSR activities, we continued with activities in our Wiener wolunteer club. Its aim is to bring the benefits of volunteering closer to everyone, and to remind us that each new day brings an opportunity to initiate positive changes in our communities and help those who need help the most. We also awarded employees for voluntary activities, and the volunteers whose applications best reflect the positive impact achieved during 2022 received their tokens of gratitude, while Wiener osiguranje donated HRK 5,000 (EUR 665) to the associations chosen by the winners on their behalf. In total, 253 employees participated in 12 voluntary activities during 2022, which amounts to 37% of all employees, and an estimated 905 volunteer hours were carried out. Our employees continue to volunteer in their free time as well, and these numbers only take into account the activities that were carried out as part of our Wiener wolunteer club.

In order to direct our efforts and resources as best as possible, and at the same time maintain the direction of our socially responsible activities, in 2022r our target group for the main CSR project were children and youngster battling with mental health issues. Hrabri telefon is a non-governmental, non-profit organization founded with the aim of providing direct help and support to abused and neglected children and their families, but also to work on the prevention of abuse and neglect of children and youth. 12% of children aged 10 to 19 in Croatia, that is, about 44.000 of them, have mental health problems, and numerous studies indicate to the almost doubled occurrence of mental health difficulties in children since the beginning of the pandemic.

Management Board report (continued)

Social responsibility (continued)

We established a central website (platform) where children can learn about mental health and learn how and where to seek help, thereby raising awareness about the importance of children's mental health. On this website, we offered specific tools and educational materials for learning about mental health and its daily maintenance. The content was created with the help of expert psychologists, social workers and pedagogues from Hrabri telefon, who advise children and parents daily through the hotline, chat and other Hrabri Telefon channels. The primary goal of this project is to provide help in the field of mental health of children and youngsters, who are proven the most sensitive to the consequences of traumatic experiences. We aim to help as many children as possible and eventually trough this sustainable project, help lower negative national statistics regarding mental health problems among children.The long-term goal is for the platform to become a place of information not only for children but also for parents, but also for the public.

In 2022, Wiener osiguranje is still a part of the local network of the UN Global Compact, the world's largest corporate responsibility and sustainability initiative. By joining the initiative, we have committed ourselves to adhering to the ten principles of the UN Global Compact in the field of human rights, labor, environmental protection and the fight against corruption, thus ensuring corporate sustainability and progress towards the Sustainable Development Goals. For 2022, the Company will report on its non-financial aspects within the consolidated disclosure of the Group, based on the EU Directive (2014/95/EU) regarding disclosure of non-financial and diversity information. The consolidated Group sustainability report will be available at www.vig.com.

Corporate Governance

The Company considers responsible Corporate Governance to be a prerequisite for the creation of sustainable values, growth and creation of values to shareholders, policyholders and other stakeholders.

The Company implements both external and internal regulations, as well as the regulations of its parent company, Vienna Insurance Group, provided these are not in conflict with the regulations in force in the Republic of Croatia and it also monitors the alignment of its organizational structure, to be able to modify and adjust promptly if needed.

The shareholders exercise their voting rights in the General Assembly, which is convened by the Management Board after the Supervisory Board approves the decisions that are to be adopted by the Assembly based on the Statute and law. The Assembly in particular decides on the appointment of the Supervisory Board members, the annual financial statements, profit distribution, appointment of the Company's auditor.

The Management Board is responsible for the management of the Company's activities and represents the Company toward third parties. It ensures that the Company operates in line with risk management regulations, that is secures and maintains an adequate level of capital, manages control functions, the performance of external and internal audit, draws up financial and other reports in line with accounting regulations and standards and reports to the Croatian Financial Services Supervisory Agency.

The Management Board, during the course of 2022 and up to the date of the signing of this report, comprised:

Jasminka Horvat Martinović	President
Tamara Rendić	Member
Božo Šaravanja	Member

The Supervisory Board monitors the performance of the Company's activities, appoints and recalls members of the Management Board, participates in the development of annual financial reports, submits a written supervisory report to the General Assembly, represents the Company before the Management Board and grants prior approval to Management Board decisions when this is prescribed by law or the Statute of the Company.

Management Board report (continued)

Corporate Governance (continued)

The Supervisory Board set up from amongst its members and members appointed by the Supervisory Board, an Audit Committee which fulfils statuary task, i.e. correct and transparent disclosure of information.

The Supervisory Board, during the course of 2022 and up to the date of the signing of this report, comprised:

Peter Franz Höfinger	Chairman
Peter Thirring	Deputy Chairman
Zoran Dimov	Member
Katarina Kraljević	Member
Gerald Netal	Member
Hans Raumauf	Member
Pavel Andreev	Member

Efficient cooperation has been established between the Company's Management Board and the Supervisory Board, as well as its committees. The Management Board reports regularly (through quarterly and annual reports) to the Supervisory Board about the Company's operations, performance, the risk management and control system, as well as financial plan realization.

6 March 2023

Jasminka Horvat Martinović
President of the Management Board

Tamara Rendić
Member of the Management Board

Božo Šaravanja
Member of the Management Board

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VIENNA INSURANCE GROUP d.d.
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Responsibilities of the Management Board for the preparation and approval of the annual financial statements and the Management Board report

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which give a true and fair view of the state of affairs and results of the Company for that period.

The Management Board is responsible for implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

After making enquiries, 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 continues to adopt the going concern basis in preparing the financial statements.

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with the Croatian Accounting Law. 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 of the Company is responsible for the preparation and fair presentation of Supplementary information prepared in accordance with the Regulation on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance Companies (Official Gazette 37/16) and Ordinance on Amendments to Regulation on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance Companies (Official Gazette 96/18, 50/19 and 98/20), as well reconciliation between financial statements and Supplementary information.

The Management Board is responsible for preparation and content of the annual financial statements and the Management Board report in accordance with the article 21 of the Accounting Act.

For and on behalf of Wiener osiguranje Vienna Insurance Group d.d., as at 6 March 2023:

Jasminka Horvat Martinović
President of the Management Board

Tamara Rendić
Member of the Management Board

Božo Šaravanja
Member of the Management Board

WIENER OSIGURANJE
VIENNA INSURANCE GROUP d.d.
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Independent Auditor's Report

To the Shareholders of Wiener osiguranje Vienna Insurance Group d.d.

Report on the audit of financial statements

Our opinion

In our opinion, financial statements present fairly, in all material respects, the financial position of Wiener osiguranje Vienna Insurance Group d.d.(the "Company") as at 31 December 2022, and the Company's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 6 March 2023.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flow for the year then ended; and
- the notes to the financial statement, 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 statement 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 2022 to 31 December 2022.

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Our audit approach

Overview

Materiality	• Overall Company materiality: HRK 12,7 million, which represents 1% of gross written premium.
Key audit matters	• Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT).

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

Materiality

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

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

Overall materiality for the Company	The Company: HRK 12,7 million
How we determined it	The Company: 1 % of gross written premium
Rationale for the materiality benchmark applied	We chose gross written premium as the appropriate benchmark because it is the benchmark against which the performance of the Company is measured, in terms of both its market share and customer base.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT) Refer to Note 3 “Significant accounting policies”, Note 7 “Liability adequacy test” and Note 23 “Technical provisions”. Insurance contract liabilities are an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and therefore we considered it a key audit matter for our audit. Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may increase the inherent risk as a result of inadequate / incomplete data or the design or application of the models. Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions. The Company’s IFRS liability adequacy test was performed in order to confirm that insurance contract liabilities were adequate in the context of expected future cash outflows.	In particular, our audit was focused on the more complex models and/or requiring significant judgement in determining the assumptions used in calculating technical provisions or performing the liability adequacy test. We used our own actuarial specialists to assist us in performing our audit procedures. We obtained an understanding of the internal actuarial process and assessed how management determined and approved economic and actuarial assumptions. Our assessments also included challenging, as necessary, the specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied and comparing them with applicable industry practices. We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the product features. We also assessed whether the models comply with the applicable accounting standards. Furthermore, in our recalculations we determined whether the technical provisions calculations performed by the models and systems are accurate and complete. We tested the validity of the management’s liability adequacy testing, which is a key test performed to verify whether the liabilities are adequate as compared to expected future contract liabilities. The inputs used were reconciled with the accounting records. All our procedures were performed on a sample basis. Our work on the liability adequacy tests included challenging the assumptions in projected cash flows adopted both by the Company considering industry practices and specific product features.

Reporting on other information including the Management Report and Forms in accordance with Regulatory Requirements

Management is responsible for the other information. The other information comprises the Management Report and Forms in accordance with Regulatory Requirements 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; and

In addition, in light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report or in the Forms in accordance with Regulatory Requirements 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 4 May 2022. This is a first-year audit engagement.

Forms in accordance with Regulatory Requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), "Ordinance"), the Management Board of the Company prepared the Forms, entitled the Statement of financial position of the Company as at 31 December 2022, Statement of comprehensive income, Statement of Cash flow and Statement of changes in equity of the Company for the year then ended together with information to reconcile the Forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
6 March 2023

Statement of financial position

as at 31 December

	Note	**2022 HRK'000**	2021 HRK'000
Assets			
Property and equipment	11	**98,336**	101,022
Right-of-use asset	12a)	**21,880**	23,424
Investment property	13	**173,586**	172,925
Intangible assets			
Deferred acquisition costs	14	**60,433**	54,556
Other intangible assets	15	**78,420**	69,359
Held-to-maturity investments	16	**158,614**	294,946
Available-for-sale financial assets	16	**3,012,675**	3,227,831
Financial assets at fair value through profit or loss	16	**65,383**	257,090
Loans and receivables	16	**109,601**	61,323
Reinsurers' share of technical provisions	17	**545,453**	246,929
Deferred tax asset	18	**100,767**	6,395
Inventories		**21**	22
Insurance and other receivables	19	**242,104**	216,831
Current income tax prepayment	36c)	**10,652**	998
Cash and cash equivalents	20	**103,119**	136,528
Total assets		**4,781,044**	4,870,179
Shareholders' equity			
Share capital	21a)	**235,795**	235,795
Capital reserves	21b)	**50,453**	50,453
Legal and statutory reserve	21c)	**4,213**	4,213
Other reserves	21d)	**248,147**	172,560
Fair value reserve	21f)	**(432,809)**	92,406
Retained earnings		**188,188**	186,630
Total equity		**293,987**	742,057
Liabilities			
Technical provisions	23	**3,613,376**	3,680,604
Subordinated loans	24	**187,961**	-
Provisions for liabilities and charges	25	**3,821**	6,241
Deferred tax liability	18	-	20,284
Lease liabilities	12b)	**22,302**	23,832
Insurance and other payables	26	**659,597**	397,161
Total liabilities		**4,487,057**	4,128,122
Total liabilities and equity		**4,781,044**	4,870,179

The accounting policies and other explanatory notes on pages 18 to 126 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December

	Note	**2022** **HRK'000**	2021 HRK'000
Gross premiums written	27	**1,270,834**	1,205,797
Written premiums ceded to reinsurers	27	**(215,848)**	(197,984)
Net premiums written		**1,054,986**	1,007,813
Change in the gross provision for unearned premiums	27	**(35,185)**	(37,564)
Reinsurers' share of change in the provision for unearned premiums	27	**9,660**	5,839
Net earned premiums		**1,029,461**	976,088
Fees and commission income	28	**48,101**	45,630
Financial income	29	**92,873**	146,098
Other operating income	30	**12,489**	14,756
Operating income		**1,182,924**	1,182,572
Claims and benefits incurred	31	**(952,769)**	(940,985)
Reinsurers' share of claims and benefits incurred	31	**142,150**	141,732
Net policyholder claims and benefits incurred		**(810,619)**	(799,253)
Acquisition costs	32	**(203,132)**	(176,717)
Administrative expenses	33	**(130,803)**	(115,794)
Other operating expenses	34	**(14,879)**	(17,143)
Financial expenses	35	**(21,298)**	(14,768)
Profit before income tax		**2,193**	58,897
Income tax expense	36a)	**(635)**	(10,979)
Profit for the year		**1,558**	47,918
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax		**(525,215)**	(80,584)
Total comprehensive loss for the year		**(523,657)**	(32,666)
Earnings per share		**HRK**	HRK
Basic and diluted earnings per share	22	**4**	128

The accounting policies and other explanatory notes on pages 18 to 126 form an integral part of these financial statements.

Statement of changes in equity

	Share capital HRK'000	Capital reserves HRK'000	Legal and statutory reserve HRK'000	Other reserves HRK'000	Fair value reserve HRK'000	Retained earnings HRK'000	Total HRK'000
At 1 January 2021	**235,795**	**50,453**	**4,213**	**172,560**	**172,990**	**175,691**	**811,702**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*47,918*	*47,918*
Other comprehensive loss							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 21 f)	-	-	-	-	(98,273)	-	(98,273)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 21 f)	-	-	-	-	17,689	-	17,689
Total other comprehensive loss	-	-	-	-	*(80,584)*	-	*(80,584)*
Total comprehensive (loss)/income for the year	-	-	-	-	**(80,584)**	**47,918**	**(32,666)**
Transactions with owners recognised directly in equity							
Dividends for 2020 (note 21e)	-	-	-	-	-	(36,979)	(36,979)
At 31 December 2021	**235,795**	**50,453**	**4,213**	**172,560**	**92,406**	**186,630**	**742,057**
At 1 January 2022	**235,795**	**50,453**	**4,213**	**172,560**	**92,406**	**186,630**	**742,057**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	*1,558*	*1,558*
Other comprehensive loss							
Change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 21 f)	-	-	-	-	(640,506)	-	(640,506)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised and impairment (Note 21 f)	-	-	-	-	115,291	-	115,291
Total other comprehensive loss	-	-	-	-	*(525,215)*	-	*(525,215)*
Total comprehensive (loss)/income for the year	-	-	-	-	*(525,215)*	*1,558*	*(523,657)*
Transactions with owners recognised directly in equity							
Payment into other reserves (Note 21 d)	-	-	-	75,587	-	-	75,587
At 31 December 2022	**235,795**	**50,453**	**4,213**	**248,147**	**(432,809)**	**188,188**	**293,987**

The accounting policies and other explanatory notes on pages 18 to 126 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

	Note	**2022** **HRK'000**	2021 HRK'000
Cash flows from operating activities			
Profit before income tax		**2,193**	58,897
Adjustments for:			
Depreciation, impairment and reversal of impairment losses on investment property and property and equipment	11,13	**6,687**	7,246
Amortisation of other intangible assets	15	**16,177**	12,884
Depreciation of rights-of-use assets	12	**8,024**	7,758
Change in deferred acquisition costs	14	**(5,877)**	(14,571)
Depreciation of small inventory		**49**	95
Net impairment losses on insurance and other receivables	19,29,34,35	**438**	(408)
Net fair value gains on financial assets	29,35	**(8,609)**	(64,027)
Net foreign exchange losses/(gains)	29,35	**(4,165)**	4,330
Dividend income	29	**(2,041)**	(1,185)
Interest income	29	**(57,395)**	(66,007)
Interest expense	35	**9,090**	735
Loss/(profit) on disposal of property and equipment	30,34	**(220)**	16
(Profit)/loss on disposal of investment property	29,35	**98**	(438)
Net change in provisions for liabilities and charges	25	**(1,353)**	(415)
Changes in operating assets and liabilities			
Net decrease in held-to-maturity investments		**131,612**	317
Net increase in available-for-sale financial assets		**(398,240)**	(89,460)
Net decrease in financial assets at fair value through profit or loss		**184,554**	76,073
Net decrease in loans and receivables		**(52,427)**	29,294
Net increase in investment property		**(1,719)**	(32,044)
Net increase in reinsurance share in technical provisions		**1,474**	(3,208)
Net increase in receivables and other assets		**(26,478)**	(39,012)
Net increase in technical provisions		**149**	53,809
Net increase/(decrease) in insurance and other payables		**(6,260)**	37,423
Interest received		**15,759**	89,918
Interest paid		**(5,379)**	(625)
Dividend received		**2,041**	1,185
Income tax paid		**(9,654)**	(10,457)
Net cash from operations		**(268,850)**	88,011
Cash flow from investing activities			
Purchases of property and equipment		**(3,979)**	(6,690)
Purchases of other intangible assets		**(25,238)**	(17,935)
Proceeds from sale of property and equipment		**1,110**	246
Net cash used in investing activities		**(28,107)**	(24,379)
Cash flows from financing activities			
Dividends paid	21e)	**-**	(36,979)
Payment into other reserves	21d)	**75,587**	-
Subordinated loans received		**187,961**	-
Net cash used in financing activities		**263,549**	(36,979)
Net increase in cash and cash equivalents		**(33,409)**	43,039
Cash and cash equivalents at 1 January		**136,528**	93,489
Cash and cash equivalents at 31 December	20	**103,119**	136,528

The accounting policies and other explanatory notes on pages 18 to 126 form an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Wiener osiguranje Vienna Insurance Group d.d. (the "Company") whose registered address is at Slovenska ulica 24, Zagreb is a joint stock company incorporated and domiciled in Croatia.

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

The Company's major shareholder (97.82% of voting rights) is Vienna Insurance Group AG Wiener Versicherung Gruppe, which is a joint stock company, incorporated and domiciled in Austria, Vienna and ultimate parent company is Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group, mutual insurance association, founded and domiciled in Vienna, Austria.

2 Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Management Board on 6 March 2023 for approval by the Supervisory Board.

(b) Basis of measurement

These financial statements are prepared on a historical or amortised cost basis except for the following assets which are measured at their fair value: available-for-sale financial assets, financial assets held for trading and financial assets designated at fair value through profit or loss.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about judgments made by management in the application of IFRS as adopted by EU that have significant effect on the financial statements and information about estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4.

2 Basis of preparation (continued)

(e) New standards and interpretations

Certain new standards and amendments, are effective for annual periods beginning on or after 1 January 2022. Although these new standards and amendments applied for the first time in 2022, they did not have a material impact on the annual financial statements of the Company.

Number of new and revised standards and interpretations issued by the International Accounting Standards Board and its Interpretations Committee for International Financial Reporting have been approved for issuance but have not yet been applied to entities reporting in accordance with IFRS in the period ending 31 December 2022 or have not been adopted by the European Union and have not been applied in the preparation of these financial statements.

/i/ Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2022, they have been endorsed by the EU, but did not have a material impact on the Company:

- 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).

- 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).

/ii/ New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have been endorsed by the EU and which the Company has not early adopted.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:
  - Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
  - Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

2 Basis of preparation (continued)

(e) New standards and interpretations

/ii/ New Accounting Pronouncements (continued)

- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

* 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).* The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

New standards and interpretations are not expected to affect significantly the Company's financial statements except for introduction of IFRS 17 and 9 which has been described under Note 3 (e) /iii/.

2 Basis of preparation (continued)

(e) New standards and interpretations

/ii/ New Accounting Pronouncements (continued)

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have not been endorsed by the 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).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

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

/iii/ Implementation of IFRS 9 and IFRS 17

IFRS 17, *Insurance contracts.* In May 2017, the IASB issued IFRS 17, *Insurance Contracts*. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts that are in the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, introducing various changes to assist entities implementing the Standard, and moving an effective date to 1 January 2023.
In November 2021, IFRS 17 and the subsequent amendments to IFRS 17 were endorsed by the EU with the 1 January 2023 effective date. However, the EU endorsement regulation provides, in specified circumstances, an optional exemption from applying the IFRS 17 annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss.
The Company previously applied a temporary exemption from IFRS 9, stipulated by IFRS 4. Adoption of IFRS 17 will also require the Company to apply IFRS 9 from 1 January 2023. The Company intends to restate the comparative period to provide consistent financial information for the 2022 comparative period.
Scope. IFRS 17 applies to the following contracts: (a) insurance contracts issued by the Company, (b) reinsurance contracts held by the Company and (c) investment contracts with discretionary participation features issued by the Company. IFRS 17 generally applies to the whole set of rights and obligations created by an insurance contract. Cash flows generated by such rights and obligations should normally be incorporated in the measurement of assets and liabilities associated with an insurance contract. However, an insurance contract can also contain components which are excluded from the scope of IFRS 17 and should be accounted for under different standards, subject to specific criteria: (a) embedded derivatives, (b) investment components, and (c) promises to transfer to a policyholder distinct goods or services other than insurance contract services.
Level of aggregation. IFRS 17 requires to identify portfolios of insurance contracts. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios should be further disaggregated into profitability-based groups of insurance contracts that are, on initial recognition: (a) onerous, if any, (b) profitable, with no significant possibility of subsequently becoming onerous, if any, and (c) remaining contracts, if any. IFRS 17 prohibits to include contracts issued more than one year apart in the same group, a requirement commonly referred to as *annual cohort requirement.* However, IFRS 17 as adopted by the EU provides an exemption from this requirement in certain specified circumstances.
IFRS 17 sets the restrictions on the ability of an insurance company to aggregate contracts in a way that only contracts that meet the following criteria can be grouped together:

- are subject to similar risks and managed together (the portfolio);
- are written within a 12-month period (the cohort); and
- have a similar exposure to being or becoming onerous (the group).

The Company aggregated the portfolio in line with the above.

2 Basis of preparation (continued)

(e) New standards and interpretations

/iii/ Implementation of IFRS 9 and IFRS 17 (continued)

Contract boundary. The contract boundary concept is used to determine which cash flows should be considered in the measurement of an insurance contract. Cash flows that are not within the boundary of an insurance contract relate to future insurance contracts. The Company generally determines the contract boundary with a reference to its ability to reprice the insurance contract as a whole.
For non-life business the Company has one year contract boundary, except for PPI product where the contract boundary is linked to the duration of policy.
For life portfolio contract boundary is linked to duration of a policy.

Expected future cash flows. Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.
Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

Discount rates. The estimates of future cash flows should be adjusted to reflect the time value of money and the financial risks related to future cash flows, such as currency and liquidity risk associated with those cash flows, to the extent that the financial risks have not been included in the estimates of cash flows. The discount rates should: (a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts, (b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity, and (c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Company will apply a bottom-up approach to determine applicable discount rates by establishing a reference portfolio of assets for each group of insurance contracts. Yield curves reflecting the current market rates of return for such reference portfolios will be further adjusted to reflect differences between the characteristics of the reference portfolio and the groups of insurance contracts being measured.
VIG Asset Risk Management provides Discount Curves for all group entities. They are provided as spot curves with annual compounding. Cash flows should be discounted using the discount rates applicable to their currency. If cash flows are converted between two currencies, the forward foreign exchange ("FX") rates determined by the valuation date exchange rate and the discount curves for the respective currencies must be used. This ensures that the balance sheet positions are invariant under currency conversion.

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is included in the expected cash flows to represent compenation required for bearing the non-financial risk arising from uncertainty in future cash flows. Under IFRS 17 requirements, the risk adjustment for non-financial risk includes: (a) the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk, and (b) both favourable and unfavourable outcomes in a way that reflects the entity's degree of risk aversion. Risk measurement approach is to closely align with the Solvency II methodology. The Company will use Cost-of-capital approach to determine Risk Adjustment. This term is not known under IFRS 4.
Contractual service margin. The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the entity will recognize as it provides insurance contract services under the insurance contracts in the group. Pattern of CSM recognition would be thus determined based on the coverage units, reflecting the pattern under which the insurance contract service benefit is transferred to the policyholder of the insurance contracts.

2 Basis of preparation (continued)

(e) New standards and interpretations

/iii/ Implementation of IFRS 9 and IFRS 17 (continued)

Insurance contract services are the services that the Company provides to a policyholder of an insurance contract and comprise: (a) coverage for an insurance event (insurance coverage), (b) the generation of an investment return (investment-return services) for insurance contracts without direct participation features, and (c) the management of underlying items on behalf of the policyholder (investment-related services) for insurance contracts with direct participation features.
The recognition pattern of the profit is based on the run-off of coverage units. The CSM is allocated equally to each coverage unit and is released based on the run-off pattern of coverage units. The number of coverage units in a group represents the quantity of insurance contract services provided by the contracts and is determined by considering for each contract the quantity of benefits provided under a contract and its expected coverage period.

Measurement approaches. IFRS 17 allows to apply following measurement approaches to insurance contracts issued and reinsurance contracts held: (a) general model, (b) premium allocation approach and (c) variable fee approach.

General model. This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach.

Premium allocation approach. This approach is an optional simplification of the measurement of the liability for remaining coverage, for insurance contracts with short-term coverage. A group of insurance contracts is eligible for the premium allocation approach if, at inception: (a) each contract in the group has a coverage period (that is, the period in which the entity provides insurance contract services) of one year or less; or (b) the measurement of the liability for remaining coverage for the group using the premium allocation approach is reasonably expected to produce a measurement which is not materially different from using the general model or the variable fee approach.
For non-life business the Company uses PAA for majority of contracts and GMM for multiyear policies that don't meet the PAA eligibility criterion.

Variable fee approach. This approach is applied to insurance contracts with direct participation features. Such contracts are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. This approach cannot be used for the measurement of reinsurance contracts issued or held.

Insurance contracts with direct participation features are seen as effectively creating an obligation to pay policyholders an amount equal in value to specified Underlying Items, minus a variable fee for service. That fee is an amount equal to:

- the Company’s share of the fair value of the Underlying Items, minus
- any fulfilment cash flows that do not vary directly with the returns on the Underlying Items.

For unit and index linked business the Company uses Variable fee approach. Underlying Item is the Unit-linked investment fund or Index-linked bond. This portfolio represents 1,3% of total technical reserves as at 31.12.2022.

Insurance finance income and expenses. Insurance finance income or expenses reflect the changes in the carrying amount of the group of insurance contracts that relate to financial risks. They comprise the effect of the time value of money (that is, the accretion of interest on all of the fulfilment cash flows, the risk adjustment for non-financial risk and the contractual service margin) as well as the effect of financial risk and changes in financial risks. IFRS 17 allows, as an accounting policy, to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income. The Company’s accounting policy is to disaggregate insurance finance income or expense between profit or loss and Other Comprehensive Income. The option to disaggregate insurance finance income or expenses between profit or loss and OCI equally applies to reinsurance contracts held.

2 Basis of preparation (continued)

(e) New standards and interpretations

/iii/ Implementation of IFRS 9 and IFRS 17 (continued)

Reinsurance contracts held. IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses.
The Company's approach is to report separately income and expense arising from transactions with reinsurers. This is different from the accounting policy applied under IFRS4 where assets and liabilities arising from reinsurance contracts held may be offset against underlying insurance contract liabilities or assets.
IFRS 17 Transition. Adoption of IFRS 17 will significantly affect financial reporting processes and procedures of the Company, as applications of the core principles outlined above will require additional information to be gathered and processed, as well as additional significant judgements to be made by the management. To ensure smooth and timely adoption of IFRS 17, the Group launched a separate implementation project. The project team is composed of accounting, IT, underwriting and product team members and reports directly to the CFO. The Management Board performs general oversight over the implementation project.

After the transition to IFRS 17 the Company will use following measurement approaches, depending on the type of contract:

	Product classification	Measurement model
Contracts issued		
With profit participation	Insurance contracts	General model
Other	Insurance contracts	General model
Unit/Index Linked	Insurance contracts	Variable fee approach
Non-life contracts (excluding PPI)	Insurance contracts	Premium allocation approach
Payment protection insurance (PPI)	Insurance contracts	General model
Reinsurance contracts held		
Life reinsurance contracts	Reinsurance contract held	General model
Non-life reinsurance contracts (excluding PPI)	Reinsurance contract held	Premium allocation approach
Non-life reinsurance contract – PPI	Reinsurance contract held	General model

For transition calculation, the Company's approach is either a Fair Value Approach ("FVA") or Full Retrospective Approach ("FRA") for contracts measured with GMM or PAA, respectively, and applying an OCI option.

The Company applied the fair value transition approach to all life insurance contracts that were issued before *1 January 2022*. Under the fair value approach, the contractual service margin is determined as the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, and its fulfilment cash flows at the transition date. The amounts payable on demand do not represent a floor when determining fair value for this purpose and management determined fair value as a price for which the liability could be transferred to an unrelated party.
In line with chosen FVA approach the Company aggregates all insurance contracts into one cohort. At the transition date the Company used „bottom-up“ for determining discount rate. The Company used EIOPA risk free rate with illiquidity adjustment.
Considering the history of mergers and acquisitions that the Company had, which brought large number of data migrations from source systems, the application of a retrospective approach to contracts valued according to the general measurement model ("GMM") or the measurement model through variable fee approach ("VFA")) would represent unnecessary additional costs and efforts for the Company. The standard recognized exactly these situations and allowed the application of the fair value approach during the transition, which the Company, with the approval of the Group and the auditor, used.

For the remaining portfolios of insurance contracts, non-life business, primarily composed of the short-term motor and other property insurance, the Company applied the full retrospective transition approach.

2 Basis of preparation (continued)

(e) New standards and interpretations

/iii/ Implementation of IFRS 9 and IFRS 17 (continued)

IFRS 9 transition

The Company will apply the standard by considering all relevant and objective evidence when performing a business model assessment and subsequent classification of assets under the new standard. Classification of assets will be as follows:

- Debt securities that pass the SPPI test will be classified as Hold to collect and sell and measured at Fair value through other comprehensive income based on the business model assessment. Remaining bonds will be measured at Fair value through profit and loss.
- Deposits, loans and receivables will be classified as Hold to collect and measured at amortized cost
- Equity securities will be measured either as fair value through profit and loss or fair value through other comprehensive income based on the initial designation
- Investment funds will be measured at fair value through profit and loss

SPPI test has been performed on all its assets and the results are presented in the table below:

	2022			2021		
	SPPI	**Other**	**Total**	SPPI	Other	Total
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Equity securities	-	**80,534**	**80,534**	-	82,668	82,668
Debt securities	**2,890,079**	-	**2,890,079**	3,155,289	183,955	3,339,244
Investment funds	-	**269,724**	**269,724**	-	380,949	380,949
Deposits with banks	**83,793**	-	**83,793**	31,441	-	31,441
Loans	**26,396**	-	**26,396**	31,670	-	31,670
Insurance and other receivables	**242,104**	-	**242,104**	216,831	-	216,831
Current income tax prepayment	**10,652**	-	**10,652**	998	-	998
Cash and cash equivalents	**103,119**	-	**103,119**	136,528	-	136,528
	3,356,143	**350,258**	**3,706,401**	3,572,757	647,572	4,220,329

IFRS 9 Impairment

Impairment under IFRS 9 is based on the expected credit loss model (ECL model) which applies to debt instruments recorded at amortized cost (AC) or at fair value through other comprehensive income (FVOCI), plus lease receivables (in scope of IFRS 16) and contract assets (IFRS 15).

