Wiener osiguranje Vienna Insurance Group d.d.

Annual report
for 2023

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 2023.

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. Around 29,000 employees in the VIG take care of the day-to-day needs of more than 28 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.

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

Strong Finances and Credit Rating

Vienna Insurance Group has been awarded an A+ rating with a stable outlook from the internationally recognised rating agency Standard & Poor's. The Vienna Insurance Group is listed in Vienna, Prague and Budapest. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns 72% of VIG's shares. The remaining shares are in free float.

Management Board report (continued)

The Company

The year 2023 has been globally shaped by continuation of the inflation. Additionally, Croatia became a member of the Economic and Monetary Union of the European Union from 1st January 2023 (introduction of EURO as an official currency). Through 75 sales points located across the country, around 370 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 2023 are indicator of further strengthening of the market position of the Company. As one of the top five 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 2023, the Company continued the activities related to the implemented ISO standard ISO 9001:2015 certificate for quality management system.

With over 600 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 2023, the Company reported net profit of EUR 3.6 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 paid premiums (including premium written outside of the Croatian insurance market via freedom of service (further on FOS)) of EUR 132.7 million, representing a decrease by 21% in comparison to 2022, which positioned the Company on fifth place among insurance companies in Croatia, with a total market share of 8%. In life insurances, the Company realizes decrease in premium by 47% and holds second place with market share of 13.9%, while the market records decrease by 15%. In non-life insurances, the Company records growth in gross paid premiums by 5.2% with market share of 6.2%, while the market records growth by 13.8%. As in previous years, the largest share in the Company's total premium relates to life insurance (33.7%) and motor insurance (22.5%).

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 2023, insured claims and directly attributable expenses amounted to EUR 67.2 million, which is, compared to the previous year, an increase of EUR 9.0 million or 15.4%. The Company continued with group-wide anti-fraud initiative and with structured fraud management process, expecting additional profit potentials. Total insurance acquisition cash-flow amortisation amounted to EUR 22.3 million, which is an increase of EUR 2.4 million or 12%, compared to the previous year.

As of 31 December 2023, the Company's total assets amounted to EUR 552.3 million, which is, compared to the previous year, an decrease of EUR 686 thousand or 0.1%.

The Company has strong capital base and was in compliance with all regulatory capital requirements during 2023. In light of the introduction of Euro as official currency in Republic of Croatia as of 1st January 2023 and the impact it had on the calculation of the Company's solvency ratio, the parent company further boosted the capital base of the Company in the end of 2022. In September 2022, VIG paid EUR 10 million into the Other reserves within Shareholders' equity and granted two subordinated loans to the Company in total amount of EUR 24.9 million. Strong capital base provides security to our policyholders.

In the course of 2023, 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 2023, 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 2023, the Management Board continued activities supporting the implemented Strategy and its main initiative related to sustainable profitable premium growth of Non-life segment, increase of new regular premium in 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, private property 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 2023 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.

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 2023, our main CSR focus was still 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.

In order to create a framework for the involvement of our employees in our CSR activities, we continued with activities in our Wiener volunteer 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. In total, 412 employees participated in 21 voluntary activities during 2023, which amounts to 62% of all employees. Our employees continue to volunteer in their free time as well, and these numbers only consider the activities that were carried out as part of our Wiener volunteer club.

In December 2023, we organized our first internal "Jingle & Mingle Christmas charity fair" where our employees sold crafts, Christmas decorations, cards, and homemade cookies in exchange for charity donations. 80 employees in 19 teams exhibited at the fair, and they collected 5.140 EUR. Donations were paid to associations with which we cooperate at the employees' choice: Mali zmaj, DEBRA, Krijesnica, Jak kao Jakov, Korablja - ARKA, Hrabri telefon, MOGU Osijek, "Our Children" Society Opatija, MURID Čakovec.

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 2023 our target group for the main CSR project were children and youngster battling with mental health issues. Hrabri telefon (Brave Phone) 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.

As part of our main CSR project, we have developed an educational platform called Mentalna higijena (Mental Hygiene) to emphasize the importance of caring for our mental well-being alongside physical health and cleanliness. In collaboration with Hrabri Telefon, we have created over 70 educational videos and articles addressing issues commonly discussed by children through Brave Phone's helpline. Our communication style, choice of social media platforms and content formats were entirely tailored to our target audience.

Management Board report (continued)

Social responsibility (continued)

Following the platform's launch, our goal was to delve deeper into the main topic and inspire our audience not only to consume educational content but also to actively engage and share their perspectives. In cooperation with Hrabri telefon, we upgraded the project with fresh educational content and activities, including workshops in elementary schools designed for children and teenagers. Alongside our partner, Go2Digital, we developed a digital interactive quiz about mental health placed at malls, schools, and other frequent locations throughout Croatia. Additionally, we hosted a unique meet-up event where children, project ambassadors, experts, and media figures came together to discuss mental hygiene and the challenges within this domain.

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. The primary goal of this project is still 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. Looking ahead, we aim to sustain the project with new activities and the creation of additional educational materials to effectively raise awareness about this issue in ways that deeply resonate with our audience.

In 2023, 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, labour, environmental protection and the fight against corruption, thus ensuring corporate sustainability and progress towards the Sustainable Development Goals.

For 2023, the Company will report on its non-financial aspects within the consolidated disclosure of the Group. The consolidated Group sustainability report will be available at www.vig.com. The EU Corporate Sustainability Reporting Directive (CSRD) provides for significant changes starting in the reporting year 2024, including mandatory reporting standards. VIG, together with all the Group companies, is working hard to prepare for the new legal framework. Due to the reporting at VIG level, separate reporting by VIG’s fully consolidated subsidiaries is not necessary. VIG’s sustainability strategy is based on five essential areas: core business, customers, employees, society, and environment. Furthermore, VIG’s 25 strategic programme sets down its goals for 2025. More efficiency, more customer proximity and more value added prepare the ground for more sustainable success.

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 2023 and up to the date of the signing of this report, comprised:

Jasminka Horvat Martinović	Chairman (and Member) until 30 June 2023
Tamara Rendić	Member until 30 June 2023, and Chairman from 1 July 2023
Božo Šaravanja	Member

Management Board report (continued)

Corporate Governance (continued)

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.

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 2023 and up to the date of the signing of this report, comprised:

Peter Franz Höfinger	Chairman
Peter Thirring	Deputy Chairman (and Member) until 30 June 2023
Gábor Lehel	Member from 30 September 2023 and deputy Chairman from 3 October 2023
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.

15 March 2024

Tamara Rendić
President 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 Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 20/23), 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 15 March 2024:

Tamara Rendić
President of the Management Board

Božo Šaravanja
Member of the Management Board

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Independent Auditor's Report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wiener osiguranje Vienna Insurance Group d.d. (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 15 March 2024.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2023 to 31 December 2023.

Our audit approach

Overview

Materiality	• Overall Company materiality: EUR 979 thousand, which represents 1% of a sum of net assets and contractual service margin (CSM)
Key audit matters	• Measurement of insurance contract liabilities

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.

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

Materiality

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

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

Overall Company materiality	The Company: EUR 979 thousand
How we determined it	The Company: 1 % of a sum of net assets and CSM
Rationale for the materiality benchmark applied	Net assets is the benchmark which is closely monitored and there is a strong focus on regulatory compliance measured by the adequacy of the capital. CSM represents expected future profits to be generated from current in-force business, which amortises over the contracts' coverage unit. It is one of key metrics to measure insurance business results under IFRS 17. Combined, these two metrics provide an expectation of the future total equity of the company that is relevant to users of financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

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
Measurement of insurance contract liabilities Refer to note 3y “Measurement”, note 4 “Accounting estimates and judgements”, note 5 “Insurance risk management” and note 21 “Insurance contract liabilities’’ to the financial statements for detailed information on the insurance contract liabilities. Insurance contract liabilities consist of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) of EUR 369,210 thousand and EUR 59,959 thousand, respectively. Models used by the Company for the measurement of the insurance contracts and related LRC and LIC are General measurement model (GMM), Premium allocation approach (PAA) and Variable fee approach (VFA). The GMM and VFA models are based on the following building blocks: a current estimate of future cash flows expected to arise during the life of the contract; an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a contractual service margin (CSM) representing the unearned profit from the contract. The VFA model is applied only for eligible products with direct participation features. The PAA model is simplified approach that comprises unearned premium in the LRC and the fulfilment cash flows related to past service and discounted to reflect the time value of money in the LIC. Measurement models involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and assumptions applied in the models, and therefore we considered it a key audit matter for our audit.	Our audit approach was the following: • We gained our understanding of the insurance contract liabilities calculation methodology applied by the Company. We engaged our own actuarial experts to assist us in performing our audit procedures. • We evaluated significant control activities in the actuarial processes and tested operating effectiveness of key controls. • We considered the appropriateness of measurement models used, depending on the product and/or the product features. • We tested on a sample basis accuracy of the critical data of the measurement models in the source systems and reconciled it with the input in the insurance contract liabilities calculation engine. • We assessed how management determined and approved economic and non-economic actuarial assumptions used in the measurement models. Our assessments included challenging, as necessary, management’s rationale for the specified economic and non-economic actuarial assumptions and judgments applied. • We challenged the assumptions in projected cash flows adopted by the Company considering specific product features. • We recalculated on a sample basis projected cash flows used in the calculation of the insurance contract liabilities. • We performed substantive analytical procedures to determine whether the insurance contract liabilities calculated in the models and systems are accurate and complete. We reconciled the output of the insurance contract liabilities calculation engine with the accounting records. • We have assessed the disclosures related to the insurance contract liabilities in the financial statements, with respect to their adequacy, completeness and compliance with the IFRS requirements.

Key audit matter	How our audit addressed the key audit matter
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 discount rates and actuarial assumptions such as mortality, longevity, customer behaviour, attributable expenses and loss ratio are key inputs used to estimate these liabilities. Significant judgment is applied in setting these assumptions.	

Reporting on other information

Management is responsible for the other information. The other information comprises the Management Report and the Forms in accordance with the Ordinance included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and 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. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 24 May 2023, representing a total period of uninterrupted engagement appointment of 2 years.

Forms in accordance with the Ordinance

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 20/23, "Ordinance"), the Management Board of the Company prepared the Forms, entitled the Statement of financial position of the Company as at 31 December 2023, Statement of comprehensive income, Statement of cash flow and Statement of changes in equity of the Company for the year then ended ("Forms") 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
15 March 2024

Statement of financial position

as at

	Note	**31 December 2023**	31 December 2022 (restated)	1 January 2022 (restated)
		EUR'000	EUR'000	EUR'000
Assets				
Property and equipment	10	**12,215**	13,051	13,408
Right-of-use asset	11a)	**2,867**	2,903	3,108
Investment property	12	**22,028**	23,039	22,951
Intangible assets	13	**9,873**	10,408	9,316
Financial assets at amortised cost	14	**11,290**	11,297	4,440
Financial assets at fair value through OCI	14	**429,172**	394,268	429,377
Financial assets at fair value through profit or loss	14	**7,751**	35,799	69,498
Insurance contract assets		**248**	173	132
Reinsurance contract assets	15	**22,007**	16,296	15,671
Deferred tax asset	16	**13,115**	22,802	7,526
Inventories		**2**	3	3
Other receivables	17	**11,095**	7,895	11,837
Current income tax prepayment	31c)	**1,337**	1,414	132
Cash and cash equivalents	18	**9,348**	13,686	18,120
Total assets		**552,348**	553,034	605,519
Shareholders' equity				
Share capital	19a)	**31,439**	31,295	31,295
Capital reserves	19b)	**6,696**	6,696	6,696
Legal and statutory reserve	19c)	**559**	559	559
Other reserves	19d)	**32,791**	32,935	22,903
Fair value reserve	19f)	**(36,541)**	(54,793)	14,823
Financial reserve from insurance contracts	19g)	**28,423**	47,433	(128)
Retained earnings		**4,490**	832	(4,090)
Total equity		**67,857**	64,957	72,058
Liabilities				
Insurance contract liabilities	21	**429,169**	427,948	506,366
Reinsurance contract liabilities	15	**1,363**	2,184	527
Subordinated loans	22	**24,947**	24,947	-
Provisions for liabilities and charges	23	**5,706**	5,558	6,923
Deferred tax liability	16	**6,239**	14,730	3,259
Lease liabilities	11b)	**2,912**	2,960	3,163
Other payables	24	**14,155**	9,750	13,223
Total liabilities		**484,491**	488,077	533,461
Total liabilities and equity		**552,348**	553,034	605,519

The accounting policies and other explanatory notes on pages 18 to 145 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December

	Note	**2023 EUR'000**	2022 (restated) EUR'000
Insurance revenue	25	**97,656**	90,790
Insurance service expenses	25	**(88,182)**	(85,181)
Net expenses from reinsurance contracts held	25	**(3,498)**	(2,947)
Insurance service result		**5,976**	2,662
Net result from investment property	26a)	**755**	787
Interest revenue from financial assets not measured at FVTPL	26b)	**8,837**	8,013
Net gains/(losses) on FVTPL investments	26c)	**1,100**	(4,590)
Net (losses)/gains on investment in debt securities measured at FVOCI reclassified to profit or loss on disposal	26d)	**(500)**	1,966
Other operating investment income	26e)	**773**	1,555
Other investment expenses	26f)	**(347)**	(306)
Net investment income		**10,618**	7,425
Finance (expenses)/income from insurance contracts issued	27	**(2,801)**	552
Finance income from reinsurance contracts held	27	**293**	332
Net insurance finance (expenses)/income		**(2,508)**	884
Other income	28	**1,774**	1,969
Other operating expenses	29	**(8,768)**	(6,470)
Other financial expenses	30	**(1,859)**	(493)
Profit before income tax		**5,233**	5,977
Income tax expense	31a)	**(1,626)**	(1,055)
Profit for the year		**3,607**	4,922
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss		***(1,323)***	*(27,008)*
Change in fair value of financial assets at fair value through OCI, net of amounts realised		**21,860**	(85,009)
Net financial income/expense from insurance contracts		**(23,183)**	58,001
Items that will not be reclassified subsequently to profit or loss		***369***	*91*
Net change of fair value of equities at fair value through OCI		**369**	91
Change in deferred tax on fair value of financial assets and liabilities		***247***	*4,862*
Total comprehensive income/(loss) for the year		**2,900**	(17,133)
Earnings per share		**EUR**	EUR
Basic and diluted earnings per share	20	**10**	13

The accounting policies and other explanatory notes on pages 18 to 145 form an integral part of these financial statements.

Statement of changes in equity

	Share capital	Capital reserves	Legal and statutory reserve	Other reserves	Fair value reserve	Financial reserve from insurance contracts	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 1 January 2022, as previously reported	**31,295**	**6,696**	**559**	**22,903**	**12,264**	**-**	**24,770**	**98,487**
Adjustment on initial application of IFRS 17, net of tax	-	-	-	-	-	(128)	(29,225)	**(29,353)**
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	2,559	-	365	**2,924**
At 1 January 2022 - restated	**31,295**	**6,696**	**559**	**22,903**	**14,823**	**(128)**	**(4,090)**	**72,058**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	*4,922*	*4,922*
Other comprehensive loss								
Change in financial assets/liabilities at fair value through OCI, net of amounts realised and impairment (Note 19 f) and g))	-	-	-	-	(84,918)	58,001	-	(26,917)
Deferred tax on change in fair value of financial assets/liabilities at fair value through OCI, net of amounts realised and impairment (Note 19 f) and g))	-	-	-	-	15,302	(10,440)	-	4,862
Total other comprehensive loss	-	-	-	-	*(69,616)*	*47,561*	-	*(22,055)*
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(69,616)**	**47,561**	**4,922**	**(17,133)**
Transactions with owners recognised directly in equity								
Payment into other reserves (note 19e)	-	-	-	10,032	-	-	-	10,032
At 31 December 2022 (restated)	**31,295**	**6,696**	**559**	**32,935**	**(54,793)**	**47,433**	**832**	**64,957**
At 1 January 2023	**31,295**	**6,696**	**559**	**32,935**	**(54,793)**	**47,433**	**832**	**64,957**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	*3,607*	*3,607*
Other comprehensive loss								
Change in financial assets/liabilities at fair value through OCI, net of amounts realised and impairment (Note 19 f) and g))	-	-	-	-	22,229	(23,183)	-	(954)
Transfer from retained earnings	-	-	-	-	(51)	-	51	-
Deferred tax on change in fair value of financial assets/liabilities at fair value through OCI, net of amounts realised and impairment (Note 19 f) and g))	-	-	-	-	(3,926)	4,173	-	247
Total other comprehensive loss	-	-	-	-	*18,252*	*(19,010)*	*51*	*(707)*
Total comprehensive (loss)/income for the year	-	-	-	-	18,252	(19,010)	3,658	2,900
Transactions with owners recognised directly in equity								
Increase in Share capital from Other reserves (Note 19a)	144	-	-	(144)	-	-	-	-
At 31 December 2023	**31,439**	**6,696**	**559**	**32,791**	**(36,541)**	**28,423**	**4,490**	**67,857**

The accounting policies and other explanatory notes on pages 18 to 145 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

	Note	2023 EUR'000	2022 (restated) EUR'000
Cash flows from operating activities			
Profit before income tax		**5,233**	5,977
Adjustments for:			
Depreciation, impairment and reversal of impairment losses on investment property and property and equipment	10,12	**1,362**	887
Amortisation of other intangible assets	13	**2,160**	2,147
Depreciation of rights-of-use assets	11	**1,140**	1,065
Depreciation of small inventory		**4**	6
Net impairment losses on other receivables	17 b)	**336**	483
Net fair value gains on financial assets	26 c), d)	**(600)**	2,624
Net foreign exchange losses/(gains)	26 f)	**41**	(751)
Dividend income	26 e)	**(292)**	(307)
Interest income	26 f)	**(8,837)**	(8,013)
Net (income)/expense from financial liabilities	27	**2,508**	(884)
Interest expense	30	**1,859**	493
Profit on disposal of property and equipment	28	**(75)**	(29)
(Profit)/loss on disposal of investment property	26 a)	**(69)**	13
Net change in provisions for liabilities and charges	23	**148**	1,365
Changes in operating assets and liabilities			
Net decrease in financial assets at amortised cost		**(7)**	(11,186)
Net increase in financial assets at fair value through OCI		**26,567**	(41,358)
Net decrease in financial assets at fair value through profit or loss		**(29,148)**	29,099
Net increase in investment property		**463**	(503)
Net increase/decrease in insurance contract liabilities		**(5,486)**	(34,768)
Net increase/decrease in reinsurance contract assets/liabilities		**(6,533)**	1,032
Net increase in other receivables and other assets		**48**	3,647
Net increase in other payables		**(634)**	4,758
Interest received		**8,756**	9,742
Interest paid		**(478)**	(475)
Dividend received		**292**	307
Income tax paid		**(1,626)**	(1,055)
Net cash from operations		**(2,868)**	(35,684)
Cash flow from investing activities			
Purchases of property and equipment		**(215)**	(528)
Purchases of other intangible assets		**(1,625)**	(3,348)
Proceeds from sale of property and equipment		**370**	147
Net cash used in investing activities		**(1,470)**	(3,729)
Cash flows from financing activities			
Payments into other reserves		**-**	10,032
Subordinated loans received		**-**	24,947
Net cash used in financing activities		**-**	34,979
Net increase in cash and cash equivalents		**(4,338)**	(4,434)
Cash and cash equivalents at 1 January		**13,686**	18,120
Cash and cash equivalents at 31 December	18	**9,348**	13,686

The accounting policies and other explanatory notes on pages 18 to 145 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 15 March 2024 for approval by the Supervisory Board.