ECL calculations are divided in three stages based on significant increases in credit risk since initial recognition:

- **Stage 1** assets do not show significant increase in credit risk since initial recognition. Loss allowance is calculated for a timespan of one year, resulting in a 12-month ECL (expected credit loss).
- **Stage 2** assets show a significant increase in credit risk since initial recognition. Loss allowance has to be calculated on a timespan covering the remaining lifetime of the asset.
- **Stage 3** assets show significantly increased credit risk and a default event has occurred. Also, requires the calculation of lifetime ECL

The rating scale used by the Company is based upon the Standard & Poor's credit rating scale, using the same band width. The credit risk of assets that are rated internally (e.g. loans), can be directly mapped to external ratings. The Company will make use of the **low credit risk** exemption. As a threshold, the investment grade/non-investment grade will be applied. Financial assets with a credit rating of C or D (and equivalents) are considered as defaulted.
As a general rule, not rated assets are being considered as stage 2 assets, unless the Company assigns a more positive evaluation of the asset's credit risk, which legitimates a consideration in stage 1. Overdue days and a number of forward looking indicators are also taken into consideration when determining the stage of an unrated asset.
VIG has developed a model for calculation of ECL on debt instruments based on externally available data.

2 Basis of preparation (continued)

(e) New standards and interpretations

/iii/ Implementation of IFRS 9 and IFRS 17 (continued)

Estimated impact of the initial application of IFRS 17 and IFRS 9 . As a part of the implementation project, the Company finalized the restated balance sheet as of 1 January 2022, which is an IFRS 17 and IFRS 9 transition date.

in thousands of HRK	1 January 2022	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
ASSETS		
Cash and cash equivalents	136.528	136.528
Investment assets		
- *Held-to-maturity investments*	287.171	-
- *Available-for-sale investments*	3.149.017	-
- *Investments at fair value through profit or loss*	257.090	-
- *Investments at AC*	53.814	33.453
- *Investments at FVOCI*	-	3.171.084
- *Investments at FVTPL*	-	567.722
Insurance contract receivables	145.107	997
Reinsurance contract assets	246.929	118.071
Investment property	172.925	172.925
Property and equipment	101.044	101.044
Intangible assets	69.359	69.359
Right of use assets	23.424	23.424
Deferred tax asset	6.395	56.705
Other assets	138.684	110.976
TOTAL ASSETS	**4.787.487**	**4.562.288**
LIABILITIES		
Insurance contract liabilities		
- *life risk contracts*	3,065,018	3,344,499
- *property and casualty contracts*	563,791	520,612
- *participating contracts*	-	-
Investment contract liabilities	237,679	-
Lease liabilities	24,204	24,204
Deferred tax liabilities	19,551	24,558
Other financial liabilities	138,541	105,779
TOTAL LIABILITIES	**4,048,784**	**4,019,652**
EQUITY		
Share capital	235,795	235,795
Retained earnings	186,614	186,573
Other reserves	316,294	120,268
TOTAL EQUITY	**738,703**	**542,636**
TOTAL LIABILITIES AND EQUITY	**4,787,487**	**4,562,288**

At the current stage of the implementation project, the Company could not provide any further known or reasonably estimable effects of IFRS 17 and IFRS 9 adoption effects for 2022 and as of 31 December 2022 because the respective calculations are not yet finalised.

2 Basis of preparation (continued)

(f) Capital management

In light of the expected introduction of EUR as official currency in Republic of Croatia and the impact it would have on the calculation of the Company's solvency ratios, the Management Board continuously assessed scenario analysis of expected solvency ratios of the Company after 1 January 2023 and considered various mitigation measures. In this regard, the Company has the full support of the owners.

For details on capital management, please see *Note 21 Equity (Approach to capital management).*

3 Significant accounting policies

(a) Property and equipment

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

Recognition and measurement

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

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

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

Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is reclassified as investment property with unchanged carrying amount.

Subsequent costs

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

Depreciation

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

The estimated useful lives of significant items of property and equipment are as follows:

	2022	**2021**
Buildings	50 years	50 years
Equipment and furniture	4 -10 years	4 -10 years
Motor vehicles	5 years	5 years
Leasehold improvements	over the period of the lease	over the period of the lease

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3 Significant accounting policies (continued)

(b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in supply of services or for administrative purposes. The Company also holds some investment property acquired through the enforcement of security over mortgage loans to policyholders.

Investment property is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

If an investment property becomes owner-occupied because its use has changed, it is reclassified as property and equipment, with no change in carrying amount.

Depreciation is provided on all investment property, except for investment property not yet brought into use, on a straight-line basis at prescribed rates designed to write off the cost over the estimated useful life of the asset as follows:

	2022	**2021**
Investment property	50 years	50 years

(c) Intangible assets: Deferred acquisition costs (DAC) – insurance contracts

Those direct and indirect costs incurred during the financial period arising from actually acquiring or renewing of insurance contracts are capitalised as an intangible asset (DAC) to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred. DAC is amortised over the terms of the policies as premium is earned.

Costs subject to deferral include: employee, agent or broker commissions for successful contract acquisitions, renewal commissions, bonuses to agents or brokers, portion of employees' salaries and bonuses relating to defined acquisition activities that lead to the successful issuance or renewal of an insurance contract, contract issuance material costs, advertising costs and other acquisition costs which result directly from and are essential to the contract transaction and would not have been incurred by the Company had that contract transaction not occurred.

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

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

(d) Other intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Company's share of the underlying net identifiable assets acquired, including intangible assets, at the date of acquisition. Bargain purchase gain arising on an acquisition is recognised directly in profit or loss.

Goodwill represents amounts arising on acquisition of subsidiaries and is included in intangible assets.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is not amortised but is tested annually for impairment (Note 4.2). Impairment losses on goodwill are not reversed.

3 Significant accounting policies (continued)

(d) Other intangible assets (continued)

Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the development and to use or sell the asset. Development expenditure is not capitalised but recognised in profit or loss when incurred. The Company recognises as assets only separately acquired intangible assets hence capitalises only purchase price, including import duties and non-refundable purchase taxes and after deducting trade discounts and rebates and directly attributable cost to preparing the asset for its intended use with such as professional fees.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

	2022	**2021**
Software	4-10 years	4-10 years

Amortisation methods and useful lifes are reassessed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and are included in profit or loss.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software is separately acquired.

3 Significant accounting policies (continued)

(e) Non-current assets and disposal groups classified as held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter, the assets (or disposal group of assets and liabilities) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(f) Financial instruments

Classification and recognition

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

Reclassification

In 2012, the Company reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments.

On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is disposed of or impaired. The impact of the above reclassifications is shown in Note 16.

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

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

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

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

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

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

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

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

The Company does not have financial liabilities designated at fair value through profit or loss except those related to the unit-linked and index-linked products described in accounting policy 3(z). Payables arising from insurance contracts are accounted for under IFRS 4 *Insurance contracts*.

Loans and receivables

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

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

Loans and receivables arise when the Company provides money to a debtor with no intention of trading with the receivable and include deposits with banks, mortgage loans and advances to policyholders from the life assurance provision. Receivables arising from insurance contracts are accounted for under IFRS 4 *Insurance Contracts*.

Held-to-maturity investments

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

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. Other financial liabilities are disclosed in the statement of financial position under line item "*Insurance and other payables*".

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Recognition and derecognition

Purchases and sales of financial assets available for sale, financial assets at fair value through profit or loss and held-to-maturity investments are recognised on the settlement date which is the date that the Company pays or receives payment for the contractual provisions of the investment. Loans and receivables and other financial liabilities carried at amortised cost are recognised when paid to borrowers or received from lenders.

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

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

Initial and subsequent measurement

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

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

Change in the fair value of unit of the internal fund include change in fair value of the bond and accrued interest in the period and is recognised as gain or loss in the income statement.

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

Gains and losses

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

Gains or losses arising from a change in the fair value of available-for-sale are recognised directly in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. For non-monetary financial assets available for sale all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of available-for-sale financial assets, any cumulative gains or losses on the instrument are transferred from other comprehensive income to profit or loss.

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

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

Apart from gains and losses arising from the change in fair value of available-for-sale financial assets which are recognised in other comprehensive income, as described above, all other gains and losses and interest are recognised in profit or loss under line items “*Financial income*” (Note 29) and “*Financial expenses*” (Note 35).

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Fair value measurement principles

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

The following prices are used: closing bid prices for domestic and foreign debt and equity securities and prices quoted per unit by investment management companies for units in investment funds.

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

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of directly and indirectly observable inputs and minimise the use of derived inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate applicable at the reporting date for a financial instrument with similar terms and conditions.

Impairment of financial assets

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

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

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments

Embedded derivatives within insurance and investment contracts

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

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

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

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

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

Debt securities

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

Deposits with banks

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

Loans to customers

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

Equity securities

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

Investments in investment funds

Investments in investment funds are classified as financial assets at fair value through profit or loss and as available-for-sale financial assets and are carried at current fair value.

Investments held on account and at risk of life assurance policyholders

Investments held on account and at the risk of life assurance policyholders comprise policyholders' investments in unit-linked products and index-linked products and are classified as financial assets at fair value through profit or loss. For such unit linked products whereas the Company has formed Internal fund, fair value of investments consists of market value of the underlying bond at the reporting date increased for accumulated interest form the date of the beginning of the insurance until the reporting date.

3 Significant accounting policies (continued)

(f) Financial instruments (continued)

Specific instruments (continued)

Insurance and other receivables

Insurance and other receivables are stated at their amortised cost less impairment losses. Insurance and other receivables are classified as loans and receivables.

Loans, borrowings and subordinated debt

Interest-bearing loans, borrowings and subordinated debt are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between proceeds (less attributable transaction costs) and redemption value being recognised in profit or loss over the term of the borrowings on an effective interest basis.

Insurance and other payables

Insurance and other payables are initially recognised at fair value and then subsequently at amortised cost. Insurance and other payables are classified as other liabilities.

Offsetting of financial instruments

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

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

(g) Leases

The Company leases various offices, vehicles and IT equipment. Rental contracts are typically made for indefinite time with termination option for lessee and lessor. When entering into a contract, the Company assesses whether the contract is a lease, and does it contain a lease. Under IFRS 16, a contract is a lease agreement or it is a contract containing lease if it transfers the right to exercise control over the use of an identified asset for a specified period in exchange for a fee. The Company does not separate non-lease components from lease components, but instead calculates all related components as one lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments, less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3 Significant accounting policies (continued)

(g) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee 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, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, where the lessee does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is 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.

Right-of-use assets are initially 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
- restoration costs.

Right-of-use assets are subsequently 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 asset's useful life.

Payments associated with short-term leases 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 office furniture.

Extension and termination options

Extension and termination options are included in a number of leases. These 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 by the Company and by the respective lessor.

(h) Cash and cash equivalents

For the purpose of the statement of financial position, cash and cash equivalents comprise cash with banks, cash in hand and demand deposits with banks while for the cash flow statement they also comprise short-term highly liquid investments with original maturities up to three months.

3 Significant accounting policies (continued)

(i) Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Jubilee awards and termination benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as the net present value of the liability for defined benefits at the reporting date. The projected credit unit method is used for the calculation of the present value of the liability. The market yield on government bonds on the reported date is used as the discount rate.

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(j) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3 Significant accounting policies (continued)

(k) Provisions for liabilities and charges

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

Restructuring

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Accounting policy for onerous insurance contracts is disclosed under 3 (t) *Unexpired risk provision*.

(l) Share capital

Ordinary share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in HRK. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Capital reserves

Capital reserves consist of direct payments of shareholders into these reserves.

Repurchase of share capital

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

Dividends

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

Legal reserve

As required by Company Act, the Company is required to appropriate 5% of its annual net profit into legal reserves until they, together with capital reserves, reach 5% of issued share capital. Legal and capital reserves formed under the Companies Act can be used for covering prior period losses up to 5% of issued capital, if they are not covered by profit in the current period or if other reserves are not available.

Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company’s General Assembly.

Fair value reserve

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

3 Significant accounting policies (continued)

(l) Share capital (continued)

Retained earnings

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

(m) Impairment

The carrying amounts of the Company's assets, other than deferred acquisition costs (see accounting policy 3 (c)), financial assets (see accounting policy 3 (f)) and deferred tax assets (see accounting policy 3 (j)), are tested for impairment at each reporting date. If any indication of impairment exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

(n) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments, which include life insurance segment and non-life insurance segment.

Allocation of income and costs between the life insurance and non-life insurance segments

Investment income, realised and unrealised gains and losses, expenses and charges representing non-life business funds are directly included to the non-life business segment.

Investment income, realised and unrealised gains and losses, expenses and charges arising on life insurance business are directly included in the life insurance business segment.

Investment income, realised and unrealised gains and losses, expenses and charges arising on investments from equity are allocated to the life and non-life insurance segments depending on the allocation of the underlying assets.

3 Significant accounting policies (continued)

(n) Segment reporting (continued)

Allocation of income and costs between the life insurance and non-life insurance segments (continued)

During the year, direct other operating income, acquisition costs, administration expenses and other operating are directly charged to the non-life and life segments. Commissions are recorded separately in the life and non-life accounts. Direct other acquisition costs are directly allocated to the life and non-life segments based on the insurance product to which they relate. Other operating expenses are almost entirely booked separately in the non-life and life segments. The costs of sales and administrative personnel assigned exclusively to life and non-life insurance are directly allocated to the segment of life or non-life. All operating income and costs that cannot be allocated directly to a particular segment are allocated on the basis of estimate of the hours spent on life and non-life insurance and the weighted ratio between non-life and life segments in the gross premium, claims paid, technical provisions and investments.

Allocation of equity and assets

Property and equipment, intangible assets, financial investments and investment property are allocated to the non-life and life segments according to the source of funding. Financial investments from equity are allocated to both non-life and life segments according to the source of equity. Equity is allocated according to minimal regulatory capital requirements and share issued by the shareholders. Fair value reserve is allocated according to the source of the related financial assets, while the legal reserves and other reserves were allocated to each segment according to the results of the related segment. Other receivables and payables are allocated based on those segments from which they originate.

(o) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in Note 3 (r).

Financial income

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

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

The accounting policy in relation to financial income recognition is disclosed in Note 3 (f) under "*Gains and losses*".

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

Fees and commission income

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

3 Significant accounting policies (continued)

(p) Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the acquiring or renewal of insurance contracts such as employee, agent or broker commissions, bonuses to agents or brokers, employees' salaries and benefits relating to acquisition activities, contract issuance material costs, advertising costs, medical and inspection cost and other acquisition costs. Non-life commission expenses are recognised on an accruals basis, while life commission expenses are recognised on a cash basis consistent with the related income recognition criteria (see accounting policy 3 (r)).

The accounting policy in relation to deferred acquisition costs is disclosed in Note 3 (c).

Administration costs

Administration costs include administrative personnel expenses, software, rentals, telecommunication and post services, energy and utilities, depreciation of property and equipment, maintenance, travel expenses and daily allowances, amortisation of other intangible assets, intellectual fees, management fees by parent, audit fees and other expenses.

Other operating expenses

Other operating expenses include technical expenses of regulatory levies (compulsory motor third party liability insurance contribution to the Croatian health fund, guarantee – fund levies and financing Croatian Insurance Bureau, fire brigade contributions), legal enforcement collection of receivables from contract holders, credit cards payment fee, prevention costs, provision for legal claims, impairment and write off losses of property and equipment, other intangible assets and other receivables and other expenses.

Operating lease payments

Payments made under operating leases that do not qualify for recognition as a right of use within the framework of IFRS 16, are recognized in profit or loss on a linear basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense.

Financial expenses

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

Financial expenses also include net losses from changes in the fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale, impairment losses on financial assets, custodian, brokers and valuators fees and investment property expense. Investment property expense includes impairment losses, energy, utilities and maintenance costs of property classified as investment property. The accounting policy in relation to financial expense recognition is disclosed in Note 3 (f) under "*Gains and losses*".

3 Significant accounting policies (continued)

(q) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Such contracts may also transfer financial risk. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

Contracts with discretionary participation features

Both insurance and investment contracts may contain discretionary participation features. A contract with a discretionary participation feature is a contractual right held by a policyholder to receive, as a supplement to guaranteed minimum payments, additional payments and whose amount or timing is contractually at the discretion of the issuer and that are contractually based on:
- the performance (i.e. profit from specific source) of a specified pool of contracts or a specified type of contract,
- realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
- the profit or loss of the company that issues the contracts.

Discretionary profit participation provision

Policyholders or beneficiaries of products with savings component (endowment, pure endowment, whole life, term-fix and annuity assurance policies) are entitled to participate in the profits of the Company realised through one of the above mentioned sources. The entitlement is calculated following the expiry of the first, second or third year of insurance, depending on the tariff and type of premium payment. The level of the profit entitlement is determined by management. The discretionary element of those contracts is accounted for within the life assurance provision.

As at the reporting date discretionary profit participation amount is HRK 35,129 thousand (2021: HRK 38,390 thousand).

(r) Premiums

Non-life business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

Premiums written include adjustments to reflect write-offs of amounts due from policyholders and the movement in impairment allowances for premiums due from policyholders.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business.

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

3 Significant accounting policies (continued)

(s) Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following financial years, computed using the “pro rata temporis” or 365 method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. The provision for unearned premiums in respect of life assurance (main coverage, excluding riders) is included within the life assurance provision.

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

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

(t) Unexpired risk provision

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition costs and administrative expenses likely to arise after the end of the financial year) attributable to the unexpired periods of policies in force at the date of financial position exceeds the provision for unearned premiums related to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately using the liability adequacy test by reference to classes of business which are managed together, without taking into account expected investment returns. Liability adequacy testing for both life and non-life and related assets is disclosed in more detail in accounting policy 3 (y) and in Note 7.

(u) Claims provisions and other technical provisions

Claims provisions represent the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date. Non-life and life claims provision includes provisions for reported claims and provisions for incurred but not reported claims and the provision for claims handling costs. Other technical provision for non-life insurance include provisions for bonuses and discounts and other technical provisions. The provision for bonuses and discounts is recognised in the amount to which the insurers are entitled based on their participation in profit as a result of their insurance contract or as a future partial reduction of the premium based on the insurance contract. Other technical provision for life insurance include provision to cover the cost of uncertainty of future index price compared to the guarantee given at maturity in index-linked products.

(v) Life assurance provisions

The life assurance provision has been computed by the Company’s actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by HANFA. The prospective net premium valuation method has been adopted together with the risk and administration reserve of unit-linked and index-linked products and the provision based on the fair value of the underlying assets.

Mathematical provision is also calculated for non-life product, credit protection insurance (PPI).

The life assurance provision has been computed on an in-force premium basis, applying a Zillmer type valuation method, and taking into account actual acquisition, collection and administrative costs as well as all guaranteed benefits and bonuses already declared.

The Company uses maximum Zillmer rate of 3.5% in the year of policy inception. The applied Zillmer rate is within the limits prescribed by HANFA.

The provision is initially measured using the assumptions defined by HANFA. At each subsequent reporting date, the reserve is calculated on the same principles. A liability adequacy test (“LAT”) is performed yearly by the Company’s actuaries using current estimates of future cash flows under its insurance contracts (refer to Liability adequacy test). If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in profit or loss with a corresponding increase to the life assurance provision.

The amount of bonus allocated to policyholders has been determined at the reporting date and is presented within the discretionary profit participation provision. The Company does not have a policy to decrease the discretionary profit participation provision, in favour of the Company, once provision has been formed.

3 Significant accounting policies (continued)

(w) Claims

Claims arising from non-life business

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

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

Claims outstanding based on case estimates and statistical methods comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the reporting date, whether reported or not, together with the related internal and external claims-handling expenses and an appropriate margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance is determined according to contracts valid at the time in which claims occurred.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately, if significant. The methods used, and the estimates made, are reviewed regularly, which is further discussed in Note 6.

Claims arising from life assurance business

Life assurance business claims reflect the cost of all claims and benefits arising during the year.

(x) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in profit or loss and statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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

The Company records an allowance for estimated irrecoverable reinsurance assets, if any. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3 Significant accounting policies (continued)

(x) Reinsurance (continued)

Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are based on earned premium.

(y) Liabilities and related assets under liability adequacy test

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

(z) Liability measurement of unit-linked and index-linked contracts

Liabilities in relation to unit-linked and index-linked insurance contracts are classified at fair value through profit or loss. The financial liability is measured based on the carrying value of the assets that are held to back the contract. Additionally, the Company recognises provision for administration cost that will be incurred and for risk of death within life assurance provision for traditional products.

(aa) Insurance receivables and payables

Insurance receivables and payables are accounted for in accordance with IFRS 4. Insurance receivables and payables include receivables and payables arising from insurance and reinsurance contracts entered by the Company.

(bb) Foreign currency transactions

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

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in income as a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented within financial income or financial expense in the profit or loss. Other changes in the carrying amount are recognised in other comprehensive income.

The translation differences on revaluation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income, along with other changes in their fair value.

The most significant foreign currency in which the Company holds assets and liabilities is Euro.

The exchange rate used for translation at 31 December 2022 was EUR 1 = HRK 7.53450 (31 December 2021: EUR 1 = HRK 7.517174).

4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 39) and insurance risk management (Note 5).

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

4.1. Key sources of estimation uncertainty

Estimation uncertainty in relation to technical provisions

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

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

Major assumptions in calculating the life assurance provision are set out in Note 6 and all technical provisions are analysed in Note 23.

Impairment losses of loans and receivables

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3 (f) "*Impairment of financial assets*".

The need for impairment is assessed individually for each exposure based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral.

Determining fair values

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (f). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Estimation uncertainty in relation to court cases

A significant source of estimation uncertainty stems from court cases. At 31 December 2022, the Company was involved in 828 (2021: 825) claims-related court cases for which HRK 85,241 thousand (2021: HRK 78,627 thousand) was provided as part of the claims reserve for reported but not yet settled claims. At 31 December 2022, the Company was involved in 14 (2021: 18) non-insurance court cases for which HRK 2,397 thousand (2021: HRK 4,600 thousand) was provided as provision for non-insurance related court cases (Note 25). The management believes that the related provisions are sufficient.

Tax

The Company provides for tax liabilities in accordance with the tax laws of the Republic of Croatia. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of taxpayers' records.

4 Accounting estimates and judgements (continued)

4.1. Key sources of estimation uncertainty (continued)

Regulatory requirements

HANFA is entitled to carry out regulatory inspections of the Company's operations and to request changes to the carrying values of assets and liabilities, in accordance with the underlying regulations.

Joint liability

The Company has a liability towards the Croatian Insurance Bureau in respect of the Company's share in motor third party liability ("MTPL") claims arising from unknown or uninsured vehicles. Additionally, the Company, as well as other participants in MTPL business on the Croatian market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Act.

The Company also has a joint liability in relation to green card claims for damages from unknown vehicles. These claims are paid through Croatia insurance office and all Croatian insurance companies finance this institution according to the market share in MTPL insurance segment. The Croatian Insurance Bureau provides the Company with the amount of reported claims provision and with the lower limit for IBNR calculation.

Valuation of investment property

Valuation of investment property carried at cost is based on management's best estimate of the recoverable amount of investment property. Recoverable amount is the higher of fair value less cost to sell and the value in use and is annually reassessed by chartered surveyors.

The estimated fair value of investment property held by the Company amounts to HRK 205,631 thousand as of 31 December 2022 (2021: HRK 197,703 thousand). Fair value is determined by an independent appraiser having an appropriate professional qualification. Fair values were determined using a mixture of different valuation techniques, which would in hierarchy of fair value be classified as Level 3.

Useful economic life of equipment and intangible assets

The Company continues to use certain equipment and intangible assets which have been fully depreciated. Amortisation/depreciation rates were initially determined in accordance with the best estimate of the useful life of these equipment and intangible assets.

4.2. Critical accounting judgements in applying the Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies include:

Financial asset and liability classification

The Company's accounting policies provide the scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets as "trading", the Company has determined that it meets the definition of trading assets set out in accounting policy 3 (f) "*Financial assets at fair value through profit or loss*". In designating financial assets at fair value through profit or loss, the Company has determined that it has met one of the criteria for this designation set out in accounting policy 3 (f). Reclassification of financial assets and financial liabilities at fair value through profit or loss is allowed in certain rare circumstances and is explained in accounting policy 3 (f) under paragraph "Reclassification". Held-to-maturity investments can be classified as such only if the Company has the positive intention and the ability to hold these investments to maturity.

4 Accounting estimates and judgements (continued)

4.2. Critical accounting judgements in applying the Company's accounting policies (continued)

Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in accounting policy 3 (f). The Company measures fair values using the fair value hierarchy as discussed in Note 39 on financial risk management.

In accordance with the Agency regulations and as allowed by IFRS 13 *Fair Values*, the Company uses closing bid prices as s measure of fair value on active markets for debt and equity securities.

Classification of products

The Company's accounting policy on classification of contracts as insurance or investment contracts is disclosed in accounting policy 3 (q). At the reporting date, the Company had no insurance products which should be classified as investment contracts.

Classification of property between investment property and owner-used property

The Company classifies as investment properties all properties that are not used in the performance of its own activities but are held to earn rental income or for capital appreciation.

Dual-use property

The Company has property that has dual use purpose (part of the property is used for own activities and part of the property is used as investment property). A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out separately under finance lease contract.

Leases

According to IFRS 16 requirements, in determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the current financial year, there was no revision of lease terms to reflect the effect of exercising extension and termination options given that there were no events or changes in contracts requiring reassessment.

Allocation of indirect expenses between life and non-life

The allocation of expenses between life and non-life insurance segments is described in accounting policy 3 (n).

4 Accounting estimates and judgements (continued)

4.2. Critical accounting judgements in applying the Company's accounting policies (continued)

Impairment allowance for insurance receivables

Insurance receivables are evaluated for impairment at each reporting date in order to identify potential impairment allowance, on the basis of best estimate of the recoverability of these assets. Receivables are assessed on group and individual level based on the expected amount and date of collection and held collaterals. The Management believes that insurance receivables are recoverable.

Control over debtors in financial difficulties

In accordance with requirements of IFRS 10 *Consolidated Financial Statements*, the Company regularly reassess whether it has control over significant activities of debtors in financial difficulties. For 2022 the Company concluded that there are no debtors which should be consolidated, which is consistent with 2021.

Goodwill

In accordance with IFRS 3 "*Business Combinations*" the Company discontinued to amortise goodwill from 1 January 2005. At the beginning of 2005 the Company eliminated the carrying amount of the related accumulated amortisation against the gross value of goodwill. Goodwill is tested for impairment in accordance with IAS 36 "*Impairment of Assets*".

The Company has performed impairment test of goodwill for the year ended 31 December 2022, which indicated that the carrying amount of goodwill is recoverable.

The recoverable amount of goodwill has been determined based on value-in-use calculations for cash generating units. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The key assumptions used for value-in-use calculations in 2022 are as follows:

Long term growth rate	1%
Discount rate (pre-tax)	12%

Management determined compound annual volume growth rate for cash generating unit to be a key assumption. The volume of non-life gross written premium in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development.

The sensitivity analysis of key assumptions used in the impairment testing showed that a discount rate increase by 100 basis points would result on average in a 8.3% decrease of the recoverable amount of goodwill. Despite the decrease, the net recoverable amount of goodwill would still exceed its carrying value.

Deferred acquisition costs

Deferred acquisition costs are assessed at each reporting date for recoverability. The calculation is based on the Company's assumptions for allocation of acquisition costs over the duration of the related insurance contract. Management believes that deferred acquisition costs are recoverable during the remaining duration of insurance contracts active at the reporting date.

Impairment of available-for-sale investments

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. The impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

In 2022 and 2021, as a result of impairment test, the Company didn't recognised impairment loss.

5 Insurance risk management

The Company is exposed to insurance risk arising from a wide range of life and non-life products offered to customers: whole life, traditional life products, annuity products, unit-linked products, index-linked products, hybrid products and all lines of non-life products (property, accident, health, travel health, motor vehicle, third party liability, marine and transport).

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

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

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

Risk management

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance. The Company arranges reinsurance for all the risks it underwrites so as to manage its loss exposure and safeguard its capital base.

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

For the non-life business, the Company buys non-proportional reinsurance treaty to reduce the net exposure for an individual risk to amount of EUR 75 thousand for casco, a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk to amount of EUR 250 thousand (effectively EUR 125 thousand) for motor third party liability, EUR 150 thousand for property, EUR 200 thousand for liability, EUR 100 thousand for marine and aviation risks and EUR 100 thousand for personal accident. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe agreement provides cover for the first EUR 899.85 million (2021: EUR 899.85 million) of losses exceeding the EUR 150 thousand.

For life business the Company has more than one proportional treaty for savings products and more than one non-proportional treaty for the policies which include death risk and permanent disability risk. The net exposure per life is maximum EUR 45 thousand sum at risk.

Ceded reinsurance contains credit risk and such reinsurance receivables are reported after deductions for known uncollectible items. The Company monitors the financial condition of reinsurers and enters into reinsurance agreements with mostly A graded reinsurers by Standard & Poor's.

The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for life business. For a detailed description of the liability adequacy test, refer to accounting policy 3 (y) and Note 7.

5 Insurance risk management (continued)

Concentration of insurance risk

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

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

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

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

	2022			2021		
	Gross claims incurred HRK'000	**Reinsurer's share of claims and benefits incurred HRK'000**	**Net claims incurred HRK'000**	Gross claims incurred HRK'000	Reinsurer's share of claims and benefits incurred HRK'000	Net claims incurred HRK'000
Non-life insurance business						
Motor third party	(82,665)	42,926	(39,739)	(77,067)	39,451	(37,616)
Motor other classes	(56,716)	309	(56,407)	(43,024)	554	(42,470)
Property	(87,791)	61,578	(26,213)	(97,351)	74,380	(22,971)
Personal lines	(11,533)	677	(10,856)	(10,184)	1,213	(8,971)
Other	(118,297)	30,448	(87,849)	(100,817)	25,342	(75,475)
Total non-life	**(357,002)**	**135,938**	**(221,064)**	(328,443)	140,940	(187,503)
Life assurance business						
Life assurance	(595,895)	5,915	(589,980)	(605,448)	590	(604,858)
Annuity assurance	(323)	-	(323)	(782)	-	(782)
Additional riders	(2,623)	297	(2,326)	(2,227)	202	(2,025)
Index/Unit Linked	3,074	-	3,074	(4,085)	-	(4,085)
Total life	**(595,767)**	**6,212**	**(589,555)**	(612,542)	792	(611,750)
Grand total	**(952,769)**	**142,150**	**(810,619)**	(940,985)	141,732	(799,253)

Non-life insurance

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

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

- measurement of geographical accumulations;
- assessment of probable maximum losses;
- excess of loss reinsurance.