(b) Basis of measurement

These financial statements are generally prepared on a historical or amortised cost basis unless specifically stated otherwise in the accounting policies presented herein.

(c) Functional and presentation currency

On 1 January 2023, the Euro ("EUR") was introduced instead of the Croatian Kuna ("HRK" or Kuna) and became the official monetary currency and legal tender in the Republic of Croatia. The introduction of the Euro as the official currency in the Republic of Croatia represents a change in the functional currency.

On 1 January 2023, all items of assets, liabilities and equity were converted from HRK to EUR using a fixed conversion rate determined by the Croatian government (published fixed rate of HRK 7.53450 per EUR 1). The change in the functional currency is applied prospectively from the specified date.

Furthermore, the presentation currency of these financial statements has changed as of January 1, 2023, and the comparative periods have been converted to euro for the aforementioned reason. Since the financial statements of the previous period were presented in Kuna, the change in the presentation currency of the comparative period in this year's financial statements represents a change in the Company's accounting policy. Regarding the change in accounting policy, the Company presents three statements of the financial position in this year's financial statements, as at 1 January 2022, 31 December 2022 and 31 December 2023.

2 Basis of preparation (continued)

(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.

(e) New standards and interpretations

/i/ Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2023, they have been endorsed by the EU:

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 fulfillment cash flows) that incorporates all of the available information about the fulfillment 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.

- 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.

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/i/ Adoption of New or Revised Standards and Interpretations (continued)

- 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 fulfillment cash flows; and selected transition reliefs and other minor amendments.

Effects have been disclosed under Note 2(e)/iii.

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. Effects have been disclosed under Note 2(e)/iii.

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). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/i/ Adoption of New or Revised Standards and Interpretations (continued)

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). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

/ii/ New Standards and Interpretations

i) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, which have been endorsed by the EU and which the Company has not early adopted.

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). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/ii/ New Standards and Interpretations (continued)

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

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

ii) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, which have not been endorsed by the EU yet:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

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

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

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

/iii/ Transition to IFRS 9 and IFRS 17

IFRS 17 transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. The Company applied the full retroactive approach for groups of contracts measured using the premium allocation approach.
Under the full retrospective approach, as at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance contracts as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied
- recognised all the resulting net effects in equity

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/iii/ Transition to IFRS 9 and IFRS 17 (continued)

Where retroactive application for a group of insurance contracts is impractical, the Company will use fair value approach.

The Company considers the that full retrospective approach was impracticable under any of the following circumstances:

- the effects of retroactive application could not be determined because the necessary information was not collected (or was not collected with sufficient precision) or was not available due to system migrations, data archiving requirements or other reasons. Such information include for certain contracts: expectations of contract cost-effectiveness and risks of becoming onerous, which are required to identify a group of contracts; information on historical cash flows and discount rates required to determine estimates of cash flows at initial recognition and subsequent changes to retroactive basis; information necessary to allocate fixed and variable general overheads to contract groups, as the Company's previous accounting policies did not require such information.
- the full retrospective approach requires assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight.

Under the fair value approach, the CSM (or the loss component) as at 1 January 2022 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Company measured the fair value of the contracts in accordance with the principles of IFRS 13, using the discounted cash flow method, as the sum of present value of the best estimate of the net cash flows expected to be generated by the contracts and additional elements that represent a justified cost, i.e. compensation that would potential market participants require to undertake the servicing of the insurance contract in the transaction under market conditions (margin for associated risks and uncertainty, cost of capital). The cash flows considered in the fair value measurement are consistent with those that are within the contract boundary. For all contracts measured by fair value access, the Company used reasonable and reliable information available on 1 January 2022 to determine how to identify groups of contracts. Some groups of contracts measured under the fair value approach contain contracts issued more than one year apart. Discount rates on initial recognition were determined on 1 January 2022 instead of at the date of initial recognition regardless of the length of the specified time gap. For all contracts measured under the fair value approach, the net amount of insurance financial income or expenses accumulated in the insurance contract financial reserve at 1 January 2022 is determined to be zero. The Company applied a fair value approach to life insurance contracts and for groups of insurance contracts relating to loan beneficiaries' insurance against the inability to repay the loan.

The Company applied the transitional provisions from IFRS 17 and did not disclose the impact of the adoption of IFRS 17 on each item in the financial statements and earnings per share. The effects of the adoption of IFRS 17 on the financial statements as of 1 January 2022 are presented in the statement of changes in equity.

IFRS 9 transition

The Company previously applied a temporary exemption from IFRS 9, stipulated by IFRS 4. Adoption of IFRS 17 required the Company to apply IFRS 9 from 1 January 2023. The Company restated the comparative period to provide consistent financial information for the 2023 comparative period. 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

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/iii/ Transition to IFRS 9 and IFRS 17 (continued)

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

	2023			2022		
	SPPI	**Other**	**Total**	SPPI	Other	Total
	EUR'000	**EUR'000**	**EUR'000**	EUR'000	EUR'000	EUR'000
Equity securities	**-**	**11,107**	**11,107**	-	10,689	10,689
Debt securities	**418,065**	**-**	**418,065**	383,579	-	383,579
Investment funds	**-**	**7,751**	**7,751**	-	35,799	35,799
Deposits with banks	**11,162**	**-**	**11,162**	11,097	-	11,097
Loans	**128**	**-**	**128**	200	-	200
Other receivables	**11,095**	**-**	**11,095**	7,895	-	7,895
Cash and cash equivalents	**9,348**	**-**	**9,348**	13,686	-	13,686
	449,798	**18,858**	**468,656**	416,457	46,488	462,945

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and financial liabilities of the Company as of 1 January 2023:

EUR'000	**Original classification in accordance with IAS 39**	**Revised classification in accordance with IFRS 9**	**Net book value in accordance with IAS 39 as of 31 December 2022**	**Net book value in accordance with IFRS 9 as of 1 January 2023**
Financial assets				
Debt financial instruments				
Government bonds	Held-to-maturity investments	Financial assets at fair value through OCI	21,052	21,538
Government bonds	Available-for-sale financial assets	Financial assets at fair value through OCI	353,259	353,259
Corporate bonds	Available-for-sale financial assets	Financial assets at fair value through OCI	8,782	8,782
Deposits	Loans and receivables	Financial assets at amortised cost	11,121	11,097
Loans	Loans and receivables	Financial assets at amortised cost	200	200
Loans	Loans and receivables	IFRS 17	3,225	3,225
Equity financial instruments and units in investment funds				
Shares	Available-for-sale financial assets	Financial assets at fair value through OCI	10,331	10,331
Shares	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	358	358
Open-ended investment funds	Available-for-sale financial assets	Financial assets at fair value through profit or loss	27,479	27,479
Open-ended investment funds	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	3,504	3,504
Open-ended investment funds - assets for coverage of unit-linked products	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	4,815	4,815
Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents	13,686	13,686
Total financial investments			**457,812**	**458,274**

2 Basis of preparation (continued)

(e) New standards and interpretations (continued)

/iii/ Transition to IFRS 9 and IFRS 17 (continued)

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.
The Group has developed a model for calculation of ECL on debt instruments based on externally available data.

(f) Capital management

In light of the introduction of EUR as official currency in Republic of Croatia and the impact it had 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 had the full support of the owners.

For details on capital management, please see *Note 19 Equity (Approach to capital management).*

(g) Climate risks

Climate change and associated risks are one of the current sustainability issues. The physical risks of climate change are the direct consequences of changes to the climate, while transition risks arise from the transition to a resilient climate neutral economy and society.

Although insurance companies have always been concerned with potential losses due to natural risks, global warming is underscoring the urgency of this problem. The main new risks are, in particular, a potential increase in the frequency and size of losses and the possibility of stricter requirements and political measures related to climate change (e.g. expanded reporting, investment restrictions). To meet these challenges, a VIG Insurance Group climate change strategy was approved in 2019 and slightly modified again in financial year 2021. In addition to general principles for dealing with climate change, the climate change strategy also provides guidelines for investments and insurance operating business. The Company aligned with the Group's strategy using a package of measures consisting of various tools in the investment process (such as exclusion of thermal coal and controversial and banned weapons, etc.) as well as initiatives for reducing risk for corporate and large customers in underwriting, taking into account how climate change will affect the frequency and size of losses and, therefore, the insurance business in different sectors.

2 Basis of preparation (continued)

(g) Climate risks (continued)

The medium and long-term effects of climate change are also examined in the "Own Risk and Solvency Assessment" (ORSA). As part of the ORSA process in 2023, the Company performed assessment of Sustainability risks within the Risk Inventory process. A general differentiation is made between two types of sustainability risks. Firstly, risks from sustainability factors that may have negative impacts on the assets or the Company (financial materiality, "outside-in") and secondly, risks that are caused by the Company and may negatively influence sustainability factors (societal or ecological materiality, "inside-out"). The Company assessed the risks mainly as low because most of the risks are not significantly reflected due to the structure of the investment portfolio, the environment in which the Company is located, the restrictions set by the Group, etc. Some of these risks may become more important in the future, and in that case, the Company will comply and adapt, while some will probably not be significant for the Company in the future either.

As adjusting the business model for climate change has an effect on a variety of business areas, including, for example, Asset Management, Underwriting, Reinsurance and Risk Management, the Company finds this topic material and will continue increasing efforts in this regard.

3 Material 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:

	2023	**2022**
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

3 Material accounting policies (continued)

(a) Property and equipment (continued)

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.

(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:

	2023	**2022**
Investment property	50 years	50 years

(c) 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.

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.

3 Material accounting policies (continued)

(c) Intangible assets (continued)

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 lives are as follows:

	2023	**2022**
Software	4-10 years	4-10 years

Amortisation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount 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.

(d) 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.

(e) Financial instruments

Classification and recognition

The Company classifies its financial instruments in the following categories: financial assets at fair value through other comprehensive income, financial assets at amortized cost and financial assets at fair value through profit or loss. There are two classification criteria for financial assets: business model of the Company for the management of financial assets and contractual characteristics of cash flows of financial assets. Financial assets are measured at amortized cost only if both of the following criteria are met: assets are held for the purpose of collecting cash flows and cash flows of financial assets are on specific dates that only include the payment of principal and interest on the outstanding principal amount.

The Company classifies all liabilities at amortized cost, except for: financial liabilities determined at fair value through the profit and loss, including liabilities that are derivative instruments, financial liabilities that are result of a transfer that does not meet the conditions for derecognition or the continuing participation approach is applied, contract on financial guarantee, the obligation to provide a loan with interest rates lower than market interest rates and unforeseen sums recognized by the buyer in the context of a business combination for which IFRS 3 applies.

At the initial recognition of a financial liability, the Company may decide to record financial liabilities at fair value if the contract contains one or more embedded derivative instruments, and the underlying contract is not an asset to which MFSI 9 applies. Such assessment can be performed if the embedded derivative instrument or more don't change the cash flows that would otherwise require it.

3 Material accounting policies (continued)

(e) Financial instruments (continued)

Reclassification

Reclassification is only possible if the Company changes its business model for managing financial assets. It will reclassify all affected assets. The company may not reclassify any of its financial liabilities.

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

Financial assets at fair value through the profit or loss represent a residual category of financial assets. Financial assets are classified in this category if they do not meet the criteria for classification in the category of financial assets that are measured at amortized cost or at fair value through other comprehensive income and if they do not meet the SPPI test or are held within other business models. Financial assets at fair value through profit or loss are expected to be sold before maturity or are managed and evaluated on a fair value basis. Furthermore, financial assets whose contractual cash flows do not meet the SPPI test are automatically measured at fair value through profit and loss.

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.

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

Financial assets at fair value through profit or loss include 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.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets that meet the following two conditions: Financial assets are held in order to collect contractual cash flows and cash flows of financial assets are on specific dates that only include the payment of principal and interest on the outstanding principal amount.

Debt securities and loans that meet the above criteria are within this category along with receivables from customers and other receivables, receivables based on financial leases, and cash and cash equivalents.

Gains or losses arising from the subsequent measurement of financial assets within this category are recognized as follows:

- Interest income is recognized in the profit and loss using the effective interest rate method, in the period to which they relate
- Provisions for impairment (gains and losses) are recognized in the profit and loss
- Gains or losses resulting from exchange rate changes are recognized in the profit and loss.

When financial assets are derecognised, gains or losses are recognized in the profit and loss statement and are shown in the position 'Other realized gains/losses (net)' in the profit or loss statement.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets that meet the following two conditions: Financial assets are held in order to collect contractual cash flows and selling financial assets and cash flows of financial assets are on specific dates that only include the payment of principal and interest on the outstanding principal amount.

3 Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets at fair value through other comprehensive income (continued)

The purpose of the debt instruments classified in this category is, in addition to generating interest income, managing internal liquidity needs, effectively placing excess liquidity or realizing fair value. Accordingly, within the business model of this measurement category, sales are not limited and are one of the ways to achieve goals.

For investments in equity instruments, which are not held for trading, the Company has chosen the option of measuring them at fair value through other comprehensive income. This option applies to equity investments which the Company intends to keep for longer than five years. Dividends from equity securities are recognized in the income statement.

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 "*Other payables*".

Recognition and derecognition
Purchases and sales of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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), with increase or decrease for transaction costs that are directly attributable to the acquisition (except for financial assets and liabilities at fair value through profit and loss).

If the fair value at initial recognition differs from the transaction price, then the difference between the fair value at initial recognition and the transaction price must be recognized as a gain or loss. The Company recognizes financial assets on the settlement date.

Financial assets and liabilities are subsequently measured according to: amortized cost, according to fair value through other comprehensive income or according to fair value through the profit and loss. Losses from the subsequent measurement of financial assets and liabilities that are classified according to fair value through the profit and loss account are reported as income or expense in the profit and loss statement.

Financial assets, the effects of which are recorded through other comprehensive income, are recorded through capital as increase/decrease (shown through the Statement of other comprehensive income). Financial assets and liabilities measured at amortized cost are subsequently measured using the effective interest rate method. Impairment is applied to assets held at amortized cost and fair value through other comprehensive income.

After initial recognition, the Company measures financial assets at fair value through profit or loss or fair value through other comprehensive income 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.

Loans and receivables 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.

3 Material accounting policies (continued)

(e) Financial instruments (continued)

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.

If the Company invests in equity securities that are not intended for trading, the Company may decide that subsequent changes in the value of these financial assets are presented in other comprehensive income. Dividends are recognized in the profit and loss only if the right to dividend payment is established, if it is probable that the dividend will be collected and if the amount of the dividend can be reliably determined.

Gains and losses on financial instruments carried at amortised cost are recognised in profit or loss, when a financial instrument is derecognised, reclassified, through amortisation (premium or discount) and in case of impairment loss. According to IFRS 9, interest income is determined according to the effective interest rate method, starting from the

gross book value of financial assets. Such assets are valued at the effective interest rate adjusted for credit risk. The effective interest rate includes directly attributable fees, such as issuance fees received by the entity in connection with the creation or acquisition of financial assets; payments for activities, such as evaluating the borrower's financial condition; evaluation and recording of guarantees, payment insurance and other guarantees, negotiation of the terms of the instrument, preparation and processing of documentation and conclusion of the transaction.

Gains or losses arising from a change in the fair value through other comprehensive income are recognised directly in other comprehensive income except for impairment losses and foreign exchange. Upon sale or other de-recognition of financial assets at fair value through other comprehensive income, any cumulative gains or losses on the instrument are transferred from other comprehensive income to profit or loss.

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.

3 Material accounting policies (continued)

(e) Financial instruments (continued)

Impairment of financial assets (continued)

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.

The general model of expected credit loss defines the classification of financial instruments, based on their credit quality at initial recognition and subsequent changes in credit quality reporting periods, in three stages of impairment. The impairment phase in which the financial instrument is assigned determines the amount of impairment or provision that will be recognized in the business books as well as the amount of interest income that will be recognized in the reporting period.

Stage 1

- There was no change in the credit risk or there was an insignificant increase in the credit risk of the financial instrument compared to the initial recognition
- Amount of impairment or provision is the amount of expected credit losses for a twelve-month period
- Basis for interest revenue calculation is gross book value.

Stage 2

- There was a significant increase in the credit risk of the financial instrument compared to the initial recognition
- Amount of impairment or provision is the amount of expected credit losses over the lifetime
- Basis for interest revenue calculation is gross book value.

Stage 3

- Default status has occurred and there is objective evidence of impairment of the financial instrument compared to initial recognition
- Amount of impairment or provision is the amount of expected credit losses over the lifetime
- Basis for interest revenue calculation is net book value.

If, in a subsequent period, the fair value of a debt instrument classified as fair value through other comprehensive income increases and the increase can be objectively attributed 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.

Specific instruments

Debt securities

Debt securities are classified as financial assets at fair value through other comprehensive income.

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 other comprehensive income

3 Material accounting policies (continued)

(e) Financial instruments (continued)

Specific instruments (continued)

Investments in investment funds

Investments in investment funds are classified as financial assets at fair value through profit or loss.

Investments held on account and at risk of life assurance policyholders

Investments held on account and at the risk of life insurance 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.

Other receivables

Other receivables are stated at their amortised cost less impairment losses. 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.

Other payables

Other payables are initially recognised at fair value and then subsequently at amortised cost. 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.

(f) 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 Material accounting policies (continued)

(f) 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.

(g) 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 Material accounting policies (continued)

(h) 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.

(i) 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 Material accounting policies (continued)

(j) 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.

(k) Share capital

Ordinary share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares classified as equity and is denominated in EUR. 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 fair value through OCI financial assets, net of related deferred tax.

Financial reserve from insurance contracts

The Company has exercised the accounting policy choice option offered by IFRS 17 and disaggregates insurance finance income and expense between P&L and OCI, for all portfolios measured under GMM and PAA. Financial reserve from insurance contracts represents the balance of the part of insurance finance income and expense that has been classified as OCI and is calculated as the difference between total Insurance Finance income and expense ("IFIE") and the amount recognized in P&L. Systematic allocation, by which the amount of insurance finance income and expense is recognized in P&L, is determined by using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (effective yield).

3 Material accounting policies (continued)

(k) 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.

(l) Impairment

The carrying amounts of the Company's receivables 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.

(m) 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 Material accounting policies (continued)

(m) 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 expenses 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, insurance contract liabilities 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.

(n) Revenue

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

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. 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 (e) 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.

3 Material accounting policies (continued)

(o) 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 attributable 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. Commission expenses are recognised on an accruals basis.

Insurance acquisition cash flows shall be amortised to insurance contract expenses using the same recognition pattern as the related premiums for contracts measured under PAA, while for contracts measured under GMM and VFA, amortisation follows pattern of CSM release and is shown as part of insurance contract revenue and expense for presentation purposes.

Administration costs

Administration costs include attributable 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 non-attributable administration and acquisition expenses, 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.

3 Material accounting policies (continued)

(p) Classification of contracts

Insurance 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.

Policyholders or beneficiaries of products with savings component (endowment, pure endowment, whole life, term-fix and annuity insurance 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 insurance contract liabilities.

Contracts with direct participation features

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Company’s expectations at the contract’s inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary. Company considers its unit-linked products to be contracts with direct participation features.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the Company’s share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders), less the future cash flows (“FCF”) that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the variable fee approach (“VFA”). The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that an entity receives for the contracts is a variable fee. Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

All other insurance contracts originated by the Group are without direct participation features.

3 Material accounting policies (continued)

(p) Classification of contracts (continued)

Investment component

The Company identifies investment component for products with profit participation, annuity products and unit/index linked products.

There is no identified investment component in Term Life products because the minimum payment that the policyholder receives, considering all possible outcomes is not greater than zero because in case of survival, the policyholder is not entitled to be paid a financial benefit. IFRS 17 defines investment components of insurance contracts as "the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs."

There is no identified investment component in credit products and PAA eligible products.
This amount may be payable to the policyholder either:

- On demand at present, based on options available to the policyholder (e.g. a surrender value); or
- With certainty at some point in future, as implied by the contractual benefits (for instance, a death benefit from a non-cancellable whole life contract or maturity benefit for an endowment product).

An insurance contract contains an investment component if the minimum payment that the policyholder receives, considering all possible outcomes from the contract is greater than zero (i.e. this minimum payment is made when the insured event occurs but also when the insured event does not occur). An investment component typically arises in situations, when an insurance contract with account balance pays a death benefit which is the greater of the sum assured and the account balance and when the surrender or maturity benefits are equal to the account balance. This account balance is then payable to the policyholder regardless of occurrence of the death of the policyholder, thus qualifies for being an investment component. The amount of the investment component should be determined on a present value basis as at the time of making this determination.

Reinsurance contracts

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

(q) Unit of Account

Grouping insurance contracts is appropriate and provides useful information to users of financial statements. Therefore, while the entity's rights and obligations arise from individual contracts with policyholders, once an entity has established a group of insurance contracts, it becomes the unit of account to which the entity applies the requirements of IFRS 17.

In forming the groups, Company shall not include contracts issued more than one year apart in the same group. Due to the requirements coming from the Standard, the determined portfolios are disaggregated per issue dates or payment date to cohorts and, finally, based on expected profitability of the respective insurance contracts in that portfolio and cohort to groups of insurance contracts. While the assignment of a particular insurance contract to a portfolio and cohort is known at issue of the contract, its grouping determined by expected profitability, becomes known at initial recognition of the contract. As the assignment of a contract to a portfolio and cohort does not happen at the same time as the initial recognition of that contract within a specific group, it is important to define a process for initial recognition of contracts included into a portfolio and a specific cohort. In recognizing such group of insurance contracts in a reporting period, only contracts which individually meet the recognition criteria should be included. More contracts may be included in the group after the end of the reporting period subject to meeting the requirements on their level of aggregation, e.g. contracts issued more than one year apart should not be in the same group. Contracts should be added to a group in the reporting period in which they meet one of the recognition criteria. We note that a group of onerous contracts should be recognized at the date when that group becomes onerous.

Once the entity determined the groups of insurance contracts, as above, this becomes the unit of account ("UoA") to which an entity applies requirements of IFRS 17. This means that IFRS 17 metrics such as fulfilment cash flows, the Contractual Service Margin ("CSM") and loss components should be available at this granularity. The grouping requirement for determining the UoA is based on the issue dates or payment date of the respective insurance contracts. The rationale behind this grouping requirement is driven by the assumption that contracts issued in a given underwriting period are expected to have similar profitability.

3 Material accounting policies (continued)

(r) Recognition

Insurance contracts grouped to Units of Accounts based on their issue dates should be initially recognized when they become eligible for recognition.

The Company recognizes group of insurance contract issued based on the earlier of the following:

- the beginning of the coverage period
- the date when the first payment from the policyholder is due; and
- when the Company determines that a group of contracts becomes onerous

Recognition of reinsurance contracts held depends on whether:

- the reinsurance contract held provides coverage on a proportionate or non-proportional basis; and
- the underlying insurance contracts are onerous or not.

Proportionate reinsurance contracts held are recognized at the later of:

- the beginning of the coverage period of the group of reinsurance contracts held; or
- the initial recognition of any underlying insurance contract.

For proportionate contracts, this means that the Company will not recognize a group of insurance contracts until it has recognized at least one of the underlying insurance contracts.

Non-proportionate reinsurance contracts held are recognized at the beginning of the coverage period of the group of reinsurance contracts held.

A group of reinsurance contracts held covering onerous contracts is recognized at the same time as the group of onerous underlying contracts, if these underlying contracts are themselves recognized at the date before the start of the coverage period of the reinsurance contracts and if the Company entered into the related reinsurance contract held at or before that date. This may be before the start of the coverage period of such contracts as groups of onerous contracts are recognized when the group becomes onerous.

3 Material accounting policies (continued)

(s) Measurement

I. Fulfilment cash flows (FCF)

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.

For groups of reinsurance contracts held, cash-flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay the amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

In non-life, the Company has one year QS contracts that cover underlying business issued within a year. The exception is QS treaty for Payment protection insurance (PPI) that is concluded for an indefinite period but is cancellable for new underlying business with a three-month notice period by either party. Thus, the Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within the reinsurance contracts' one-year boundary are included in the measurement of the reinsurance contracts.

The Company also has excess of loss reinsurance contracts held that provides coverage for claims incurred during an accident or underwriting year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident/underwriting year are included in the measurement of the reinsurance contracts held. Some of these contracts might include mandatory reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries. Majority of other fronting and facultative reinsurance contracts are concluded for the period of one year so they are also within the contracts' boundaries.

3 Material accounting policies (continued)

(s) Measurement (continued)

I. Fulfilment cash flows (FCF) (continued)

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.

a) Pre-recognition acquisition cash-flows

The Company defines acquisition cash-flows as cash-flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis.

Before a group of insurance contracts is recognised, the Company could pay for directly attributable acquisition costs. Such balances, which for the Company are typically limited to non-refundable prepaid acquisition costs insurance contracts measured under PAA, are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised (in full or to the extent that insurance contracts expected to be in the group have been recognised at that date) when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses would reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

b) Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the Company could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, because of the occurrence of the cash flows. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

3 Material accounting policies (continued)

(s) Measurement (continued)

I. Fulfilment cash flows (FCF) (continued)

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.
Croatian Insurance Bureau methodology for determining discount rates prescribes the use of bottom-up approach, with the reference portfolio of assets being defined as Croatian Government Bonds denominated in EUR. Illiquidity adjustment is added on top, which is calculated by VIG Asset Risk Management. The Illiquidity adjustment is based on the risk-corrected spread between the interest rate that could be earned from a reference portfolio (sovereign fixed income yield and corporate fixed income segmented by sector), and the basic risk-free interest rates.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is included in the expected cash flows to represent compensation 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 is using Cost-of-capital approach to determine Risk Adjustment.

II. Initial measurement – Groups of contracts not measured under the PAA

Contractual service margin (CSM)

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 in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:

a) the initial recognition of the FCF;
b) cash flows arising from the contracts in the group at that date;
c) the derecognition of any insurance acquisition cash flows asset; and
d) the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

a) the initial recognition of the FCF; and
b) cash flows arising from the contracts in the group at that date;
c) the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
d) any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

3 Material accounting policies (continued)

(s) Measurement (continued)

II. Initial measurement – Groups of contracts not measured under the PAA (continued)

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (d) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

III. Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a) the LRC, comprising:
   i) the FCF related to future service allocated to the group at that date; and
   ii) the CSM of the group at that date;
b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of: a.

a) the remaining coverage, comprising:
   i) the FCF related to future service allocated to the group at that date; and
   ii) the CSM of the group at that date; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.
The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a) changes that relate to current or past service are recognised in profit or loss; and
b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows;
b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
d) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (d) above are measured using discount rates determined on initial recognition (the locked-in discount rates). For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b) changes in the FCF relating to the LIC;
c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows; and
d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

3 Material accounting policies (continued)

(s) Measurement (continued)

III. Subsequent measurement – Groups of contracts not measured under the PAA (continued)

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

a) changes in the amount of the Company's share of the fair value of the underlying items; and
b) changes in the FCF that do not vary based on the returns of underlying items:
   i) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
   ii) experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows;
   iii) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
   iv) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
   v) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (ii)-(v) are measured using the current discount rates.

For insurance contracts under the VFA, changes in FCF that do not vary based on the returns of underlying itmes do not adjust the CSM:

a) changes in the FCF relating to the LIC; and
b) experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Company does not have any products with complex guarantees and does not use derivatives as economic hedges of the risks.

Changes of the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

a) The effect of any new contracts added to the group.
b) For contracts measured under the GMM, interest accreted on the carrying amount of the CSM
c) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d) The effect of any currency exchange differences.
e) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

3 Material accounting policies (continued)

(s) Measurement (continued)

Changes of the contractual service margin (continued)

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

a) The effect of any new contracts added to the group.
b) Interest accreted on the carrying amount of the CSM.
c) Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
d) Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
e) Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
f) The effect of any currency exchange differences.
g) The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.
The Company does not have any reinsurance contracts held measured under the GMM with underlying contracts measured under the PAA.

Interest accretion on the CSM
Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items. If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises these discount curves by calculating weighted-average discount curves over the period during which the contracts in the group are recognised.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the Changes in fulfilment cash flows section above.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Company expects these amounts to include an investment return that is achieved by the Company by performing investment activities to generate that investment return.

3 Material accounting policies (continued)

(s) Measurement (continued)

Release of the CSM to profit or loss (continued)

For contracts issued, the Company determines the coverage period for the CSM recognition as follows: a.

a) for mixed- life insurance contracts, the coverage period corresponds to the insurance coverage which is the same as the period during which investment-return services are provided;
b) for direct participating contracts (unit-linked) the coverage period is determined by the period in which investment-related services are expected to be provided;
c) for term life insurance contracts, no investment-return services are provided and, thus, the coverage period is determined by insurance coverage;

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a) the quantity of benefits provided by contracts in the group;
b) the expected coverage period of contracts in the group; and
c) the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Company uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage

The Company determines coverage units as follows:

a) for term life insurance contracts, coverage units are defined as the fixed death benefit amounts (sum assured);.
b) for mixed-life, coverage units are defined as sum assured in case of death;
c) for direct participating contracts, coverage units are defined as sum assured in case of death
d) for annuity insurance, coverage units are defined as mathematical reserve (from technical business plan);

The Company reflects the time value of money in the allocation of the CSM to coverage units, using current discount rates that are applied to nominal cash flows that do not vary based on the returns of underlying items.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows plus risk adjustment for non-financial risk:

a) expected incurred claims and other directly attributable expenses for the period;
b) changes in the risk adjustment for non-financial risk for the risk expired;
c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses. Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

3 Material accounting policies (continued)

(s) Measurement (continued)

Reinsurance contracts held – Loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the Onerous contracts – Loss component section above. The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

IV. Initial and subsequent measurement – Groups of contracts measured under the PAA

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, in order to assess the PAA eligibility, the Company determines the amount of premium underwritten for multiyear polices. If the amount is lower than 5% of premium for that line of business, that line of business is considered PAA eligible. If the amount is greater than 5%, then PAA eligibility test is performed in order to determine the difference between PAA and GMM calculation on that portfolio. If this difference is not material, the portfolio is also considered PAA eligible.
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.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

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 insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of
a) the LRC; and
b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The LRC includes the amount of premium receivables and deferred acquisition expenses and is increased by the commission related payables and amount of bonuses and discounts which is expected to be paid out to policyholders 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.

The LIC includes liability for claims that have not yet been paid, liability to pay taxes on MTPL and Casco, guarantee fund reserve, liability to pay out appraisers, liability to pay fire tax.

3 Material accounting policies (continued)

(s) Measurement (continued)

IV. Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
a) the remaining coverage; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Remaining coverage includes the amount of reinsurance premium payables, reinsurance commission receivables and premium related reinsurance deposit.

Incurred claims include liability for claims that have not yet been paid, reinsurance claim receivable, claim related reinsurance deposit and payables for interest on claim related deposit.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.
e) Adjusted for changes in premium receivables, DAC, commission related payables and bonuses

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
a) increased for ceding premiums paid in the period;
b) adjusted for changes in reinsurance premium payable, reinsurance commission receivable and premium deposit.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

There are no investment components within insurance contracts issued that are measured under the PAA. Investment component for reinsurance contracts held that are measured under the PAA is calculated for quota share contracts with sliding scale commission.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM.
Future cash flows are adjusted for the time value of money taking into account the settlement period of each group of contracts.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised.

Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. There was no loss component established in 2022 and 2023 for PAA business.

3 Material accounting policies (continued)

(t) Insurance revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue.

The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.
For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
     - amounts allocated to the loss component;
     - repayments of investment components and policyholder rights to withdraw an amount;
     - insurance acquisition expenses; and
     - amounts related to the risk adjustment for non-financial risk (see (b));
  b) changes in the risk adjustment for non-financial risk, excluding:
     - changes included in insurance finance income (expenses);
     - changes that relate to future coverage (which adjust the CSM); and
     - amounts allocated to the loss component;
  c) amounts of the CSM recognised for the services provided in the period;
  d) experience adjustments – arising from premiums received in the period other than those that relate to future service; and
  e) other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition. IFRS 17(B125)
- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

(u) Insurance service expenses

Insurance service expenses include the following:

a) incurred claims and benefits, excluding investment components, reduced by loss component allocations;
b) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
c) insurance acquisition cash flows amortisation;
d) changes that relate to past service – changes in the FCF relating to the LIC; and
e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
f) insurance acquisition cash flows assets impairment, net of reversals

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

3 Material accounting policies (continued)

(u) Insurance service expenses (continued)

Incurred claims and changes in FCF relating to the LIC

Claims incurred in respect of non-life business consist of claims and claims-handling costs settled during the financial year. Changes in FCF relating to LIC consists of the movement in the PVCF and RA and insurance related payables included in LIC.

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.

Changes relating to LIC are based on reviewing the individual claims and calculations based on statistical methods that make allowance for claims incurred but not yet reported and 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. They represent changes in 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.

Whilst management considers that the gross provisions for claims 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 insurance business

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

(v) Net income/(expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;
b) incurred claims recovery, excluding investment components, reduced by loss-recovery component allocations;
c) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
d) effect of changes in the risk of reinsurers' non-performance;
e) amounts relating to accounting for onerous groups of underlying insurance contracts issued:
   - income on initial recognition of onerous underlying contracts;
   - reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
   - reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services.

For contracts measured under the GMM, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
   - amounts allocated to the loss-recovery component;
   - repayments of investment components; and
   - amounts related to the risk adjustment for non-financial risk (see (b));
b) amounts of the CSM recognised for the services received in the period; and
c) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

3 Material accounting policies (continued)

(v) Net income/(expenses) from reinsurance contracts held (continued)

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.
Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

(w) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money;
b) the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

a) interest accreted on the FCF and the CSM; and
b) the effect of changes in interest rates and other financial assumptions.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items.
For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a) interest accreted on the LIC; and
b) the effect of changes in interest rates and other financial assumptions.

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the GMM and the PAA, the Company disaggregates all insurance finance income or expenses for the period between profit and loss and OCI. (that is, the OCI option is applied). The Company has defined a pattern by which the expected total insurance finance income or expenses are allocated systematically to each period's profit or loss over the duration of the group of contracts. The difference between the amount allocated to each period's profit or loss based on this systematic allocation, and the total insurance finance income or expenses of the period, is recognised in OCI.

(x) 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 United States Dollar.

The exchange rate used for translation at 31 December 2023 was EUR 1 = USD 1.1050 (31 December 2022: 1.0666).

4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 34) 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 insurance contract liabilities 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 insurance contract liabilities

The most significant estimates in relation to the Company's financial statements relate to insurance liabilities. The Company applies HANFA regulations. The Company employs certified actuaries.

Major assumptions in calculating insurance liabilities are set out in Note 6 and all insurance contract liabilities are analysed in Note 21.

Impairment losses of loans and receivables

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3 (e) "*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 (e). 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 2023, the Company was involved in 912 (2022: 825) claims-related court cases for which EUR 11,288 thousand (2022: EUR 10,436 thousand) was provided as part of the claims reserve for reported but not yet settled claims. At 31 December 2023, the Company was involved in 15 (2022: 14) non-insurance court cases for which EUR 1,062 thousand (2022: EUR 318 thousand) was provided as provision for non-insurance related court cases (Note 23). 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 EUR 22,028 thousand as of 31 December 2023 (2022: EUR 23,039 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:

Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increase in credit risk and measurement of expected credit losses. In respect of significant increase in credit risk, the Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities. Detailed disclosures are provided in chapter Risk management. For further information on the definition of default refer to Note 34 Measurement of expected credit loss.

4 Accounting estimates and judgements (continued)

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

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)

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 2023 the Company concluded that there are no debtors which should be consolidated, which is consistent with 2022.

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 2023, 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 2023 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.

Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has adopted IFRS 17 retrospectively, applying Fair Value Approach („FVA“) where the full retrospective approach was impracticable.

The fair value approach was applied to all life insurance contracts that were issued before *1 January 2022*.

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.

4 Accounting estimates and judgements (continued)

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

Judgements in applying the fair value approach

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.

The fair value of an insurance liability is the price a market participant would be willing to pay to assume the obligation and the remaining risks of the in force contracts as at the transition date. Since there were no recent market transactions of similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

a) only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;

b) profit margin was included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

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. The illiquidity adjustment is based on the risk-corrected spread between the interest rate that could be earned from a reference portfolio (sovereign fixed income yield and corporate fixed income segmented by sector), and the basic risk-free interest rates.

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 insurance contract liabilities 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 insurance liabilities 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 200 thousand for property, EUR 200 thousand for liability, EUR 125 thousand for marine EUR 250 for 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 1,099.80 million of losses exceeding the EUR 200 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.

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.

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

Life insurance

The management believes that for life insurance 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. 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 2023	**Total sum insured**			
	Before reinsurance		After reinsurance	
In EUR	**EUR’000**	**%**	EUR’000	%
< 13,000	313,044	23.4	308,201	24.3
13,000 – 33,000	740,818	55.3	708,210	55.7
>33,000	284,873	21.3	254,406	20.0
At 31 December 2023	**1,338,735**	**100.0**	1,270,817	100.0

Sum insured per policy at 31 December 2022	**Total sum insured**			
	Before reinsurance		After reinsurance	
In EUR	**EUR’000**	**%**	EUR’000	%
< 13,000	338,593	26.4	334,651	27.6
13,000 – 33,000	737,138	57.4	695,350	57.3
>33,000	207,452	16.2	182,974	15.1
At 31 December 2022	**1,283,183**	**100.0**	1,212,975	100.0

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

Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the consolidated financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to Note 7.

Discount rates

Croatian Insurance Bureau methodology for determining discount rates prescribes the use of bottom-up approach, with the reference portfolio of assets being defined as Croatian Government Bonds denominated in EUR. Illiquidity adjustment is added on top, which is calculated by VIG Asset Risk Management.