5 Insurance risk management (continued)

Concentration of insurance risk (continued)

Life assurance

The management believes that for life assurance contracts covering the risk of death there is no significant geographic concentration of risk of insured persons in the Republic of Croatia, although the concentration of the capital at risk can affect the ratio of insurance payments on the portfolio level. Sum at risk for life assurance is as follows:

Line of insurance	**Sum at risk**			
	2022		2021	
	HRK'000	**%**	HRK'000	%
Life assurance – traditional products	5,385,477	51.0	6,076,799	53.0
Unit-linked and index-linked products	59,521	0.6	227,353	2.0
Supplementary risks to life assurance	5,107,446	48.4	5,167,462	45.0
As at 31 December	**10,552,444**	**100.0**	11,471,614	100.0

Table for long-term insurance stated below shows risk concentration through three insurance classes grouped by sum insured per policy.

Sum insured per policy at 31 December 2022	**Total sum insured**			
	Before reinsurance		After reinsurance	
In HRK	**HRK'000**	**%**	HRK'000	%
< 100,000	2,551,131	26.4	2,521,427	27.6
100,000 – 250,000	5,553,967	57.4	5,239,112	57.3
>250,000	1,563,046	16.2	1,378,619	15.1
At 31 December 2022	**9,668,144**	**100.0**	9,139,158	100.0

Sum insured per policy at 31 December 2021	**Total sum insured**			
	Before reinsurance		After reinsurance	
In HRK	**HRK'000**	**%**	HRK'000	%
< 100,000	2,894,359	32.0	2,870,248	33.9
100,000 – 250,000	4,678,744	51.7	4,418,360	52.2
>250,000	1,479,330	16.3	1,178,528	13.9
At 31 December 2021	**9,052,433**	**100.0**	8,467,136	100.0

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

Non-life insurance

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

The liability for reported but not settled claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

Reinsurers' share is determined through individual calculation based on the reinsurance contract valid at the moment when the claim occurred.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are assessed by the Company’s actuaries using statistical techniques.

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

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- expected loss ratio methods, which use the Company’s expectation of the loss ratio for a class of business.

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

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

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

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

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

Expected claims ratio

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

Tail factors

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

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

Non-life insurance (continued)

Discounting

With the exception of annuities, non-life claims provisions are not discounted. In 2022, there have been no major changes in assumptions used to measure non-life insurance assets and liabilities.

Claims outstanding

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of maximum 3% per annum. Annuities are calculated using the Republic of Croatia mortality tables from 2010-12.

Claims handling provisions

The provision for claims handling expenses is computed as a certain percentage of the RBNS provision and the IBNR provision. Percentage is based on information on the ratio of claims handling expenses and settled claims. For calculating the provision for claims handling expenses the Company was using a percentage of 2.8%.

Life assurance

The life assurance provision is calculated by a prospective net premium method. The life assurance provision is calculated in accordance with HANFA regulations. Assumptions used are specified at the beginning of the policy and they remain in force until the expiration of policy, except in the case of liability inadequacy or if HANFA does not specify otherwise.

In accordance with regulation of Republic Croatia which from 1 July 2013 requires that insurer provides equal treatment for both sexes, the Company introduced new, unisex mortality tables. If the use of original mortality tables results in a higher life assurance provision than if it would be calculated with 2010 mortality tables, than the mentioned tables for calculation of mathematical provision are used. For critical illness, the original morbidity and mortality tables are used and for additional surgery and child birth rider the original biometric tables are used.

According to the guidelines and the rules issued by HANFA, the maximum interest rate used for discounting when calculating life assurance provision is 3.3% for the polices concluded before year 2010, 3% for the polices concluded during 2010, 2.75% for the polices concluded from 1 January 2011 until 30 June 2016, 2% for the policies concluded in HRK from 1 July 2016 until 31 December 2017, 1.75% for the policies with currency clause in EUR concluded after 1 January 2018 with duration up to 5 years and 1% for all other policies. The tariffs that have technical interest rate used for premium determination which is lower than those prescribed percentage amounts, use that lower interest rate for life provision calculation.

The principal assumptions underlying the calculation of the significant components of the life assurance provision are stated in the following table.

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

Life assurance (continued)

Principal assumptions for life assurance business

Description	Product	TIR for calculating reserve	Mortality tables for calculating reserve
	H11, H31, H31J,L11, L11J	3.30%	MT HR 2010
	L31, L31J,C31	3.30%	MT HR 2010
	A11,A12,AUR20,AUR21,AURDC	3.30%	MT HR 2010
	L41,L41J,H51, H51J	2.50%	MT HR 2010
	B11,A2011,DJ11,CE-N11,C11,CE11	2.50%	MT HR 2010
	C,C03,B,A07,CE	3.00%	MT HR 2010
	AWS	3.00%	MT HR 2010
	DJ	3.00%	MT HR 2010
	A13,B13,C13,CS13,CS-N13,CS-N14, H61C, H61CJ	2.50%	Wiener unisex tables 3
	D16-HRK,CI16,GW16	2.00%	Wiener unisex tables 3
	D16-EUR	1.75%	Wiener unisex tables 3
	D18-EUR, D18-HRK, GW18	1.00%	Wiener unisex tables 3
	D22, GW22	0.00%	Wiener unisex tables 3
	DS18, DS18B	1.75%	Wiener unisex tables 4
	CS-N19,CS-N20	1.25%	Wiener unisex tables 4
	CS-N22	1.15%	Wiener unisex tables 4
	HR11	3.25%	MT HR 2010
	HR11U	3.25%	MT HR 1989-91
	HR21	2.50%	MT HR 2010
	HR21U	2.50%	MT HR 2000
	HR31	2.50%	MT HR 2010
	HR31U	2.50%	Erste Unisex 2000-02
	HR41	2.50%	Erste Unisex 2010-12
	HR41U	2.25%	Erste Unisex 2000-02
	HR51	2.25%	Erste Unisex 2010-12
	HR61_EUR	1.25%	Erste Unisex 2010-12
	HR61_HRK	2.00%	Erste Unisex 2010-12
	HR51U_EUR	1.00%	Erste Unisex 2010-12
	HR51U_HRK	1.00%	Erste Unisex 2010-12
	HR61U	1.75%	Erste Unisex 2010-12
	HR71_EUR	1.00%	Erste Unisex 2010-12
	HR71_HRK	1.00%	Erste Unisex 2010-12
	HR71U_EUR	1.75%	Erste Unisex 2010-12
	HR81U,HR91U	1.25%	Erste Unisex 2010-12
	HR22U	0.00%	Erste Unisex 2010-12
	HRC1	2.75%	MT HR 2000
	HRC2	2.50%	Erste Unisex 2000-02
	HRC3	2.25%	Erste Unisex 2000-02
	HRC4_EUR	1.25%	Erste Unisex 2010-12
Endowment	HRC4_HRK	2.00%	Erste Unisex 2010-12
Endowment - group	G13, G17,G18,G32,G33, G36	3.30%	MT HR 2010
	BR	3.00%	MT HR 2010
	D11, D11J	3.30%	MT HR 2010
	D41, D41J, BR11	2.50%	MT HR 2010
Pure endowment	BR13	2.50%	Wiener unisex tables 3
	IK,IKD,	3.00%	MT HR 2010
	IKE, IK-F	3.00%	MT HR 2010
	SSA	2.50%	MT HR 2010
	SSA13	2.50%	MT HR 2010
	IK13	2.50%	Wiener unisex tables 3
	IKS13,IKD13,IKD13B	2.50%	Wiener unisex tables 3
	POS	3.30%	MT HR 2010
	T11, T11J	3.30%	MT HR 2010
	T41, T41J ,IK11,IKD11,IKE11,IKD12, IK-F11	2.50%	MT HR 2010
Term	IK16,IKD16	1.75%	Wiener unisex tables 3

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

Life assurance (continued)

Principal assumptions for life assurance business (continued)

Description	Product	TIR for calculating reserve	Mortality tables for calculating reserve
	IKD18, IKL18	1.00%	Wiener unisex tables 4
	HRR	3.25%	MT HR 2010
	HRRU	3.25%	MT HR 2010
	HRR2	2.50%	MT HR 2010
	HRR2U	2.50%	MT HR 2010
	HRR4	2.50%	Erste Unisex 2010-12
	HRR4U	2.50%	Erste Unisex 2010-12
	HRR3	2.50%	Erste Unisex 2010-12
	HRR5	2.50%	Erste Unisex 2010-12
	HRR6, HRR7	2.25%	Erste Unisex 2010-12
	HRR8_EUR	1.00%	Erste Unisex 2010-12
	HRR8_HRK	1.00%	Erste Unisex 2010-12
	HRR9_EUR	1.25%	Erste Unisex 2010-12
	HRR9_HRK	2.00%	Erste Unisex 2010-12
	HRR5U_EUR	1.00%	Erste Unisex 2010-12
	HRR10_HRK	1.00%	Erste Unisex 2010-12
	HRR22	0.00%	Erste Unisex 2010-12
	HRG1U_H	1.00%	Erste Unisex 2010-12
Term (continued)	HRG2U	0.00%	Erste Unisex 2010-12
	E,VF1	3.00%	MT HR 2010
Term fix	E11	2.50%	MT HR 2010
Permanent working disability	PWD,PWDU1	2.50%	GC
Pension annuity	Z11, Z12, Z12J	3.30%	MT HR 2010
Scholarships annuity	Z13F,Z13S,Z13JF ,Z14F	3.30%	MT HR 2010
Whole Life annuity	WLR , WLRJ	2.50%	MT HR 2010
	WLGW-35	3.30%	MT HR 2010
	L-100_HRK, L-100_EUR, L-100_USD	3.30%	MT HR 2010
	WLU1	2.50%	MT HR 2010
	WLP	3.30%	MT HR 2010
	WLGW-25	2.50%	MT HR 2010
	WL16	2.00%	Wiener unisex tables 3
	HR14	2.00%	MT HR 2010
	HR24	2.00%	Erste Unisex 2010-12
Whole Life	HR34_EUR	1.25%	Erste Unisex 2010-12
	HR34_HRK	2.00%	Erste Unisex 2010-12
	EB,EG,EIL-2009 ,EIL-2013	2.50%	MT HR 2000
	EIL-2008	3.30%	MT HR 2000
	HRIL1U	2.50%	MT HR 2000
	HRIL2U	2.50%	MT HR 2000
	HRIL3U	2.50%	MT HR 2000
	HRIL4U	2.50%	MT HR 2000
	HRIL5U	2.25%	
	HRIL6U	1.25%	
	HRIL7U	1.25%	
Index-linked	IL-CRO20EUR, IL-CRO22	1.75%	Wiener unisex tables 3
	IL-CRO20HRK	2.00%	Wiener unisex tables 3
Unit-linked	UL,ULS,FI,UL-07	-	MT HR 1980-82
	HRL21, HRL21U	-	Wiener unisex tables 4

7 Liability adequacy test

Life assurance

The life assurance provision is tested each year against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, discount rates, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. For this purpose, the Liability adequacy test (LAT) is used. No additional liabilities are established as a result of the liability adequacy test in 2022.

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

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

Due to levels of uncertainty in the future development of insurance markets and the Company's portfolio, the Company uses margins for risk and uncertainty within the liability adequacy test. This margin is namely for uncertainty in mortality.

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

The methodology of testing considers current estimates of all future contractual cash flows. This methodology enables quantification of the correlation between all risks factors.

The principal assumptions used are:

Segmentation

The Company segments the products into several homogenous groups according to the characteristics of individual products in order to derive adequate assumptions for calculation. While deriving each assumption, homogenous risk groups are taken into account. Those groups are different for different assumption as it should correspond to the risk influencing the assumption.

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

Mortality and morbidity

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

Persistency

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Company's past experience with insurance policies (split by homogenous groups and policy durations). The Company regularly investigates its actual persistency rates by adequacy of homogenous groups and duration and amends its assumptions accordingly.

Expenses

Estimates for future renewal, claim and maintenance expenses included in the liability adequacy test are derived from the Company's current experience and split by homogenous groups with regards to real administration effort needed per particular products or claim type.

7 Liability adequacy test (continued)

Life assurance (continued)

Expected discount rate

The Company uses internally developed interest rate term structure (curve).

In 2019, the Company changed interest rate curve for discounting purposed in liability adequacy test from the risk free interest rate curve issued by EIOPA to internally developed interest rate curve as it believes that the risk free interest rate curve does not adequately reflect conditions and yields that could be generated on the Croatian financial and capital markets, where the assets backing life assurance provision is invested in. The same approach is applied in the following years. If the Company had used risk free interest rate curve issued by EIOPA as of 31 December 2022 no additional liabilities would be established as a result of the liability adequacy test in 2022.

Non-life insurance

Insurance liabilities in respect of non-life insurance are calculated by using current assumptions.

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

The test is performed one each line of business which comprises insurance contracts with a similar risk profile.

At 31 December 2022 and 2021 no provision has been established as a result of the liability adequacy test.

8 The sensitivity of Liability adequacy test's future cash flows to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate, discount rates, and investment return rates which are estimated for calculating the adequate value of insurance liabilities during the liability adequacy test.

The Company has estimated the impact of changes in key variables that may have a material effect on the LAT - modelled future cash flows at the end of the year.

Life assurance

	LAT future cash flow -modelled HRK'000
Base run	2,635,234
Interest rates down SII (discounting and investment return)	2,888,339
Mortality +10%	2,659,211
Policy maintenance expenses +10%	2,652,039

The portfolio modelled represents 99.97% of in force life assurance provision (HRK 2,634,566 thousand life assurance provision modelled).

Base run represents future cash flows calculated using the assumptions described under Note 7 during liability adequacy testing.

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

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

The sensitivity was calculated for an unfavourable direction of movement, therefore the sensitivity to changes in mortality was calculated by estimating the effect on LAT future cash flows of an increase of mortality for life insurance products by 10% (absolute increase). The sensitivity to changes in expense rate was calculated by estimating the effect on LAT future cash flows of a 10% increase in policy maintenance expenses. The sensitivity to changes in interest rates was calculated by estimating the effect on LAT future cash flows in case of decrease of the interest rates using the SII shock down term structure.

The profit or loss and insurance liabilities (as evidenced by LAT cash flow above) are mostly influenced by a decrease in the interest rates and increase in policy maintenance expenses.

Non-life insurance

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

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

Non-life insurance contracts

The Company offers many types of non-life insurance, mainly motor, property, liability, marine, transport, health, travel health and accident insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis. The Company is generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims. In 2021, Company started to sell credit protection insurance.

Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows.

The amount of particular claim payments is limited by the sum insured which is established in the insurance policy.

The other significant source of uncertainty connected with non-life insurance arises from legislative regulations which entitle the policyholder to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence. This feature is particularly significant in case of permanent disability arising from accident insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

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

Motor insurance

The Company motor insurance portfolio comprises both motor third party liability insurance (MTPL) and motor (casco) insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by motorists insured under the Green Card system.

Material damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

The amount of claims relating to bodily injury and related losses of earnings are influenced by directives set by the Supreme Court which influence court practice.

MTPL is regulated by the Law on Obligatory Traffic Insurance. Minimum sums insured are regulated by legislation. Policyholders are entitled to a no-claims bonus on renewal of their policy where the conditions are fulfilled.

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

Property insurance

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

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

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

Non-life insurance contracts (continued)

Liability insurance

This covers all types of liability and includes commercial liability, product liability and professional indemnity as well as personal liability. All liability covers are written on a “loss occurrence basis”.

Accident insurance

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

Health insurance

This covers supplementary and complementary health insurance. Claims are normally notified promptly and can be settled without delay.

Credit protection insurance

Company offers credit insurance for cash loans with single premium and for mortgage loans with regular premium. Product is sold with special line of loans offered by Erste&Steiermärkische Bank d.d.

Life assurance contracts

Bonuses

Almost all of the Company’s traditional life insurance contracts with savings component include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Company and are recognised when proposed and approved by the Management Board in accordance with the relevant legal requirements. Once allocated to policyholders, bonuses are guaranteed.

Premiums

Premiums may be payable in regular instalments or as a single premium at inception of the policy. Some endowment-type insurance contracts contain a premium indexation and dinamization option. Indexation means both premium and sum assured increase, while with dinamization only premium grows and sum assured remains unchanged. Indexation may be exercised at the discretion of the policyholder. Where the option is not exercised, premiums are not increased.

Term life insurance products

Traditional term life insurance products comprise risks of death. The premium is paid regularly or as a single premium. Policies offer a fixed sum insured for death or sum insured which is decreasing over time. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment and Term-fix products

These are traditional life assurance products providing long term financial protection. Capital life insurance products for regular or single premium offer cover for risks of death and survival. Accident and other additional coverages can be added as a rider to the main endowment coverage. Insurance benefits are usually paid in a lump-sum.

Pure endowments

These are also traditional life insurance products providing life-long financial protection at expiry. The premium under this product is paid annually or in instalments and it covers the risk of survival and accident rider, if included.

Annuities

There is small number of policies of annuities in the Company’s portfolio. Some of them are still in accumulation phase while some of them are in payment phase.

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

Life assurance contracts (continued)

Whole Life assurance

Whole Life insurance products are products with savings component that comprise risk of death during the entire lifetime (until the age of 100 when policy matures). Premium is paid annually, semi-annually, quarterly or monthly. Surrender values are guaranteed in a fixed amount and specified at the contract start. Insurance benefits are paid in a lump-sum. Additional terminal illness, surgery, child birth or accidental death benefit riders may be added to some main coverage portfolio groups.

Unit-linked life assurance

Unit-linked life assurance combines traditional term life assurance with the risk of death and the possibility to invest regular premium or an extra single premium into certain investment funds. Policyholders can pay an additional single premium or withdraw a part of the fund value.

Unit-linked with internal fund

Unit-linked with internal fund is a single premium product that combines insurance for death risk and savings with a guaranteed maturity value. The savings part is invested into the internal fund. The internal fund's asset is invested into the Croatian government bonds. Policyholders have therefore guaranteed value at policy maturity, however the amount of surrender value is not guaranteed.

Index-linked life assurance

Index-linked life assurance is a single premium product that combines insurance for death risk and savings with a guaranteed maturity value. The savings part is invested into a structured note with a guaranteed maturity value (guaranteed by the note issuer). Policyholders have therefore guaranteed value at policy maturity, however the amount of surrender value is not guaranteed.

Hybrid products

Life insurance with combination of classical life insurance (compound insurance consisting of endowment and death benefit) and unit linked insurance. Product with premium allocation both to classical life insurance (Traditional fund) and stock fund (Unit-linked fund). The stock fund allocation ratio (Investment ratio) is chosen by a policyholder and can be changed during the insurance duration.

10 Segment reporting

Statement of financial position by business segment as at 31 December 2022

	Non-life HRK'000	Life HRK'000	Total HRK'000
Assets			
Property and equipment	35,641	62,695	**98,336**
Right-of-use asset	21,880	-	**21,880**
Investment property	23,216	150,370	**173,586**
Intangible assets			
Deferred acquisition costs	60,122	311	**60,433**
Other intangible assets	60,707	17,713	**78,420**
Held-to-maturity investments	-	158,614	**158,614**
Available-for-sale financial assets	486,847	2,525,828	**3,012,675**
Financial assets at fair value through profit or loss	2,698	62,685	**65,383**
Loans and receivables	839	108,762	**109,601**
Reinsurers' share of technical provisions	260,863	284,590	**545,453**
Deferred tax asset	9,295	91,472	**100,767**
Inventories	18	3	**21**
Insurance and other receivables	233,788	8,316	**242,104**
Current income tax prepayment	4,679	5,973	**10,652**
Cash and cash equivalents	59,119	44,000	**103,119**
Total assets	**1,259,712**	**3,521,332**	**4,781,044**
Shareholders' equity			
Share capital	101,491	134,304	**235,795**
Capital reserves	43,700	6,753	**50,453**
Legal and statutory reserve	561	3,652	**4,213**
Other reserves	33,937	214,210	**248,147**
Fair value reserve	(36,390)	(396,419)	**(432,809)**
Retained earnings	115,004	73,184	**188,188**
Total equity	**258,303**	**35,684**	**293,987**
Liabilities			
Technical provisions	674,821	2,938,555	**3,613,376**
Subordinated loans	-	187,961	**187,961**
Provisions for liabilities and charges	2,544	1,277	**3,821**
Lease liabilities	22,302	-	**22,302**
Insurance and other payables	301,742	357,855	**659,597**
Total liabilities	**1,001,409**	**3,485,648**	**4,487,057**
Total liabilities and equity	**1,259,712**	**3,521,332**	**4,781,044**

10 Segment reporting (continued)

Statement of financial position by business segment as at 31 December 2021

	Non-life	**Life**	**Total**
	HRK'000	**HRK'000**	**HRK'000**
Assets			
Property and equipment	36,822	64,200	**101,022**
Right-of-use asset	23,424	-	**23,424**
Investment property	23,784	149,141	**172,925**
Intangible assets			
Deferred acquisition costs	54,269	287	**54,556**
Other intangible assets	53,458	15,901	**69,359**
Held-to-maturity investments	-	294,946	**294,946**
Available-for-sale financial assets	572,817	2,655,014	**3,227,831**
Financial assets at fair value through profit or loss	3,846	253,244	**257,090**
Loans and receivables	1,237	60,086	**61,323**
Reinsurers' share of technical provisions	245,440	1,489	**246,929**
Deferred tax asset	1,693	4,702	**6,395**
Inventories	22	-	**22**
Insurance and other receivables	182,078	34,753	**216,831**
Cash and cash equivalents	727	271	**998**
	57,577	78,951	**136,528**
Total assets			
	1,257,194	**3,612,985**	**4,870,179**
Shareholders' equity			
Share capital			
Capital reserves	101,491	134,304	**235,795**
Legal and statutory reserve	43,700	6,753	**50,453**
Other reserves	561	3,652	**4,213**
Fair value reserve	33,937	138,623	**172,560**
Retained earnings	26,475	65,931	**92,406**
	91,211	95,419	**186,630**
Total equity			
	297,375	444,682	**742,057**
Liabilities			
Technical provisions	618,059	3,062,545	**3,680,604**
Provisions for liabilities and charges	3,480	2,761	**6,241**
Deferred tax liability	5,812	14,472	**20,284**
Lease liabilities	23,832	-	**23,832**
Insurance and other payables	308,636	88,525	**397,161**
Total liabilities	**959,819**	**3,168,303**	**4,128,122**
Total liabilities and equity	**1,257,194**	**3,612,985**	**4,870,179**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2022

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	635,275	635,559	**1,270,834**
Written premiums ceded to reinsurers	(212,399)	(3,449)	**(215,848)**
Net premiums written	**422,876**	**632,110**	**1,054,986**
Change in the gross provision for unearned premiums	(35,223)	38	**(35,185)**
Reinsurers' share of change in the provision for unearned premiums	9,674	(14)	**9,660**
Net earned premiums	**397,327**	**632,134**	**1,029,461**
Fees and commission income	46,985	1,116	**48,101**
Financial income	12,279	80,594	**92,873**
Other operating income	8,357	4,132	**12,489**
Operating income	**464,948**	**717,976**	**1,182,924**
Claims and benefits incurred	(357,002)	(595,767)	**(952,769)**
Reinsurers' share of claims and benefits incurred	135,938	6,212	**142,150**
Net policyholder claims and benefits incurred	**(221,064)**	**(589,555)**	**(810,619)**
Acquisition costs	(142,148)	(60,984)	**(203,132)**
Administrative expenses	(61,978)	(68,825)	**(130,803)**
Other operating expenses	(13,409)	(1,470)	**(14,879)**
Financial expenses	(2,171)	(19,127)	**(21,298)**
Profit before income tax	**24,178**	**(21,985)**	**2,193**
Income tax expense	(387)	(248)	**(635)**
Profit for the year	**23,791**	**(22,233)**	**1,558**
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(62,865)	(462,350)	**(525,215)**
Total comprehensive loss for the year	**(39,074)**	**(484,583)**	**(523,657)**

10 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2021

	Non-life HRK'000	Life HRK'000	Total HRK'000
Gross premiums written	565,767	640,030	**1,205,797**
Written premiums ceded to reinsurers	(194,525)	(3,459)	**(197,984)**
Net premiums written	**371,242**	**636,571**	**1,007,813**
Change in the gross provision for unearned premiums	(37,398)	(166)	**(37,564)**
Reinsurers' share of change in the provision for unearned premiums	5,855	(16)	**5,839**
Net earned premiums	**339,699**	**636,389**	**976,088**
Fees and commission income	44,322	1,308	**45,630**
Financial income	25,045	121,053	**146,098**
Other operating income	11,341	3,415	**14,756**
Operating income	**420,407**	**762,165**	**1,182,572**
Claims and benefits incurred	(328,443)	(612,542)	**(940,985)**
Reinsurers' share of claims and benefits incurred	140,940	792	**141,732**
Net policyholder claims and benefits incurred	**(187,503)**	**(611,750)**	**(799,253)**
Acquisition costs	(114,458)	(62,259)	**(176,717)**
Administrative expenses	(56,642)	(59,152)	**(115,794)**
Other operating expenses	(15,140)	(2,003)	**(17,143)**
Financial expenses	(1,847)	(12,921)	**(14,768)**
Profit before income tax	**44,817**	**14,080**	**58,897**
Income tax expense	(8,336)	(2,643)	**(10,979)**
Profit for the year	**36,481**	**11,437**	**47,918**
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax	(13,366)	(67,218)	**(80,584)**
Total comprehensive income/(loss) for the year	**23,115**	**(55,781)**	**(32,666)**

10 Segment reporting (continued)

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy note.

The main business segments of the Company are Non-life insurance and Life assurance. Note 9 of these financial statements provides further information about the significant terms and conditions of insurance products.

Segment results, assets and liabilities include items directly attributable to the segment, as well as those which have been allocated on a reasonable basis.

The main products and services offered by the reported business segments include:

Non-life:
Property and liability
Motor third party liability
Motor casco
Accident and travel health
Marine and transport
Supplementary and complementary health
Credit protection insurance

Life:
Endowment
Endowment with fixed age at maturity (Whole Life)
Term insurance
Unit-linked
Index-linked
Hybrid

Geographical segment

The Company operates mostly in the Republic of Croatia. Almost the entire income from insurance contracts is generated from clients in the Republic of Croatia, therefore no geographical segment information is presented.

11 Property and equipment

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Leasehold improvement HRK'000	Total HRK'000
Cost					
At 1 January 2021	130,743	424	37,607	2,098	170,872
Additions	1,369	-	2,796	2,525	6,690
Disposals	(350)	-	(462)	-	(812)
Write offs (Note 34)	-	-	(111)	(29)	(140)
Reclassificaion to investment property (Note 13)	(3,818)	-	-	-	(3,818)
Reclassification from intangible assets, not brought into use (Note 15)	-	-	453	-	453
At 31 December 2021	**127,944**	**424**	**40,283**	**4,594**	**173,245**
At 1 January 2022	127,944	424	40,283	4,594	173,245
Additions	133	-	3,798	-	3,931
Disposals	(1,143)	(233)	(774)	-	(2,150)
Write offs (Note 34)	-	-	(796)	(167)	(963)
At 31 December 2022	**126,934**	**191**	**42,511**	**4,427**	**174,063**
Depreciation and impairment losses					
At 1 January 2021	38,794	360	28,208	1,792	69,154
Depreciation charge for the year (Note 33)	2,083	64	2,677	274	5,098
Disposals	(122)	-	(428)	-	(550)
Write offs (Note 34)	-	-	(106)	(24)	(130)
Reversal of impairment (Note 30)	(391)	-	-	-	(391)
Reclassification to investment property (Note 13)	(958)	-	-	-	(958)
At 31 December 2021	**39,406**	**424**	**30,351**	**2,042**	**72,223**
At 1 January 2022	39,406	**424**	**30,351**	**2,042**	**72,223**
Depreciation charge for the year (Note 33)	2,004	-	3,384	310	5,698
Disposals	(371)	(233)	(764)	-	(1,368)
Write offs (Note 34)	-	-	(725)	**(130)**	(855)
Impairment (Note 34)	29	-	-	-	29
At 31 December 2022	**41,068**	**191**	**32,246**	**2,222**	**75,727**
Carrying amounts					
At 1 January 2021	91,949	64	9,399	306	101,718
At 31 December 2021	**88,538**	**-**	**9,932**	**2,552**	**101,022**
At 1 January 2022	88,538	-	9,932	2,552	101,022
At 31 December 2022	**85,866**	**-**	**10,265**	**2,205**	**98,336**

Included within land and buildings is non-depreciable land with a carrying amount of HRK 14,178 thousand (2021: HRK 14,178 thousand). The depreciation charge is recognised in profit or loss under "*Administrative expenses*" (Note 33) while write off losses and impairment losses are recognised under "*Other operating expenses*" (Note 34).

Reversal of impairment loss is recognised in profit and loss under "*Other operating income*" (Note 30).

In 2021, the Company changed the use of business premises with carrying amount of HRK 2,860 thousand from owner-occupied to investment property and reclassified these premises as such.

In 2021, the Company reclassified asset with carrying amount of HRK 453 thousand from intangible assets to property and equipment.

During 2022 and 2021, there were no capitalised borrowing costs related to the acquisition of property and equipment.