Discount rates used in calculation are set out in the tables below:

31.12.2023	**1**	**10**	**20**	**30**	**40**
EUR Forward curve	3.64%	3.45%	3.55%	3.51%	3.48%
USD Forward curve	5.04%	3.78%	3.45%	3.05%	3.26%

31.12.2022	**1**	**10**	**20**	**30**	**40**
HRK Forward curve	2.60%	5.35%	4.18%	3.71%	3.54%
USD Forward curve	5.18%	3.93%	3.22%	2.22%	1.52%

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

Investment assets returns

A deterministic model, which Company uses, is applied in the determination of the estimate of future obligations. The determination of rules for future profit participation, which are based on the return on investment and used in projection models, is relevant to the calculation of insurance contract liabilities. These rules are called "Management Rules" and they are reflecting the planned future management actions for profit participation. It is important to emphasize that these rules cannot cover all possible future events. Although the allocation of profit participation for the majority of the Company's active portfolio is subject to the Company's discretion, the assumed future allocation is based on the investment performance system and also depends on the overall annual performance of the Company. The assumed future management actions take into account the income from investing assets covering life insurance contract liabilities. Profit participation depends on the investment return surplus above the reserving technical interest rate and on the total annual profit.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts in the scope of IFRS 17 are all 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. Acquisition cash flows, other than commissions, are either directly allocated to groups of contracts or indirectly based on ratios of gross premiums paid. Expenses of an administrative policy maintenance nature are either directly allocated to groups of contracts or indirectly based on the number of contracts in force within groups or gross premiums written. Claims settlement related expenses are allocated based on the number of claims expected for all groups except for Non-life insurance where such expenses are allocated based on claims costs.

For the Life insurance contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholder behaviour and uncertainties regarding future inflation rates and expenses growth.

For the Direct Participating contracts (unit-linked), uncertainty in the estimation of future claims and benefit payments arises primarily from the variability in policyholder behaviour.

For the Non-life contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required. Significant methods and assumptions used are discussed below.

Mortality assumption – Life insurance contracts

The Company derives mortality rates assumptions from the recent credible national mortality tables published by the Croatian statistical bureau. An investigation into the Company's experience over the most recent five years is performed, and statistical methods are used to adjust the mortality tables to produce the probability weighted expected mortality rates in the future over the duration of the insurance contracts. Mortality rates are differentiated between policyholder groups based on gender. Assumptions and methods used to derive mortality assumptions are shown below:

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

Mortality assumption – Life insurance contracts (continued)

Mortality assumptions as at 31.12.2023:

Insurance portfolio	Mortality table (male / female)	Multiplier (male / female)
Whole Life **Term Life**	Hr_m_2010-2012/Hr_f_2010-2012	50% / 50%
all the others	Hr_m_2010-2012/Hr_f_2010-2012	40% / 40%

In 2022 the same assumptions were used.

A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM.
For a sensitivity analysis, refer to note 7.

Persistency assumption – Life insurance contracts

The Company derives assumptions about lapse and surrender rates based on the Company’s own experience. Historical lapse and surrender rates are derived from the Company’s policy administration data. An analysis is then performed of the Company’s historical rates in comparison to the assumptions previously used. Statistical methods are used to derive adjustments to reflect the Company’s own experience and any trends in the data to arrive at the probability weighted expected lapse and surrender rates. Analysis is performed and assumptions are set by major product line. The following assumptions about lapse rates for most significant product lines were used in 2023:

31.12.2023	**1**	**5**	**10**	**15**	**25+**
Mixed life - regular	11.36%	1.68%	1.68%	1.65%	0.89%
Mixed life - single	0.37%	0.00%	1.64%	2.42%	0.00%
Whole life - regular	0.00%	0.00%	1.83%	3.23%	3.42%

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

Persistency assumption – Life insurance contracts (continued)

The following assumptions about lapse rates for most significant product lines were used in 2022:

31.12.2022	**1**	**5**	**10**	**15**	**25+**
Mixed life - regular	12.52%	5.86%	2.97%	1.85%	0.60%
Mixed life - single	0.00%	0.00%	0.00%	0.00%	1.84%
Whole life - regular	0.00%	0.00%	6.25%	3.28%	3.60%

Expenses assumption – Life and Non-life insurance contracts

The Company projects estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the Non-life contracts, estimates of future claim payments are adjusted for inflation.

For claims expenses assumption Company uses differentiation according to homogeneous groups based on claim type. For each claim type realisation in past period is taken into account, in terms of number of claims occurred and average time spent on processing the claim.

Administrative claims assumption are divided into homogeneous groups that reflect the actual administrative workload of daily work. For purpose of calculating administrative costs the Company uses adjusted method and is using planned expenses for upcoming year.

The expense inflation assumption is based on rates from Economist Intelligence Unit and is considered to be a financial risk. The Company has not changed its methods used to project expenses in 2023.

Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM and increase the LIC for Property and Casualty contracts measured under the PAA. For a sensitivity analysis, refer to note 7.

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

Methods used to measure Non-life insurance contracts

Insurance liabilities for the claims incurred (LIC) are 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. LIC also includes liability to pay taxes on MTPL and Casco, guarantee fund reserve, liability to pay out appraisers and liability to pay fire tax.

The key methods for assessing the liability for claims that have not yet been paid are:

- Bornhuetter-Ferguson method, which uses a combination of benchmark estimate and an estimate based on claims experience;
- 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.

LIC is 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 insurance revenue. 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 liabilities.

Annuity claims

LIC includes provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of maximum 1% per annum. Annuities are calculated using the Republic of Croatia mortality tables from 2010-12.

Claims handling provision

The provision for claims handling expenses is computed as a certain percentage of the liability for claims that have not yet been paid. 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%.

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

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The risk adjustment was calculated at the group of contract level.

The cost of capital method was used to derive the risk adjustment for non-financial risk. In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The cost rate is set at 6% per annum representing the return required to compensate for the exposure to non-financial risk.

The capital is determined at a 99.5% confidence level and is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification between life and non-life segments. The resulting amount of the calculated risk adjustment, based on ultimate risk view, corresponds to the confidence level of 71% (2022 - 70%).

7 Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Life insurance

	FCF EUR'000	CSM EUR'000	Total EUR'000	Impact on FCF EUR'000	Impact on CSM EUR'000	Total decrease in insurance contract liabilities EUR'000	Remaining CSM EUR'000	Impact on profit before income tax EUR'000	Impact on equity EUR'000
2023									
Insurance contract liabilities as at 31 December	**322,884**	**26,047**	**348,931**	**-**	**-**	**-**	**-**	**-**	**-**
Mortality rate – 5% increase									
Insurance contract liabilities	-	-	-	**805**	**(949)**	**(144)**	**25,097**	**314**	**258**
Lapse rates – 50% decrease									
Insurance contract liabilities	-	-	-	**(5,907)**	**2,414**	**(3,493)**	**28,460**	**1,096**	**898**
Expenses – 10% decrease									
Insurance contract liabilities	-	-	-	**(2,670)**	**2,303**	**(367)**	**28,349**	**981**	**805**
2022 (restated)									
Insurance contract liabilities as at 31 December	326,249	31,349	357,598	-	-	-	-	-	-
Mortality rate – 5% increase									
Insurance contract liabilities	-	-	-	692	(816)	(124)	30,533	270	222
Lapse rates – 50% decrease									
Insurance contract liabilities	-	-	-	(7,162)	2,927	(4,235)	34,276	1,328	1,089
Expenses – 10% decrease									
Insurance contract liabilities	-	-	-	(1,793)	1,546	(247)	32,895	659	540

7 Sensitivity analysis to underwriting risk variables (continued)

Non-life insurance – contracts measured under PAA

	LIC as at 31 December EUR'000	Impact on LIC EUR'000	mpact on profit before tax EUR'000	Impact on equity EUR'000
2023				
Insurance contract liabilities	51,904	-	-	-
Reinsurance contract assets	(24,653)	-	-	-
Net insurance contract liabilities	**27,251**	-	-	-
Current year ultimate loss ratio – 1% increase				
Insurance contract liabilities	-	800	(800)	(656)
Reinsurance contract assets	-	(211)	211	173
Net insurance contract liabilities	**-**	**589**	**(589)**	**(483)**
Current year ultimate loss ratio – 1% decrease				
Insurance contract liabilities	-	(800)	800	**656**
Reinsurance contract assets	-	250	(250)	**(205)**
Net insurance contract liabilities		**(550)**	**550**	**451**
2022 (restated)				
Insurance contract liabilities	44,110	-	-	-
Reinsurance contract assets	(15,790)	-	-	-
Net insurance contract liabilities	28,320	-	-	-
Current year ultimate loss ratio – 1% increase				
Insurance contract liabilities	-	766	(766)	(628)
Reinsurance contract assets	-	(148)	148	122
Net insurance contract liabilities	-	618	(618)	(506)
Current year ultimate loss ratio – 1% decrease				
Insurance contract liabilities	-	(766)	766	628
Reinsurance contract assets	-	149	(149)	(122)
Net insurance contract liabilities		(617)	617	506

7 Sensitivity analysis to underwriting risk variables (continued)

Non-life insurance – contracts measured under GMM

	FCF EUR'000	CSM EUR'000	Total EUR'000	Impact on FCF EUR'000	Impact on CSM EUR'000	Total increase/(decrease) in insurance contract liabilities EUR'000	Remaining CSM EUR'000	Impact on profit before income tax EUR'000	Impact on equity EUR'000
2023									
Insurance contract liabilities as at 31 December	**1,179**	**4,014**	**5,193**	**-**	**-**	**-**	**-**	**-**	**-**
Mortality rate – 5% increase									
Insurance contract liabilities	-	-	-	115	(93)	22	3,921	(20)	(17)
Lapse rates – 50% decrease									
Insurance contract liabilities	-	-	-	(826)	687	(139)	4,701	64	53
Expenses – 10% decrease									
Insurance contract liabilities	-	-	-	(29)	15	(14)	4,029	13	11
2022 (restated)									
Insurance contract liabilities as at 31 December	787	3,324	4,111	-	-	-	-	-	-
Mortality rate – 5% increase									
Insurance contract liabilities	-	-	-	77	(77)	-	3,247	(13)	(11)
Lapse rates – 50% decrease									
Insurance contract liabilities	-	-	-	(551)	569	18	3,893	43	35
Expenses – 10% decrease									
Insurance contract liabilities	-	-	-	(19)	12	(7)	3,336	9	7

8 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.

8 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 insurance contracts

Profit sharing

Majority of the Company's traditional life insurance contracts with savings component include an entitlement to receive a bonus from investment or mortality surplus. 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 insurance 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.

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

Life insurance contracts (continued)

Whole Life insurance

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 insurance

Unit-linked life insurance combines traditional term life insurance 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 insurance

Index-linked life insurance 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.

9 Segment reporting

Statement of financial position by business segment as at 31 December 2023

	Non-life EUR'000	Life EUR'000	Total EUR'000
Assets			
Property and equipment	4,141	8,074	**12,215**
Right-of-use asset	2,867	-	**2,867**
Investment property	2,475	19,553	**22,028**
Intangible assets	7,751	2,122	**9,873**
Financial assets at amortised cost	9,127	2,163	**11,290**
Financial assets at fair value through OCI	73,066	356,106	**429,172**
Financial assets at fair value through profit or loss	60	7,691	**7,751**
Insurance contract assets	248	-	**248**
Reinsurance contract assets	22,007	-	**22,007**
Deferred tax asset	703	12,412	**13,115**
Inventories	2	-	**2**
Other receivables	5,270	5,825	**11,095**
Current income tax prepayment	727	610	**1,337**
Cash and cash equivalents	7,191	2,157	**9,348**
Total assets	**135,635**	**416,713**	**552,348**
Shareholders' equity			
Share capital	13,532	17,907	**31,439**
Capital reserves	5,800	896	**6,696**
Legal and statutory reserve	74	485	**559**
Other reserves	4,442	28,349	**32,791**
Fair value reserve	(2,007)	(34,534)	**(36,541)**
Financial reserve from insurance contracts	(2)	28,425	**28,423**
Retained earnings	14,018	(9,528)	**4,490**
Total equity	**35,857**	**32,000**	**67,857**
Liabilities			
Insurance contract liabilities	80,238	348,931	**429,169**
Reinsurance contract liabilities	1,279	84	**1,363**
Subordinated loans	-	24,947	**24,947**
Provisions for liabilities and charges	2,303	3,403	**5,706**
Deferred tax liability	-	6,239	**6,239**
Lease liabilities	2,912	-	**2,912**
Other payables	13,046	1,109	**14,155**
Total liabilities	**99,778**	**384,713**	**484,491**
Total liabilities and equity	**135,635**	**416,713**	**552,348**

9 Segment reporting (continued)

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

	Non-life	Life	Total
	EUR'000	EUR'000	EUR'000
Assets			
Property and equipment	4,730	8,321	**13,051**
Right-of-use asset	2,903	-	**2,903**
Investment property	3,082	19,957	**23,039**
Intangible assets	8,057	2,351	**10,408**
Financial assets at amortised cost	111	11,186	**11,297**
Financial assets at fair value through OCI	56,707	337,561	**394,268**
Financial assets at fair value through profit or loss	8,267	27,532	**35,799**
Insurance contract assets	173	-	**173**
Reinsurance contract assets	16,296	-	**16,296**
Deferred tax asset	1,961	20,841	**22,802**
Inventories	3	-	**3**
Other receivables	7,720	175	**7,895**
Current income tax prepayment	621	793	**1,414**
Cash and cash equivalents	7,846	5,840	**13,686**
Total assets	**118,477**	**434,557**	**553,034**
Shareholders' equity			
Share capital	13,470	17,825	**31,295**
Capital reserves	5,800	896	**6,696**
Legal and statutory reserve	74	485	**559**
Other reserves	4,504	28,431	**32,935**
Fair value reserve	(4,296)	(50,497)	**(54,793)**
Financial reserve from insurance contracts	537	46,896	**47,433**
Retained earnings	17,596	(16,764)	**832**
Total equity	**37,685**	**27,272**	**64,957**
Liabilities			
Insurance contract liabilities	70,350	357,598	**427,948**
Reinsurance contract liabilities	1,322	862	**2,184**
Subordinated loans	-	24,947	**24,947**
Provisions for liabilities and charges	2,615	2,943	**5,558**
Deferred tax liability	1,150	13,580	**14,730**
Lease liabilities	2,960	-	**2,960**
Other payables	2,395	7,355	**9,750**
Total liabilities	**80,792**	**407,285**	**488,077**
Total liabilities and equity	**118,477**	**434,557**	**553,034**

9 Segment reporting (continued)

Statement of comprehensive income by business segment for the year ended 31 December 2023

	Non-life EUR'000	Life EUR'000	Total EUR'000
Insurance revenue	84,315	13,341	**97,656**
Insurance service expenses	(79,791)	(8,391)	**(88,182)**
Net expenses from reinsurance contracts held	(3,453)	(45)	**(3,498)**
Insurance service result	**1,071**	**4,905**	**5,976**
Net result from investment property	(31)	786	**755**
Interest revenue from financial assets not measured at FVTPL	1,542	7,295	**8,837**
Net gains on FVTPL investments	(14)	1,114	**1,100**
Net losses on investment in debt securities measured at FVOCI reclassified to profit or loss on disposal	-	(500)	**(500)**
Other operating investment income	(54)	827	**773**
Other investment expenses	(281)	(66)	**(347)**
Net investment income	**1,162**	**9,456**	**10,618**
Finance expenses from insurance contracts issued	(474)	(2,327)	**(2,801)**
Finance income from reinsurance contracts held	255	38	**293**
Net insurance finance expenses	**(219)**	**(2,289)**	**(2,508)**
Other income	1,594	180	**1,774**
Other operating expenses	(5,627)	(3,141)	**(8,768)**
Other financial expenses	(25)	(1,834)	**(1,859)**
Profit before income tax	**(2,044)**	**7,277**	**5,233**
Income tax income/(expense)	214	(1,840)	**(1,626)**
Profit for the year	**(1,830)**	**5,437**	**3,607**
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss	*1,790*	*(3,113)*	***(1,323)***
Change in fair value of financial assets at fair value through OCI, net of amounts realised and net of deferred tax	2,448	19,412	**21,860**
Net financial income/expense from insurance contracts	(658)	(22,525)	**(23,183)**
Items that will not be reclassified subsequently to profit or loss	*282*	*87*	***369***
Net change of fair value of equities at fair value through OCI	282	87	**369**
Change in deferred tax on fair value of financial assets and liabilities	*(322)*	*569*	***247***
Total comprehensive (loss)/income for the year	**(80)**	**2,980**	**2,900**

9 Segment reporting (continued)

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

	Non-life EUR'000	Life EUR'000	Total EUR'000
Insurance revenue	77,244	13,546	**90,790**
Insurance service expenses	(70,112)	(15,069)	**(85,181)**
Net expenses from reinsurance contracts held	(2,643)	(304)	**(2,947)**
Insurance service result	**4,489**	**(1,827)**	**2,662**
Net result from investment property	17	770	**787**
Interest revenue from financial assets not measured at FVTPL	797	7,216	**8,013**
Net losses on FVTPL investments	(540)	(4,050)	**(4,590)**
Net gains on investment in debt securities measured at FVOCI reclassified to profit or loss on disposal	347	1,619	**1,966**
Other operating investment income	176	1,379	**1,555**
Other investment expenses	(171)	(135)	**(306)**
Net investment income	**626**	**6,799**	**7,425**
Finance expenses/income from insurance contracts issued	(501)	1,053	**552**
Finance income from reinsurance contracts held	332	-	**332**
Net insurance finance expenses/income	**(169)**	**1,053**	**884**
Other income	1,519	450	**1,969**
Other operating expenses	(3,448)	(3,022)	**(6,470)**
Other financial expenses	(6)	(487)	**(493)**
Profit before income tax	**3,011**	**2,966**	**5,977**
Income tax income/(expense)	40	(1,095)	**(1,055)**
Profit for the year	**3,051**	**1,871**	**4,922**
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss	*(8,648)*	*(18,360)*	***(27,008)***
Change in fair value of financial assets at fair value through OCI, net of amounts realised and net of deferred tax	(9,460)	(75,549)	**(85,009)**
Net financial income/expense from insurance contracts	812	57,189	**58,001**
Items that will not be reclassified subsequently to profit or loss	*(107)*	*198*	***91***
Net change of fair value of equities at fair value through OCI	(107)	198	**91**
Change in deferred tax on fair value of financial assets and liabilities	*1,556*	*3,306*	*4,862*
Total comprehensive loss for the year	**(4,148)**	**(12,985)**	**(17,133)**

9 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 insurance. 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
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.

10 Property and equipment

	Land and buildings EUR'000	Motor vehicles EUR'000	Equipment and furniture EUR'000	Leasehold improvement EUR'000	Total EUR'000
Cost					
At 1 January 2022	16,981	56	5,347	610	22,994
Additions	18	-	504	-	522
Disposals	(152)	(31)	(103)	-	(286)
Write offs	-	-	(106)	(22)	(128)
At 31 December 2022	**16,847**	**25**	**5,642**	**588**	**23,102**
At 1 January 2023	16,847	25	5,642	588	23,102
Additions	-	-	185	30	215
Disposals	(376)	(22)	(37)	-	(435)
Write offs	-	-	(283)	(34)	(317)
Reclassification to investment property (Note 12)	-	-	(11)	-	(11)
At 31 December 2023	**16,471**	**3**	**5,496**	**584**	**22,554**
Depreciation and impairment losses					
At 1 January 2022	5,230	56	4,028	271	9,585
Depreciation charge for the year (Note 29)	266	-	449	41	756
Disposals	(49)	(31)	(101)	-	(181)
Write offs	-	-	(96)	(17)	(113)
Impairment (Note 29)	4	-	-	-	4
At 31 December 2022	**5,451**	**25**	**4,280**	**295**	**10,051**
At 1 January 2023	5,451	25	4,280	295	10,051
Depreciation charge for the year (Note 29)	260	-	425	40	725
Disposals	(101)	(22)	(26)	-	(149)
Write offs	-	-	(278)	(30)	(308)
Impairment (Note 29)	20	-	-	-	20
At 31 December 2023	**5,630**	**3**	**4,401**	**305**	**10,339**
Carrying amounts					
At 1 January 2022	11,751	-	1,319	339	13,409
At 31 December 2022	**11,396**	**-**	**1,362**	**293**	**13,051**
At 1 January 2023	11,396	-	1,362	293	13,051
At 31 December 2023	**10,841**	**-**	**1,095**	**279**	**12,215**

Included within land and buildings is non-depreciable land with a carrying amount of EUR 1,830 thousand (2022: EUR 1,882 thousand). The depreciation charge and impairment losses are recognised in profit or loss under *"Expenses*" (Note 29).

In 2023, the Company reclassified asset with carrying amount of EUR 11 thousand from property and equipment to investment property.

During 2023 and 2022, there were no capitalised borrowing costs related to the acquisition of property and equipment.

11 Rights-of-use asset

a) Rights-of-use asset

	Property EUR'000	Motor vehicles EUR'000	IT Equipment EUR'000	Other EUR'000	Total EUR'000
Cost					
At 1 January 2022	4,601	477	209	93	5,380
Acquisitions	105	558	-	-	663
Write up/Accumulated depreciation	14	211	-	(28)	197
Disposals	(148)	(351)	-	(6)	(505)
At 31 December 2022	**4,572**	**895**	**209**	**59**	**5,735**
At 1 January 2023	4,572	895	209	59	5,735
Acquisitions	140	273	-	-	413
Accumulated depreciation	673	-	-	18	691
Disposals	(299)	(31)	-	-	(330)
At 31 December 2023	**5,086**	**1,137**	**209**	**77**	**6,509**
Amortisation and impairment losses					
At 1 January 2022	1,801	337	91	43	2,272
Amortisation	737	268	42	18	1,065
Disposals	(148)	(351)	-	(6)	(505)
At 31 December 2022	**2,390**	**254**	**133**	**55**	**2,832**
At 1 January 2023	2,390	254	133	55	2,832
Amortisation	687	396	42	15	1,140
Disposals	(299)	(31)	-	-	(330)
At 31 December 2023	**2,778**	**619**	**175**	**70**	**3,642**
Carrying amounts					
At 1 January 2022	2,800	140	118	50	3,108
At 31 December 2022	**2,182**	**641**	**76**	**4**	**2,903**
At 1 January 2023	2,182	641	76	4	2,903
At 31 December 2023	**2,308**	**518**	**34**	**7**	**2,867**

b) Lease liabilities

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

	2023 EUR'000	2022 EUR'000
No later than 1 year	**1,039**	968
Later than 1 year and no later than 5 years	**1,562**	1,529
Later than 5 year and no later than 10 years	**311**	463
	2,912	2,960

12 Investment property

	EUR'000
Cost	
At 1 January 2022	26,715
Additions	296
Disposals	(135)
At 31 December 2022	**26,876**
At 1 January 2023	26,876
Additions	142
Disposals	(873)
Reclassification from property and equipment (Note 10)	11
At 31 December 2023	**26,156**
Depreciation and impairment losses	
At 1 January 2022	3,764
Depreciation charge for the year (Note 26a)	391
Disposals	(54)
Impairment	11
Reversal of impairment	(275)
At 31 December 2022	**3,837**
At 1 January 2023	3,837
Depreciation charge for the year (Note 26a)	391
Disposals	(326)
Impairment	226
At 31 December 2023	**4,128**
Carrying amounts	
At 1 January 2022	22,951
At 31 December 2022	**23,039**
At 1 January 2023	23,039
At 31 December 2023	**22,028**

The rental income arising during the year amounted to EUR 2,330 thousand (2022: EUR 2,023 thousand) and is recognised in profit or loss within "*Net investment income*" (Note 26a). The depreciation charge and impairment losses are recognised in profit or loss under "*Net investment income*" (Note 26a). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to EUR 1,528 thousand (2022: EUR 833 thousand) and are recognised in profit or loss within "*Net investment income*" (Note 26a).

In 2023, the Company reclassified asset with carrying amount of EUR 11 thousand from property and equipment to investment property.

13 Intangible assets

	Goodwill EUR'000	Computer software EUR'000	Computer software not brought into use EUR'000	Prepayments EUR'000	Total EUR'000
Cost					
At 1 January 2022	471	18,289	1,047	871	20,678
Additions	-	1,825	1,414	-	3,239
Transfer into use	-	666	(666)	-	-
Transfer from prepayments	-	31	276	(307)	-
At 31 December 2022	**471**	**20,811**	**2,071**	**564**	**23,917**
At 1 January 2023	471	20,811	2,071	564	23,917
Additions	-	200	1,425	-	1,625
Transfer into use	-	2,245	(2,245)	-	-
Transfer from prepayments	-	47	-	(47)	-
At 31 December 2023	**471**	**23,303**	**1,251**	**517**	**25,542**
Amortisation and impairment losses					
At 1 January 2022	-	11,362	-	-	11,473
Amortisation for the year	-	2,147	-	-	2,147
At 31 December 2022	**-**	**13,509**	**-**	**-**	**13,509**
At 1 January 2023	-	13,509	-	-	13,509
Amortisation for the year	-	2,160	-	-	2,160
At 31 December 2023	**-**	**15,669**	**-**	**-**	**15,669**
Carrying amounts					
At 1 January 2022	471	6,927	1,047	871	9,316
At 31 December 2022	**471**	**7,302**	**2,071**	**564**	**10,408**
At 1 January 2023	471	7,302	2,071	564	10,408
At 31 December 2023	**471**	**7,634**	**1,251**	**517**	**9,873**

14 Financial investments

	2023 Amortised cost EUR'000	2023 FVOCI-Designated EUR'000	2023 FVTPL-Mandatory EUR'000	2023 Total EUR'000
Listed	-	2,294	-	2,294
Unlisted	-	8,813	-	8,813
Equity securities	**-**	**11,107**	**-**	**11,107**
Government bonds - domestic	-	394,700	-	394,700
Government bonds - foreign	-	17,175	-	17,175
Corporate bonds - domestic	-	5,734	-	5,734
Corporate bonds - foreign	-	456	-	456
Debt securities – fixed rate, listed	**-**	**418,065**	**-**	**418,065**
Investment funds – open ended, quoted	-	-	2,285	2,285
Investment funds – assets backing unit-linked products	-	-	5,466	5,466
Investment funds	**-**	**-**	**7,751**	**7,751**
Deposits with banks	11,162	-	-	11,162
Loans to customers – secured by mortgages on real estate	126	-	-	126
Loans to customers - other	2	-	-	2
Loans and receivables	**11,290**	**-**	**-**	**11,290**
Total financial investments	**11,290**	**429,172**	**7,751**	**448,213**
Underlying assets				
-Life unit-linked	-	-	5,466	5,466
Other investments				
-Life	2,163	356,106	2,225	360,494
-Non-life	9,127	73,066	60	82,253
Total financial investments	**11,290**	**429,172**	**7,751**	**448,213**

14 Financial investments (continued)

	2022 (restated) Amortised cost EUR'000	2022 (restated) FVOCI-Designated EUR'000	2022 (restated) FVTPL-Mandatory EUR'000	2022 (restated) Total EUR'000
Listed	-	1,956	-	1,956
Unlisted	-	8,733	-	8,733
Equity securities	**-**	**10,689**	**-**	**10,689**
Government bonds - domestic	-	355,951	-	355,951
Government bonds - foreign	-	18,847	-	18,847
Corporate bonds - domestic	-	8,368	-	8,368
Corporate bonds - foreign	-	413	-	413
Debt securities – fixed rate, listed	**-**	**383,579**	**-**	**383,579**
Investment funds – open ended, quoted	-	-	30,984	30,984
Investment funds – assets backing unit-linked products	-	-	4,815	4,815
Investment funds	**-**	**-**	**35,799**	**35,799**
Deposits with banks	11,097	-	-	11,097
Loans to customers – secured by mortgages on real estate	127	-	-	127
Loans to customers - other	73	-	-	73
Loans and receivables	**11,297**	**-**	**-**	**11,297**
Total financial investments	**11,297**	**394,268**	**35,799**	**441,364**
Underlying assets				
-Life unit-linked	-	-	4,815	4,815
Other investments				
-Life	11,186	337,561	22,717	371,464
-Non-life	111	56,707	8,267	65,085
Total financial investments	**11,297**	**394,268**	**35,799**	**441,364**

14 Financial investments (continued)

	2023	**2023**	**2023**	2022	2022	2022
	Non-life EUR'000	**Life EUR'000**	**Total EUR'000**	Non-life EUR'000	Life EUR'000	Total EUR'000
Underlying assets:						
Investment funds – assets backing unit-linked products, domestic	-	**5,466**	**5,466**	-	4,815	4,815
Total underlying assets	-	**5,466**	**5,466**	-	4,815	4,815
Other investments						
Cash and cash equivalents	**7,191**	**2,157**	**9,348**	7,846	5,840	13,686
Government bonds - domestic	**59,207**	**335,493**	**394,700**	49,237	306,714	355,951
Government bonds - foreign	**10,131**	**7,044**	**17,175**	4,143	14,704	18,847
Corporate bonds – domestic	**1,961**	**3,773**	**5,734**	1,841	6,527	8,368
Corporate bonds – foreign	**-**	**456**	**456**	-	413	413
Equity securities	**1,767**	**9,340**	**11,107**	1,486	9,203	10,689
Investment funds – open ended, quoted	**60**	**2,225**	**2,285**	8,267	22,717	30,984
Deposits with banks	**9,017**	**2,145**	**11,162**	-	11,097	11,097
Loans to customers – secured by mortgages on real estate	**110**	**16**	**126**	110	17	127
Loans to customers - other	-	**2**	**2**	1	72	73
Total financial investments and cash and cash equivalents	**89,444**	**362,651**	**452,095**	72,931	377,304	450,235

15 Reinsurance contract assets/liabilities

	2023			2022 (restated)		
	Non-life	**Life**	**Total**	Non-life	Life	Total
	EUR'000	**EUR'000**	**EUR'000**	EUR'000	EUR'000	EUR'000
Reinsurance contract assets	22,007	-	22,007	16,296	-	16,296
Reinsurance contract liabilities	(1,279)	(84)	(1,363)	(1,322)	(862)	(2,184)
Net reinsurance contract assets	**20,728**	**(84)**	**20,644**	14,974	(862)	14,112

a) Analysis of movement of the remaining coverage and incurred claims components – Non-life reinsurance contracts held

	LRC/ARC - Excluding loss component EUR'000	**LRC/ARC - Loss Component EUR'000**	**LIC/AIC – GMM EUR'000**	**PVCF of LIC/AIC – PAA EUR'000**	**RA for LIC/AIC - PAA EUR'000**	**Total EUR'000**
2023						
Net reinsurance contract assets as at 1 January	**(1,053)**	**3**	**233**	**15,221**	**570**	**14,974**
Reinsurance expenses	(26,572)	-	-	-	-	(26,572)
Incurred claims recovery	142	-	92	22,189	57	22,480
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	224	861	(481)	604
Changes in the FCF of reinsurance contracts held from onerous underlying contracts (GMM)	-	36	-	-	-	36
Net income (expenses) from reinsurance contracts held	**(26,430)**	**36**	**316**	**23,051**	**(425)**	**(3,452)**
Finance income from reinsurance contracts held	94	-	-	159	3	256
Total amounts recognised in profit or loss	**(26,336)**	**36**	**316**	**23,210**	**(422)**	**(3,196)**
Other pre-recognition cash-flows derecognised and other changes	-	(3)	18	501	19	535
Premiums paid net of ceding commissions and other directly attributable expenses paid	22,715	-	-	-	-	22,715
Recoveries from reinsurance	-	-	146	(14,446)	-	(14,300)
Total cash flows and other changes	22,715	(3)	164	**(13,945)**	**19**	**8,950**
Net reinsurance contract assets as at 31 December	**(4,674)**	**36**	**713**	**24,486**	**167**	**20,728**

15 Net reinsurance contract assets (continued)

a) Analysis of movement of the remaining coverage and incurred claims components – Non-life reinsurance contracts held

	LRC/ARC - Excluding loss component EUR'000	LRC/ARC - Loss Component EUR'000	LIC/AIC – GMM EUR'000	PVCF of LIC/AIC – PAA EUR'000	RA for LIC/AIC - PAA EUR'000	Total EUR'000
2022 (restated)						
Reinsurance contract assets as at 1 January	(1,301)	-	325	15,647	748	15,419
Reinsurance expenses	(17,554)	-	-	-	-	(17,554)
Other incurred directly attributable expenses	-	-	-		-	-
Incurred claims recovery	16	-	4	11,282	153	11,455
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	-	3,744	(282)	3,462
Net income/(expenses) from reinsurance contracts held	**(17,538)**	**-**	**4**	**15,026**	**(129)**	**(2,637)**
Finance income from reinsurance contracts held	(23)	-	-	339	16	332
Total amounts recognised in comprehensive income	**(17,561)**	**-**	**4**	**15,365**	**(113)**	**(2,305)**
Other pre-recognition cash-flows derecognised and other changes	-	3	15	(1,516)	(65)	(1,563)
Premiums paid net of ceding commissions and other directly attributable expenses paid	17,810	-	-	-	-	17,810
Recoveries from reinsurance	-	-	(111)	(14,276)	-	(14,387)
Total cash flows and other changes	**17,810**	**3**	**(96)**	**(15,792)**	**(65)**	**1,860**
Reinsurance contract assets as at 31 December	**(1,052)**	**3**	**233**	**15,220**	**570**	**14,974**

b) Analysis of movement of the measurement components – Non-life reinsurance contracts held (part of Non-life portfolio that is measured under GMM)

	Present value of future cash-flows EUR'000	RA for non-financial risk EUR'000	CSM EUR'00	Total EUR'000
2023				
Reinsurance contract assets as at 1 January	(1,992)	-	1,420	**(572)**
CSM recognised for the services received	-	-	(533)	(533)
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	(174)	-	-	(174)
Changes that relate to current service	(174)	-	(533)	(707)
Changes in the estimates that adjust CSM	95		(95)	-
Contracts initially recognised in the period	(1,561)		1,561	-
Reversals of loss-recovery component	-	-	36	36
Changes that relate to future service	(1,466)	-	1,502	36
Finance income/expenses from reinsurance contracts held	28	-	66	94
Total amounts recognised in comprehensive income	(1,612)	-	**1,035**	(577)
Other pre-recognition cash flows derecognised and other changes	15	-	-	15
Premiums paid net of ceding commissions and other directly attributable expenses paid	175	-	-	175
Recoveries from reinsurance	146	-	-	146
Total cash-flows and other changes	336	-	-	**336**
Reinsurance contract assets as at 31 December	**(3,268)**	**-**	**2,455**	**(813)**

15 Net reinsurance contract assets (continued)

c) Analysis of movement of the measurement components - Non– life reinsurance contracts held (part of portfolio that is measured under GMM) (continued)

2022 (restated)	**Present value of future cash-flows EUR'000**	**Risk adjustment for non-financial risk EUR'000**	**CSM EUR'000**	**Total EUR'000**
Reinsurance contract assets as at 1 January	(917)	-	695	**(222)**
CSM recognised for the services received	-	-	(257)	(257)
Experience adjustments - relating to incurred claims and other	(224)	-	-	(224)
Changes that relate to current service	**(224)**	-	**(257)**	**(481)**
Changes in the estimates that adjust CSM	134		(134)	-
Contracts initially recognised in the period	(1,111)		1,111	-
Reversals of a loss recovery component	-	-	3	3
Changes that relate to future service	**(977)**	**-**	**980**	**3**
Finance income/expenses from reinsurance contracts held	(28)	-	2	(26)
Total amounts recognised in comprehensive income	**(1,229)**	**-**	**725**	**(504)**
Other pre-recognition cash flows derecognised and other changes	(203)	-	-	(203)
Premiums paid net of ceding commissions and other directly	246	-	-	246
Recoveries from reinsurance	111	-	-	111
Total cash-flows and other changes	**154**	-	-	154
Reinsurance contract assets as at 31 December	**(1,992)**	**-**	**1,420**	**(572)**

d) Analysis of movement – Life reinsurance contracts held

	2023 Remaining coverage - Excluding loss component EUR'000	**2023 Incurred claims EUR'000**	**2023 Total EUR'000**	2022 (restated) Remaining coverage - Excluding loss component EUR'000	2022 (restated) Incurred claims EUR'000	2022 (restated) Total EUR'000
Reinsurance contract asset/liability as at 1	**(3,694)**	**2,832**	**(862)**	(665)	389	(276)
Reinsurance expenses	(12,912)	-	(12,912)	(3,294)	-	(3,294)
Incurred claims recovery	272	13,119	13,391	-	2,983	2,983
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	(525)	(525)	(144)	152	8
Net income (expenses) from reinsurance	**(12,640)**	**12,594**	**(46)**	(3,438)	3,135	(303)
Finance income from reinsurance contracts held	38	-	38	-	-	-
Total amounts recognised in comprehensive	**(12,602)**	**12,594**	**(8)**	(3,438)	3,135	(303)
Other pre-recognition cash-flows derecognised and other changes	624	(7)	617	(109)	(38)	(147)
Premiums paid net of ceding commissions and other directly attributable expenses paid	15,196	-	15,196	518	-	518
Recoveries from reinsurance	-	(15,027)	(15,027)	-	(654)	(654)
Total cash flows and other changes	**15,820**	**(15,034)**	**786**	409	(692)	(283)
Reinsurance contract assets as at 31 December	**(476)**	**392**	**(84)**	(3,694)	2,832	(862)

For credit risk disclosures relating to reinsurance contract assets, refer to note 34.