12 Rights-of-use asset

a) Rights-of-use asset

	Property HRK'000	Motor vehicles HRK'000	IT Equipment HRK'000	Other HRK'000	Total HRK'000
Cost					
At 1 January 2021	31,995	7,758	1,574	471	41,798
Acquisitions	3,494	-	-	246	3,740
Write up/Accumulated depreciation	(321)	(254)	-	(8)	(583)
Disposals	(503)	(3,907)	-	(7)	(4,417)
At 31 December 2021	**34,665**	**3,597**	**1,574**	**702**	**40,538**
At 1 January 2022	**34,665**	**3,597**	**1,574**	**702**	**40,538**
Acquisitions	789	4,204	-	-	4,993
Accumulated depreciation	104	1,592	-	(209)	1,487
Disposals	(1,114)	(2,646)	-	(42)	(3,802)
At 31 December 2022	**34,444**	**6,747**	**1,574**	**451**	**43,216**
Amortisation and impairment losses					
At 1 January 2021	8,772	4,419	371	211	13,773
Amortisation (Note 33)	5,301	2,026	314	117	7,758
Disposals	(503)	(3,907)	-	(7)	(4,417)
At 31 December 2021	**13,570**	**2,538**	**685**	**321**	**17,114**
At 1 January 2022	13,570	2,538	685	321	17,114
Amortisation (Note 33)	5,555	2,017	314	138	8,024
Disposals	(1,114)	(2,646)	-	(42)	(3,802)
At 31 December 2022	**18,011**	**1,909**	**999**	**417**	**21,336**
At 1 January 2021	23,223	3,339	1,203	260	28,025
At 31 December 2021	**21,095**	**1,059**	**889**	**381**	**23,424**
At 1 January 2022	21,095	1,059	889	381	23,424
At 31 December 2022	**16,433**	**4,838**	**575**	**34**	**21,880**

b) Lease liabilities

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

	2022 **HRK'000**	2021 HRK'000
No later than 1 year	**7,297**	6,862
Later than 1 year and no later than 5 years	**11,519**	12,177
Later than 5 year and no later than 10 years	**3,486**	4,793
	22,302	23,832

13 Investment property

	HRK'000
Cost	
At 1 January 2021	166,216
Additions	34,509
Disposals	(3,259)
Reclassification from property and equipment (Note 11)	3,818
At 31 December 2021	**201,284**
At 1 January 2022	201,284
Additions	2,230
Disposals	(1,014)
At 31 December 2022	**202,500**
Depreciation and impairment losses	
At 1 January 2021	26,104
Depreciation charge for the year (Note 35)	2,563
Disposals	(1,232)
Impairment (Note 35)	1,718
Reversal of impairment (Note 29)	(1,752)
Reclassification from property and equipment (Note 11)	958
At 31 December 2021	**28,359**
At 1 January 2022	28,359
Depreciation charge for the year (Note 35)	2,946
Disposals	(405)
Impairment (Note 35)	83
Reversal of impairment (Note 29)	(2,069)
At 31 December 2022	**28,914**
Carrying amounts	
At 1 January 2021	140,112
At 31 December 2021	**172,925**
At 1 January 2022	172,925
At 31 December 2022	**173,586**

The rental income arising during the year amounted to HRK 15,477 thousand (2021: HRK 10,933 thousand) and is recognised in profit or loss within "*Financial income*" (Note 29). The depreciation charge and impairment losses are recognised in profit or loss under "*Financial expenses*" (Note 35). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to HRK 6,277 thousand (2021: HRK 4,610 thousand) and are recognised in profit or loss within "*Financial expenses*" (Note 35).

In 2021, the Company changed the use of business premises with carrying amount of HRK 2,860 thousand from owner-occupied to investment property and reclassified these premises as such.

14 Deferred acquisition costs

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

An analysis of deferred costs is shown below:

	Non-life		**Life rider**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**	HRK'000
At 1 January	**54,269**	39,761	**287**	224	**54,556**	39,985
Net change recognised in profit or loss (Note 32)	**5,853**	14,508	**24**	63	**5,877**	14,571
At 31 December	**60,122**	54,269	**311**	287	**60,433**	54,556

15 Other intangible assets

	Goodwill HRK'000	Computer software HRK'000	Computer software not brought into use HRK'000	Prepayments HRK'000	Total HRK'000
Cost					
At 1 January 2021	3,552	114,114	13,762	6,891	138,319
Additions	-	14,124	3,757	54	17,935
Transfer into use	-	9,493	(9,493)	-	-
Transfer from prepayments	-	65	312	(377)	-
Reclasification to property and equipment (Note 11)	-	-	(453)	-	(453)
At 31 December 2021	**3,552**	**137,796**	**7,885**	**6,568**	**155,801**
At 1 January 2022	3,552	137,796	7,885	6,568	155,801
Additions	-	13,750	11,488	-	25,238
Transfer from prepayments	-	232	2,079	(2,311)	-
Transfer into use	-	5,021	(5,021)		-
At 31 December 2022	**3,552**	**156,799**	**16,431**	**4,257**	**181,039**
Amortisation and impairment losses					
At 1 January 2021	-	72,724	834	-	73,558
Amortisation for the year (Note 33)	-	12,884	-	-	12,884
At 31 December 2021	**-**	**85,608**	**834**	**-**	**86,442**
At 1 January 2022	-	85,608	834	-	86,442
Amortisation for the year (Note 33)	-	16,177	-	-	16,177
At 31 December 2022	**-**	**101,785**	**834**	**-**	**102,619**
Carrying amounts					
At 1 January 2021	3,552	41,390	12,928	6,891	64,761
At 31 December 2021	**3,552**	**52,188**	**7,051**	**6,568**	**69,359**
At 1 January 2022	3,552	52,188	7,051	6,568	69,359
At 31 December 2022	**3,552**	**55,014**	**15,597**	**4,257**	**78,420**

The depreciation charge is recognised in profit or loss within "*Administrative expenses*" (Note 33).

In 2021, the Company reclassified asset with carrying amount of HRK 453 from intangible assets to property and equipment.

16 Financial investments

	2022	2021
	HRK'000	HRK'000
Held-to-maturity investments	**158,614**	294,946
Available-for-sale financial assets	**3,012,675**	3,227,831
Financial assets held for trading	**65,383**	73,135
Financial assets designated at fair value through profit or loss	**-**	183,955
Financial assets at fair value through profit or loss	**65,383**	257,090
Loans and receivables	**109,601**	61,323
	3,346,273	3,841,190

Held-to-maturity investments

As at 31 December 2022 and 31 December 2021 there were no past due held-to-maturity investments.

Available-for-sale financial assets

In 2022 and 2021, the Company did not recognise any impairment losses on securities available for sale. As at 31 December 2022 and 31 December 2021 there were no past due available-for-sale financial assets.

Financial assets at fair value through profit or loss

As at 31 December 2022 and 31 December 2021 there were no past due financial assets at fair value through profit or loss.

Loans and receivables

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

	2022	2021
	HRK'000	HRK'000
Loans to customers	**28,573**	40,232
Deposits with banks	**115,721**	63,369
Impairment allowance on loans to customers	**(2,765)**	(10,350)
Impairment allowance on deposits with banks	**(31,928)**	(31,928)
Loans to customers, net of impairment allowance	**25,808**	29,882
Deposits with banks, net of impairment allowance	**83,793**	31,441
	109,601	61,323

16 Financial investments (continued)

Loans and receivables (continued)

Loans and receivables are analysed as shown below:

	2022 **HRK'000**	2021 HRK'000
Not due and not impaired	**108,273**	59,859
Due but not impaired	**499**	349
Due and impaired	**35,522**	43,393
Impairment	**(34,693)**	(42,278)
	109,601	61,323

Out of the Company's past due but not impaired loans and receivables in the amount of HRK 499 thousand (2021: HRK 349 thousand), HRK 494 thousand (2021: HRK 343 thousand) is secured by the redemption value of life assurance policies while HRK 5 thousand is not secured (2021: HRK 6 thousand).

Out of past due and impaired loans and receivables in the amount of HRK 35,522 thousand (2021: HRK 43,393 thousand), HRK 3,594 thousand (2021: HRK 11,465 thousand) relate to past due and impaired loans and HRK 31,928 thousand (2021: HRK 31,928 thousand) relate to past due and fully impaired deposits with banks. Out of past due and impaired loans in the amount of HRK 3,594 thousand (2021: HRK 11,465 thousand), HRK 2,352 thousand (2021: HRK 2,648 thousand) is secured by mortgages on real estate, while HRK 1,242 thousand (2021: HRK 8,817 thousand) is not secured, however is fully impaired.

In 2022 and 2021, no interest income was recognised on impaired loans. In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within "Investment property". Repossessed properties are sold as soon as practicable to use proceeds to reduce the outstanding indebtedness either held for capital appreciation or to earn rentals.

The movement in impairment allowance for loans to customers during the year was as follows:

	2022 **HRK'000**	2021 HRK'000
At 1 January	**10,350**	22,570
Impairment losses	**22**	-
Collection of amounts previously provided for	**(466)**	(373)
Reversal of impairment losses on loans to customers, net (Note 35)	**(444)**	(373)
Write offs	**(7,141)**	(11,847)
At 31 December	**2,765**	10,350

In 2022, the Company has not foreclosed properties in exchange of uncollected loans and interest receivables (2021: HRK 556 thousand). Amounts charged to the allowance account are generally written off after property is repossessed following the foreclosure on loans that are in default and when afterwards there is no further expectation of recovering additional cash. In 2022, amounts subsequently written off following the foreclosure on loans and repossession were HRK 7,141 thousand (2021: HRK 11,847 thousand).

16 Financial investments (continued)

	Held-to-maturity investments HRK'000	Available-for-sale financial assets HRK'000	Financial assets at fair value through profit or loss HRK'000	Loans and receivables HRK'00	Total HRK'000
2022					
Listed	-	12,037	2,698	-	14,735
Unlisted	-	65,799	-	-	65,799
Equity securities	**-**	**77,836**	**2,698**	**-**	**80,534**
Government bonds of the Republic of Croatia	158,614	2,519,628	-	-	2,678,242
Government bonds - foreign	-	142,005	-	-	142,005
Corporate bonds – domestic	-	63,052	-	-	63,052
Corporate bonds – foreign	-	3,115	-	-	3,115
Debt securities – fixed rate, listed	**158,614**	**2,727,800**	**-**	**-**	**2,886,414**
Investment funds – open ended, quoted	-	207,039	26,404	-	233,443
Investment funds – assets backing unit-linked products, domestic	-	-	36,281	-	36,281
Investment funds	**-**	**207,039**	**62,685**	**-**	**269,724**
Deposits with banks	-	-	-	83,793	83,793
Loans to customers – secured by the redemption value of life	-	-	-	24,298	24,298
Loans to customers - secured by mortgages on real estate	-	-	-	961	961
Loans to customers - other	-	-	-	549	549
Loans and receivables	**-**	**-**	**-**	**109,601**	**109,601**
	158,614	**3,012,675**	**65,383**	**109,601**	**3,346,273**
2021					
Listed	-	14,767	3,846	-	18,613
Unlisted	-	64,055	-	-	64,055
Equity securities	-	78,822	3,846	-	82,668
Government bonds of the Republic of Croatia	294,946	2,761,569	-	-	3,056,515
Government bonds - foreign	-	2,188	-	-	2,188
Corporate bonds – domestic	-	69,354	-	-	69,354
Corporate bonds – foreign	-	4,238	-	-	4,238
Government bonds of the Republic of Croatia – assets backing unit and index linked products – domestic	-	-	183,955	-	183,955
Debt securities – fixed rate, listed	294,946	2.837,349	183,955	-	3,316,250
Investment funds – open ended, quoted	-	311,660	28,109	-	339,769
Investment funds – assets backing unit-linked products, domestic	-	-	41,180	-	41,180
Investment funds	-	311,660	69,289	-	380,949
Deposits with banks	-	-	-	31,441	31,441
Loans to customers – secured by the redemption value of life	-	-	-	27,821	27,821
Loans to customers - secured by mortgages on real estate	-	-	-	1,258	1,258
Loans to customers - other	-	-	-	803	803
Loans and receivables	-	-	-	61,323	61,323
	294,946	3,227,831	257,090	61,323	3,841,190

16 Financial investments (continued)

Reclassification of financial assets

In 2012, upon decision of the Management Board, based on paragraph 54 of International Accounting Standard 39 *Financial Instruments: Recognition and Measurement*, the Company reclassified available-for-sale financial assets as held-to-maturity investments. The Company has intent and ability to hold the reclassified assets to maturity.

Reclassification date	**Net book value at the reclassification date**	**Effective interest rate at the reclassification date**	**Other comprehensive income up to the reclassification date**
	HRK'000	**%**	**HRK'000**
20 March 2012	132,781	6.38	3,714

	At the reclassification date		**31 December 2022**		31 December 2021	
	Net book value	**Fair value**	**Net book value**	**Fair value**	Net book value	Fair value
	HRK'000	**HRK '000**	**HRK'000**	**HRK'000**	HRK'000	HRK'000
Assets reclassified in 2012:						
Debt securities	**132,781**	**132,781**	-	-	**131,628**	**136,378**

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

	2022		2021	
	Profit or loss	**Other comprehensive income**	Profit or loss	Other comprehensive income
	HRK'000	**HRK '000**	HRK'000	HRK'000
Available-for-sale financial asset reclassified to held-to-maturity investments in 2012				
Exchange rate differences	(125)	-	(345)	-
Interest income	4,895	-	8,875	-
Amortisation of discount	(78)	-	(144)	-
Amortisation of fair value reserve to profit or loss	187	-	317	-
Change in fair value reserve, net of income tax	-	(153)	-	(260)
	4,879	**(153)**	**8,703**	**(260)**

16 Financial investments (continued)

Reclassification of financial assets (continued)

The following table shows the amounts that would be recognised in profit or loss and other comprehensive income from reclassified assets if there was no reclassification:

	2022		2021	
	Profit or loss HRK'000	**Other comprehensive income HRK'000**	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial asset reclassified to held-to-maturity investments in 2012				
Exchange rate differences	(122)	-	(338)	-
Interest income	4,895	-	8,875	-
Amortisation of premium	134	-	239	-
Change in fair value reserve, net of income tax	-	(4,071)	-	(7,415)
	4,907	**(4,071)**	**8,776**	**(7,415)**

17 Reinsurers' share of technical provisions

	Note	**2022 HRK'000**	2021 HRK'000
Non-life			
Reinsurance share in provision for unearned premiums	23 a)	**83,501**	73,827
Reinsurance share in reported but not settled claims reserve	23 b)	**105,438**	106,672
Reinsurance share in incurred but not reported claims reserve	23 c)	**56,776**	57,461
Reinsurance share in premium refund provision	23 e)	**-**	437
Reinsurance share in mathematical provision	23 g)	**15,148**	7,043
Total Non-life		**260,863**	**245,440**
Life			
Reinsurance share in provision for unearned premiums	23 a)	**231**	245
Reinsurance share in reported but not settled claims reserve	23 b)	**4,162**	235
Reinsurance share in incurred but not reported claims reserve	23 c)	**822**	820
Reinsurance share in life insurance provision	23 h)	**279,375**	189
Total Life		**284,590**	**1,489**
Total reinsurers' share of technical provisions		**545,453**	**246,929**

Reinsurers' share in technical provisions represents expected future claims that will be charged to reinsurers and reinsurers' share in unearned premium. Premiums ceded to reinsurance do not relieve the Company from its direct obligations towards policyholders. Accordingly, the Company incurs a credit risk up to the extent that the reinsurer would not be able to settle its liability under the reinsurance agreement.

18 Deferred tax asset/liability

	Deferred tax asset						Deferred tax liability	
	Impairment losses	Unrealised losses	Provisions for liabilities and charges	Fair value reserve	Tax losses carried forward	**Total deferred tax asset**	Fair value reserve	**Total deferred tax liability**
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	**HRK'000**	HRK'000	**HRK'000**
At 1 January 2021	7,100	224	470	-	-	**7,794**	(37,973)	**(37,973)**
Debited to profit or loss (Note 36a)	(1,264)	(57)	(78)	-	-	**(1,399)**	-	-
Credited to other comprehensive income (Note 21f)	-	-	-	-	-	-	17,689	**17,689**
At 31 December 2021	**5,836**	**167**	**392**	-	-	**6,395**	**(20,284)**	**(20,284)**
At 1 January 2022	**5,836**	**167**	**392**	-	-	**6,395**	**(20,284)**	**(20,284)**
Debited to profit or loss (Note 36a)	(855)	258	(231)	-	193	**(635)**		
Credited to other comprehensive income (Note 21f)	-	-	-	95,007	-	95,007	20,284	**20,284**
At 31 December 2022	**4,981**	**425**	**161**	95,007	**193**	**100,767**	-	-

19 Insurance and other receivables

	2022	2021
	HRK'000	HRK'000
Receivables arising from insurance contracts		
- from policyholders	**103,413**	110,795
- from recourses	**29,947**	25,259
- from intermediaries	**983**	997
- from other	**25,536**	24,720
Receivables from reinsurance		
- for claims recoveries	**54,076**	31,178
- for reinsurance commission	**26,887**	27,282
- for reinsurance deposit	**(11,561)**	3,234
Other receivables		
- interest receivables and accrued interest	**3,954**	5,709
- other	**39,341**	31,285
Prepaid expenses	**711**	473
Impairment allowance		
- for receivables from policyholders (Note 19a)	**(18,467)**	(29,705)
- for recourse receivables (Note 19b)	**(4,295)**	(4,295)
- for interest receivables and accrued interest (Note 19c)	**(3,595)**	(5,378)
- for other receivables (Note 19d)	**(4,826)**	(4,723)
Total insurance and other receivables	**242,104**	216,831

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

	2022	2021
	HRK'000	HRK'000
Not due and not impaired	**193,701**	170,934
Not due and impaired	**57**	17
Due but not impaired	**22,751**	24,933
Due and impaired	**26,831**	39,789
Impairment allowance	**(26,888)**	(39,806)
	216,452	195,867

As at 31 December 2022, insurance and other receivables* in the amount of HRK 22,751 thousand (2021: HRK 24,933 thousand) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2022	2021
	HRK'000	HRK'000
Up to 30 days	**11,299**	12,023
31 up to 90 days	**6,417**	7,474
91 up to 180 days	**5,035**	5,436
181 up to 365 days	-	-
more than 365 days	-	-
	22,751	24,933

*Net receivables from recourses in the amount of HRK 25,652 thousand (2021: HRK 20,964 thousand) were past due and recognised within "Insurance and other payables" (Note 26) as "Deffered income from recourses".

19 Insurance and other receivables (continued)

a) Receivables from policyholders

The movement in impairment allowance for receivables from policyholders during the year was as follows:

	2022	2021
	HRK'000	HRK'000
At 1 January	**29,705**	31,634
Increase in provisions for impairment	**4,895**	5,434
Decrease in provisions due to collection	**(4,662)**	(5,838)
Net increase/(decrease) of impairment provision (Note 27)	**233**	(404)
Receivables written off during the year as uncollectible	**(11,471)**	(1,525)
At 31 December	**18,467**	29,705

Net increase/(decrease) of impairment provision for receivables from policyholders are deducted/(added) from gross premiums written of non-life segment.

b) Receivables from recourses

The movement in impairment allowance for recourse receivables during the year was as follows:

	2022	2021
	HRK'000	HRK'000
At 1 January	**4,295**	4,441
Receivables written off during the year as uncollectible	-	(146)
At 31 December	**4,295**	4,295

19 Insurance and other receivables (continued)

c) Interest receivables and accrued interest

The movement in impairment allowance for interest receivables and accrued interest during the year was as follows:

	2022	2021
	HRK'000	HRK'000
At 1 January	**5,378**	13,571
Collection of amounts previously provided for (Note 29)	**(96)**	-
Write off	**(1,687)**	(8,193)
At 31 December	**3,595**	5,378

d) Other receivables

The movement in impairment allowance for other receivables during the year was as follows:

	2022	2021
	HRK'000	HRK'000
At 1 January	**4,723**	4,636
Increase in provisions (Notes 34, 35)	**450**	425
Decrease in provisions due to collection (Notes 29, 30)	**(149)**	(241)
Net impairment loss	**301**	184
Write off	**(198)**	(97)
At 31 December	**4,826**	4,723

20 Cash and cash equivalents

	2022	2021
	HRK'000	HRK'000
Cash at bank	**103,115**	136,512
Cash on hand	**4**	16
Total cash	**103,119**	136,528

21 Equity

a) Share capital

	2022	2021
	HRK'000	HRK'000
Authorised, issued and fully paid		
374,278 (*2021: 374,278*) ordinary shares of HRK 630	**235,795**	235,795

The share capital of the Company is denominated in Croatian Kuna. The nominal value of each share issued is HRK 630.

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

	2022	2021
	% ownership	% ownership
Vienna Insurance Group AG Wiener Versicherung Gruppe	97.82	97.82
Minority shareholders	2.18	2.18
	100.00	100.00

The parent company is Vienna Insurance Group AG Wiener Versicherung Gruppe and the ultimate parent company is Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

b) Capital reserves

Capital reserves consist of direct payments of shareholders into these reserves.

c) Legal reserve

The legal reserve represents accumulated appropriations from retained earnings in accordance with the previous Insurance Act, effective until 31 December 2005, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable statutory reserve until the reserve reaches half of the average of earned premium of the preceding two years.

d) Other reserves

Other reserves can be used for share capital increase, loss coverage or other purposes at the discretion of the Company's General Assembly. In 2022, parent company Vienna Insurance Group AG Wiener Versicherung Gruppe paid HRK 75,587 thousand in Other reserves.

21 Equity (continued)

e) Dividends per share

In 2021, the Company paid dividends for 2020 in the amount of HRK 36,979 thousand or HRK 98.80 per share, following declaration by shareholders at General Assembly. In 2022, there was no dividend payment.

f) Fair value reserve

The fair value reserve represents the cumulative realized gains and losses from change in fair value of financial assets available-for-sale, net of deferred tax. All movements are presented in other comprehensive income in the Statement of comprehensive income, net of tax. Movements in the fair value reserve were as follows:

	2022	2021
	HRK'000	HRK'000
At 1 January		
Gross fair value reserve	**112,690**	210,963
Deferred tax (Note 18)	(20,284)	(37,973)
Net	**92,406**	172,990
Net losses from change in fair value of available-for-sale financial assets	(624,651)	(37,700)
Net gains on disposal of available-for-sale financial assets – transfer to profit or loss (Note 29)	(15,855)	(60,573)
	(640,506)	**(98,273)**
Deferred tax on net losses from change in fair value of available-for-sale financial assets, net of amounts realized and impairment losses (Note 18)	115,291	17,689
Net loss recognised in other comprehensive income	*(525,215)*	*(80,584)*
At 31 December		
Gross fair value reserve	**(527,816)**	112,690
Deferred tax (Note 18)	**95,007**	(20,284)
Net	**(432,809)**	92,406

21 Equity (continued)

Solvency II regulatory framework came into force on 1 January 2016 and has replaced the Solvency I capital requirements as the binding regulatory regime. The new Solvency II regime has fundamentally changed the calculation of solvency capital, measurement of assets and liabilities, introduced a number of new requirements in risk management and placed a greater emphasis on the assessment and documentation of risks and controls, including the development of an articulation of ‘risk appetite’. In order to systematise risk management in 2016, the Company established and adopted the policies that cover the framework of risk management, own risk and solvency assessments (ORSA) and risk management for each risk category and continued on ongoing basis.

Capital management objectives, policies and approach

The Company established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company and thereby providing sufficient security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on employed capital meet the requirements of shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking into account the risks inherent in the business.

The operations of the Company are also subject to regulatory requirements imposed by Croatian Financial Services Supervisory Agency. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency of the insurance companies to meet unforeseeable liabilities as they arise. The Company has met all of these requirements throughout the financial year.

In reporting of financial strength, capital and solvency are measured using the rules prescribed by the European Insurance and Occupational Pensions Authority (EIOPA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written. The Company’s capital management policy for its insurance is to hold sufficient capital to cover the statutory requirements based on the EU directives and regulations as well as Croatian Insurance Act.

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. The Company’s approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The capital requirements are routinely forecast on a periodic basis and assessed against the forecast available capital including risk and sensitivity analyses. The process is ultimately subject to approval by the Management Board. The Company is using the standard Solvency II formula to calculate eligible own funds and the solvency capital requirement and performs own risk and solvency assessment to identify the risks and quantify their impact on the economic capital.

21 Equity (continued)

Approach to capital management (continued)

ORSA is one of the requirements of the Solvency II legislation. ORSA is a process that ensures compliance of the business strategy with the risk strategy and capital requirements in the context of the general risk management framework. It aims to ensure that the insurer is fully aware of the relationship between its business strategy, the risks that the insurer is taking in the short term as well as in the medium to long term and the capital requirements arising from those risks. In line with legislation, ORSA incorporates the following three key elements:

- the insurance company's assessment of overall solvency needs,
- the assessment of compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions, and
- the assessment of the significance of the deviation of the insurance company's risk profile from the assumptions underlying the Solvency Capital Requirement in accordance with the standard formula.

The Company's objective is to maintain available capital at the level that is significantly above the minimum requirements indicated and consistent with the Company's risk profile, risk appetite and capital management strategy.

In addition to regular ORSA sensitivity analysis of forecasted solvency position, the management considered potential effect of planned introduction of EUR as official currency in Croatia as of 1st January 2023.

Introduction of EUR will entail application of EUR risk free rate curve in Solvency II calculations which, based on the difference in HRK and EUR spot and future risk free rates (HRK rates being higher), could have negative effect on future solvency ratio of the Company and may result in solvency ratio falling below targeted minimum. In this respect the Company has the full support of the owner.

The management analysed number of scenarios and projected solvency positions of the Company as of 1st January 2023 and based on those scenarios, discussed implementation of various remediation measures to ensure that sufficient solvency position is maintained post EUR introduction. These measures, among other, considered rising additional capital. As a result, in September 2022, the Company obtained two subordinated loans from the parent company in total amount of HRK 187,961 thousand (Note 24) and obtained payment into other reserves from the parent company in the amount of HRK 75,587 thousand (Note 21d).

Solvency II regulatory capitalisation (unaudited):

	31 December 2022 HRK'000	31 December 2021 HRK'000
Eligible own funds	**799,707**	663,770
Solvency capital requirement	**464,917**	358,050
Minimum capital requirement	**145,385**	161,120
Solvency ratio	**172.0%**	185.4%

22 Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the year attributable to equity holders of the Company. The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. The weighted average number of ordinary shares used for basic and diluted earnings per share was 374,278 (*2021: 374,278*). Given that there are no effects of options, convertible bonds or similar instruments, the diluted earnings per share is the same as the basic earnings per share.

	2022	2021
	HRK'000	HRK'000
Profit attributable to ordinary shareholders for earnings per share	**1,558**	47,918

	2022	2021
	HRK	HRK
Basic and diluted earnings per share	**4**	128

23 Technical provisions

		2022	2021
	Note	**HRK'000**	HRK'000
Non-life insurance business			
Provision for unearned premiums	23 a)	**293,218**	257,995
Reported but not settled claims reserve	23 b)	**223,088**	211,954
Incurred but not reported claims reserve	23 c)	**133,485**	136,183
Unexpired risk provision	23 d)	-	-
Premium refund provision	23 e)	**1,832**	1,125
Mathematical provision	23 g)	**23,198**	10,802
Total Non-life insurance business		**674,821**	618,059
Life assurance business			
Provision for unearned premiums	23 a)	**2,062**	2,100
Reported but not settled claims reserve	23 b)	**73,409**	51,709
Incurred but not reported claims reserve	23 c)	**1,316**	1,845
Other technical provision	23 f)	**-**	786
Life assurance provision for traditional products	23 h)	**2,825,487**	2,780,971
Provision for unit-linked and index-linked	23 i)	**36,281**	225,134
Total Life assurance business		**2,938,555**	3,062,545
Total technical provisions		**3,613,376**	3,680,604

23 Technical provisions (continued)

a) Analysis of movement in provision for unearned premiums

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
Non-life insurance business						
At 1 January	**257,995**	**73,827**	**184,168**	220,597	67,972	152,625
Premiums written during the year	**635,275**	**212,399**	**422,876**	565,767	194,525	371,242
Less: premiums earned during the year	**(600,052)**	**(202,725)**	**(397,327)**	(528,369)	(188,670)	(339,699)
At 31 December	**293,218**	**83,501**	**209,717**	257,995	73,827	184,168
Life assurance business						
At 1 January	**2,100**	**245**	**1,855**	1,934	261	1,673
Premiums written during the year	**2,062**	**231**	**1,831**	2,100	245	1,855
Less: premiums earned during the year	**(2,100)**	**(245)**	**(1,855)**	(1,934)	(261)	(1,673)
At 31 December	**2,062**	**231**	**1,831**	2,100	245	1,855

b) Analysis of movements in reported but not settled claims reserve

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
Non-life insurance business						
At 1 January	**211,954**	**106,672**	**105,282**	183,430	96,745	86,685
Current year claims	**332,700**	**112,567**	**220,133**	336,286	150,610	185,676
Change in previous year claims	**13,897**	**16,388**	**(2,491)**	12,084	2,763	9,321
Claims paid	**(335,463)**	**(130,189)**	**(205,274)**	(319,846)	(143,446)	(176,400)
At 31 December	**223,088**	**105,438**	**117,650**	211,954	106,672	105,282
Life assurance business						
At 1 January	**51,709**	**235**	**51,474**	39,413	347	39,066
Current year claims	**737,461**	**18,262**	**719,199**	576,292	750	575,542
Change in previous year claims	**3,958**	**3,961**	**(3)**	11,010	55	10,955
Claims paid	**(719,719)**	**(18,296)**	**(701,423)**	(575,006)	(917)	(574,089)
At 31 December	**73,409**	**4,162**	**69,247**	51,709	235	51,474

23 Technical provisions (continued)

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

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
Non-life insurance business						
At 1 January	**136,183**	**57,461**	**78,722**	165,627	76,800	88,827
Additions recognised during the year	**40,131**	**2,706**	**37,425**	45,082	13,076	32,006
Transfer to claims reported provision	**(42,829)**	**(3,391)**	**(39,438)**	(74,526)	(32,415)	(42,111)
At 31 December	**133,485**	**56,776**	**76,709**	136,183	57,461	78,722
Life assurance business						
At 1 January	**1,845**	**820**	**1,025**	2,291	821	1,470
Additions recognised during the year	**(56)**	**(42)**	**(14)**	(32)	(19)	(13)
Transfer to claims reported provision	**(473)**	**44**	**(517)**	(414)	18	(432)
At 31 December	**1,316**	**822**	**494**	1,845	820	1,025

d) Analysis of movements in unexpired risk provision

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
At 1 January	-	-	-	730	-	730
Release in profit or loss	-	-	-	(730)	-	(730)
Increase in profit or loss	-	-	-	-	-	-
At 31 December	-	-	-	-	-	-

e) Analysis of movements in premium refund provision

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
At 1 January	**1,125**	**437**	**688**	1,680	574	1,106
Release in profit or loss	**(1,125)**	**(437)**	**(688)**	(1,680)	(574)	(1,106)
Increase in profit or loss	**1,832**	-	**1,832**	1,125	437	688
At 31 December	**1,832**	-	**1,832**	1,125	437	688

23 Technical provisions (continued)

f) Analysis of movements in other technical provision

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
Life assurance business						
At 1 January	**786**	-	**786**	769	-	769
Increase in profit or loss	**(786)**	-	**(786)**	17	-	17
At 31 December	-	-	-	786	-	786

g) Analysis of movements in mathematical provision

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
Non-life insurance business						
At 1 January	**10,802**	**7,043**	**3,759**	-	-	-
Release in profit or loss	**(10,802)**	**(7,043)**	**(3,759)**	-	-	-
Increase in profit or loss	**23,198**	**15,148**	**8,050**	10,802	7,043	3,759
At 31 December	**23,198**	**15,148**	**8,050**	10,802	7,043	3,759

h) Life assurance provisions for traditional products

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
At 1 January	**2,780,971**	**189**	**2,780,782**	2,740,128	201	2,739,927
Premium allocation	556,024	278,556	277,468	559,193	-	559,193
Release of liabilities due to benefits paid, surrenders and other terminations	(561,460)	(12)	(561,448)	(551,346)	(12)	(551,334)
Unwinding of discount/accretion of interest	50,979	-	50,979	50,728	-	50,728
Change in Zillmer adjustment	(4,932)	-	(4,932)	(11,907)	-	(11,907)
Change in provision for unearned premium	(2,143)	-	(2,143)	(506)	-	(506)
Foreign currency translations	6,048	642	5,406	(5,319)	-	(5,319)
Balance at 31 December	**2,825,487**	**279,375**	**2,546,112**	2,780,971	189	2,780,782

23 Technical provisions (continued)

i) Provision for unit-linked and index-linked

	2022 Gross HRK'000	**2022 Reinsurance HRK'000**	**2022 Net HRK'000**	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
At 1 January	**225,134**	-	**225,134**	240,308	-	240,308
Premium allocation	(3,989)	-	(3,989)	(24,572)	-	(24,572)
Unrealised gains on funds where policyholder investments were allocated	4,253	-	4,253	24,782	-	24,782
Foreign currency translations	34	-	34	(579)	-	(579)
Release of liabilities due to benefits paid, surrenders and other terminations	(189,151)	-	(189,151)	(14,805)	-	(14,805)
Balance at 31 December	**36,281**	-	**36,281**	225,134	-	225,134

j) Development of claims reported by policyholders at 31 December 2022

	Prior to 2016 HRK'000	**2016 HRK'000**	**2017 HRK'000**	**2018 HRK'000**	**2019 HRK'000**	**2020 HRK'000**	**2021 HRK'000**	**2022 HRK'000**	**Total HRK'000**
Estimate of cumulative claims at the end of underwriting year	3,347,545	370,228	434,189	521,135	510,537	679,116	766,503	1,001,305	
One year later	3,370,454	373,097	434,704	524,242	513,542	689,121	770,348		
Two years later	3,356,704	363,082	437,449	521,017	511,525	685,470			
Three years later	3,348,706	359,550	439,364	519,661	509,367				
Four years later	3,342,304	361,397	436,274	517,182					
Five years later	3,346,534	364,015	434,983						
Six years later	3,340,765	366,009							
Seven years later	3,336,986								
Current estimate of cumulative claims	**3,336,986**	**366,009**	**434,983**	**517,182**	**509,367**	**685,470**	**770,348**	**1,001,305**	**7,621,650**
Cumulative payments	3,275,931	350,980	422,876	501,050	489,659	647,440	713,859	810,172	7,211,967
Amount recognised in the current year statement of financial position	61,055	15,029	12,107	16,132	19,708	38,030	56,489	191,133	409,683
Claims handling costs and recourses	6,792	945	914	920	1,070	1,804	2,345	5,810	20,600
Unsettled claims at 31 December 2022 on policies transferred in at 30 December 2005 on merger with Aurum	1,015	-	-	-	-	-	-	-	1,015
Total value recognised in the current year statement of financial position	**68,862**	**15,974**	**13,021**	**17,052**	**20,778**	**39,834**	**58,834**	**196,943**	**431,298**

The historical data in respect of unsettled claims transferred in upon merger with Aurum is insufficient to enable the presentation of their development over an eight-year period in the form as set above.

23 Technical provisions (continued)

k) Remaining maturities of technical provisions

2022

	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	Between 10 and 15 years HRK'000	Between 15 and 20 years HRK'000	More than 20 years HRK'000	Total HRK'000
Provision for unearned premiums	295,280	-	-	-	-	-	**295,280**
Reported but not settled claims reserve and incurred but not reported claims reserve	204,674	180,212	46,412	-	-	-	**431,298**
Premium refund provision	1,832	-	-	-	-	-	**1,832**
Life assurance provision, mathematical provision and provision for unit-linked and index-linked	371,064	1,356,239	382,727	212,099	109,170	453,667	**2,884,966**
Technical provisions	**872,850**	**1,536,451**	**429,139**	**212,099**	**109,170**	**453,667**	**3,613,376**

2021

	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	Between 10 and 15 years HRK'000	Between 15 and 20 years HRK'000	More than 20 years HRK'000	Total HRK'000
Provision for unearned premiums	260,095	-	-	-	-	-	260,095
Reported but not settled claims reserve and incurred but not reported claims reserve	196,917	165,611	39,163	-	-	-	401,691
Premium refund provision	1,125	-	-	-	-	-	1,125
Other technical provision	786	-	-	-	-	-	786
Life assurance provision and provision for unit-linked and index-linked	647,041	1,141,804	440,938	196,429	129,551	461,144	3,016,907
Technical provisions	1,105,964	1,307,415	480,101	196,429	129,551	461,144	3,680,604

23 Technical provisions (continued)

l) Structure of assets used for backing life assurance provision

The following table analyses the financial assets used for backing life assurance provision into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities of life assurance provision and claims provision for which coverage is requested.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2022					
Asset backing life assurance provision	**369,211**	**563,421**	**733,824**	**1,236,243**	**2,902,699**
Life assurance provision, net of reinsurance	**(89,127)**	**(1,350,456)**	**(356,585)**	**(749,944)**	**(2,546,112)**
Claims provision, net of reinsurance	**(52,081)**	-	-	-	**(52,081)**
Maturity gap	**228,003**	**(787,035)**	**377,239**	**486,299**	**304,506**
2021					
Asset backing life assurance provision	489,373	510,745	402,431	1,635,857	**3,038,406**
Life assurance provision, net of reinsurance	(460,824)	(1,136,863)	(423,817)	(759,278)	**(2,780,782)**
Claims provision, net of reinsurance	(36,986)	-	-	-	**(36,986)**
Maturity gap	**(8,437)**	**(626,118)**	**(21,386)**	**876,579**	**220,638**

As of 31 December 2022, 84.74% of total assets used for backing life assurance provision were classified as financial assets available for sale, which enables the Company to dispose of these assets easily to meet insurance contracts liabilities when needed. 5.46% of assets used for backing life assurance provision are classified as held-to-maturity investments. 0.91% of assets used for backing life assurance provision are classified as financial assets at fair value through profit and loss, 3.72% as loans and receivables, 4.49% as property and 0.68% as cash in bank.

The following table analyses the life assurance provision and financial asset used for backing life assurance provision into relevant categories based on the currency in which is denominated.

	EURO	EURO linked	EURO and EURO linked total	HRK	USD	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
2022						
Asset backing life assurance provision	**546,934**	**1,613,815**	**2,160,749**	**732,361**	**9,589**	**2,902,699**
Life assurance provision, net of reinsurance	-	**(2,090,034)**	**(2,090,034)**	**(446,004)**	**(10,074)**	**(2,546,112)**
Claims provision, net of reinsurance	-	**(49,444)**	**(49,444)**	**(2,637)**	-	**(52,081)**
	546,934	**(525,663)**	**21,271**	**283,720**	**(485)**	**304,506**
2021						
Asset backing life assurance provision	109,942	2,181,610	**2,291,552**	736,786	10,068	**3,038,406**
Life assurance provision, net of reinsurance	-	(2,309,297)	**(2,309,297)**	(461,727)	(9,758)	**(2,780,782)**
Claims provision, net of reinsurance	-	(35,358)	**(35,358)**	(1,628)	-	**(36,986)**
	109,942	**(163,045)**	**(53,103)**	**273,431**	**310**	**220,638**

In 2022, the Company achieved an annual return on investments from life assurance provision in amount of 2.29,% (2021: 3.71%). Weighted average yield for the two-year period from 2021 to 2022 was 3.01,% (2021: two-year period from 2020 to 2021: 4.12%). Valuation of financial assets is described in accounting policy Note 3 (f).

23 Technical provisions (continued)

m) Structure of assets used for backing technical provisions (other than life assurance provision)

The following table analyses the financial assets used for backing technical provisions into relevant maturity categories based on the remaining period from the reporting date to the contractual maturity date and the estimated remaining contractual maturities of technical provisions for which coverage is requested:

	Less than 1 year HRK'000	Between 1 and 5 years HRK'000	Between 5 and 10 years HRK'000	More than 10 years HRK'000	Total HRK'000
2022					
Asset backing technical provisions	157,559	120,341	256,819	-	**534,719**
Provision for unearned premium, net of reinsurance	(211,548)	-	-		**(211,548)**
Claims provision, net of reinsurance	(84,714)	(102,209)	(25,098)	-	**(212,021)**
Other provisions	(1,832)	-	-	-	**(1,832)**
Maturity gap	**(140,535)**	**18,132**	**231,721**	**-**	**109,318**
2021					
Asset backing technical provisions	227,906	129,344	252,879	44,100	**654,229**
Provision for unearned premium, net of reinsurance	(186,023)	-	-	-	**(186,023)**
Claims provision, net of reinsurance	(89,631)	(89,114)	(20,772)	-	**(199,517)**
Other provisions	(1,474)	-	-	-	**(1,474)**
Maturity gap	**(49,222)**	**40,230**	**232,107**	**44,100**	**267,215**

As of 31 December 2022, 90.10% of total assets used for backing technical provisions are classified as financial assets available for sale and 0.50% as financial assets at fair value through profit or loss, which enables the Company to dispose of those assets easily to meet insurance contracts liabilities when needed, 9.40% of assets used for backing technical provision are classified as cash in bank.

The following table analyses the financial assets used for backing technical provisions and technical provisions into relevant categories based on the currency in which are denominated.

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	HRK HRK'000	USD HRK'000	Total HRK'000
2022						
Asset backing technical provision	50,785	58,272	**109,057**	424,471	1,191	**534,719**
Provision for unearned premium, net of reinsurance	-	(1,618)	**(1,618)**	(209,926)	(4)	**(211,548)**
Claims provision, net of reinsurance	-	(16,956)	**(16,956)**	(195,065)	-	**(212,021)**
Other provisions	-	-	-	(1,832)	-	**(1,832)**
	50,785	39,698	**90,483**	17,648	1,187	**109,318**
2021						
Asset backing technical provision	1,645	87,228	**88,873**	565,356	-	**654,229**
Provision for unearned premium, net of reinsurance	-	(1,525)	**(1,525)**	(184,494)	(4)	**(186,023)**
Claims provision, net of reinsurance	-	(14,609)	**(14,609)**	(184,908)	-	**(199,517)**
Other provisions	-	-	-	(1,474)	-	**(1,474)**
	1,645	**71,094**	**72,739**	**194,480**	**(4)**	**267,215**

24 Subordinated loans

	Original amount EUR'000	Interest rate %	2022 HRK'000	2021 HRK'000
Subordinated loan	10,500	8.34% fixed	79,112	-
Subordinated loan	14,447	6.4% fixed	108,849	-
Total			**187,961**	-

Both subordinated loans were obtained from the parent company Vienna Insurance Group AG Wiener Versicherung Gruppe on September 27, 2022.

Maturity of subordinated loan in the amount of HRK 79,112 thousand assumed to be 10 years (principal repaid at Borrower's discretion after 10 years). The repayment of this debt is subordinated to all other obligations of the Company, and in accordance with the provisions of the contract, the loan is considered an item of basic own funds of category 1 (Tier 1), i.e. paid subordinated liability in accordance with Art. 69 to 71 of the Delegated Commission Regulation (EU) 2015/35 of October 10, 2014.

Maturity of subordinated loan in the amount of HRK 108,849 thousand is 10 years. The repayment of this debt is subordinated to all other obligations of the Company, and in accordance with the provisions of the contract, the loan is considered an item of basic own funds of category 2 (Tier 2), i.e. paid subordinated liability in accordance with Art. 72 of the Delegated Commission Regulation (EU) 2015/35 of October 10, 2014.

25 Provisions for liabilities and charges

	Provision for court cases HRK'000	Termination benefits and jubilee awards HRK'000	Total HRK'000
At 1 January 2021	**5,719**	**1,494**	**7,213**
Used during the year	(432)	(125)	(557)
Release of provision as unused	(2,417)	-	(2,417)
Increase of provision	1,730	272	2,002
Net charged to profit or loss	*(687)*	*272*	*(415)*
At 31 December 2021	**4,600**	**1,641**	**6,241**
At 1 January 2022	**4,600**	**1,641**	**6,241**
Used during the year	(898)	(169)	**(1,115)**
Release of provision as unused	(1,387)	(48)	**(1,387)**
Increase of provision	82	-	**82**
Net charged to profit or loss	*(1,305)*	*(48)*	***(1,353)***
At 31 December 2022	**2,397**	**1,424**	**3,821**

Increase of provision for court cases is recognised in “Other operating expenses” (Note 34) and decrease in “Other operating income” (Note 30).

Increase of obligatory severance payments and jubilee awards provision are recognised within „Administrative expenses“ (Note 33).

26 Insurance and other payables

	2022	2021
	HRK'000	HRK'000
Direct insurance contract payables		
- to policyholders and claimants	**127**	3,320
- to agents, brokers and intermediaries	**9,153**	5,222
- advance premium payments	**35,722**	43,590
Reinsurance contract payables	**72,579**	73,653
Deposits retained from reinsurance business (Note 38)	**411,973**	111,976
Liabilities for salaries	**11,458**	11,645
Trade payables	**8,813**	7,707
Commission expense accrual	**22,506**	22,759
Interest on subordinated loans	**3,579**	-
Other payables	**38,497**	27,875
Deferred income from recourses (Note 19)	**25,652**	20,964
Accrued expenses	**19,538**	68,450
Total insurance and other payables	**659,597**	397,161

The Company retains deposits from reinsurance business arising from the Quota Share reinsurance treaties for Motor Third Party Liability and Personal Accident insurance with a parent company. In accordance with the reinsurance treaties, applicable from 1 January 2010 for Motor Third Party Liability insurance and from 1 January 2011 for Personal Accident insurance (Quota share for Personal accident insurance is now in run-off, ie, not applied to new portfolio, therefore the reinsurance deposit exists on run-off reinsurance portfolio), the reinsurance deposit is retained and the Company invests the funds. Deposit from 1 January 2011 bears variable interest rate determined quarterly as the average of BID and ASK prices of 3 month ZIBOR at beginning of the accounting period increased by + 0,5 pp, and after the cessation of the publication of ZIBOR in 2020, 3 month deposit rate is being used.

In 2022, the Company introduced new Quota Share reinsurance treaty for Life business. The Company retains deposits from reinsurance business arising from that treaty. The QS treaty is applicable from 1 January 2022 and includes portfolio with single mixed life premium (three years duration) which was active on 31 December 2021 (not applied for new portfolio, therefore the reinsurance deposit exists on run-off reinsurance portfolio). Interest on deposit is fixed in the amount of 1.55%.

For the puspose of casf flow statement increase in deposit retained from reinsurance business has been netted against rinsurance share in technical provisions.

27 Premiums

	2022	2021
	HRK'000	HRK'000
Non-life insurance		
Gross premium written	**635,275**	565,767
Written premiums ceded to reinsurers	**(212,399)**	(194,525)
Change in the gross provision for unearned premiums	**(35,223)**	(37,398)
Reinsurers' share of change in the provision for unearned premiums	**9,674**	5,855
Total premium income net, (earned) from non-life insurance	**397,327**	339,699
Life assurance		
Gross premium written	**635,559**	640,030
Written premiums ceded to reinsurers	**(3,449)**	(3,459)
Change in the gross provision for unearned premiums	**38**	(166)
Reinsurers' share of change in the provision for unearned premiums	**(14)**	(16)
Total premium income net, (earned) from life assurance	**632,134**	636,389
Total		
Gross premium written	**1,270,834**	1,205,797
Written premiums ceded to reinsurers	**(215,848)**	(197,984)
Change in the gross provision for unearned premiums	**(35,185)**	(37,564)
Reinsurers' share of change in the provision for unearned premiums	**9,660**	5,839
Total premiums	**1,029,461**	976,088

In 2022, gross premiums written for life assurance business include premiums of HRK ,4,3 million (*2021: HRK 3,5 million*) in respect of unit-linked products. Gross premiums written for non-life insurance are stated after adjusting for the net increase in provisions for premium debtors of HRK 233 thousand (*2021: net decrease for HRK 404 thousand*) (Note 19a) and direct write-off of premium debtors of HRK 35 thousand (*2021: HRK 10 thousand*).

27 Premiums (continued)

Analysis by class of business

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

	Gross premiums written HRK'000	Gross premiums earned HRK'000	Gross claims incurred HRK'000	Acquisition and administrative expenses HRK'000	Reinsurance balance* HRK'000
2022					
Non-life insurance business					
Motor third party	148,683	143,698	(82,665)	(50,360)	(5,018)
Motor other classes	76,692	72,881	(56,716)	(15,119)	(676)
Property	148,156	140,642	(87,791)	(51,422)	3,167
Personal lines	30,299	29,291	(11,533)	(10,963)	(1,399)
Other	231,445	213,540	(118,297)	(76,262)	(15,876)
Total non-life	**635,275**	**600,052**	**(357,002)**	**(204,126)**	**(19,802)**
Life assurance business					
Life assurance	612,377	612,361	(595,895)	(115,185)	4,708
Annuity assurance	360	360	(323)	(55)	-
Additional riders	18,553	18,607	(2,623)	(13,828)	(843)
Index/Unit Linked	4,269	4,269	3,074	(741)	-
Total life	**635,559**	**635,597**	**(595,767)**	**(129,809)**	**3,865**
Grand total	**1,270,834**	**1,235,649**	**(952,769)**	**(333,935)**	**(15,937)**
2021					
Non-life insurance business					
Motor third party	140,269	132,164	(77,067)	(44,037)	(3,918)
Motor other classes	67,255	61,232	(43,024)	(13,023)	(439)
Property	133,309	126,950	(97,351)	(44,723)	15,615
Personal lines	28,197	27,563	(10,184)	(9,352)	(983)
Other	196,737	180,460	(100,817)	(59,965)	(13,683)
Total non-life	**565,767**	**528,369**	**(328,443)**	**(171,100)**	**(3,408)**
Life assurance business					
Life assurance	617,390	617,475	(605,448)	(108,221)	(461)
Annuity assurance	414	414	(782)	(57)	-
Additional riders	18,770	18,519	(2,227)	(12,511)	(914)
Index/Unit Linked	3,456	3,456	(4,085)	(622)	-
Total life	**640,030**	**639,864**	**(612,542)**	**(121,411)**	**(1,375)**
Grand total	**1,205,797**	**1,168,233**	**(940,985)**	**(292,511)**	**(4,783)**

* Reinsurance balance does not include technical interests on reinsurance deposit in the amount of HRK 783 thousand for non-life and HRK 4,596 thousand for life business (2021: HRK 624 thousand for non-life and HRK 1 thousand for life business) (Note 35).

28 Fees and commission income

	2022	2021
	HRK'000	HRK'000
Reinsurance commission	**46,442**	43,044
Profit reinsurance commission	**1,659**	2,586
	48,101	45,630

29 Financial income

	2022	2021
	HRK'000	HRK'000
Interest income, calculated using the effective interest rate method:		
- Available-for-sale financial assets	**43,293**	47,299
- Held-to-maturity investments	**12,073**	15,956
- Loans and receivables	**2,029**	2,752
	57,395	*66,007*
Dividend income	**2,041**	1,185
Rental income from investment property (Note 13)	**15,477**	10,933
Net unrealised gains on assets at fair value through profit or loss	-	3,846
Net realised losses on assets at fair value through profit or loss	**(5,342)**	(392)
Net realised gains on assets available for sale (Note 21f)	**15,855**	60,573
Net gain on disposal of investment property	-	438
Reversal of impairment loss on investment property (Note 13)	**2,069**	1,752
Reversal of impairment loss on interest	**96**	-
Foreign exchange translation gains		
- Financial assets at fair value through profit or loss	**93**	-
- Available-for-sale financial assets	**5,019**	-
- Held-to-maturity investments	**234**	-
- Loans and receivables	**(414)**	-
- Other	**(767)**	-
Decrease in provision for other receivables due to collection (Note 19d)	**5**	235
Other financial income	**1,112**	1,521
	92,873	146,098

	Non-life	**Life**	**Total**	Non-life	Life	Total
	2022	**2022**	**2022**	2021	2021	2021
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Financial income						
Income from assets backing equity	**2,025**	**2,521**	**4,546**	2,167	7,086	9,253
Income from assets backing life assurance provision	-	**81,404**	**81,404**	-	109,146	109,146
Income from assets backing other technical provisions	**10,254**	**1,625**	**11,879**	22,878	715	23,593
Income from assets backing index-linked and unit-linked products	-	**(4,956)**	**(4,956)**	-	4,106	4,106
	12,279	**80,594**	**92,873**	25,045	121,053	146,098

30 Other operating income

	2022	2021
	HRK'000	HRK'000
Refund of legal enforcement collection expense and penalty interest	**2,045**	4,445
Release of unused provision for court cases (Note 25)	**1,387**	2,417
Write-off of accrued commission and claims	**3,189**	1,992
Income from service claims	**742**	846
Reversal of impairment loss of property and equipment (Note 11)	**-**	391
Income from recharged expenses	**153**	131
Decrease in provision for other receivables due to collection (Note 19d)	**144**	6
Collection of receivables wtitten off	**16**	-
Profit on disposal of property and equipment	**240**	5
Other operating income	**4,573**	4,523
	12,489	14,756

31 Net policyholders claims and benefits accrued

	2022	2021
	HRK'000	HRK'000
Non-life insurance		
Claims paid		
Gross amount	**(335,463)**	(319,846)
Reinsurers' share	**130,189**	143,446
Change in reported but not settled claims reserve		
Gross amount	**(11,134)**	(28,524)
Reinsurers' share	**(1,234)**	9,927
Change in incurred but not reported claims reserve		
Gross amount	**2,698**	29,444
Reinsurers' share	**(685)**	(19,339)
Change in unexpired risk provision, gross and net	**-**	730
Change in premium refund provision		
Gross amount	**(707)**	555
Reinsurers' share	**(437)**	(137)
Change in mathematical provision		
Gross amount	**(12,396)**	(10,802)
Reinsurer's share	**8,105**	7,043
Total gross claims incurred from non-life insurance	**(357,002)**	(328,443)
Total reinsurance share in claims incurred from non-life insurance	**135,938**	140,940
Total net claims incurred from non-life insurance	**(221,064)**	(187,503)
Life assurance		
Claims paid (benefits and surrenders)		
Gross amount	**(719,719)**	(575,006)
Reinsurers' share	**18,296**	917
Change in life assurance provision		
Gross amount	**(44,516)**	(40,843)
Reinsurers' share	**(16,007)**	(12)
Change in life assurance provision for unit and index-linked products, gross and net	**188,853**	15,174
Change in reported but not settled claims reserve		
Gross amount	**(21,700)**	(12,296)
Reinsurers' share	**3,921**	(112)
Change in incurred but not reported claims reserve		
Gross amount	**529**	446
Reinsurers' share	**2**	(1)
Change in other technical provision, gross and net	**786**	(17)
Total gross claims incurred from life assurance	**(595,767)**	(612,542)
Total reinsurance share in claims incurred from life assurance	**6,212**	792
Total net claims incurred from life assurance	**(589,555)**	(611,750)
Total gross claims incurred	**(952,769)**	(940,985)
Total reinsurers' share of claims and benefits incurred	**142,150**	141,732
Total	**(810,619)**	(799,253)

31 Net policyholders claims and benefits accrued (continued)

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

Analysis of claims ratio, costs ratio and combined ratio

	Claims ratio	Costs ratio	Combined ratio
2022			
Personal accident insurance	39.37%	37.66%	77.03%
Health insurance	70.92%	30.34%	101.25%
Insurance of motor vehicles	77.82%	20.77%	98.60%
Insurance of track vehicles	61.38%	34.15%	95.52%
Insurance of aircrafts	13.41%	46.78%	60.20%
Insurance of vessels	54.46%	35.43%	89.89%
Insurance of goods in transit	65.16%	38.54%	103.70%
Insurance against fire and natural disasters	65.08%	35.04%	100.11%
Other property insurance lines	59.43%	42.25%	101.68%
Motor third party liability insurance	57.53%	37.12%	94.64%
Aircraft liability insurance	15.46%	42.31%	57.77%
Vessel liability insurance	61.10%	27.98%	89.08%
Other third liability insurance lines	38.46%	48.19%	86.65%
Credit insurance	59.08%	40.10%	99.18%
Suretyship insurance	53.17%	36.82%	90.00%
Insurance of miscellaneous financial losses	46.66%	23.00%	69.66%
Insurance of legal protection	63.28%	45.81%	109.09%
Travel insurance	57.80%	36.56%	94.37%
Total non-life	**59.57%**	**35.23%**	**94.79%**
2021			
Personal accident insurance	36.94%	35.01%	71.95%
Health insurance	63.57%	31.72%	95.29%
Insurance of motor vehicles	70.27%	21.94%	92.21%
Insurance of track vehicles	0.04%	56.21%	56.25%
Insurance of aircrafts	1275.39%	137.00%	1412.39%
Insurance of vessels	104.46%	34.35%	138.81%
Insurance of goods in transit	49.55%	41.06%	90.61%
Insurance against fire and natural disasters	84.28%	35.39%	119.67%
Other property insurance lines	66.11%	37.43%	103.54%
Motor third party liability insurance	58.31%	34.76%	93.07%
Aircraft liability insurance	327.82%	52.58%	380.40%
Vessel liability insurance	24.50%	28.23%	52.73%
Other third liability insurance lines	36.71%	38.67%	75.38%
Credit insurance	67.78%	37.35%	105.13%
Suretyship insurance	(26.75%)	55.00%	28.25%
Insurance of miscellaneous financial losses	(38.63%)	22.35%	(16.28%)
Insurance of legal protection	(1.026.73%)	48.03%	(978.70%)
Travel insurance	54.25%	35.24%	89.49%
Total non-life	**62.19%**	**33.47%**	**95.66%**

Ratios are calculated in accordance with Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19) as follows:

Claims ratio = (claims paid, gross + change in claims reserves, gross + change in unexpired risk provision, gross + change in other technical provision, gross / (gross written premiums including net provision for premium receivables impairment + change in gross unearned premium)

Costs ratio = (acquisition costs + change in deferred acquisition costs + administrative expenses + other operating-technical expenses + other operating-technical income) / (gross written premium including net provision for premium receivables impairment+ change in gross unearned premium)

Combined ratio = claims ratio + costs ratio

32 Acquisition costs

	2022	2021
	HRK'000	HRK'000
Non-life insurance business		
Commission expenses	109,162	93,081
Other acquisition costs	38,839	35,885
Changes in deferred acquisition costs (Note 14)	(5,853)	(14,508)
Total acquisition costs, non-life	**142,148**	114,458
Life assurance business		
Commission expenses	25,326	20,575
Other acquisition costs	35,682	41,747
Changes in deferred acquisition costs (Note 14)	(24)	(63)
Total acquisition costs, life	**60,984**	62,259
	203,132	176,717

Included within acquisition costs are internal sales staff costs amounting to HRK 63.5 million *(2021: HRK 66.9 million).*

33 Administrative expenses

	2022	2021
	HRK'000	HRK'000
Personnel expenses	**45,403**	42,207
Amortisation of other intangible assets (Note 15)	**16,177**	12,884
Software	**13,225**	11,459
Amortisation of rigts-of-use assets (Note 12)	**8,024**	7,758
Telecommunication and post services	**5,804**	5,846
Depreciation of property and equipment (Note 11)	**5,698**	5,098
Energy and utilities	**5,717**	4,681
Maintenance	**3,860**	3,556
Rentals	**3,697**	2,734
Travel expenses and daily allowances	**3,107**	2,635
Consulting costs	**2,981**	2,024
Management fees – related parties (Note 38)	**1,009**	957
Audit fees	**738**	596
Lawyers fees	**397**	374
Provision for termination benefits and jubilee awards, net (Note 25)	**-**	272
Other expenses	**14,966**	12,713
	130,803	115,794

In 2022, the average number of employees of the Company was 671 *(2021: 666)*. In 2022, the Company paid pension contributions of HRK 23 million *(2021: HRK 22.1 million)* into obligatory pension funds.