15 Net reinsurance contract assets (continued)

e) Analysis of movement of the measurement components – Life reinsurance contracts held

	Present value of future cash-flows EUR'000	CSM EUR'000	Total EUR'000
2023			
Reinsurance contract liabilities as at 1 January	**(3,080)**	**2,218**	**(862)**
CSM recognised for the services received	-	2,298	2,298
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	(2,343)	-	(2,343)
Changes that relate to current service	(2,343)	2,298	(45)
Changes in the estimates that adjust CSM	1,814	(1,814)	-
Contracts initially recognised in the period	(29)	29	-
Changes that relate to future service	1,785	(1,785)	-
Finance income/expenses from reinsurance contracts held	33	4	37
Total amounts recognised in comprehensive income	**(525)**	**517**	**(8)**
Other pre-recognition cash flows derecognised and other changes	616	-	616
Premiums paid net of ceding commissions and other directly attributable expenses paid	15,197	-	15,197
Recoveries from reinsurance	(15,027)	-	(15,027)
Total cash-flows and other changes	**786**	**-**	**786**
Reinsurance contract assets as at 31 December	**(2,819)**	**2,735**	**(84)**
2022 (restated)			
Reinsurance contract assets as at 1 January	**(2,613)**	**2,343**	**(270)**
CSM recognised for the services received	-	(121)	(121)
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	(188)	-	(188)
Changes that relate to current service	(188)	(121)	(309)
Changes in the estimates that adjust CSM	82	(82)	-
Contracts initially recognised in the period	(80)	80	-
Changes that relate to future service	2	(2)	-
Finance income/expenses from reinsurance contracts held	2	(2)	-
Total amounts recognised in comprehensive income	**(184)**	**(125)**	**(309)**
Other pre-recognition cash flows derecognised and other changes	(109)	-	(109)
Premiums paid net of ceding commissions and other directly attributable expenses paid	480	-	480
Recoveries from reinsurance	(654)	-	(654)
Total cash-flows and other changes	**(283)**	**-**	**(283)**
Reinsurance contract assets as at 31 December	**(3,080)**	**2,218**	**(862)**

15 Net reinsurance contract assets (continued)

f) Analysis of CSM movement - Life and non-life reinsurance contracts held

	New contracts EUR'000	Contracts measured under the fair value approach at transition EUR'000	Total EUR'000
2023			
CSM as at 1 January	888	2,750	**3,638**
CSM recognised for the services received	2,063	(297)	**1,766**
Changes that relate to current service	**2,063**	**(297)**	**1,766**
Changes in the estimates that adjust CSM	(1,890)	(19)	**(1,909)**
Contracts initially recognised in the period	1,590	-	**1,590**
CSM adjustment for income on initial recognition of onerous underlying contracts	36	-	**36**
Changes that relate to future service	**(264)**	**(19)**	**(283)**
Finance income from reinsurance contracts held	51	19	**70**
Total changes and amounts recognised in comprehensive	**1,850**	**(297)**	**1,553**
CSM as at 31 December	**2,738**	**2,453**	**5,191**

	New contracts EUR'000	Contracts measured under the fair value approach at transition EUR'000	Total EUR'000
2022 (restated)			
CSM as at 1 January	-	3,038	**3,038**
CSM recognised for the services received	(112)	(266)	**(378)**
Changes that relate to current service	(112)	(266)	**(378)**
Changes in the estimates that adjust CSM	(197)	(19)	**(216)**
Contracts initially recognised in the period	1,191	-	**1,191**
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	3	-	**3**
Changes that relate to future service	997	(19)	**978**
Finance income from reinsurance contracts held	3	(3)	**-**
Total changes and amounts recognised in comprehensive income	888	(288)	**600**
CSM as at 31 December	**888**	**2,750**	**3,638**

15 Net reinsurance contract assets (continued)

g) Expected release pattern of Contractual service margin

	Less than 1 year	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 10 years**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
2023					
Non-life CSM	**399**	**1,030**	**645**	**382**	**2,456**
Life CSM	**352**	**1,043**	**729**	**611**	**2,735**
Total	**751**	**2,073**	**1,374**	**993**	**5,191**
2022 (restated)					
Non-life CSM	533	516	233	139	1,421
Life CSM	275	992	517	433	2,217
Total	808	1,508	750	572	3,638

16 Deferred tax asset/liability

Deferred tax asset	Impairment losses	Unrealised losses	Other temporary differences /i/	Expected credit loss	Fair value reserve	Transition adjustment reserve	**Total deferred tax asset**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
At 1 January 2022 (restated)	**700**	**22**	**52**	**67**	**-**	**6,684**	**7,525**
(Debited)/credited to profit or loss (Note 31)	(73)	34	(30)	90	-	35	**56**
Credited to other comprehensive income (Note 31b)	-	-	-	-	15,219	-	**15,219**
At 31 December 2022 (restated)	**627**	**56**	**22**	**157**	**15,219**	**6,719**	**22,800**
At 1 January 2023	**627**	**56**	**22**	**157**	**15,219**	**6,719**	**22,800**
(Debited)/credited to profit or loss (Note 31)	28	(1)	15	(157)	-	(2,637)	**(2,752)**
Debited to other comprehensive income (Note 31b)	-	-	-	-	(6,934)	-	**(6,934)**
At 31 December 2023	**655**	**55**	**37**	**-**	**8,285**	**4,082**	**13,114**

Deferred tax liability	Fair value reserve	Financial reserve from insurance contracts	Transition adjustment reserve	**Total deferred tax liability**
	EUR'000	EUR'000	EUR'000	**EUR'000**
At 1 January 2022 (restated)	**2,991**	**(28)**	**268**	**3,231**
Credited to profit or loss (Note 31)	-	-	1,059	**1,059**
Credited to other comprehensive income (Note 31b)	-	10,440	-	**10,440**
At 31 December 2022 (restated)	**2,991**	**10,412**	**1,327**	**14,730**
At 1 January 2023	**2,991**	**10,412**	**1,327**	**14,730**
Debited to profit or loss (Note 31)	-	-	(1,327)	**(1,327)**
Debited to other comprehensive income (Note 31b)	(2,991)	(4,173)	-	**(7,164)**
At 31 December 2023	**-**	**6,239**	**-**	**6,239**

/i/ Other temporary differences consist mainly of provisions for liabilities and charges and temporary differences from IFRS 16. Deferred tax asset and deferred tax liabilities presented on net bases from IFRS 16 are as follows:

	2023	2022 (restated)
	EUR'000	EUR'000
Right of use asset	**(519)**	(523)
Lease liability	**524**	533
At 31 December	**5**	10

17 Other receivables

	2023	2022
	EUR'000	EUR'000
Receivables arising from insurance contracts		
- from recourses	**3,592**	3,975
- from intermediaries	**248**	131
- from other	**2,998**	3,389
Other receivables		
- interest receivables and accrued interest	**119**	119
- other	**5,715**	2,583
Prepaid expenses	**318**	264
Impairment allowance		
- for recourse receivables (Note 17a)	**(546)**	(570)
- for interest receivables and accrued interest (Note 17b)	**(119)**	(119)
- for other receivables (Note 17c)	**(1,230)**	(1,877)
Total other receivables	**11,095**	7,895

The analysis of other receivables is given below:

	2023	2022
	EUR'000	EUR'000
Not due and not impaired	**10,075**	3,858
Not due and impaired	**6**	8
Due but not impaired	**294**	3,020
Due and impaired	**2,615**	3,575
Impairment allowance	**(1,895)**	(2,566)
	11,095	7,895

As at 31 December 2023, other receivables in the amount of EUR 294 thousand (2022: EUR 3,020 thousand) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2023	2022
	EUR'000	EUR'000
Up to 30 days	**262**	1,500
31 up to 90 days	**17**	852
91 up to 180 days	**15**	668
	294	3,020

17 Other receivables (continued)

a) Receivables from recourses

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

	2023	2022
	EUR'000	EUR'000
At 1 January	**570**	570
Receivables written off during the year as uncollectible	**(24)**	-
At 31 December	**546**	570

b) Interest receivables and accrued interest

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

	2023	2022
	EUR'000	EUR'000
At 1 January	**119**	119
Collection of amounts previously provided for	**-**	-
Write off	**-**	-
At 31 December	**119**	119

c) Other receivables

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

	2023	2022
	EUR'000	EUR'000
At 1 January	**1,877**	1,380
Increase in provisions	**9**	499
Decrease in provisions due to collection	**(345)**	(16)
Net impairment loss	**(336)**	483
Write off/collection	**(311)**	14
At 31 December	**1,230**	1,877

18 Cash and cash equivalents

	2023	2022
	EUR'000	EUR'000
Cash at bank	**9,348**	13,686

19 Equity

a) Share capital

	2023	2022
	EUR'000	EUR'000
Authorised, issued and fully paid		
374,278 (*2022: 374,278*) ordinary shares of EUR 84 (*2022: EUR 83.6*)	**31,439**	31,295

The share capital of the Company is denominated in EUR. The nominal value of each share issued is EUR 84.

In 2023 share capital i.e. nominal value of the Company's shares was increased by EUR 144 thousand from other reserves after the EUR conversion due to compliance with the regulation and rounding nominal value of a share to whole number.

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

	2023	2022
	% 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 EUR 10,032 thousand in Other reserves. In 2023 share capital i.e. nominal value of the Company's shares was increased by EUR 144 thousand from other reserves after the EUR conversion due to compliance with the regulation and rounding nominal value of a share to whole number.

19 Equity (continued)

e) Dividends per share

In 2023 and 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 at fair value through OCI, 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:

	2023	2022 (restated)
	EUR'000	EUR'000
At 1 January		
IFRS 9 fair value reserves gross	**(67,341)**	17,121
IFRS 9 fair value reserves gross recyclable	***(67,937)***	*16,616*
IFRS 9 fair value reserves gross non-recyclable	***596***	*505*
OCI risk provision	**389**	845
Deferred tax	**12,159**	(3,143)
Net IFRS 9 fair value reserves	**(54,793)**	14,823
Net gains from change in fair value	**22,827**	(86,428)
Net gains from change in fair value - recyclable	***22,407***	*(86,519)*
Net gains from change in fair value – non-recyclable	***420***	*91*
Transfer to retained earnings after euro conversion	**(51)**	-
Net (loss)/gain on disposal – transfer to profit or loss	**(500)**	1,966
Net gains from change in OCI Risk provision	**(98)**	(456)
	22,178	(84,918)
Deferred tax on net gains from change in fair value of recyclable fair value reserve, net of amounts realized and impairment losses and OCI Risk provision	**(3,926)**	15,302
Net gain/(loss) recognised in other comprehensive income	**18,252**	(69,616)
At 31 December		
IFRS 9 reserves gross	**(45,065)**	(67,341)
IFRS 9 reserves gross recyclable	***(46,030)***	*(67,937)*
IFRS 9 reserves gross non-recyclable	***965***	*596*
OCI risk provision	**291**	389
Deferred tax	**8,233**	12,159
Net IFRS 9 fair value reserves	**(36,541)**	(54,793)

19 Equity (continued)

g) Financial reserve from insurance contracts

The Company has exercised the accounting policy choice option offered by IFRS 17 and disaggregates insurance finance income and expense between P&L and OCI, for all portfolios measured under GMM and PAA. Financial reserve from insurance contracts represents the balance of the part of insurance finance income and expense that has been classified as OCI and is calculated as the difference between total Insurance Finance income and expense („IFIE”) and the amount recognized in P&L.

	2023 **EUR'000**	2022 (restated) EUR'000
At 1 January		
Gross Financial reserve from insurance contracts	**57,844**	(157)
Deferred tax	**(10,411)**	29
Net financial reserve from insurance contracts	**47,433**	(128)
Net (losses)/gains from change in fair value	**(23,183)**	58,001
Deferred tax	**4,173**	(10,440)
Net (loss)/gain recognised in other comprehensive income	**(19,010)**	47,561
At 31 December		
Gross Financial reserve from insurance contracts	**34,661**	57,844
Deferred tax	**(6,238)**	(10,411)
Net financial reserve from insurance contracts	**28,423**	47,433

19 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 forecasted 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.

19 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 insurance contract liabilities, 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.

Introduction of EUR as of 1st January 2023 has entailed application of EUR risk free rate curve in Solvency II calculations which based on the difference in HRK and EUR risk free rates (HRK rates being higher) could have had negative effect on future solvency ratio of the Company and may have resulted in solvency ratio falling below targeted minimum. In this respect the Company had the full support of the owner.

The management had, in years 2021 and 2022, 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. As a result, in September 2022, the Company obtained two subordinated loans from the parent company in total amount of EUR 24,947 thousand (Note 22) and obtained payment into other reserves from the parent company in the amount of EUR 10,032 thousand (Note 19d).

Solvency II regulatory capitalisation (unaudited):

	31 December 2023 EUR'000	31 December 2022 EUR'000
Eligible own funds	**80,431**	106,139
Solvency capital requirement	**43,908**	62,618
Minimum capital requirement	**19,759**	19,220
Solvency ratio	**183.2%**	169.5%

20 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 (*2022: 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.

	2023	2022 (restated)
	EUR'000	EUR'000
Profit attributable to ordinary shareholders for earnings per share	**3,607**	4,922

	2023	2022 (restated)
	EUR	EUR
Basic and diluted earnings per share	**10**	13

21 Insurance contract liabilities

	2023	**2023**	**2023**	**2023**	**2023**	**2023**
	Non-life EUR'000	**Life EUR'000**	**Total EUR'000**	**Current portion EUR'000**	**Non-current portion EUR'000**	**Total EUR'000**
Insurance contract liabilities excluding insurance acquisition cash-flows assets and other pre-recognition cash-flows	84,680	348,931	**433,611**	138,245	295,366	**433,611**
Insurance acquisition cash-flows assets	(4,442)	-	**(4,442)**	(4,442)	-	**(4,442)**
Insurance contract liabilities	**80,238**	**348,931**	**429,169**	**133,803**	**295,366**	**429,169**

	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	Non-life EUR'000	Life EUR'000	Total EUR'000	Current portion EUR'000	Non-current portion EUR'000	Total EUR'000
Insurance contract liabilities excluding insurance acquisition cash-flows assets and other pre-recognition cash-flows	74,226	357,598	431,824	111,484	320,340	431,824
Insurance acquisition cash-flows assets	(3,876)	-	(3,876)	(3,876)	-	(3,876)
Insurance contract liabilities	70,350	357,598	427,948	107,608	320,340	427,948

21 Insurance contract liabilities (continued)

a) Analysis of movement in insurance contract liabilities – Non-Life insurance contracts

	LRC - Excluding loss component EUR'000	LRC - Loss Component EUR'000	LIC – contracts not under PAA EUR'000	PVCF of LIC – PAA contracts EUR'000	RA of LIC – PAA contracts EUR'000	Total EUR'000
2023						
Insurance contract liabilities as at 1	**26,036**	**10**	**193**	**42,786**	**1,324**	**70,350**
Insurance revenue	**(84,315)**	**-**	**-**	**-**	**-**	**(84,315)**
Incurred claims and other directly attributable expenses	-	-	(10)	61,360	121	61,471
Changes that relate to past service - changes in the FCF relating to the LIC	-	-	184	(1,031)	(1,140)	(1,987)
Losses on onerous contracts and reversal of those losses	-	116	-	-	-	116
Insurance acquisition cash flows amortisation	20,190	-	-	-	-	20,190
Insurance service expenses	**20,190**	**116**	**174**	**60,329**	**(1,019)**	**79,790**
Finance expenses from insurance contracts	146	-	-	322	6	474
Total amounts recognised in comprehensive income	**(63,979)**	**116**	**174**	**60,651**	**(1,013)**	**(4,051)**
Insurance acquisition cash flows asset and other pre-recognition cash-flows derecognised and other changes	(91)	-	-	1,235	45	1,189
Premiums received	87,838	-	-	-	-	87,838
Claims and other directly attributable expenses paid	-	-	(3)	(53,124)	-	(53,127)
Insurance acquisition cash flows	(21,960)	-	-	-	-	(21,960)
Total cash flows and other categories	**65,787**	**-**	**(3)**	**(51,889)**	**45**	**13,940**
Insurance contract liabilities as at 31 December	**27, 844**	**126**	**364**	**51,548**	**356**	**80,238**

21 Insurance contract liabilities (continued)

a) Analysis of movement in insurance contract liabilities – Non-Life insurance contracts (continued)

	LRC - Excluding loss component EUR'000	LRC - Loss Component EUR'000	LIC – contracts not under PAA EUR'000	PVCF of LIC – PAA contracts EUR'000	RA of LIC – PAA contracts EUR'000	Total EUR'000
2022 (restated)						
Insurance contract liabilities as at 1	**21,712**	**-**	**-**	**43,651**	**1,390**	**66,753**
Insurance revenue	**(77,244)**	**-**	**-**	**-**	**-**	**(77,244)**
Incurred claims and other directly	35	-	-	51,773	601	52,409
Changes that relate to past service - changes in the FCF relating to the LIC	-	-	171	(838)	(601)	(1,268)
Losses on onerous contracts and reversal of those losses	-	10	-	-	-	10
Insurance acquisition cash flows	18,961	-	-	-	-	18,961
Insurance service expenses	**18,996**	**10**	**171**	**50,935**	**-**	**70,112**
Finance expenses from insurance contracts	(7)	-	-	493	15	501
Total amounts recognised in comprehensive income	**(58,255)**	**10**	**171**	**51,428**	**15**	**(6,631)**
Insurance acquisition cash flows asset and other pre-recognition cash-flows derecognised and other changes	21	-	-	(2,265)	(81)	(2,325)
Premiums received	82,823	-	-	-	-	82,823
Claims and other directly attributable expenses paid	(35)	-	22	(50,028)	-	(50,041)
Insurance acquisition cash flows	(20,229)	-	-	-	-	(20,229)
Total cash flows and other categories	**62,580**	**-**	**22**	**(52,293)**	**(81)**	**10,228**
Insurance contract liabilities as at 31 December	**26,037**	**10**	**193**	**42,786**	**1,324**	**70,350**

21 Insurance contract liabilities (continued)

b) Analysis of movement in measurement components of insurance contract liabilities – Non-Life insurance contracts (part of portfolio that is measured under GMM)

	Present value of future cash-flows EUR'000	**RA for non-financial risk EUR'000**	**CSM EUR'000**	**Total EUR'000**
2023				
Insurance contract liabilities as at 1 January	**409**	**379**	**3,324**	**4,112**
CSM recognised for the services received	-	-	(945)	(945)
Change in the risk adjustment for non-financial risk for the risk expired	-	(90)	-	(90)
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	(211)	-	-	(211)
Changes that relate to current service	**(211)**	**(90)**	**(945)**	**(1,246)**
Changes in the estimates that adjust CSM	1,701	21	(1,722)	-
Changes in estimates that result in onerous contract losses or reversal of those	101	12	-	113
Contracts initially recognised in the period	(3,229)	33	3,196	-
Changes that relate to future service	**(1,427)**	**66**	**1,474**	**113**
Finance income/expenses from insurance contracts issued	(24)	9	161	146
Total amounts recognised in comprehensive income	**(1,662)**	**(15)**	**689**	**(988)**
Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes	(114)	22	-	(92)
Premiums received	4,071	-	-	4,071
Claims and other directly attributable expenses paid	(3)	-	-	(3)
Insurance acquisition cash flows	(1,910)	-	-	(1,910)
Total cash-flows and other changes	**2,044**	**22**	**-**	**2,067**
Insurance contract liabilities as at 31 December	**791**	**386**	**4,014**	**5,191**
2022 (restated)				
Insurance contract liabilities as at 1 January	**1,626**	**183**	**870**	**2,679**
CSM recognised for the services received	-	-	(757)	(757)
Change in the risk adjustment for non-financial risk for the risk expired	-	(55)	-	(55)
Experience adjustments - relating to incurred claims and other directly attributable	(346)	-	-	(346)
Changes that relate to current service	**(346)**	**(55)**	**(757)**	**(1,158)**
Changes in the estimates that adjust CSM	(1,473)	96	1,377	-
Changes in estimates that result in onerous contract losses or reversal of those	7	3	-	10
Contracts initially recognised in the period	(1,995)	166	1,829	-
Changes that relate to future service	**(3,461)**	**265**	**3,206**	**10**
Finance income/expenses from insurance contracts issued	(14)	1	5	(8)
Total amounts recognised in comprehensive income	**(3,820)**	**211**	**2,454**	**(1,155)**
Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes	(12)	(15)	-	(27)
Premiums received	3,820	-	-	3,820
Claims and other directly attributable expenses paid	(13)	-	-	(13)
Insurance acquisition cash flows	(1,192)	-	-	(1,192)
Total cash-flows and other changes	**2,603**	**(15)**	**-**	**2,588**
Insurance contract liabilities as at 31 December	**409**	**379**	**3,324**	**4,112**

21 Insurance contract liabilities (continued)

c) Impact of contracts recognised in the year – Non-Life insurance contracts (part of portfolio that is measured under GMM)