34 Other operating expenses

	2022	2021
	HRK'000	HRK'000
Credit cards payments fees	**3,210**	2,848
Compulsory motor third party liability insurance contribution to the Croatian health fund	**3,707**	3,525
Legal enforcement collection of receivables from policyholders	**1,649**	1,611
Prevention costs	**1,507**	1,611
Guarantee – fund and Croatian Insurance Bureau levies	**1,666**	1,878
Croatian Supervisory Financial Agency levies	**974**	962
Impairment loss on other receivables (Note 19d)	**216**	239
Write off loss on other receivables	**2**	-
Provision for court cases (Note 25)	**82**	1,730
Fire brigade contributions	**1,420**	915
Change in Guarantee - fund Croatian Insurance Bureau provision	**(534)**	1,124
Write off loss on property and equipment (Note 11)	**108**	10
Impairment loss on property and equipment (Note 11)	**29**	-
Loss on disposal of property and equipment	**20**	21
Other expenses	**823**	669
	14,879	17,143

35 Financial expenses

	2022	2021
	HRK'000	HRK'000
Interest expense on subordinated loans	**3,579**	-
Interest expense on reinsurance deposit (Note 26,38)	**5,379**	625
Interest expenses from lease liabilities	**132**	110
Depreciation of investment property (Note 13)	**2,946**	2,563
Impairment loss on investment property (Note 13)	**83**	1,718
Impairment loss on other receivables (Note 19d)	**234**	186
Reversal of impairment losses of loans (Note 16)	**(444)**	(373)
Net unrealised gains on financial assets at fair value through profit or loss	**1,904**	-
Net gain on disposal of property	**98**	-
Foreign exchange translation losses		
- Financial assets at fair value through profit or loss	**-**	617
- Available-for-sale financial assets	**-**	3,139
- Held-to-maturity investments	**-**	754
- Loans and receivables	**-**	(118)
- Other	**-**	(62)
Energy, utilities and maintenance expenses of investment property (Note 13)	**6,277**	4,610
Other expenses	**1,110**	999
	21,298	14,768

35 Financial expenses (continued)

	Non-life	**Life**	**Total**	Non-life	Life	Total
	2022	**2022**	**2022**	2021	2021	2021
	HRK'000	**HRK'000**	**HRK'000**	HRK'000	HRK'000	HRK'000
Expenses from assets backing share capital	**975**	**5,153**	**6,128**	917	3,017	3,934
Expenses from assets backing life assurance provision	-	**14,056**	**14,056**	-	9,288	9,288
Expenses from assets backing other technical provisions	**1,196**	-	**1,196**	930	36	966
Expenses from assets backing index-linked and unit-linked products	-	**(82)**	**(82)**	-	580	580
	2,171	**19,127**	**21,298**	1,847	12,921	14,768

36 Income taxes

	2022	2021
	HRK'000	HRK'000
Current income tax	-	(9,580)
Deferred income tax (Note 18)	**(635)**	(1,399)
Total income tax expense	**(635)**	(10,979)

a. Reconciliation of accounting profit for the year to income tax expense

	2022	2021
	HRK'000	HRK'000
Profit before tax	**2,193**	58,897
Income tax at 18%	**(395)**	(10,601)
Tax effects of:		
Non-deductible expenses	**(984)**	(1,213)
Income not subject to tax	**1,572**	2,234
Origination and reversal of temporary differences (Note 18)	**(828)**	(1,399)
Total income tax expense	**(635)**	(10,979)
Effective income tax rate	**(29.0%)**	18.6%

36 Income taxes (continued)

b. Income tax recognised in other comprehensive income

	2022	2021
	HRK'000	HRK'000
On available-for-sale financial assets		
Deferred tax on net losses from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses including change in tax rate (Note 18 and Note 21 f)	**115,291**	17,689

c. Current income tax prepayment

	2022	2021
	HRK'000	HRK'000
Current income tax prepayment	**10,652**	998

d. The movement in unused tax losses

	2022	2021
	HRK'000	HRK'000
At income tax rate of 18%		
Unused tax losses brought forward	**-**	-
Unrecognised tax losses incurred during the period	**1,077**	-
	1,077	-

e. Tax losses brought forward

	2022	2021
	HRK'000	HRK'000
At income tax rate of 18%		
No more than 1 year	**-**	-
No more than 2 years	**-**	-
No more than 3 years	**-**	-
No more than 4 years	**-**	-
No more than 5 years	**1,077**	-
Total potential benefit of tax losses carried forward	**1,077**	-

37 Commitments

a. Capital commitments

The Company is in the process of moving from the existing information system for the non-life insurance portfolio, to a unified, technologically advanced and more functional IT system for administering the portfolio of non-life and life insurance. Capital expenditure for software, contracted for at the end of the reporting period but not yet incurred amounts to HRK 28.8 million (2021: HRK 16.9 million).

b. Operating leases

The Company lease office space, motor vehicles and other equipment under operating leases. All leases may be cancelled with a notice period of 1 to 3 months and they are mostly concluded for an indefinite period or/and for three year period. None of the lease contracts includes contingent rentals.

As of 1 January 2019 operating leases are recognized in accordance with IFRS 16, as disclosed in the Significant Accounting Policies 3 (g).

38 Related parties

The major shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe with a holding of 97.82% (2021: 97.82%) of the Company's shares at year end. The remaining 2.18% (2021: 2.18%) of the shares are held by minority shareholders. Ultimate parent of the Company is Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. The Company considers that it has an immediate related party relationship with its shareholders, the ultimate parent of its key shareholder, the Supervisory Board members, Management Board members and other executive management (together "key management personnel"); close family members of key management personnel; and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 "*Related Party Disclosures*" ("IAS 24").

Parent company and other related companies within VIG Group

The Company ceedes reinsurance to the parent company and other related companies, VIG Re, DONAU, Wiener Städtische Versicherung AG, UNION Vienna Insurance Group Biztosító Zrt, Ray Sigorta AS and Česká podnikatelská pojišťovna, a.s. The results of transactions with parent company and related companies are reinsurance premiums and recoveries during the year as well as receivable and payable balances at the end of the year, as follows:

	2022	2021
	HRK'000	HRK'000
Premium ceeded:		
Reinsurance premiums payable at beginning of the year	**(62,467)**	(55,356)
Reinsurance premiums ceded during the year	**(197,044)**	(178,782)
Reinsurance premiums paid during the year	**192,968**	171,671
Reinsurance premiums payable at the end of the year	**(66,543)**	(62,467)
Reinsurance recoveries:		
At the beginning of the year	**29,563**	28,150
Invoiced during the year	**137,207**	130,915
Received during the year	**(130,765)**	(129,502)
Outstanding at the end of the year	**36,005**	29,563
Reinsurance commission:		
At the beginning of the year	**20,232**	13,990
Invoiced during the year	**45,404**	43,307
Received during the year	**(40,996)**	(37,065)
Outstanding at the end of the year	**24,640**	20,232
Deposit retained from reinsurance business (Note 26)	**411,973**	111,976
Interest expense on deposit retained from reinsurance business (Note 35)	**5,379**	625

38 Related parties (continued)

Parent company and other related companies within VIG Group (continued)

In 2022, management fees charged to the Company amounted to HRK 1 million (2021: 1 million) (Note 33) and software maintenance services amounted to HRK 3.7 million (2021: HRK 2.7 million) (Note 33) and in 2022 capitalised costs amounted to HRK 6 million (2021: HRK 159 thousand).

The Company holds 3.07% of shareholding in VIG FUND, a.s., Prague, related company, which is carried at value of HRK 65,799 thousand (2021: 3.07%, HRK 64,055 thousand). In 2022, the Company recognized gain from change in fair value in amount of HRK 1,744 thousand in other comprehensive income (2021: gain HRK 240 thousand). In 2022, VIG FUND, a.s. paid dividend in amount of HRK 1,405 thousand to the Company (2021: HRK 1,105 thousand) (Note 29). The Company rents office premises from related company S.O.S.-Expert d.o.o., owned by LVP Holding GmBH, whereby rental expenses were recognised in the amount of HRK 1.5 million (2021: HRK 1.5 million) (Note 33).

Erste&Steiermärkische Bank Group

The Company has strategic partnership with Erste&Steiermärkische Bank d,d (further on "Erste Bank"), The Company offers insurance products over the Erste Bank sales network as distribution channel. During 2022, the Company acquired through the Erste Bank as distribution channel gross written premium in amount of HRK 451.1 million (2021: HRK 475.6 million) and paid commission to Erste Bank thereon in amount of HRK 34.6 million (2021: HRK 24.9 million). Erste Bank and other members of Erste Bank Group concludes insurance contracts with the Company with gross written premium in amount of HRK 19.2 million in 2022 (2021: HRK 19.1 million) and the Company has paid claims to Erste Bank in the amount of HRK 8.5 million (2021: HRK 10.4 million). Majority of concluded insurance contracts were property insurance contracts.

The Company holds cash at bank accounts with Erste Bank in amount of HRK 102.3 million as at 31 December 2022 (2021: HRK 151.5 million). The Company holds corporate bonds issued by Erste Bank in amount of HRK 47.4 million as at 31 December 2022 (2021: HRK 50.6 million) The Company holds units in investment funds managed by Erste Asset Management d.o.o. in amount of HRK142.2 million as at 31 December 2022 (2021: HRK 161.7 million), and recognised income from retrocession fee in amount of HRK 527 thousand (2021: HRK 570 thousand).

Erste Bank provides custody services, cash and payment transaction services and guarantee services to the Company for which the Company was charged with HRK 2.1 million during 2022 (2021: HRK 1.8 million). As at 31 December 2022 contingent guarantees amounted to HRK 3.7 million (2021: HRK 3.6 million). The Company also acquires services from other members of Erste Bank Group, Erste Card Club d.o.o. provides card payment transaction services to the Company for which the Company was charged with HRK 1 milion in 2022 (2021: HRK 902 thousand), Erste nekretnine d.o.o. provides real estate valuation sevices to the Company for which the Company was charged with HRK 39 thousand in 2022 (2021: HRK 15 thousand), Erste Group IT HR d.o.o. provided software maintenance services to the Company for which the Company was charged with amount of HRK 40 thousand in 2021. In 2022 no software maintenance services were provided. The Company rents premises to Erste d.o.o. - društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima and as well receives commission for contracting pension fund membership, whereby revenues were recognised in the amount of HRK 26 thousand (2021: HRK 26 thousand). The Company rents premises to Erste Group Card Processor d.o.o. whereby rental revenues were recognised in the amount of HRK 2.5 million (2021: HRK 2,4 million).

Deposits, bonds and investment funds attract standard commercial rates and yields as well services provided are subject to standard commercial transaction and service fees and charges.

Key management personnel

Included in key management personnel are Management and Supervisory Board members. The remuneration of the key management personnel amounted to HRK 4.5 million (2021: HRK 5.6 million), and comprises the total gross amount of their compensation including short-term and long-term benefits, such as basic salary, bonuses and benefits in kind.

38 Related parties (continued)

2022

	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
Key management personnel	-	613	-	4,496
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	30,341	609,131	93,844	106,211
Shareholder				
Erste&Steiermärkische Bank Group	294,240	2,219	22,255	49,262
Related companies				
Wiener Staedtische Versicherung AG	258	95	186	792
VIG Re	35,876	64,867	87,716	100,055
DONAU	11	-	8	81
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	4	4	17	111
UNION Vienna Insurance Group Biztosító Zrt	170	-	824	1,998
RAY SIGORTA AS	-	-	12	66
Česká podnikatelská pojišťovna. a.s.	2	7	2	7
S.O.S. – Expert d.o.o.	-	-	-	1,550
	360,902	**676,936**	**204,864**	**264,629**

2021

	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
Key management personnel	-	1,732	-	5,642
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	22,195	122,804	75,962	92,937
Shareholder				
Erste&Steiermärkische Bank Group	372,846	663	22,378	38,873
Related companies				
Wiener Staedtische Versicherung AG	243	206	390	2,635
VIG Re	25,993	52,450	96,340	85,417
DONAU	11	-	8	78
Kooperativa pojišťovna, a.s. Vienna Insurance Group, Prague	4	4	16	126
UNION Vienna Insurance Group Biztosító Zrt	1,349	-	1,494	2,069
RAY SIGORTA AS	-	-	11	62
S.O.S. – Expert d.o.o.	-	-	-	1,532
	422,641	**177,859**	**196,599**	**229,371**

39 Financial Risk Management

The primary objective of the Company's risk and financial management framework is to protect the Company's policyholders and shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Transactions with financial instruments result in the Company assuming financial risks, These include market risk, credit risk (including reinsurance credit risk) and liquidity risk, Each of these financial risks is described below, including a summary of the Company's risk management.

Market risk

Market risk includes three types of risk:

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

Market risk embodies the potential loss as well as the potential gain.

Asset and liability matching

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

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

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

Interest rate risk

The Company's exposure to market risk for changes in interest rates is concentrated in its investment portfolio and debt obligations, The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in different amounts.

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

39 Financial risk management (continued)

Interest rate risk (continued)

Deposits retained from reinsurance bear variable interest rates.

Interest rate changes do not influence the level of non-life provisions, other than for motor third party annuities, which are not significant at the date of financial position. The life assurance provision is discounted using the lower of the technical interest rate or maximum rate prescribed by HANFA, which cannot be higher than the weighted average annual return for the last two years on assets backing life assurance provision.

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

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

Note 41 discloses the effective interest rates and repricing analysis at the reporting date for the Company's and the Company's financial assets and financial liabilities within the scope of IAS 39 at 31 December 2022 and 31 December 2021.

Since the majority of interest earning assets and majority of interest bearing liabilities on those dates, had fixed interest rate, there would be no direct effect on the Company's profit or loss, Indirect effect would be reflected in the change of fair value of debt securities at fair value through profit or loss, therefore there are no disclosures on interest rate sensitivity analysis.

Price risk

The Company is exposed to price risk on its portfolio of marketable equity securities and investment funds carried in the statement of financial position at fair value. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market.

The Company's objective is to earn competitive returns by investing in a diverse portfolio of securities, Portfolio characteristics are analysed regularly. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

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

	Impact on profit or loss after tax 2022 HRK'000	**Impact on other comprehensive income after tax 2022 HRK'000**	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000
Change in price by ± 1%	**239/(239)**	**2,336/(2,336)**	262/(262)	3,202/(3,202)
Change in price by ± 3%	**716/(716)**	**7,008/(7,008)**	786/(786)	9,606/(9,606)
Change in price by ± 5%	**1,193/(1,193)**	**11,680/(11,680)**	1,310/(1,310)	16,010/(16,010)

39 Financial risk management (continued)

Foreign exchange risk

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

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

The Company manages foreign currency risk by trying to minimise the gap between assets and liabilities denominated in or linked to foreign currency.

Note 42 discloses the currency analysis at the reporting date for the Company's financial assets and financial liabilities as at 31 December 2022 and 31 December 2021,

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

All the Company's assets and liabilities are denominated either in HRK, EUR or USD. The EUR/HRK rate is targeted in an interval of between 7.50 HRK for 1 EUR and 7.58 for 1 EUR (2021: between 7.47 HRK for 1 EUR and 7.59 HRK for 1 EUR), The EUR/HRK rate was most of the time in the past within that range.

EUR / HRK rate	**Impact on profit or loss after tax 2022 HRK'000**	**Impact on other comprehensive income after tax 2022 HRK'000**	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000
Change in fx rate by ± 1%	**16,509/(16,509)**	**1,784/(1,784)**	20,446/(20,446)	1,851/(1,851)
Change in fx rate by ± 2%	**33,018/(33,018)**	**3,568/(3,568)**	40,891/(40,891)	3,703/(3,703)

39 Financial risk management (continued)

Credit risk

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

The Company's portfolios of fixed income securities, mortgage loans and to a lesser extent deposits with banks and other investments are subject to credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans.

Maximum exposure to credit risk at the reporting date is as follows:

	Note	**2022** **HRK'000**	2021 HRK'000
Cash	20	**103,119**	136,528
Debt securities	16	**2,886,414**	3,316,250
Deposits with banks	16	**83,793**	31,441
Loans to customers	16	**25,808**	29,882
Reinsurers' share of technical provisions	17	**545,453**	246,929
Insurance and other receivables	19	**242,104**	216,831
Current income tax prepayment	36c)	**10,652**	998
		3,897,343	3,978,859

Accordingly, at the reporting date, the Company had a significant concentration of amounts due from the Republic of Croatia as follows:

	Note	**2022** **HRK'000**	2021 HRK'000
Government bonds	16	**2,678,242**	3,056,515
Insurance and other receivables	19	**200**	81
Current income tax prepayment	36c)	**10,652**	998
		2,689,094	3,057,594

The total exposure to Croatian state risk represents 56% of the total assets of the Company (2021: 63%),

39 Financial risk management (continued)

Credit risk *(continued)*

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the credit ratings of counterparties.

2022

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
Available-for-sale financial assets				
Debt securities	168,421	2,543,117	16,262	**2,727,800**
Held-to-maturity investments				
Debt securities	-	158,614	-	**158,614**
Loans and receivables				
Deposits with banks	-	-	83,793	**83,793**
Loans to customers	-	-	25,808	**25,808**
Reinsurers' share of technical provisions	545,453	-	-	**545,453**
Insurance and other receivables	69,401	-	172,703	**242,104**
Current income tax prepayment	-	10,652	-	**10,652**
Cash	102,260	244	615	**103,119**
Total exposure to credit risk	**885,535**	**2,712,627**	**299,181**	**3,897,343**

2021

	AAA - A HRK'000	BBB - B HRK'000	Not rated HRK'000	Total HRK'000
Financial assets at fair value through profit or loss				
Debt securities – assets backing index-linked products	-	183,955	-	**183,955**
Available-for-sale financial assets				
Debt securities	52,793	2,765,807	18,749	**2,837,349**
Held-to-maturity investments				
Debt securities	-	294,946	-	**294,946**
Loans and receivables				
Deposits with banks	15,771	-	15,670	**31,441**
Loans to customers	-	-	29,882	**29,882**
Reinsurers' share of technical provisions	246,885	-	44	**246,929**
Insurance and other receivables	61,694	-	155,137	**216,831**
Current income tax prepayment	-	998	-	**998**
Cash	135,740	217	571	**136,528**
Total exposure to credit risk	**512,883**	**3,245,923**	**220,053**	**3,978,859**

39 Financial risk management (continued)

Credit risk (continued)

To mitigate the risk of reinsurance counterparties not paying amounts due, the Company established business and financial standards for reinsurers and broker approvals, incorporating ratings by major rating agencies and considering current market information (Standard&Poor's, A,M, Best).

Reinsurers as of 31 December 2022	**Credit rating (Standard&Poor's or AM Best)**
Allianz Global Corporate & Specialty SE	AA
American Agricultural Insurance Company	A
American International Group UK Ltd	A+
ACE INA Overseas Insurance Co	AA-
ACE American Insurance Company	AA
Česká podnikatelská pojišťovna	Not rated
CHUBB European Group SE	AA
CHUBB Insurance Japan	AA-
CHUBB Insurance Company of Australia	AA-
CHUBB Insurance Company of Canada	AA
CHUBB Insurance Switzerland Ltd	AA
CHUBB Tempest Reinsurance Ltd	AA
CCR / Caisse Centrale de Reassurance	A
Colonnade Insurance S.A.	A-
DONAU Versicherung AG Vienna Insurance Group	Not rated
GBG Insurance Ltd	B++
General Reinsurance AG	AA+
Glacier Reinsurance AG	Not rated
Hannover Rückversicherung AG	AA
Helvetia Schweizerische Versicherungsgesellschaft AG	A+
International General Insurance Co. Ltd.	A-
Kooperativa. pojist'ovna. a.s. Vienna Insurance Group	Not rated
Korean Reinsurance Co.	A
Liberty Mutual Insurance Europe SE	A
Mapfre Re. Compania de Reaseguros. S.A.	A+
Mutuelle Centrale de Reassurance	Not Rated
Münchener Rückversicherungsgesellschaft (Munich Re)	AA-
New Reinsurance Company	AA-
Odyssey Reinsurance Company	A-
Partner Reinsurance Europe SE	A+
Polish Re / Polskie Towarzystwo Reasekuracyjne S.A.	A-
RAY SIGORTA AS	Not rated
R + V Versicherung AG	A+
Sava / Pozavarovalnica Sava. d.d.	A
SCOR Global P&C SE	AA-
Swiss Re Europe S.A.	AA-
Transatlantic Reinsurance Company Ltd.	A+
UNION Vienna Insurance Group Biztositó Zrt	Not rated
VHV Allgemeine Versicherung AG	A+
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	A+
VIG Re zajistovna a.s.	A+
Wiener Städtische Versicherung AG Vienna Insurance Group	Not rated
XL Re Europe SE	AA-
Zurich Insurance Company	AA
Lloyd's Insurance CO SA	A+
Lloyd's of London – various syndicates	A+

39 Financial risk management (continued)

Liquidity risk

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

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

The Company's liquidity position is satisfactory and the Company met statutory requirements for claims settlement during the year.

Note 40 discloses the maturity analysis at the reporting date for the Company's financial assets and financial liabilities.

Note 23 discloses the maturity analysis of the Company's technical provisions.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. regardless of whether that price is directly observable or estimated using another valuation technique.

		2022		2021	
	Note	**Book value HRK'000**	**Fair value HRK'000**	Book value HRK'000	Fair value HRK'000
Held-to-maturity investments	16	**158,614**	**162,279**	294,946	317,940
Available-for-sale financial assets	16	**3,012,675**	**3,012,675**	3,227,831	3,227,831
Financial assets at fair value through profit or loss	16	**65,383**	**65,383**	257,090	257,090
Loans and receivables	16	**109,601**	**110,189**	61,323	63,111
Reinsurers' share of technical provisions	17	**545,453**	**545,453**	246,929	246,929
Insurance and other receivables	19	**242,104**	**242,104**	216,831	216,831
Current income tax prepayment	36c)	**10,652**	**10,652**	998	998
Cash	20	**103,119**	**103,119**	136,528	136,528
Total financial assets		**4,247,601**	**4,251,854**	4,442,476	4,467,258
Subordinated loans	24	**187,961**	**186,371**	-	-
Insurance and other payables	26	**659,597**	**659,597**	397,161	397,161
Total financial liabilities		**847,558**	**845,968**	397,161	397,161

Presented fair value of held-to-maturity investments is measured using Level 1 hierarchy inputs, while fair value of performing loans and receivables is measured using Level 2 inputs (cash flows discounted applying current market interest rates) while non-performing loans are measured using Level 3 inputs (expected timing and amount of collection from collateral).

Carrying values of other financial assets approximate to their fair value, which in the respect of fair value hierarchy represents Level 3.

39 Financial risk management (continued)

Fair values (continued)

Some of the Company's financial assets are measured at fair value at the end of each reporting period, The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at					
Financial assets	**31 December 2022**	**31 December 2021**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Fair value through profit and loss						
Debt securities	-	183,955	Level 2	Quoted market prices in active markets for underlying financial assets of index-linked debt securities or other valuation techniques as discounted cash flows in which all significant inputs are directly or indirectly observable from market data	Not applicable	Not applicable
Equity securities	**2,698**	3,846	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Open-end investment fund shares	**62,685**	69,289	Level 1	Quoted price issued by the fund	Not applicable	Not applicable
Available for sale assets						
Debt securities	**2,664,143**	2,803,465	Level 1	Price quoted on a stock exchange – average trade or bid price on the last day in the month	Not applicable	Not applicable
Debt securities	**63,657**	33,884	Level 2	Last average price amortised until maturity and corporate bond in the process of listing into stock exchange (purchase price is used)	Not applicable	Not applicable
Equity securities	**12,037**	14,767	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Equity securities	**65,799**	64,055	Level 2	Measured at cost and price based on NAV of the real estate fund	Not applicable	Not applicable
Open-end investment fund shares	**207,039**	311,660	Level 1	Quoted price issued by the fund	Not applicable	Not applicable

39 Financial risk management (continued)

Hierarchy of fair values

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted price (unadjusted) in an active market;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial assets, either directly (for example prices) or indirectly (for example derived from prices);
- Level 3: inputs for assets are not based on observable market data (for example valuation techniques using significant unobservable inputs).

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
31 December 2022				
Financial assets at fair value through profit or loss				
Equity securities	2,698	-	-	**2,698**
Investment funds	26,404	-	-	**26,404**
Investment funds – assets backing unit-linked products	36,281	-	-	**36,281**
Available-for-sale financial assets				
Debt securities	2,664,143	63,657	-	**2,727,800**
Equity securities	12,037	65,799	-	**77,836**
Investment funds	207,039	-	-	**207,039**
Total financial assets	**2,948,602**	**129,456**	**-**	**3,078,058**
31 December 2021				
Financial assets at fair value through profit or loss				
Debt securities – assets backing index-linked products	-	183,955	-	**183,955**
Equity securities	3,846	-	-	**3,846**
Investment funds	28,109	-	-	**28,109**
Investment funds – assets backing unit-linked products	41,180	-	-	**41,180**
Available-for-sale financial assets				
Debt securities	2,803,465	33,884	-	**2,837,349**
Equity securities	14,767	64,055	-	**78,822**
Investment funds	311,660	-	-	**311,660**
Total financial assets	**3,203,027**	**281,894**	**-**	**3,484,921**

In 2022, there was transfer between Level 1 and Level 2 of the available for sale hierarchy, Bonds *HRATGRO25CA5, HRGDVZO314A5* and *HRRIBAO262E3* no longer meet Level 1 criteria (financial instruments are valued in general at quoted prices in active markets for the same instrument) but are furher on in the scope of Level 2 criteria (the comparable financial instrument is calculated by using valuation techniques for which all significant inputs are based on observable market data).

40 Maturity analysis

The tables below analyse the financial assets and liabilities within the scope of IAS 39 of the Company at 31 December 2022 and 31 December 2021 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date, except for non-monetary financial assets at fair value through profit or loss which are classified as short term and non-monetary financial assets available for sale carried at cost which are classified as long term. The estimated remaining contractual maturities of insurance provisions are analysed in Note 23 j).

2022

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
Financial assets at fair value through profit or loss						
Equity securities	2,698	-	-	-	-	**2,698**
Investment funds	26,404	-	-	-	-	**26,404**
Investment funds – assets backing unit-linked products	-	-	-	-	36,281	**36,281**
Available-for-sale financial assets						
Debt securities	111,110	21,696	11,768	504,423	2,078,803	**2,727,800**
Equity securities	12,037	-	-	-	65,799	**77,836**
Investment funds	207,039	-	-	-	-	**207,039**
Held-to-maturity investments						
Debt securities	4,020	-	144,090	-	10,504	**158,614**
Loans and receivables						
Deposits with banks	67,852	-	15,941	-	-	**83,793**
Loans to customers	3,332	1,557	3,268	4,780	12,871	**25,808**
Reinsurers' share of technical provisions	70,906	357,785	20,112	61,626	35,024	**545,453**
Insurance and other receivables	242,104	-	-	-	-	**242,104**
Current income tax prepayment	10,652	-	-	-	-	**10,652**
Cash	103,119	-	-	-	-	**103,119**
Total financial assets	**861,273**	**381,038**	**195,179**	**570,829**	**2,239,282**	**4,247,601**
Financial liabilities						
Subordinated loans	-	-	-	-	187,961	**187,961**
Insurance and other payables	214,649	377,594	22,955	21,095	23,304	**659,597**
Lease liabilities	3,648	3,649	5,759	5,760	3,486	**22,302**
Total financial liabilities	**218,297**	**381,243**	**28,714**	**26,855**	**214,751**	**869,860**

40 Maturity analysis (continued)

2021

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities – assets backing index-linked products	-	183,955	-	-	-	**183,955**
Equity securities	3,846	-	-	-	-	**3,846**
Investment funds	28,109	-	-	-	-	**28,109**
Investment funds – assets backing unit-linked products	,	-	-	-	41,180	**41,180**
Available-for-sale financial assets						
Debt securities	14,759	5,463	22,506	477,338	2,317,283	**2,837,349**
Equity securities	14,767	-	-	-	64,055	**78,822**
Investment funds	311,660	-	-	-	-	**311,660**
Held-to-maturity investments						
Debt securities	7,775	131,628	-	145,034	10,509	**294,946**
Loans and receivables						
Deposits with banks	15,771	-	-	15,670	-	**31,441**
Loans to customers	4,054	2,998	3,245	4,853	14,732	**29,882**
Reinsurers' share of technical provisions	69,932	74,434	19,149	58,365	25,049	**246,929**
Insurance and other receivables	216,831	-	-	-	-	**216,831**
Current income tax prepayment	998	-	-	-	-	**998**
Cash	136,528	-	-	-	-	**136,528**
Total financial assets	**825,030**	**398,478**	**44,900**	**701,260**	**2,472,808**	**4,442,476**
Financial liabilities						
Insurance and other payables	247,514	92,019	15,290	21,343	20,995	**397,161**
Lease liabilities	3,431	3,431	4,965	7,212	4,793	**23,832**
Total financial liabilities	**250,945**	**95,450**	**20,255**	**28,555**	**25,788**	**420,993**

41 Interest rate repricing analysis

The following tables present the Company's financial assets and liabilities within the scope of IAS 39 analysed according to repricing dates determined as the earlier of the remaining contractual maturity and the contractual repricing.