	2023 Non-onerous contracts originated EUR'000	**2023 Onerous contracts originated EUR'000**	**2023 Total EUR'000**	2022 (restated) Non-onerous contracts originated EUR'000	2022 (restated) Onerous contracts originated EUR'000	2022 (restated) Total EUR'000
Insurance acquisition cash-flows	373	-	373	-	-	-
Claims and other directly attributable	2,532	-	2,532	1,438	-	1,438
Estimates of the present value of future	**2,905**	**-**	**2,905**	1,438	-	1,438
Estimates of the present value of future cash	(2,754)	-	(2,754)	(1,910)	-	(1,910)
Risk adjustment for non-financial risk	183	-	183	266	-	266
CSM	1,741	-	1,741	2,045	-	2,045
Increase in insurance contract liabilities from contracts recognised in the period	**2,075**	**-**	**2,075**	1,839	-	1,839

d) Development of claims reported by policyholders at 31 December 2023

	2022 (restated) EUR'000	**2023 EUR'000**	**Total EUR'000**
Estimate of cumulative claims at the end of accident year (gross of reinsurance, undiscounted, only PAA business)	48,318	57,664	-
One year later	49,287	-	-
Cumulative payments and other directly attributable expenses	40,651	32,539	**73,190**
Remaining estimated claims per accident year	8,637	25,125	**33,762**
Estimated claims for prior accident years and payables/receivables	-	-	**19,927**
Effect of discounting	-	-	**(2,169)**
Effect of risk adjustment for non-financial risk	-	-	**384**
Total value recognised in the current year statement of financial position	-	-	**51,904**

21 Insurance contract liabilities (continued)

e) Analysis of movement in insurance contract liabilities – Life insurance contracts

	LRC - Excluding loss component EUR'000	**LRC - Loss Component EUR'000**	**LIC EUR'000**	**Total EUR'000**
2023				
Insurance contract liabilities as at 1 January	343,893	3,782	9,923	**357,598**
Insurance revenue	(13,341)	-	-	**(13,341)**
Incurred claims and other directly attributable expenses	-	-	5,746	**5,746**
Changes that relate to past service - changes in the FCF relating to the LIC	-	-	797	**797**
Losses on onerous contracts and reversal of those losses	-	(257)	-	**(257)**
Insurance acquisition cash flows amortisation	2,105	-	-	**2,105**
Insurance service expenses	**2,105**	**(257)**	**6,543**	**8,391**
Finance expenses from insurance contracts issued	2,328	-	-	2,328
Total amounts recognised in comprehensive income	**(8,908)**	**(257)**	**6,543**	**(2,622)**
Investment components	(55,746)	29	(8,775)	**(64,492)**
Insurance acquisition cash flows asset and other pre-recognition cash-flows derecognised and other changes	23,171	-	-	**23,171**
Premiums received	44,729	-	-	**44,729**
Claims and other directly attributable expenses paid	(3,046)	-	-	**(3,046)**
Insurance acquisition cash flows	(6,407)	-	-	**(6,407)**
Total cash flows and other categories	**2,701**	**29**	**(8,775)**	**(6,045)**
Insurance contract liabilities as at 31 December	**337,686**	**3,554**	**7,691**	**348,931**
2022 (restated)				
Insurance contract liabilities as at 1 January	432,331	-	7,282	439,613
Insurance revenue	(13,546)	-	-	(13,546)
Incurred claims and other directly attributable expenses	-	-	5,850	5,850
Changes that relate to past service - changes in the FCF relating to the LIC	-	-	4,606	4,606
Losses on onerous contracts and reversal of those losses	-	3,670	-	3,670
Insurance acquisition cash-flows amortisation	941	-	-	941
Insurance service expenses	941	3,670	10,456	15,067
Finance expenses from insurance contracts issued	(1,053)	-	-	(1,053)
Total amounts recognised in comprehensive income	(13,658)	3,670	10,456	468
Investment components	(86,228)	-	(7,815)	(94,043)
Insurance acquisition cash flows asset and other pre-recognition	(56,889)	-	-	(56,889)
Premiums received	84,353	-	-	84,353
Claims and other directly attributable expenses paid	(6,641)	112	-	(6,529)
Insurance acquisition cash flows	(9,375)	-	-	(9,375)
Total cash flows and other categories	(74,780)	112	(7,815)	(82,483)
Insurance contract liabilities as at 31 December	343,893	3,782	9,923	357,598

21 Insurance contract liabilities (continued)

f) Analysis of movement in measurement components of insurance contract liabilities – Life insurance contracts

	Present value of future cash-flows EUR'000	RA for non-financial risk EUR'000	CSM EUR'000	Total EUR'000
2023				
Insurance contract liabilities as at 1 January	**316,948**	**9,301**	**31,349**	**357,598**
CSM recognised for the services received	-	-	(3,916)	**(3,916)**
Change in the risk adjustment for non-financial risk for the risk expired	-	(1,746)	-	**(1,746)**
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	970	-	-	**970**
Changes that relate to current service	**970**	**(1,746)**	**(3,916)**	**(4,692)**
Changes in the estimates that adjust CSM	4,543	(1,931)	(2,612)	-
Changes in estimates that result in onerous contract losses or their	(15)	(242)	-	(257)
Contracts initially recognised in the period	(1,258)	110	1,148	-
Changes that relate to future service	**3,270**	**(2,063)**	**(1,464)**	**(257)**
Finance income/expenses from insurance contracts	2,195	56	77	2,328
Total amounts recognised in comprehensive income	**6,435**	**(3,753)**	**(5,303)**	**(2,621)**
Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes	22,332	809	-	23,141
Premiums received	44,724	-	-	44,724
Claims and other directly attributable expenses paid	(67,504)	-	-	(67,504)
Insurance acquisition cash flows	(6,407)			(6,407)
Total cash-flows and other changes	**(6,855)**	**809**	**-**	**(6,046)**
Insurance contract liabilities as at 31 December	**316,528**	**6,357**	**26,046**	**348,931**
2022 (restated)				
Insurance contract liabilities as at 1 January	397,648	6,013	39,952	**439,613**
CSM recognised for the services received	-	-	(4,897)	**(4,897)**
Change in the risk adjustment for non-financial risk for the risk expired	-	(872)	-	**(872)**
Experience adjustments - relating to incurred claims and other directly attributable expenses recovery	3,621	-	-	**3,621**
Changes that relate to current service	**3,621**	**(872)**	**(4,897)**	**(2,148)**
Changes in the estimates that adjust CSM	(5,590)	5,384	206	-
Changes in estimates that result in onerous contract losses or their	3,226	444	-	**3,670**
Contracts initially recognised in the period	(134)	15	119	-
Changes that relate to future service	**(2,498)**	**5,843**	**325**	**3,670**
Finance income/expenses from insurance contracts issued	(134)	(888)	(31)	**(1,053)**
Total amounts recognised in comprehensive income	**989**	**4,083**	**(4,603)**	**469**
Insurance acquisition cash flows asset and other pre-recognition cash	(56,095)	(795)	-	**(56,890)**
Premiums received	84,353	-	-	**84,353**
Claims and other directly attributable expenses paid	(100,572)	-	-	**(100,572)**
Insurance acquisition cash flows	(9,375)	-	-	**(9,375)**
Total cash-flows and other changes	**(81,689)**	**(795)**	**-**	**(82,484)**
Insurance contract liabilities as at 31 December	**316,948**	**9,301**	**31,349**	**357,598**

21 Insurance contract liabilities (continued)

g) Impact of contracts recognised in the year – Life insurance

	2023 **Non-onerous contracts originated** **EUR'000**	**2023** **Onerous contracts originated** **EUR'000**	**2023** **Total** **EUR'000**	2022 (restated) Non-onerous contracts originated EUR'000	2022 (restated) Onerous contracts originated EUR'000	2022 (restated) Total EUR'000
Insurance acquisition cash-flows	284	25	**309**	22	465	487
Claims and other directly attributable expenses	23,716	2,869	**26,585**	721	64,942	65,663
Estimates of the present value of future cash outflows	**24,000**	**2,894**	**26,894**	743	65,407	66,150
Estimates of the present value of future cash	(11,038)	(360)	**(11,398)**	(705)	(12,634)	(13,339)
Risk adjustment for non-financial risk	291	105	**396**	37	602	639
Insurance acquisition cash flows asset and other pre-recognition cash-flows derecognised	-	-	**-**	-	-	-
CSM	715	-	**715**	27	-	27
Increase in insurance contract liabilities from contracts recognised in the period	**13,968**	**2,639**	**16,607**	102	53,375	53,477

h) Insurance revenue and Analysis of CSM movement based on transition approach – Life and Non-life insurance

	New contracts and contracts measured under full-retrospective approach EUR'000	**Contracts measured under the fair value approach at last reporting period EUR'000**	**Total EUR'000**
2023			
Insurance revenue	86,646	11,010	**97,656**
CSM as at 1 January	310	34,363	**34,673**
CSM recognised for the services provided	(934)	(3,929)	**(4,863)**
Changes that relate to current service	**(934)**	**(3,929)**	**(4,863)**
Changes in the estimates that adjust CSM	(26)	(4,360)	**(4,334)**
Contracts initially recognised in the period	4,345	-	**4,345**
Changes that relate to future service	**4,372**	**(4,360)**	**12**
Finance expenses from insurance contracts issued	152	87	**239**
Total changes and amounts recognised in comprehensive income	**3,590**	**(8,202)**	**(4,612)**
CSM as at 31 December	**3,901**	**26,159**	**30,060**

21 Insurance contract liabilities (continued)

h) Insurance revenue and Analysis of CSM movement based on transition approach – Life and non-life insurance (continued)

2022 (restated)	New contracts and contracts measured under full-retrospective approach EUR'000	Contracts measured under the fair value approach at the beginning of the period transition EUR'000	Total EUR'000
Insurance revenue	74,320	16,470	**90,790**
CSM as at 1 January	-	36,823	**36,823**
CSM recognised for the services provided	1,816	(7,471)	**(5,655)**
Changes that relate to current service	**1,816**	**(7,471)**	**(5,655)**
Changes in the estimates that adjust CSM	147	1,435	**1,582**
Contracts initially recognised in the period	103	1,846	**1,949**
Changes that relate to future service	**250**	**3,281**	**3,531**
Finance expenses from insurance contracts held	6	(32)	**(26)**
Total changes and amounts recognised in comprehensive income	**2,072**	**(4,222)**	**(2,150)**
CSM as at 31 December	**2,072**	**32,601**	**34,673**

The methods and assumptions applied by the Company in applying the fair value approaches on transition are disclosed in Note 4.

21 Insurance contract liabilities (continued)

i) Remaining maturities of insurance contract liabilities

2023

	Less than 1 year EUR'000	**etween 1 and 5 years EUR'000**	**etween 5 and 10 years EUR'000**	**Between 10 and 15 years EUR'000**	**Between 15 and 20 years EUR'000**	**Aore than 20 years EUR'000**	**Total EUR'000**
Liability for remaining coverage – Non-life	24,411	2,988	678	(102)	(62)	57	**27,970**
Liability for incurred claims – Non-life	29,579	19,619	2,564	461	45	-	**52,268**
Liability for remaining coverage – Life	69,340	122,641	47,334	44,600	21,634	35,691	**341,240**
Liability for incurred claims - Life	7,691	-	-	-	-	-	**7,691**
Insurance contract liabilities	**131,021**	**145,248**	**50,576**	**44,959**	**21,617**	**35,748**	**429,169**

2022 (restated)

	Less than 1 year EUR'000	**etween 1 and 5 years EUR'000**	**etween 5 and 10 years EUR'000**	**Between 10 and 15 years EUR'000**	**Between 15 and 20 years EUR'000**	**More than 20 years EUR'000**	**Total EUR'000**
Liability for remaining coverage – Non-life	23,016	2,599	511	(35)	(22)	(22)	**26,047**
Liability for incurred claims – Non-life	23,738	18,637	1,848	80	-	-	**44,303**
Liability for remaining coverage – Life	48,766	167,640	48,155	34,591	22,841	25,682	**347,675**
Liability for incurred claims - Life	9,923	-	-	-	-	-	**9,923**
Insurance contract liabilities	**105,443**	**188,876**	**50,514**	**34,636**	**22,819**	**25,660**	**427,948**

21 Insurance contract liabilities (continued)

j) Structure of assets used for backing life insurance liabilities

The following table analyses the financial assets used for backing life insurance liabilities (excluding net CSM) 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 insurance 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**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
2023					
Asset backing life insurance liabilities	**30,198**	**83,132**	**83,943**	**178,994**	**376,267**
Liability for remaining coverage for life, net of reinsurance	**(67,064)**	**(114,814)**	**(41,797)**	**(94,728)**	**(318,403)**
Liability for incurred claims for life, net of reinsurance	**(7,299)**	**-**	**-**	**-**	**(7,299)**
Maturity gap	**(44,165)**	**(31,682)**	**42,146**	**84,266**	**50,565**
2022 (restated)					
Asset backing life insurance liabilities	48,455	74,456	97,613	166,814	387,338
Liability for remaining coverage for life, net of reinsurance	(47,479)	(159,196)	(41,761)	(73,796)	(322,232)
Liability for incurred claims for life, net of reinsurance	(7,091)	-	-	-	(7,091)
Maturity gap	**(6,115)**	**(84,740)**	**55,852**	**93,018**	**58,015**

As of 31 December 2023, 92.30% of total assets used for backing life insurance contract liabilities were classified as financial assets at fair value through OCI, which enables the Company to dispose of these assets easily to meet insurance contracts liabilities when needed. 2.04% of assets used for backing life insurance contract liabilities are classified as financial assets at fair value through profit and loss, 4.55% as property and 1.11% as deposits and cash in bank.

In 2023, the Company achieved an annual return on investments from life insurance contract liabilities in amount of 2.73% (2022: 1.59%). Weighted average yield for the two-year period from 2022 to 2023 was 2.13%. Valuation of financial assets is described in accounting policy Note 3 (e).

21 Insurance liabilities (continued)

k) Structure of assets used for backing non-life insurance liabilities

The following table analyses the financial assets used for backing insurance contract liabilities (excluding net CSM) 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 insurance contract liabilities for which coverage is requested:

	Less than 1 year EUR'000	Between 1 and 5 years EUR'000	Between 5 and 10 years EUR'000	More than 10 years EUR'000	Total EUR'000
2023					
Asset backing non-life insurance liabilities	33,000	35,729	19,829	-	**88,558**
Liability for remaining coverage for non-life, net of reinsurance	(28,273)	(2,938)	(203)	367	**(31,047)**
Liability for incurred claims for non-life, net of reinsurance	(9,445)	(14,298)	(2,598)	(565)	**(26,906)**
Maturity gap	**(4,721)**	**18,493**	**17,028**	**(198)**	**30,605**
2022 (restated)					
Asset backing non-life insurance liabilities	22,087	15,972	34,086	-	**72,145**
Liability for remaining coverage for non-life, net of reinsurance	(23,094)	(1,676)	(561)	145	**(25,186)**
Liability for incurred claims for non-life, net of reinsurance	(11,171)	(15,063)	(1,955)	(90)	**(28,279)**
Maturity gap	**(12,178)**	**(767)**	**31,570**	**55**	**18,680**

As of 31 December 2023, 81.70% of total assets used for backing non-life insurance liabilities are classified as financial assets at fair value through OCI, which enables the Company to dispose of those assets easily to meet insurance contracts liabilities when needed, 18.30% of assets used for backing non-life insurance liabilities are classified as deposits and cash in bank.

l) Expected release pattern of Contractual service margin

	Less than 1 year EUR'000	Between 1 and 5 years EUR'000	Between 5 and 10 years EUR'000	More than 10 years EUR'000	Total EUR'000
2023					
Non-life CSM	**740**	**2,111**	**824**	**339**	**4,014**
Life CSM	**2,925**	**8,338**	**6,052**	**8,732**	**26,047**
Total	**3,665**	**10,449**	**6,876**	**9,071**	**30,061**
2022 (restated)					
Non-life CSM	538	1,979	572	236	3,325
Life CSM	4,120	11,773	6,327	9,129	31,349
Total	4,658	13,752	6,899	9,365	34,674

22 Subordinated loans

	Original amount EUR'000	Interest rate %	2023 EUR'000	2022 EUR'000
Subordinated loan	10,500	8.34% fixed	10,500	10,500
Subordinated loan	14,447	6.4% fixed	14,447	14,447
Total			**24,947**	**24,947**

Both subordinated loans were obtained from the parent company Vienna Insurance Group AG Wiener Versicherung Gruppe on September 27, 2023.

Maturity of subordinated loan in the amount of EUR 10,500 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 EUR 14,447 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.

23 Provisions for liabilities and charges

	Pre-recognition liability EUR'000	Provision for court cases EUR'000	Termination benefits and jubilee awards EUR'000	Total EUR'000
At 1 January 2022	**6,095**	**610**	**218**	**6,923**
Used during the year	(1,044)	(119)	(22)	**(1,185)**
Release of provision as unused	-	(184)	(7)	**(191)**
Increase of provision	-	11	-	**11**
Net charged to profit or loss	-	*(173)*	*(7)*	***(180)***
At 31 December 2022	**5,051**	**318**	**189**	**5,558**
At 1 January 2023	**5,051**	**318**	**189**	**5,558**
Used during the year	(628)	(3)	(25)	**(656)**
Release of provision as unused	-	(87)	-	**(87)**
Increase of provision	-	834	57	**891**
Net charged to profit or loss	-	*747*	*57*	***804***
At 31 December 2023	**4,423**	**1,062**	**221**	**5,706**

Increase of provision for court cases is recognised in "Expenses" (Note 29).