The tables are management's estimate of the interest rate risk for the Company as at 31 December 2022 and 31 December 2021 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of the mathematical reserve is based (Note 6), provide some indication of the sensitivities of the Company's earnings to movements in interest rates, Earnings will also be affected by the currency of the assets and liabilities and equity.The Company has a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

2022

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Non – interest bearing	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Equity securities	n/a	-	-	-	-	-	2,698	**2,698**	-
Investment funds	n/a	-	-	-	-	-	26,404	**26,404**	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	36,281	**36,281**	-
Available-for-sale financial assets									
Debt securities	1.61	90,412	21,696	11,768	504,423	2,078,803	20,698	**2,727,800**	**2,707,102**
Equity securities	n/a	-	-	-	-	-	77,836	**77,836**	-
Investment funds	n/a	-	-	-	-	-	207,039	**207,039**	-
Held-to-maturity investments									
Debt securities	4.68	-	-	144,090	-	10,504	4,020	**158,614**	**154,594**
Loans and receivables									
Deposits with banks	1.49	67,811	-	15,000	-	-	982	**83,793**	**82,811**
Loans to customers	6.18	3,332	1,557	3,268	4,780	10,081	2,790	**25,808**	**23,018**
Reinsurers' share of technical provisions	n/a	-	-	-	-	-	545,453	**545,453**	-
Insurance and other receivables	n/a	-	-	-	-	-	242,104	**242,104**	-
Current income tax prepayment	n/a	-	-	-	-	-	10,652	**10,652**	-
Cash	0.00	103,119	-	-	-	-	-	**103,119**	**103,119**
Total financial assets		**264,674**	**23,253**	**174,126**	**509,203**	**2,099,388**	**1,176,957**	**4,247,601**	**3,070,644**
Financial liabilities									
Subordinated loans	7.22	-	-	-	-	187,961	-	**187,961**	**187,961**
Insurance and other payables	1.55	107,407	288,848	440	1,304	13,974	247,624	**659,597**	**23,375**
Lease liabilities	0.6	3,648	3,649	5,759	5,760	3,486	-	**22,302**	-
Total financial liabilities		**111,055**	**292,497**	**6,199**	**7,064**	**205,421**	**247,624**	**869,860**	**211,336**

41 Interest rate repricing analysis (continued)

2021

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non – interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
Financial assets at fair value through profit or loss									
Debt securities – assets backing index-linked products	n/a	-	-	-	-	-	183,955	183,955	-
Equity securities	n/a	-	-	-	-	-	3,846	3,846	-
Investment funds	n/a	-	-	-	-	-	28,109	28,109	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	41,180	41,180	-
Available-for-sale financial assets									
Debt securities	1.58	-	5,463	22,506	477,338	2,317,284	14,758	2,837,349	2,822,591
Equity securities	n/a	-	-	-	-	-	78,822	78,822	-
Investment funds	n/a	-	-	-	-	-	311,660	311,660	-
Held-to-maturity investments		-	-	-	-	-			
Debt securities	5.47	-	131,628	-	145,034	10,509	7,775	294,946	287,171
Loans and receivables									
Deposits with banks	2.93	12,000	-	15,000	-	-	4,441	31,441	27,000
Loans to customers	6.22	4,054	2,998	3,245	4,853	11,664	3,068	29,882	26,814
Reinsurers' share of technical provisions	n/a	-	-	-	-	-	246,929	246,929	-
Insurance and other receivables	n/a	-	-	-	-	-	216,831	216,831	-
Current income tax prepayment	n/a	-	-	-	-	-	998	998	-
Cash	0,00	136,528	-	-	-	-	-	136,528	-
Total financial assets		152,582	140,089	40,751	627,225	2,339,457	1,142,372	4,442,476	3,163,577
Financial liabilities									
Insurance and other payables	1.00	100,945	2,401	198	894	7,008	285,715	397,161	11,996
Lease liabilities	2.08	3,431	3,431	4,965	7,212	4,793	-	23,832	-
Total financial liabilities		104,376	5,832	5,163	8,106	11,801	285,715	420,993	11,996

42 Currency risk analysis

The Company's financial assets and financial liabilities within the scope of IAS 39 were denominated as follows as at 31 December 2022 and 31 December 2021.

2022

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	USD HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
Financial assets at fair value through profit or loss						
Equity securities	-	-	-	-	2,698	**2,698**
Investment funds	-	26,404	**26,404**	-	-	**26,404**
Investment funds – assets backing unit-linked products	735	35,546	**36,281**	-	-	**36,281**
Available-for-sale financial assets						
Debt securities	481,649	1,340,219	**1,821,868**	9,153	896,779	**2,727,800**
Equity securities	65,799	-	**65,799**	-	12,037	**77,836**
Investment funds	13,800	137,959	**151,759**	-	55,280	**207,039**
Held-to-maturity investments				-		
Debt securities	-	158,614	**158,614**	-	-	**158,614**
Loans and receivables				-		
Deposits with banks	67,852	-	**67,852**	-	15,941	**83,793**
Loans to customers	-	14,108	**14,108**	105	11,595	**25,808**
Reinsurers' share of technical provisions	-	281,293	**281,293**	36	264,124	**545,453**
Insurance and other receivables	-	5	**5**	-	242,099	**242,104**
Current income tax prepayment	-	-	-	-	10,652	**10,652**
Cash	66,063	-	**66,063**	1,521	35,535	**103,119**
Total financial assets	**695,898**	**1,994,148**	**2,690,046**	**10,815**	**1,546,740**	**4,247,601**
Financial liabilities						
Subordinated loans	-	187,961	**187,961**	-	-	**187,961**
Insurance and other payables	-	292,149	**292,149**	-	367,448	**659,597**
Lease liabilities	-	17,299	**17,299**	-	5,003	**22,302**
Total financial liabilities	-	**497,409**	**497,409**	-	**372,451**	**869,860**

42 Currency risk analysis (continued)

2021

	EURO	EURO linked	EURO and EURO linked total	USD	GBP	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets							
Financial assets at fair value through profit or loss							
Debt securities – assets backing index-linked products	-	183,955	**183,955**	-	-	-	**183,955**
Equity securities	-	-	-	-	-	3,846	**3,846**
Investment funds	-	13,921	**13,921**	-	-	14,188	**28,109**
Investment funds – assets backing unit-linked products	-	41,180	**41,180**	-	-	-	**41,180**
Available-for-sale financial assets							
Debt securities	30,956	1,845,057	**1,876,013**	9,366	-	951,970	**2,837,349**
Equity securities	64,055	-	**64,055**	-	-	14,767	**78,822**
Investment funds	14,648	147,075	**161,723**	-	-	149,937	**311,660**
Held-to-maturity investments				-	-		
Debt securities	-	294,946	**294,946**	-	-	-	**294,946**
Loans and receivables							
Deposits with banks	-	-	-	-	-	31,441	**31,441**
Loans to customers	-	15,227	**15,227**	735	-	13,920	**29,882**
Reinsurers' share of technical provisions	-	2,325	**2,325**	36	-	244,568	**246,929**
Insurance and other receivables	-	3,912	**3,912**	-	-	212,919	**216,831**
Current income tax prepayment	-	-	-	-	-	998	**998**
Cash	58,039	-	**58,039**	-	-	78,489	**136,528**
Total financial assets	167,698	2,547,598	2,715,296	10,137	-	1,717,043	4,442,476
Financial liabilities							
Insurance and other payables	-	49,528	**49,528**	-	14	347,619	**397,161**
Lease liabilities	-	16,788	**16,788**	-	-	7,044	**23,832**
Total financial liabilities	**-**	**66,316**	**66,316**	**-**	**14**	**354,663**	**420,993**

43 Contingent assets and liabilities

Off-balance sheet accounts

The Company had no off-balance sheet liabilities as at 31 December 2022 and 31 December 2021.

Litigations and claims

The Company is sued in several litigations (excluding court claims) for which provision was made in the financial statements when the Management believes that is probable that the Company will lose the court case.

44 Subsequent events

As of 1 January 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate has been set at HRK 7.53450 for one euro.
The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent a post balance sheet event requiring an adjustment of the amounts in these financial statements.

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency

Statement of financial position (balance sheet) 31 December 2022

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	**I**	**INTANGIBLE ASSETS**	**15,901,179**	**76,881,469**	**92,782,648**	**17,713,093**	**82,586,700**	**100,299,793**
002		1	Goodwill	-	3,551,774	**3,551,774**	-	3,551,774	**3,551,774**
003		2	Other intangible assets	15,901,179	73,329,695	**89,230,875**	17,713,093	79,034,926	**96,748,019**
004	005+006+007	**II**	**TANGIBLE ASSETS**	**64,199,681**	**36,844,038**	**101,043,719**	**62,698,003**	**35,658,306**	**98,356,309**
005		1	Land and buildings intended for company business operations	63,702,011	24,835,571	**88,537,581**	62,218,718.33	23,646,590.52	**85,865,309**
006		2	Equipment	497,670	9,433,138	**9,930,808**	476,331.64	9,787,969.20	**10,264,301**
007		3	Other tangible assets and stock	-	2,575,329	**2,575,329**	2,953.12	2,223,746.27	**2,226,699**
008	009+010+014+033	**III**	**INVESTMENTS**	**3,187,295,849**	**601,684,502**	**3,788,980,351**	**2,969,977,944**	**513,600,196**	**3,483,578,140**
009		**A**	**Investments in land and buildings not intended for company business operations**	**149,141,089**	**23,783,890**	**172,924,979**	**150,369,630.88**	**23,216,229.09**	**173,585,860**
010	011+012+013	**B**	**Investments in subsidiaries, associates and joint ventures**	-	-	-	-	-	-
011		1	Shares and stakes in subsidiaries	-	-	-	-	-	-
012		2	Shares and stakes in associates	-	-	-	-	-	-
013		3	Joint venture participation	-	-	-	-	-	-
014	015+018+023+029	**C**	**Financial investments**	**3,038,154,760**	**577,900,612**	**3,616,055,372**	**2,819,608,313**	**490,383,967**	**3,309,992,280**
015	016+017	**1**	**Financial investments held-to-maturity**	**294,946,232**	**-**	**294,946,232**	**158,613,833**		**158,613,833**
016		*1,1*	Debt financial securities	294,946,232	-	**294,946,232**	158,613,833.24	0.00	**158,613,833**
017		*1,2*	*Other*	-	-	-	0.00	0.00	
018	019+020+021+022	**2**	**Financial investments available-for-sale**	**2,655,013,532**	**572,817,406**	**3,227,830,938**	**2,525,827,533**	**486,847,169**	**3,012,674,702**
019		*2,1*	Equity financial securities	68,775,224	10,047,008	**78,822,232**	69,338,127	8,497,713	**77,835,841**
020		*2,2*	Debt financial securities	2,416,687,901	420,661,524	**2,837,349,425**	2,311,734,477	416,065,388	**2,727,799,866**
021		*2,3*	Investment fund units	169,550,406	142,108,874	**311,659,281**	144,754,927	62,284,067	**207,038,995**
022		*2,4*	Other	-	-	-	-	-	-
023	024+025+026+027+028	**3**	**Financial investments at fair value through profit and loss account**	**28,109,022**	**3,846,449**	**31,955,471**	**26,404,438**	**2,697,817**	**29,102,254**
024		*3,1*	Equity financial securities	-	3,846,449	**3,846,449**	-	2,697,817	**2,697,817**
025		*3,2*	Debt financial securities	-	-	-	-	-	-
026		*3,3*	Derivative financial instruments	-	-	-	-	-	-
027		*3,4*	Investment fund units	28,109,022	-	**28,109,022**	26,404,438	-	**26,404,438**
028		*3,5*	Other	-	-	-	-	-	-

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
029	030+031+032	**4**	**Loans and receivables**	**60,085,974**	**1,236,758**	**61,322,731**	**108,762,509**	**838,981**	**109,601,491**
030		*4,1*	*Deposits with credit institutions (banks)*	31,440,732	-	**31,440,732**	83,792,899	-	**83,792,899**
031		*4,2*	*Loans*	28,645,242	1,236,758	**29,882,000**	24,969,611	838,981	**25,808,592**
032		*4,3*	*Other*	-	-	-	-	-	-
033		**D**	**Deposits with the cedent**	-	-	-	-	-	-
034		**IV**	**INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS**	**225,134,397**	-	**225,134,397**	**36,280,935**	-	**36,280,935**
035	036+037+038+039+040+041+042	**V**	**REINSURANCE SHARE IN TECHNICAL PROVISIONS**	**1,488,907**	**245,440,173**	**246,929,080**	**284,589,539**	**260,862,989**	**545,452,528**
036		1	Provisions for unearned premiums, reinsurance share	245,314	73,827,201	**74,072,514**	231,259	83,500,577	**83,731,837**
037		2	Mathematical provision, reinsurance share	188,655	7,043,057	**7,231,712**	279,374,960	15,148,119	**294,523,080**
038		3	Provision for claims outstanding, reinsurance share	1,054,938	164,133,128	**165,188,067**	4,983,319	162,214,293	**167,197,612**
039		4	Provisions bonuses and rebates, reinsurance share	-	436,787	**436,787**	-	-	-
040		5	Equalisation provisions, reinsurance share	-	-	-	-	-	-
041		6	Other insurance technical provisions, reinsurance share	-	-	-	-	-	-
042		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-	-	-	-	-	-
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSET**	**4,972,817**	**2,420,151**	**7,392,967**	**98,492,106**	**13,973,775**	**112,465,881**
044		1	Deferred tax asset	4,701,732	1,693,211	**6,394,943**	92,519,393	9,294,442	**101,813,835**
045		2	Current tax asset	271,084	726,940	**998,024**	5,972,714	4,679,333	**10,652,046**
046	047+050+051	**VII**	**RECEIVABLES**	**34,717,870**	**180,601,292**	**215,319,163**	**21,890,215**	**232,541,185**	**254,431,400**
047	048+049	**1**	**Receivables from insurance business**	**1,668**	**82,085,838**	**82,087,507**	**1,282**	**85,927,947**	**85,929,228**
048		*1,1*	*From policyholders*	-	81,090,321	81,090,321	-	84,945,799	**84,945,799**
049		*1,2*	*From insurance agents, or insurance brokers*	1,668	995,518	997,186	1,282	982,148	**983,429**
050		**2**	**Receivables from reinsurance business**	1,882,897	59,810,629	61,693,527	**16,366,261**	**66,639,713**	**83,005,973**
051	052+053+054	**3**	**Other receivables**	32,833,305	38,704,825	71,538,129	**5,522,672**	**79,973,526**	**85,496,198**
052		**3,1**	**Receivables from other insurance business**	-	22,290,418	22,290,418	-	27,224,919	**27,224,919**
053		**3,2**	**Receivables for return on investments**	331,578	130	331,708	359,145	-	**359,146**
054		**3,3**	**Other receivables**	32,501,727	16,414,277	48,916,003	5,163,527	52,748,606	**57,912,133**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
055	056-060+061	**VIII**	**OTHER ASSETS**	**78,951,970**	**57,576,520**	**136,528,490**	**44,001,003**	**59,117,729**	**103,118,732**
056	057+058+059	**1**	**Cash at bank and in hand**	**78,951,970**	**57,576,520**	**136,528,490**	**44,001,003**	**59,117,729**	**103,118,732**
057		*1,1*	*Funds in the business account*	16,169,640	52,250,639	**68,420,279**	24,257,679	25,993,999	**50,251,677**
058		*1,2*	*Funds in the account of assets covering mathematical provision*	62,782,331	5,310,257	**68,092,587**	19,743,325	33,119,830	**52,863,155**
059		*1,3*	*Cash in hand*	-	15,624	**15,624**	-	3,900	**3,900**
060		**2**	**Long-term assets intended for sale and business cessation**	-	-	-	-	-	-
061		**3**	**Other**	-	-	-	-	-	-
062	063+064+065	**IX**	**PREPAYMENTS AND ACCRUED INCOME**	**322,394**	**55,745,548**	**56,067,942**	**342,916**	**61,369,097**	**61,712,013**
063		1	Deferred interest and rent	-	-	-	-	-	-
064		2	Deferred acquisition costs	287,172	54,268,684	**54,555,856**	311,186	60,122,291	**60,433,477**
065		3	Other prepayments and accrued income	35,222	1,476,864	**1,512,086**	31,730	1,246,805	**1,278,536**
066	001+004+008+034+035+043+046+055+062	**X**	**TOTAL ASSETS**	**3,612,985,064**	**1,257,193,694**	**4,870,178,758**	**3,535,985,755**	**1,259,709,976**	**4,795,695,732**
067		**XI**	**OFF BALANCE SHEET ITEMS**	-	-	-	-	-	-

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	**XII**	**CAPITAL AND RESERVES**	**444,680,831**	**297,375,898**	**742,056,729**	**35,684,377**	**258,303,254**	**293,987,632**
069	070+071	**1**	**Subscribed capital**	**134,303,825**	**101,491,315**	**235,795,140**	**134,303,825**	**101,491,315**	**235,795,140**
070		*1,1*	*Paid-up capital - ordinary shares*	134,303,825	101,491,315	**235,795,140**	134,303,825	101,491,315	**235,795,140**
071		*1,2*	*Paid-up capital - preference shares*	-	-	**-**	-	-	**-**
072		**2**	**Issued shares premiums (capital reserves)**	6,752,671	43,699,922	**50,452,593**	**6,752,671**	**43,699,922**	**50,452,593**
073	074+075+076	**3**	**Revaluation reserve**	**65,930,416**	**26,475,085**	**92,405,501**	**-396,419,167**	**-36,390,254**	**-432,809,421**
074		*3,1*	*Land and buildings*	-	-	**-**	-	-	**-**
075		*3,2*	*Financial investments available-for-sale*	65,930,416	26,475,085	**92,405,501**	-396,419,167	-36,390,254	**-432,809,421**
076		*3,3*	*Other revaluation reserves*	-	-	**-**	-	-	**-**
077	078+079+080	**4**	**Reserves**	**142,275,613**	**34,497,964**	**176,773,577**	**217,862,936**	**34,497,964**	**252,360,900**
078		*4,1*	*Legally stipulated reserves*	2,781,327	560,571	**3,341,898**	2,781,327	560,571	**3,341,898**
079		*4,2*	*Statutory reserve*	871,562	-	**871,562**	871,562	-	**871,562**
080		*4,3,*	*Other reserve*	138,622,724	33,937,392	**172,560,117**	214,210,047	33,937,392	**248,147,439**
081	082+083	**5**	**Transferred profit or retained loss**	**83,982,085**	**54,730,011**	**138,712,096**	**95,418,307**	**91,211,612**	**186,629,919**
082		*5,1*	*Retained profit*	83,982,085	54,730,011	**138,712,096**	95,418,307	91,211,612	**186,629,919**
083		*5,2*	*Transferred loss (-)*	-	-	**-**	-	-	**-**
084	085+086	**6**	**Profit or loss of the current accounting period**	**11,436,221**	**36,481,601**	**47,917,823**	**-22,234,194**	**23,792,696**	**1,558,501**
085		*6,1*	*Profit of the current accounting period*	11,436,221	36,481,601	**47,917,823**	-	23,792,696	**23,792,696**
086		*6,2*	*Loss of the current accounting period (-)*	-	-	**-**	-22,234,194	-	**-22,234,194**
087		**XIII**	**SUBORDINATED LIABILITIES**	-	-	**-**	**187,961,235**	-	**187,961,235**
088		**XIV**	**MANORITY INTERESTS**	-	-	**-**	-	-	**-**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
089	090+091+092+093+094+095	**XV**	**TECHNICAL PROVISIONS**	**2,837,410,747**	**618,059,196**	**3,455,469,943**	**2,902,274,035**	**674,821,513**	**3,577,095,548**
090		1	Provisions for unearned premiums, gross amount	2,099,959	257,995,240	**260,095,199**	2,061,583	293,218,450	**295,280,033**
091		2	Mathematical provision, gross amount	2,780,970,654	10,802,052	**2,791,772,707**	2,825,486,716	23,197,504	**2,848,684,221**
092		3	Provision for claims outstanding, gross amount	53,554,133	348,137,344	**401,691,478**	74,725,736	356,573,458	**431,299,194**
093		4	Provisions bonuses and rebates, gross amount	-	1,124,560	**1,124,560**	-	1,832,100	**1,832,100**
094		5	Equalisation provision, gross amount	-	-	**-**	-	-	**-**
095		6	Other insurance technical provisions, gross amount	786,000	-	**786,000**	-	-	**-**
096		**XVI**	**LIFE ASSURANCE TECHN,PROV,WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount**	**225,134,397**	**-**	**225,134,397**	**36,280,935**	**-**	**36,280,935**
097	098+099	**XVII**	**OTHER RESERVES**	**2,760,764**	**3,480,321**	**6,241,085**	**1,277,034**	**2,544,072**	**3,821,105**
098		1	Provisions for pensions and similar liabilities	-	1,641,286	**1,641,286**	-	1,424,163	**1,424,163**
099		2	Other provisions	2,760,764	1,839,035	**4,599,800**	1,277,034	1,119,909	**2,396,943**
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX LIABILITY**	**14,472,530**	**5,811,604**	**20,284,134**	**1,046,609**		**1,046,609**
101		1	Deferred tax liability	14,472,530	5,811,604	**20,284,134**	1,046,609	-	**1,046,609**
102		2	Current tax liability	-	-	**-**	-	-	**-**
103		**XIX**	**DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE**	**529,016**	**111,446,989**	**111,976,005**	**283,573,396**	**128,399,891**	**411,973,287**
104	105+106+107	**XX**	**FINANCIAL LIABILITIES**	**-**	**23,832,045**	**23,832,045**	**3,579,467**	**22,301,937**	**25,881,404**
105		1	Liabilities on the basis of loans	-	-	**-**	3,579,467	-	**3,579,467**
106		2	Liabilities on the basis of issued financial instrument	-	-	**-**	-	-	**-**
107		3	Other financial liabilities	-	23,832,045	**23,832,045**	-	22,301,937	**22,301,937**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
108	109+110+111+112	**XXI**	**OTHER LIABILITIES**	**36,246,900**	**136,941,737**	**173,188,637**	**78,522,740**	**111,431,633**	**189,954,373**
109		1	Liabilities from direct insurance business	31,128,446	21,015,712	**52,144,158**	22,692,257	22,311,102	**45,003,359**
110		2	Liabilities from co-insurance and reinsurance business	2,263,645	71,389,436	**73,653,081**	16,780,183	69,403,831	**86,184,014**
111		3	Liabilities for sale and ceased business	-	-	**-**	-	-	**-**
112		4	Other liabilities	2,854,810	44,536,589	**47,391,398**	39,050,300	19,716,700	**58,767,000**
113	114+115	**XXII**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**51,749,878**	**60,245,903**	**111,995,782**	**5,785,927**	**61,907,675**	**67,693,603**
114		1	Deferred reinsurance commission	-	-	**-**	-	-	**-**
115		2	Other accrued expenses and deferred income	51,749,878	60,245,903	**111,995,782**	5,785,927	61,907,675	**67,693,603**
116	068+087+088+089+096+097+100+ 103+104+108+113	**XXIII**	**TOTAL LIABILITIES**	**3,612,985,064**	**1,257,193,694**	**4,870,178,758**	**3,535,985,755**	**1,259,709,976**	**4,795,695,732**
117		**XXIV**	**OFF BALANCE SHEET ITEMS**	**-**	**-**	**-**	**-**	**-**	**-**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of comprehensive income (income statement) for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	**I**	**Earned premiums (recognised in revenue)**	**636,389,478**	**339,697,625**	**976,087,102**	**632,135,268**	**397,326,080**	**1,029,461,348**
002		1	Written gross premiums	640,030,386	565,373,950	**1,205,404,336**	635,559,649	635,543,115	**1,271,102,764**
003		2	Value adjustment and charged adjustment of insurance premium value	-	392,656	**392,656**		(268,488)	**(268,488)**
004		3	Premiums ceded to reinsurance (-)	(3,459,023)	(194,525,394)	**(197,984,417)**	(3,448,703)	(212,398,714)	**(215,847,417)**
005		4	Change in gross provisions for unearned premiums (+/-)	(166,331)	(37,398,496)	**(37,564,827)**	38,376	(35,223,210)	**(35,184,834)**
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	(15,554)	5,854,909	**5,839,354**	(14,054)	9,673,377	**9,659,322**
007	008+009+010+011+012+013+014	**II**	**Income from investments**	**134,083,798**	**25,386,563**	**159,470,361**	**93,914,756**	**13,294,369**	**107,209,125**
008		1	Income from subsidiaries, associates and joint ventures	-	-	**-**	-	-	**-**
009		2	Income from investment in land and buildings	10,172,354	1,199,111	**11,371,465**	14,140,482	1,238,694	**15,379,176**
010		3	Interest income	58,440,103	7,566,622	**66,006,725**	51,388,030	6,006,687	**57,394,717**
011		4	Unrealized profits from investment	12,924,676	320,740	**13,245,416**	4,763,655	-	**4,763,655**
012		5	Realized profits from investment	47,435,761	14,679,089	**62,114,850**	12,550,275	3,748,416	**16,298,691**
013		6	Net positive exchange rate differentials	1,686,108	71,960	**1,758,068**	6,946,935	741,557	**7,688,492**
014		7	Other investment profits	3,424,796	1,549,040	**4,973,835**	4,125,378	1,559,016	**5,684,394**
015		**III**	**Income from commissions and fees**	**1,307,661**	**44,322,596**	**45,630,257**	**1,115,911**	**46,985,342**	**48,101,253**
016		**IV**	**Other insurance-technical income, net of reinsurance**	**96,616**	**8,443,396**	**8,540,012**	**768,700**	**5,999,712**	**6,768,413**
017		**V**	**Other income**	**3,381,261**	**3,000,454**	**6,381,715**	**3,363,041**	**2,357,205**	**5,720,246**
018	019+022	**VI**	**Expenditures for insured events, net**	**(586,051,464)**	**(184,891,997)**	**(770,943,461)**	**(718,672,346)**	(215,628,746)	**(934,301,091)**
019	020+021	1	Settled claims	**(574,088,803)**	**(176,400,004)**	**(750,488,806)**	**(701,422,956)**	**(205,273,796)**	**(906,696,752)**
020		*1,1*	*Gross amount (-)*	(575,005,890)	(319,845,839)	**(894,851,729)**	(719,719,249)	(335,462,457)	**(1,055,181,705)**
021		*1,2*	*Reinsurer share(+)*	917,088	143,445,835	**144,362,922**	18,296,293	130,188,661	**148,484,954**
022	023+024	2	Change in provisions for claims outstanding (+/-)	**(11,962,661)**	**(8,491,994)**	**(20,454,655)**	(17,249,390)	(10,354,950)	**(27,604,340)**
023		*2,1*	*Gross amount (-)*	(11,849,396)	919,825	**(10,929,571)**	(21,171,602)	(8,436,114)	**(29,607,716)**
024		*2,2*	*Reinsurer share(+)*	(113,265)	(9,411,819)	**(9,525,084)**	3,922,212	(1,918,836)	**2,003,377**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of comprehensive income (income statement) for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
025	026+029	**VII**	**Change in other technical provisions, net of reinsurance**	**(40,872,195)**	**(3,028,995)**	**(43,901,190)**	**(59,737,043)**	**(4,290,390)**	**(64,027,433)**
026	027+028	1	Change in mathematical provision (+/-)	**(40,855,195)**	**(3,758,995)**	**(44,614,190)**	**(60,523,043)**	**(4,290,390)**	**(64,813,433)**
027		*1,1*	*Gross amount (-)*	(40,843,135)	(10,802,052)	**(51,645,187)**	(44,516,062)	(12,395,452)	**(56,911,514)**
028		*1,2*	*Reinsurer share(+)*	(12,060)	7,043,057	**7,030,997**	(16,006,981)	8,105,062	**(7,901,919)**
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)	**(17,000)**	**730,000**	**713,000**	786,000	-	**786,000**
030		*2,1*	*Gross amount (-)*	(17,000)	730,000	**713,000**	786,000	-	**786,000**
031		*2,2*	*Reinsurer share(+)*	-	-	**-**	-	-	**-**
032	033+034	**VIII**	**Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+/-)**	**15,173,707**	**-**	**15,173,707**	**188,853,462**	**-**	**188,853,462**
033		1	*Gross amount (-)*	15,173,707	-	**15,173,707**	188,853,462	-	**188,853,462**
034		2	*Reinsurer share(+)*	-	-	**-**	-	-	**-**
035	036+037	**IX**	**Expenditures for return of premium (bonuses and rebates), net of reinsurance**	**-**	**418,084**	**418,084**	**-**	**(1,144,327)**	**(1,144,327)**
036		1	Depending on the result (bonuses)	-	418,084	**418,084**	-	(1,144,327)	**(1,144,327)**
037		2	Not depending on the result (rebates)	-	-	**-**	-	-	**-**
038	039+043	**X**	**Business expenditures (for business operations), net**	**(121,409,994)**	**(171,100,799)**	**(292,510,792)**	**(129,809,619)**	**(204,126,757)**	**(333,936,376)**
039	040+041+042	1	Acquisition costs	**(62,258,136)**	**(114,340,383)**	**(176,598,520)**	**(60,984,020)**	**(142,006,795)**	**(202,990,815)**
040		*1,1*	*Commission*	(20,574,560)	(93,081,150)	**(113,655,711)**	(25,326,165)	(109,162,020)	**(134,488,184)**
041		*1,2*	*Other acquisition costs*	(41,747,380)	(35,766,670)	**(77,514,050)**	(35,681,870)	(38,698,382)	**(74,380,252)**
042		*1,3*	*Change in deferred acquisition costs (+/-)*	63,804	14,507,437	**14,571,241**	24,014	5,853,607	**5,877,621**
043	044+045+046	2	Management costs (administration costs)	**(59,151,858)**	**(56,760,415)**	**(115,912,273)**	(68,825,599)	(62,119,962)	**(130,945,561)**
044		*2,1*	*Depreciation*	(15,183,842)	(10,606,351)	**(25,790,193)**	(11,287,653)	(10,593,967)	**(21,881,620)**
045		*2,2*	*Salaries, taxes and contributions to and from salaries*	(20,031,578)	(22,175,238)	**(42,206,816)**	(20,355,092)	(25,048,385)	**(45,403,476)**
046		*2,3*	*Other administration costs*	(23,936,438)	(23,978,826)	**(47,915,264)**	(37,182,854)	(26,477,611)	**(63,660,465)**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of comprehensive income (income statement) for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
047	048+049+050+051+052+053+054	**XI**	**Investment expenses**	**(25,951,698)**	**(2,280,563)**	**(28,232,261)**	(32,448,692)	(3,185,202)	(35,633,895)
048		1	Depreciation (buildings not intended for business operations of the company)	(2,174,216)	(388,842)	**(2,563,058)**	(2,540,013)	(406,410)	**(2,946,422)**
049		2	Interest	(74,576)	(660,686)	**(735,262)**	(8,263,929)	(825,731)	**(9,089,660)**
050		3	Investment value adjustment (reduction)	(1,591,886)	(124,867)	**(1,716,754)**	-	-	-
051		4	Realized losses from sale of financial assets	(1,934,075)	-	**(1,934,075)**	(5,745,938)	(40,000)	**(5,785,938)**
052		5	Unrealized losses from sale of financial assets	(9,399,274)	-	**(9,399,274)**	(6,446,181)	(221,133)	**(6,667,313)**
053		6	Net negative exchange rate differences	(5,820,061)	(267,720)	**(6,087,781)**	(2,800,112)	(723,299)	**(3,523,411)**
054		7	Other investment expenses	(4,957,612)	(838,447)	**(5,796,059)**	(6,652,519)	(968,631)	**(7,621,150)**
055	**056+057**	**XII**	**Other technical expenses, net of reinsurance**	**(1,190,439)**	**(14,165,893)**	**(15,356,331)**	**(1,391,248)**	**(13,251,079)**	**(14,642,327)**
056		1	Expenses for preventive operations	-	(2,526,146)	**(2,526,146)**	-	(3,067,911)	**(3,067,911)**
057		2	Other technical expenses of insurance	(1,190,439)	(11,639,746)	**(12,830,185)**	(1,391,248)	(10,183,168)	**(11,574,417)**
058		**XIII**	**Other expenses including value adjustments**	**(876,918,14)**	**(982,871,61)**	**(1,859,789,75)**	**(78,593)**	**(156,639)**	**(235,232)**
059	001+007+015+016+017+018+025+032+035+038+047+055+058	**XIV**	**Profit or loss of the accounting period before taxation (+/-)**	**14,079,813**	**44,817,600**	**58,897,413**	**(21,986,405)**	**24,179,569**	**2,193,164**
060	061+062	**XV**	**Profit or loss tax**	**(2,643,591)**	**(8,335,999)**	**(10,979,590)**	**(247,790)**	**(386,873)**	**(634,663)**
061		1	Current tax expense	(2,602,178)	(6,978,000)	**(9,580,178)**	-	-	-
062		2	Deferred tax expense (income)	(41,413)	(1,357,999)	**(1,399,412)**	(247,790)	(386,87)3	**(634,663)**
063	059+060	**XVI**	**Profit or loss of the accounting period after taxation (+/-)**	**11,436,221**	**36,481,601**	**47,917,823**	**(22,234,194)**	**23,792,696**	**1,558,501**
064		1	Attributable to owners of the parent	-	-	-	-	-	-
065		2	Attributable to non-controlling interests	-	-	-	-	-	-
066	001+007+015+016+017+062	**XVII**	**TOTAL INCOME**	**775,217,400**	**419,492,635**	**1,194,710,035**	**731,049,886**	**465,575,836**	**1,196,625,722**
067	018+025+032+035+038+047+055+058+061	**XVIII**	**TOTAL EXPENDITURE**	**(763,781,179)**	**(383,011,033)**	**(1,146,792,212)**	**(753,284,081)**	**(441,783,140)**	**(1,195,067,221)**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of comprehensive income (income statement) for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**(67,217,940)**	**(13,366,196)**	**(80,584,136)**	**(462,349,583)**	**(62,865,339)**	**(525,214,922)**
069		1	Profits/losses on translation of financial statements on foreign operating activities	-	-	-	-	-	-
070		2	Profits/losses on revaluation of financial assets available for sale	(81,973,097)	(16,300,239)	**(98,273,336)**	(563,840,954)	(76,665,048)	**(640,506,002)**
071		3	Profits/losses on revaluation of land and buildings intended for business activities of the company	-	-	-	-	-	-
072		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets	-	-	-	-	-	-
073		5	Effects from cash flow hedging instruments	-	-	-	-	-	-
074		6	Actuarial profits/losses on defined benefit pension plans	-	-	-	-	-	-
075		7	Share in other comprehensive income of associated companies	-	-	-	-	-	-
076		8	Profit tax on other comprehensive income	14,755,157	2,934,043	**17,689,200**	101,491,372	13,799,709	**115,291,080**
077	078+079	**XX**	**Total comprehensive income**	**(55,781,718)**	**23,115,405**	**(32,666,313)**	**(484,583,777)**	**(39,072,643)**	**(523,656,420)**
078		1	Attributable to owners of the parent	-	-	-	-	-	-
079		2	Attributable to non-controlling interests	-	-	-	-	-	-
080		**XXI**	**Reclassification adjustments**	**-**	**-**	**-**	**-**	**-**	**-**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of cash flow (indirect method) for period 01.01.2022 - 31.12.2022

In HRK

Position number	Sum elements	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**(400,785,025)**	**134,982,352**
002	003+004	**1**	**Cash flow before the change in assets and liabilities**	**(36,903,399)**	**(55,143,963)**
003		1,1	Profit/loss before taxation	2,193,164	58,897,413
004	005+006+007 +008+009+010 +011+012	1,2	Adjustments	**(39,096,563)**	**(114,041,375)**
005		*1,2,1*	*Depreciation of real estate and equipment*	16,675,274	15,469,052
006		*1,2,2*	*Depreciation of intangible assets*	16,177,379	12,884,198
007		*1,2,3*	*Value impairment and profits/losses on reduction to fair value*	(10,156,677)	(64,860,277)
008		*1,2,4*	*Interest expense*	9,089,660	734,607
009		*1,2,5*	*Interest income*	(57,394,717)	(66,006,725)
010		*1,2,6*	*Shares in profit of associated companies*	-	-
011		*1,2,7*	*Profits/losses on sale of tangible assets (including land and buildings)*	(122,095)	(421,039)
012		*1,2,8*	*Other adjustments*	(13,365,386)	(11,841,191)
013	014+015+…+ 030	**2**	**Increase/decrease in assets and liabilities**	**(354,227,605)**	**200,584,004**
014		2,1	Increase/decrease in investments available-for-sale	(398,239,993)	(89,460,460)
015		2,2	Increase/decrease in investment valued at fair value through profit and loss account	921,189	57,225,036
016		2,3	Increase/decrease in deposits, loans and receivables	(52,427,827)	29,158,882
017		2,4	Increase/decrease of deposits in insurance business ceded to reinsurance	-	-
018		2,5	Increase/decrease in investments for the account and risk of life assurance policyholders	183,633,069	18,967,223
019		2,6	Increase/decrease in reinsurance share in technical provisions	(298,523,448)	(3,208,183)
020		2,7	Increase/decrease in tax assets	-	-
021		2,8	Increase/decrease in receivables	(11,486,304)	84,083,142
022		2,9	Increase/decrease in other assets	-	-
023		2,10	Increase/decrease in prepayments and accrued income	(5,644,071)	(15,231,530)
024		2,11	Increase/decrease in technical provisions	121,625,605	98,871,416
025		2,12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	(188,853,462)	(15,173,707)
026		2,13	Increase/decrease in tax liabilities	-	-
027		2,14	Increase/decrease in deposits retained from business ceded to reinsurance	299,997,282	16,386,173
028		2,15	Increase/decrease in financial liabilities	-	-
029		2,16	Increase/decrease in other liabilities	39,072,534	11,996,525
030		2,17	Increase/decrease in accruals and deferred income	(44,302,179)	6,969,489
031		**3**	**Paid profit tax**	(9,654,022)	(10,457,690)

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of cash flow (indirect method) for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position number	Sum elements	Position code	Position description	Current business period	The same period of the previous year
032	033+034+…+ 046	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**103,826,709**	**(54,964,237)**
033		1	Inflows from sale of tangible assets	1,109,802	238,910
034		2	Outflows for purchase of tangible assets	(3,978,696)	(6,727,367)
035		3	Inflows from sale of intangible assets	-	-
036		4	Outflows for purchase of intangible assets	(25,239,034)	(17,934,945)
037		5	Inflows from sale of land and buildings not intended for business operations of the company	510,343	2,465,198
038		6	Outflows for purchase of land and buildings not intended for business operations of the company	(2,229,679)	(34,508,404)
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures	-	-
040		8	Inflows from investments held to maturity	131,612,555	317,200
041		9	Outflows for investments held to maturity	-	-
042		10	Inflows from sale of securities and stakes	-	-
043		11	Outflows for investments in securities and stakes	-	-
044		12	Inflows from dividends and shares in profit	2,041,418	1,185,170
045		13	Inflows on the basis of payment of given short-term and long-term loans	-	-
046		14	Outflows for given short-term and long-term loans	-	-
047	048+049+050 +051+052	**III**	**CASH FLOW FROM FINANCING ACTIVITIES**	**263,548,558**	**(36,978,373)**
048		1	Cash inflows on the basis of initial capital increase	-	-
049		2	Cash inflows from received short-term and long-term loans	263,548,558	-
050		3	Cash outflows for payment of received short-term and long-term loans	-	-
051		4	Cash outflows for repurchase of own shares	-	-
052		5	Cash outflows for payment of dividends	-	-
053	001+032+047		**NET CASH FLOW**	**(33,409,758)**	**43,039,742**
054		**IV**	**EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS**	-	-
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**(33,409,758)**	**43,039,742**
056		1	Cash and cash equivalents at the beginning of the period	136,528,490	93,488,748
057	**055+056**	**2**	**Cash and cash equivalents at the end of the period**	**103,118,732**	**136,528,490**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of changes in equity for period 01.01.2022 - 31.12.2022

In HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
VI,	**Balance as at 1 January of the previous year**	**235,795,140**	**50,452,593**	**172,989,637**	**176,773,577**	**83,070,741**	**92,619,728**	**811,701,415**	-	**811,701,415**
1,	Changes in accounting policies	-	-	-	-	-	-	-	-	-
2,	Correction of errors from previous periods	-	-	-	-	-	-	-	-	-
VII,	**Balance as at 1 January of the previous year (corrected)**	**235,795,140**	**50,452,593**	**172,989,637**	**176,773,577**	**83,070,741**	**92,619,728**	**811,701,415**	-	**811,701,415**
VIII,	**Comprehensive income/loss of the previous year**	-	-	**(80,584,136)**	-	-	**47,917,823**	**(32,666,313)**	-	**(32,666,313)**
1,	Profit or loss of the previous period	-	-	-	-	-	47,917,823	47,917,823	-	47,917,823
2,	Other comprehensive income or loss of the current year	-	-	**(80,584,136)**	-	-	-	**(80,584,136)**	-	**(80,584,136)**
2,1,	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-		-	-
2,2,	Unrealised gains or losses from financial assets available for sale			(18,712,627)	-	-	-	(18,712,627)	-	(18,712,627)
2,3,	Realised gains or losses from financial assets available for sale	-	-	(61,871,508)	-	-	-	(61,871,508)	-	(61,871,508)
2,4,	Other non-owner changes in equity	-	-	-	-	-	-	-	-	-
IX,	**Transactions with owners (previous period)**	-	-	-	-	-	-	-	-	-
1,	Increase/decrease in subscribed capital	-	-	-	-	-	-	-	-	-
2,	Other payments by owners	-	-	-	-	-	-	-	-	-
3,	Payment of shares in profit /dividends	-	-	-	-	-	(36,978,373)	(36,978,373)	-	-
4,	Other transactions with owners	-	-	-	-	-	-	-	-	-
X,	**Balance as at the last day of the reporting period in the previous year**	**235,795,140**	**50,452,593**	**92,405,501**	**176,773,577**	**83,070,741**	**103,559,178**	**742,056,729**	-	**742,056,729**

Supplementary information prescribed by the Regulation of the Croatian Financial Services Supervisory Agency (continued)

Statement of changes in equity for period 01.01.2022 - 31.12.2022 (continued)

In HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
VI,	**Balance as at 1 January of the current year**	**235,795,140**	**50,452,593**	**92,405,501**	**176,773,577**	**83,070,741**	**103,559,178**	**742,056,729**	**-**	**742,056,729**
1,	Changes in accounting policies	-	-	-	-	-	-	-	-	-
2,	Correction of errors from previous periods	-	-	-	-	-	-	-	-	-
VII,	**Balance as at 1 January of the current year (corrected)**	**235,795,140**	**50,452,593**	**92,405,501**	**176,773,577**	**83,070,741**	**103,559,178**	**742,056,729**	**-**	**742,056,729**
VIII,	**Comprehensive income/loss of the current year**	**-**	**-**	**(525,214,922)**	**-**	**-**	**1,558,501**	**(523,656,420)**	**-**	**(523,656,420)**
1,	Profit or loss of the previous period	-	-	-	-	-	**1,558,501**	**1,558,501**	-	**1,558,501**
2,	Other comprehensive income or loss of the current year	-	-	**(525,214,922)**	-	-	-	**(525,214,922)**		**(525,214,922)**
2,1,	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-	-	-	-
2,2,	Unrealised gains or losses from financial assets available for sale	-	-	**(509,002,016)**	--	-	-	**(509,002,016)**	-	**(509,002,016)**
2,3,	Realised gains or losses from financial assets available for sale	-	-	**(16,212,906)**	-	-	-	**(16,212,906)**	-	**(16,212,906)**
2,4,	Other non-owner changes in equity	-	-	-	-	-	-	-	-	
IX,	**Transactions with owners (current period)**	**-**	**-**	**-**	**75,587,323**	**47,917,823**	**-**	**75,587,323**	**-**	**75,587,323**
1,	Increase/decrease in subscribed capital	-	-	-	-	-	-	-	-	-
2,	Other payments by owners	-	-	-	**75,587,323**	-	-	**75,587,323**	-	**75,587,323**
3,	Payment of shares in profit /dividends	-	-	-	-	-	-		-	-
4,	Other transactions with owners	-	-	-	-	**47,917,823**	**(47,917,823)**	-	-	-
X,	**Balance as at the last day of the reporting period in the current year**	**235,795,140**	**50,452,593**	**(432,809,421)**	**252,360,900**	**186,629,919**	**1,558,501**	**293,987,632**	**-**	**293,987,632**

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of right-of-use assets	Transfer of deferred acquisition costs	Transfer of other tangible assets to inventories	Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other prepaid expenses and other assets to insurance and other receivables	**Statutory financial statements**	**Comment**
INTANGIBLE ASSETS	**100,299,793**	(21,879,634)					**78,420,159**	**Other intangible assets**
Goodwill	3,551,774							
Other intangible assets	96,748,019							
		21,879,634					**21,879,634**	**Right-of-use assets**
			60,433,477				**60,433,477**	**Deferred acquisition costs**
TANGIBLE ASSETS	**98,356,309**			(20,573)			**98,335,736**	**Property and equipment**
Land and buildings intended for company business operations	85,865,309							
Equipment	10,264,301							
Other tangible assets and stock	2,226,699							
INVESTMENTS	**3,483,578,140**							
Investments in land and buildings not intended for company business operations	**173,585,860**						**173,585,860**	**Investment property**
Investments in subsidiaries, associates and joint ventures								
Shares and stakes in subsidiaries								
Shares and stakes in associates								
Joint venture participation								
Financial investments	**3,309,992,280**							
Financial investments held-to-maturity	**158,613,833**						**158,613,833**	**Held-to-maturity investments**
Debt financial securities	158,613,833							
Other								
Financial investments available-for-sale	**3,012,674,702**						**3,012,674,702**	**Available-for-sale financial assets**
Equity financial securities	77,835,841							
Debt financial securities	2,727,799,866							
Investment fund units	207,038,995							
Other								
Financial investments at fair value through profit and loss account	**29,102,254**				36,280,935		**65,383,189**	**Financial assets at fair value through profit or loss**
Equity financial securities	2,697,817							
Debt financial securities								
Derivative financial instruments								
Investment fund units	26,404,438							
Other								
Loans and receivables	**109,601,491**						**109,601,491**	**Loans and receivables**
Deposits with credit institutions (banks)	83,792,899							
Loans	25,808,592							
Other								
Deposits with the cedent								

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of financial position – Assets as at 31 December 2022 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of right-of-use assets	Transfer of deferred acquisition costs	Transfer of other tangible assets to inventories	Transfer of investments for and on behalf of life assurance policyholders to Financial assets at fair value through profit or loss	Transfer of other prepaid expenses and other assets to insurance and other receivables	**Statutory financial statements**	**Comment**
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	**36,280,935**				(36,280,935)			
REINSURANCE SHARE IN TECHNICAL PROVISIONS	**545,452,528**						**545,452,528**	**Reinsurers' share of technical provisions**
Provisions for unearned premiums, reinsurance share	83,731,837							
Mathematical provision, reinsurance share	294,523,080							
Provision for claims outstanding, reinsurance share	167,197,612							
Provisions bonuses and rebates, reinsurance share								
Equalisation provisions, reinsurance share								
Other insurance technical provisions, reinsurance share								
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share								
DEFERRED AND CURRENT TAX ASSET	**112,465,881**							
Deferred tax asset	101,813,835					(1,046,609)	**100,767,226**	**Deferred tax assets**
Current tax asset	10,652,046						**10,652,046**	**Curennt income tax prepayment**
RECEIVABLES	**254,431,400**					(12,327,400)	**242,104,000**	**Insurance and other receivables**
Receivables from insurance business	**85,929,228**							
From policyholders	*84,945,799*							
From insurance agents, or insurance brokers	*983,429*							
Receivables from reinsurance business	**83,005,973**							
Other receivables	**85,496,198**							
Receivables from other insurance business	*27,224,919*							
Receivables for return on investments	*359,146*							
Other receivables	*57,912,133*							
OTHER ASSETS	**103,118,732**							
Cash at bank and in hand	**103,118,732**						**103,118,732**	**Cash**
Funds in the business account	*50,251,677*							
Funds in the account of assets covering mathematical provision	*52,863,155*							
Cash in hand	*3,900*							
Long-term assets intended for sale and business cessation								
Other				20,573			**20,573**	**Inventories**
PREPAYMENTS AND ACCRUED INCOME	**61,712,013**							
Deferred interest and rent								
Deferred acquisition costs	60,433,477		(60,433,477)					
Other prepayments and accrued income	1,278,536					(1,278,536)		
TOTAL ASSETS	**4,795,695,732**						**4,795,695,732**	**Total assets**
OFF BALANCE SHEET ITEMS								

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of financial position – Equity and liabilities as at 31 December 2022

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of current year profit to retained earnings	Transfer of statutory reserve to legal reserves	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer of deposit from reinsurance, accrued expenses and other liabilities to insurance and other payables	**Statutory financial statements**	**Comment**
CAPITAL AND RESERVES	**742,056,729**						**Total equity**
Subscribed capital	**235,795,140**						**Share capital**
Paid-up capital - ordinary shares	*235,795,140*						
Paid-up capital - preference shares							
Issued shares premiums (capital reserves)	**50,452,593**						**Capital reserves**
Revaluation reserve	**(432,809,421)**						**Fair value reserve**
Land and buildings							
Financial investments available-for-sale	***(432,809,421)***						
Other revaluation reserves							
Reserves	**252,360,900**						
Legally stipulated reserves	*3,341,898*						**Legal and statutory reserves**
Statutory reserve	*871,562*						
Other reserve	*248,147,439*						**Other reserves**
Transferred profit or retained loss	**186,629,919**						**Retained earnings**
Retained profit	*186,629,919*						
Transferred loss (-)							
Profit or loss of the current accounting period	**1,558,501**						
Profit of the current accounting period	*1,558,501*						
Loss of the current accounting period (-)							
SUBORDINATED LIABILITIES	**187,961,235**						
MANORITY INTERESTS							
TECHNICAL PROVISIONS	**3,577,095,548**			36,280,935			**Technical provisions**
Provisions for unearned premiums, gross amount	295,280,033						
Mathematical provision, gross amount	2,848,684,221						
Provision for claims outstanding, gross amount	431,299,194						
Provisions bonuses and rebates, gross amount	1,832,100						
Equalisation provision, gross amount							
Other insurance technical provisions, gross amount							

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of financial position – Equity and liabilities as at 31 December 2022 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of current year profit to retained earnings	Transfer of statutory reserve to legal reserves	Transfer of life assurance provision for products where policyholders bear investment risk to technical provisions	Transfer of deposit from reinsurance, accrued expenses and other liabilities to insurance and other payables	**Statutory financial statements**	**Comment**
LIFE ASSURANCE TECHN,PROV,WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	**36,280,935**			-36,280,935			
OTHER RESERVES	**3,821,105**					**3,821,105**	**Provisions for liabilities and charges**
Provisions for pensions and similar liabilities	1,424,163						
Other provisions	2,396,943						
DEFERRED AND CURRENT TAX LIABILITY	**1,046,609**						
Deferred tax liability	1,046,609				**(1,046,609)**		**Deferred tax liability**
Current tax liability							
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	**411,973,287**				(411,973,287)		
FINANCIAL LIABILITIES	**25,881,404**						
Liabilities on the basis of loans	3,579,467						
Liabilities on the basis of issued financial instrument							
Other financial liabilities	22,301,937					**22,301,937**	**Lease liabilities**
OTHER LIABILITIES	**189,954,373**				469,642,627	**659,597,000**	**Insurance and other payables**
Liabilities from direct insurance business	45,003,359						
Liabilities from co-insurance and reinsurance business	86,184,014						
Liabilities for sale and ceased business							
Other liabilities	58,767,000						
ACCRUED EXPENSES AND DEFERRED INCOME	**67,693,603**						
Deferred reinsurance commission							
Other accrued expenses and deferred income	67,693,603				(67,693,603)		
TOTAL LIABILITIES	**4,795,695,732**					**4,795,695,732**	**Total liabilities and equity**
OFF BALANCE SHEET ITEMS							

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of comprehensive income for year ended 31 December 2022

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Adding other technical income to other operating income	Adding gross changes in provisions to gross claims incurred	Adding reinsurers share of technical provisions to reinsurers share of claims and benefits incurred	Adding other operating income to financial income	Netting of other income to other expenses	Netting off of positive and negative foreign exchange differences, unrealized/realized gains and losses and reversal of impairment of loans	**Statutory financial statements**	**Comment**
Earned premiums (recognised in revenue)	**976,087,102**									
Written gross premiums	1,271,102,764	(268,488)							**1,270,834,277**	**Gross premiums written**
Value adjustment and charged adjustment of insurance premium value	(268,488)	268,488								
Premiums ceded to reinsurance (-)	(215,847,417)								**(215,847,417)**	**Written premiums ceded to reinsurers**
Change in gross provisions for unearned premiums (+/-)	(35,184,834)								**(35,184,834)**	**Change in the gross provision for unearned premiums**
Change in provisions for unearned premiums, reinsurance share (+/-)	9,659,322								**9,659,322**	**Reinsurers' share of change in the provision for unearned premiums**
Income from investments	**107,209,125**							(14,335,919)	**92,873,206**	**Financial income**
Income from subsidiaries, associates and joint ventures									-	
Income from investment in land and buildings	15,379,176							97,829,65	15,477,006	
Interest income	57,394,717								57,394,717	
Unrealized profits from investment	4,763,655							(4,763,655)	-	
Realized profits from investment	16,298,691							(5,785,938)	10,512,753	
Net positive exchange rate differentials	7,688,492							(3,523,41)	4,165,081	
Other investment profits	5,684,394							(360,74)	5,323,650	
Income from commissions and fees	**48,101,253**								**48,101,253**	**Fee and commission income**
Other insurance-technical income, net of reinsurance	**6,768,413**		(6,768,413)							
Other income	**5,720,246**		6,768,413						**12,488,659**	**Other operating income**
Expenditures for insured events, net	**(934,301,091)**									
Settled claims	(906,696,752)									
Gross amount (-)	*(1,055,181,705)*			2,007,950,705					**952,769,000**	**Claims and benefits incurred**
Reinsurer share(+)	*148,484,954*				(290,634,954)				**(142,150,000)**	**Reinsurers' share of claims and benefits incurred**
Change in provisions for claims outstanding (+/-)	(27,604,340)									
Gross amount (-)	*(29,607,716)*			29,607,716						
Reinsurer share(+)	*2,003,377*				(2,003,377)					

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of comprehensive income for year ended 31 December 2022 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Adding other technical income to other operating income	Adding gross changes in provisions to gross claims incurred	Adding reinsurers share of technical provisions to reinsurers share of claims and benefits incurred	Adding other expenses to other operating expenses	Netting of other income to other expenses	Netting off of positive and negative foreign exchange differences, unrealized/realized gains and losses and reversal of impairment of loansd	**Statutory financial statements**	**Comment**
Change in other technical provisions, net of reinsurance	**(64,027,433)**									
Change in mathematical provision (+/-)	(64,813,433)									
Gross amount (-)	*(56,911,514)*			56,911,514						
Reinsurer share(+)	*(7,901,919)*				7,901,919					
Change in other technical provisions, net of reinsurance (+/-)	786,000									
Gross amount (-)	*786,000*			(786,000)						
Reinsurer share(+)										
Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+/-)	**188,853,462**			(188,853,462)						
Gross amount (-)	*188,853,462*									
Reinsurer share(+)										
Expenditures for return of premium (bonuses and rebates), net of reinsurance	**(1,144,327)**									
Depending on the result (bonuses)	(1,144,327)									
Not depending on the result (rebates)										
Business expenditures (for business operations), net	**(333,936,376)**									
Acquisition costs	(202,990,815)					(140,836)			**(203,131,651)**	**Acquisition costs**
Commission	*(134,488,184)*									
Other acquisition costs	*(74,380,252)*									
Change in deferred acquisition costs (+/-)	*5,877,621*									
Management costs (administration costs)	(130,945,561)					140,836		1728	**(130,802,998)**	**Administration costs**
Depreciation	*(21,881,620)*									
Salaries, taxes and contributions to and from salaries	*(45,403,476)*									
Other administration costs	*(63,660,465)*									

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of comprehensive income for year ended 31 December 2022 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Adding other technical income to other operating income	Adding gross changes in provisions to gross claims incurred	Adding reinsurers share of technical provisions to reinsurers share of claims and benefits incurred	Adding other expenses to other expenses	Netting of other income to other expenses	Netting off of positive and negative foreign exchange differences, unrealized/realized gains and losses and reversal of impairment of loans	**Statutory financial statements**	**Comment**
Investment expenses	**(35,633,895)**							14,335,919	**(21,297,976)**	**Financial expenses**
Depreciation (buildings not intended for business operations of the company)	(2,946,422)								(2,946,422)	
Interest	(9,089,660)								(9,089,660)	
Investment value adjustment (reduction)										
Realized losses from sale of financial assets	(5,785,938)							5,785,938		
Unrealized losses from sale of financial assets	(6,667,313)							4,763,655	(1,903,659)	
Net negative exchange rate differences	(3,523,411)							3,523,411		
Other investment expenses	(7,621,150)							262,915	(7,358,235)	
Other technical expenses, net of reinsurance	**(14,642,327)**					(236,673)			**(14,879,000)**	**Other operating expenses**
Expenses for preventive operations	(3,067,911)									
Other technical expenses of insurance	(11,574,417)									
Other expenses including value adjustments	**(235,232)**									
Profit or loss of the accounting period before taxation (+/-)	**2,193,164**								**2,193,164**	**Profit before income tax**
Profit or loss tax	**(634,663)**								**(634,663)**	**Income tax expense**
Current tax expense										
Deferred tax expense (income)	(634,663)									
Profit or loss of the accounting period after taxation (+/-)	**1,558,501**								**1,558,501**	**Profit for the year**
Attributable to owners of the parent										
Attributable to non-controlling interests										
TOTAL INCOME	**1,196,625,722**									
TOTAL EXPENDITURE	**(1,195,067,221)**									

Reconciliation between financial statements and Croatian Financial Services Supervisory

Statement of comprehensive income for year ended 31 December 2022 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Netting off of premium impairment with gross premium written	Adding other technical income to other operating income	Adding gross changes in provisions to gross claims incurred	Adding reinsurers share of technical provisions to reinsurers share of claims and benefits incurred	Adding other expenses to other operating expenses	Netting of other income to other expenses	Netting off of positive and negative foreign exchange differences, unrealized/realized gains and losses and reversal of impairment of loans	**Statutory financial statements**	**Comment**
Other comprehensive income	**(525,214,922)**								**(525,214,922)**	**Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax**
Profits/losses on translation of financial statements on foreign operating activities										
Profits/losses on revaluation of financial assets available for sale	(640,506,002)									
Profits/losses on revaluation of land and buildings intended for business activities of the company										
Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets										
Effects from cash flow hedging instruments										
Actuarial profits/losses on defined benefit pension plans										
Share in other comprehensive income of associated companies										
Profit tax on other comprehensive income	115,291,080									
Total comprehensive income	**(523,656,420)**								**(523,656,420)**	**Total comprehensive loss for the year**
Attributable to owners of the parent										
Attributable to non-controlling interests										
Reclassification adjustments										

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of cash flows for year ended 31 December 2022

Statement of cash flow prepared in accordance with the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19,98/20), the preparation of which is described in detail in the Instructions for completing financial statements and additional reports of insurance and reinsurance companies (“HANFA CF”) differ in the presentation from the Statement of cash flows (“CF”) forming a part of statutory financial statements,

Differences are as follows:

1. Reversal of impairment losses and write off losses on other intangible assets, property and equipment and investment property are shown in CF together with amortization or depreciation correspondingly, while in CF HANFA they are presented within Impairment losses and fair value gains/losses,

2. Depreciation of rights-of-use assets in CF is presented separately while in HANFA CF is presented within Depreciation of real estate and equipment,

3. Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within Other adjustments,

4. Depreciation of small inventory is shown separately in CF, while in CF HANFA is shown within Depreciation of property and equipment,

5. Net impairment losses on financial assets and insurance and other receivables are presented separately in CF while in HANFA CF are presented within Impairment losses and fair value gains/losses,

6. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains/losses while in CF HANFA unrealised gains are presented within Impairment losses and fair value gains/losses and realised gains are presented within Other adjustments,

7. Net foreign exchange gains are presented separately in CF while in HANFA CF are shown within Other adjustments,

8. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA dividend income is presented within Other adjustments and dividend cash receipts within investing activities,

9. Net gain on disposal of property and equipment as well investment property are shown separately in CF, while in CF HANFA they are shown together within Profit/losses on sale of tangible assets (including land and buildings),

10. Provision for liabilities and charges in CF is shown separately while in CF HANFA is shown within Other adjustments,

11. Net decrease in held-to-maturity investments in CF is shown within cash flow from operating activities, while in HANFA CF within cash flow from investing activities,

12. Net decrease in financial assets at fair value through profit and loss in CF is shown comprising investments for the account and risk of life assurance policyholders as opposed to being shown separately in HANFA CF,

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules (continued)

Statement of cash flows for year ended 31 December 2022 (continued)

13. Net increase in investment property in CF is shown within cash flow from operating activities while in CF HANFA is presented within cash flow from investing activities,

14. Net increase in technical provision in CF comprise Increase/decrease in technical provisions and Increase/decrease in life assurance technical provisions where the policyholder bears the investment risk which are shown separately in HANFA CF,

15. Net (increase) / decrease in receivables and other assets in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in receivables and Increase/decrease in prepayments and accrued income after deducting Interest received shown separately in CF,

16. Net increase / (decrease) in insurance and other liabilities in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in deposits retained from business ceded to reinsurance, Increase/decrease in other liabilities, Increase/decrease in financial liabilities, Increase/decrease in accruals and deferred income after deducting Interest paid which is shown separately in CF,