24 Other payables

	2023	2022
	EUR'000	EUR'000
Liabilities for salaries	**1,756**	1,521
Trade payables	**975**	1,170
Interest on subordinated loans	**477**	475
Other payables	**5,422**	2,160
Deferred income from recourses (Note 17)	**3,046**	3,405
Accrued expenses	**2,479**	1,019
Total other payables	**14,155**	9,750

25 Insurance service result

	2023 Non-life EUR'000	2023 Life EUR'000	2023 Total EUR'000
Contracts not measured under the PAA			
Amounts relating to the changes in LRC:	1,579	11,165	**12,744**
- Expected incurred claims and other directly attributable expenses	*652*	*5,364*	***6,016***
- Change in Risk Adjustment for non-financial risk for risk expired	*90*	*1,746*	***1,836***
- CSM recognised for the services provided	*946*	*3,917*	***4,863***
- Other experience adjustments (that do not relate to future service)	*(109)*	*138*	***29***
Insurance acquisition cash-flows recovery	596	2,176	**2,772**
Insurance revenue from contracts not measured under the PAA	2,175	13,341	**15,516**
Insurance revenue from contracts measured under the PAA	82,140	-	**82,140**
Total insurance revenue	**84,315**	**13,341**	**97,656**
Incurred claims and other directly attributable expenses	(61,474)	(5,746)	**(67,220)**
Changes that relate to past service - changes in the FCF relating to the LIC	1,987	(798)	**1,189**
Losses on onerous contracts and reversal of those losses	(114)	258	**144**
Insurance acquisition cash-flows amortisation	(20,190)	(2,105)	**(22,295)**
Total insurance service expenses	**(79,791)**	**(8,391)**	**(88,182)**
Reinsurance expenses - contracts not measured under the PAA			
Expected incurred claims and other directly attributable expenses recovery	(44)	(528)	**(572)**
CSM recognised for the services provided	(627)	483	**(144)**
Reinsurance expenses from contracts not measured under the PAA	(671)	(45)	**(716)**
Reinsurance expenses from contracts measured under the PAA	(25,408)	-	**(25,408)**
Incurred claims recovery	22,246	-	**22,246**
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	380	-	**380**
Total net expenses from reinsurance contracts held	**(3,453)**	**(45)**	**(3,498)**
Total insurance service result	**1,071**	**4,905**	**5,976**

25 Insurance service result (continued)

	2022 (restated) Non-life EUR'000	2022 (restated) Life EUR'000	2022 (restated) Total EUR'000
Contracts not measured under the PAA			
Amounts relating to the changes in LRC:	1,369	12,612	**13,981**
- Expected incurred claims and other directly attributable expenses	*535*	*6,821*	***7,356***
- Change in Risk Adjustment for non-financial risk for risk expired	*55*	*872*	***927***
- CSM recognised for the services provided	*757*	*4,897*	***5,654***
- Other experience adjustments (that do not relate to future service)	*22*	*22*	***44***
Insurance acquisition cash-flows recovery	189	934	**1,123**
Insurance revenue from contracts not measured under the PAA	1,558	13,546	**15,104**
Insurance revenue from contracts measured under the PAA	75,686	-	**75,686**
Total insurance revenue	**77,244**	**13,546**	**90,790**
Incurred claims and other directly attributable expenses	(52,410)	(5,827)	**(58,237)**
Changes that relate to past service - changes in the FCF relating to the LIC	1,269	(4,630)	**(3,361)**
Losses on onerous contracts and reversal of those losses	(10)	(3,671)	**(3,681)**
Insurance acquisition cash-flows amortisation	(18,961)	(941)	**(19,902)**
Total insurance service expenses	**(70,112)**	**(15,069)**	**(85,181)**
Reinsurance expenses - contracts not measured under the PAA			
Expected incurred claims and other directly attributable expenses recovery	(244)	(3,171)	**(3,415)**
CSM recognised for the services provided	(257)	(122)	**(379)**
Reinsurance expenses from contracts not measured under the PAA	(501)	(3,293)	**(3,794)**
Reinsurance expenses from contracts measured under the PAA	(17,053)	-	**(17,053)**
Incurred claims recovery	11,448	3,095	**14,543**
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	3,463	(106)	**3,357**
Total net expenses from reinsurance contracts held	**(2,643)**	**(304)**	**(2,947)**
Total insurance service result	**4,489**	**(1,827)**	**2,662**

The table below presents claims ratio, costs ratio and combined ratio by line of business:

Analysis of claims ratio, costs ratio and combined ratio

	Claims ratio	Costs ratio	Combined ratio
2023			
Medical expenses	76.00%	31.10%	107.10%
Income protection	41.80%	31.20%	73.00%
Motor TPL	64.50%	30.80%	95.30%
Motor other	86.20%	18.10%	104.30%
Marine, aviation and transport	51.30%	30.20%	81.40%
Fire and other damage	80.10%	33.50%	113.70%
General third-party liability	34.40%	33.90%	68.30%
Credit and suretyship	20.00%	29.10%	49.00%
Legal expenses	-41.90%	36.90%	-5.10%
Assistance	63.00%	31.20%	94.20%
Miscellaneous financial losses	32.90%	23.30%	56.20%
Total non-life	**64.60%**	**30.00%**	**94.60%**

25 Insurance service result (continued)

2022 (restated)			
Medical expenses	69.90%	28.90%	98.80%
Income protection	40.00%	33.50%	73.40%
Motor TPL	60.80%	31.60%	92.40%
Motor other	79.60%	16.20%	95.80%
Marine, aviation and transport	59.60%	32.00%	91.50%
Fire and other damage4	63.70%	34.60%	98.30%
General third-party liability	41.40%	37.20%	78.60%
Credit and suretyship	13.00%	26.00%	39.20%
Legal expenses	67.10%	39.50%	106.60%
Assistance	59.30%	33.10%	92.40%
Miscellaneous financial losses	48.30%	20.40%	68.70%
Total non-life	**60.44%**	**30.37%**	**90.81%**

Ratios are calculated as follows:

Claims ratio = (claims paid, gross + change in liability for incurred claims, gross) / insurance revenue

Costs ratio = (acquisition costs + amortisation of acquisition costs + total expenses) / insurance revenue

Combined ratio = claims ratio + costs ratio

The table below presents insurance revenue and the balance of CSM split per transition approach:

	2023 Non-life EUR'000	**2023 Life EUR'000**	**2023 Total EUR'000**
Insurance contracts issued			
New contracts and contracts measured under the full retrospective approach at transition	83,831	2,729	**86,560**
Contracts measured under fair value approach at transition	484	10,612	**11,096**
Insurance revenue	**84,315**	**13,341**	**97,656**
New contracts	3,251	721	**3,972**
Contracts measured under fair value approach at transition	763	25,326	**26,089**
CSM as at 31 December	**4,014**	**26,047**	**30,061**
Reinsurance contracts held			
New contracts	2,152	83	**2,235**
Contracts measured under fair value approach at transition	304	2,646	**2,950**
CSM as at 31 December	**2,456**	**2,729**	**5,185**

25 Insurance service result (continued)

	2022 (restated) Non-life EUR'000	2022 (restated) Life EUR'000	2022 (restated) Total EUR'000
Insurance contracts issued			
New contracts	76,446	770	**77,216**
Contracts measured under fair value approach at transition	798	12,776	**13,574**
Insurance revenue	77,244	13,546	**90,790**
New contracts	2,045	27	**2,072**
Contracts measured under fair value approach at transition	1,279	31,322	**32,601**
CSM as at 31 December	**3,324**	**31,349**	**34,673**
Reinsurance contracts held			
New contracts	857	(175)	**682**
Contracts measured under fair value approach at transition	563	2,388	**2,951**
CSM as at 31 December	**1,420**	**2,213**	**3,633**

26 Net investment income

a) Net result from investment property

	2023	2022
	EUR'000	EUR'000
Current income	**1,077**	1,191
Depreciation	**(391)**	(391)
Income/(loss) from sale	**69**	(13)
Total net income from investment property	**755**	787

b) Interest revenue from financial assets not measured at FVTPL

	2023	**2023**	**2023**	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	Amortised cost	**FVOCI - Designated**	**Total**	Amortised cost	FVOCI - Designated	FVTPL-Mandatory	Total
	EUR'000	**EUR'000**	**EUR'000**	EUR'000	EUR'000	EUR'000	EUR'000
- Government bonds	**-**	**8,397**	**8,397**	-	7,180	632	7,812
- Corporate bonds	**-**	**113**	**113**	-	117	-	117
- Deposits with banks	**308**	**-**	**308**	58	-	-	58
- Loans and receivables	**19**	**-**	**19**	26	-	-	26
	327	**8,510**	**8,837**	84	7,297	632	8,013

c) Net gains/(losses) on FVTPL investments

	2023	**2023**	2022 (restated)	2022 (restated)	2022 (restated)
	FVTPL-Mandatory	**Total**	FVOCI - Designated	FVTPL-Mandatory	Total
	EUR'000	**EUR'000**	EUR'000	EUR'000	EUR'000
- Government bonds – assets backing index-linked products	-	-	-	(637)	(637)
- Investment funds – open ended, quoted	**266**	**266**	(3,381)	-	(3,381)
- Investment funds – assets backing unit-linked products	**834**	**834**	-	(672)	(672)
- Equity securities	-	-	100	-	100
	1,100	**1,100**	(3,281)	(1,309)	(4,590)

26 Net investment income (continued)

d) Net (losses)/gains on investment in debt securities measured at FVOCI reclassified to profit or loss on disposal

	2023	**2023**	2022 (restated)	2022 (restated)
	FVOCI - Designated	**Total**	FVOCI - Designated	Total
	EUR'000	**EUR'000**	EUR'000	EUR'000
- Net (losses)/gains on investments in debt securities measured at FVOCI	**(500)**	**(500)**	1,966	1,966

e) Other operating investment income

	2023	**2023**	**2023**	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	Amortised cost	**FVOCI - Designated**	**Total**	Amortised cost	FVOCI - Designated	FVTPL-Designated	FVTPL-Mandatory	Total
	EUR'000	**EUR'000**	**EUR'000**	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
- Dividend income	**-**	**292**	**292**	-	271	36	-	307
- Net credit impairment gains on financial instruments	**48**	**98**	**146**	41	456	-	-	497
- Net credit impairment gains on other receivables	**335**	**-**	**335**	-	-	-		-
- Net foreign exchange gains	-	-	-	(13)	708	60	(4)	751
	383	**390**	**773**	28	1,435	96	(4)	1,555

f) Other investment expenses

	2023	**2023**	**2023**	2022 (restated)	2022 (restated)
	Amortised cost	**FVOCI - Designated**	**Total**	Amortised cost	Total
	EUR'000	**EUR'000**	**EUR'000**	EUR'000	EUR'000
- Net impairment on investment property	**(226)**	**-**	**(226)**	263	263
- Net credit impairment gains on other receivables	**-**	**-**	**-**	(392)	(392)
- Net foreign exchange losses	**-**	**(41)**	**(41)**	-	-
- Other investment expenses	**(80)**	-	**(80)**	(177)	(177)
	(306)	**(41)**	**(347)**	(306)	(306)

26 Net investment income (continued)

	2023	**2023**	**2023**	**2023**
	Amortised cost	**FVOCI - Designated**	**FVTPL- Mandatory**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Total interest revenue and investment income	**1,159**	**8,359**	**1,100**	**10,618**
Amounts recognised in profit or loss	1,159	8,359	1,100	10,618
Amounts recognised in OCI	-	18,252	-	18,252
Total interest revenue and investment income	**1,159**	**26,611**	**1,100**	**28,870**

	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	Amortised cost	FVOCI - Designated	FVTPL- Designated	FVTPL- Mandatory	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Total interest revenue and investment income	**593**	**10,698**	**(3,185)**	**(681)**	**7,425**
Amounts recognised in profit or loss	593	10,698	(3,185)	(681)	7,425
Amounts recognised in OCI	-	(69,616)	-	-	(69,616)
Total interest revenue and investment income	**593**	**(58,918)**	**(3,185)**	**(681)**	**(62,191)**

26 Net investment income (continued)

	2023 Non-life EUR'000	**2023 Life EUR'000**	**2023 Total EUR'000**	2022 Non-life EUR'000	2022 Life EUR'000	2022 Total EUR'000
Net investment income - underlying assets						
- Interest revenue from financial assets not measured at FVTPL	-	-	-	-	632	632
- Net gains/(losses) on FVTPL investments	-	834	834	-	(1,309)	(1,309)
- Net foreign exchange losses	-	-	-	-	(4)	(4)
- Other	-	-	-	-	(7)	(7)
Net investment income - underlying assets	**-**	**834**	**834**	-	(688)	(688)
Net investment income - other investments						
- Interest revenue from financial assets not measured at FVTPL	1,542	7,295	**8,837**	797	6,584	7,381
- Dividend income	70	222	**292**	61	246	307
- Net gains/(losses) on FVTPL investments	(14)	280	**266**	(540)	(2,741)	(3,281)
- Net (losses)/gains on investments in debt securities measured at FVOCI	-	(500)	**(500)**	347	1.619	1.966
- Net credit impairment losses	12	134	**146**	97	400	497
- Net result from investment in property	(31)	786	**755**	17	770	787
- Net impairment on investment property	(226)	-	**(226)**	59	204	263
- Net foreign exchange (losses)/gains	-	(41)	**(41)**	18	737	755
Net investment income - other investments	**1,353**	**8,176**	**9,529**	856	7,819	8,675
Net investment income - other:						
- Net credit impairment losses on other receivables	(135)	470	**335**	(11)	(381)	(392)
- Other investment income and expenses	(55)	(25)	**(80)**	(219)	49	(170)
Net investment income - other	**(190)**	**445**	**255**	(230)	(332)	(562)
Total net investment income	**1,162**	**9,456**	**10,618**	626	6,799	7,425

26 Net investment income (continued)

	2023 Non-life EUR'000	**2023 Life EUR'000**	**2023 Total EUR'000**	2022 Non-life EUR'000	2022 Life EUR'000	2022 Total EUR'000
Summary of the amounts recognised in profit or loss:						
- Net investment income - underlying assets	**-**	**834**	**834**	-	(688)	(688)
- Net investment income - other investments	**1,352**	**8,177**	**9,529**	856	7,819	8,675
- Net investment income (expenses) – other	**(190)**	**445**	**255**	(230)	(332)	(562)
	1,162	**9,456**	**10,618**	626	6,799	7,425
Summary of the amounts recognised in OCI:						
- Net investment income - other investments	**2,289**	**15,963**	**18,252**	(7,864)	(61,752)	(69.616)

27 Net insurance finance (expenses)/income

	2023 Non-life EUR'000	**2023 Life EUR'000**	**2023 Total EUR'000**
Finance expenses from insurance contracts issued;			
- Changes in value of underlying assets of VFA contracts	-	(1,091)	**(1,091)**
- Interest accreted	(299)	(1,170)	**(1,469)**
- Effect of changes in interest rates and other financial assumptions	(14)	(45)	**(59)**
- Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(161)	(81)	**(242)**
- Foreign exchange differences	-	60	**60**
Finance expenses from insurance contracts issued	**(474)**	**(2,327)**	**(2,801)**
Finance income from reinsurance contracts held:			
- Interest accreted	186	34	**220**
- Effect of changes in interest rates and other financial assumptions	3	-	**3**
- Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	66	4	**70**
Finance income from reinsurance contracts held	**255**	**38**	**293**
Net insurance finance expenses	**(219)**	**(2,289)**	**(2,508)**

	2022 (restated) Non-life EUR'000	2022 (restated) Life EUR'000	2022 (restated) Total EUR'000
Finance expenses from insurance contracts issued;			
- Changes in value of underlying assets of VFA contracts	-	1,587	**1,587**
- Interest accreted	(480)	(596)	**(1,076)**
- Effect of changes in interest rates and other financial assumptions	(16)	1,003	**987**
- Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(5)	31	**26**
- Foreign exchange differences	-	(972)	**(972)**
Finance expenses from insurance contracts issued	**(501)**	**1,053**	**552**
Finance income from reinsurance contracts held:			
- Interest accreted	307	(34)	**273**
- Effect of changes in interest rates and other financial assumptions	23	36	**59**
- Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	2	(2)	-
Finance income from reinsurance contracts held	**332**	**-**	**332**
Net insurance finance expenses	**(169)**	**1,053**	**884**

28 Other income

	2023	2022
	EUR'000	EUR'000
Income from service claims	**139**	99
Income from recharged expenses	**8**	20
Profit on disposal of property and equipment	**75**	29
Other operating income	**384**	735
Lease expenses	**1,168**	1,086
	1,774	1,969

29 Expenses

2023	**Expenses attributed to insurance acquisition cash-flows EUR'000**	**Other directly attributable expenses EUR'000**	**Other operating expenses EUR'000**	**Total EUR'000**
Commission expenses	**19,076**	**-**	**-**	**19,076**
Other acquisition costs	**9,883**	**-**	**-**	**9,883**
Amortisation of acquisition costs	**(6,664)**	**-**	**-**	**(6,664)**
Administrative expenses	**-**	**8,623**	**-**	**8,623**
Asset Management expenses	**-**	**383**	**-**	**383**
Other technical expenses	**-**	**402**	**-**	**402**
Non-attributable operating costs	**-**	**-**	**6,577**	**6,577**
Depreciation of property and equipment	**-**	**-**	**260**	**260**
Impairment of property and equipment	**-**	**-**	**20**	**20**
Provision for court cases	**-**	**-**	**834**	**834**
Croatian Supervisory Financial Agency levies	**-**	**-**	**127**	**127**
Croatian Insurance Bureau levies	**-**	**-**	**216**	**216**
Credit cards payments fees	**-**	**-**	**416**	**416**
Other expenses	**-**	**-**	**318**	**318**
Total Expenses	**22,295**	**9,408**	**8,768**	**40,471**
2022				
Commission expenses	17,849	-	-	17,849
Other acquisition costs	12,401	-	-	12,401
Amortisation of acquisition costs	(10,348)	-	-	(10,348)
Administrative expenses	-	8,537	-	8,537
Asset Management expenses	-	402	-	402
Other technical expenses	-	282	-	282
Non-attributable operating costs	-	-	5,408	5,408
Depreciation of property and equipment	-	-	266	266
Impairment of property and equipment	-	-	4	4
Provision for court cases	-	-	11	11
Croatian Supervisory Financial Agency levies	-	-	129	129
Croatian Insurance Bureau levies	-	-	92	92
Credit cards payments fees	-	-	426	426
Other expenses	-	-	134	134
Total Expenses	19,902	9,221	6,470	35,593

Audit fee for 2023 amounted 129 thousand EUR (2022: 87 thousand EUR). There were no non-audit services provided.

30 Other financial expenses

	2023 EUR'000	2022 EUR'000
Interest expense on subordinated loans	**1,825**	475
Interest expenses from lease liabilities	**34**	18
	1,859	493

31 Income taxes

	2023 EUR'000	2022 (restated) EUR'000
Current income tax	**(183)**	-
Deferred income tax	**(1,443)**	(1,055)
Total income tax expense	**(1,626)**	(1,055)

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

	2023 EUR'000	2022 (restated) EUR'000
Profit before tax	**5,234**	5,977
Income tax at 18%	**(942)**	(1,076)
Tax effects of:		
Non-deductible expenses	**(189)**	(154)
Income not subject to tax	**922**	210
Origination and reversal of temporary differences	**(1,443)**	(35)
Utilisation of tax losses	**26**	-
Total income tax expense	**(1,626)**	(1,055)
Effective income tax rate	**(31.0%)**	(17.7%)

b. Income tax recognised in other comprehensive income

	2023 EUR'000	2022 (restated) EUR'000
On financial assets and liabilities at fair value through OCI		
Deferred tax on net losses from change in fair value of financial assets/liabilities at fair value through OCI, net of amounts realised and impairment losses including change in tax rate (Note 16 and 19f) and g))	**248**	4,862

31 Income taxes (continued)

c. Current income tax prepayment

	2023	2022
	EUR'000	EUR'000
Current income tax prepayment	**1,337**	1,414

d. The movement in unused tax losses

	2023	2022
	EUR'000	EUR'000
At income tax rate of 18%		
Unused tax losses brought forward	**-**	-
Unrecognised tax losses incurred during the period	-	143
	-	143

e. Tax losses brought forward

	2023	2022
	EUR'000	EUR'000
At income tax rate of 18%		
No more than 5 years	**-**	143
Total potential benefit of tax losses carried forward	-	143

32 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 EUR 1.6 million (2022: EUR 3.8 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 Material accounting policies 3 (g).

33 Related parties

The major shareholder of the Company is Vienna Insurance Group AG Wiener Versicherung Gruppe with a holding of 97.82% (2022: 97.82%) of the Company's shares at year end. The remaining 2.18% (2022: 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:

	2023	2022
	EUR'000	EUR'000
Premium ceeded:		
Reinsurance premiums payable at beginning of the year	**(8,832)**	(8,291)
Reinsurance premiums ceded during the year	**(26,062)**	(26,152)
Reinsurance premiums paid during the year	**26,356**	25,611
Reinsurance premiums payable at the end of the year	**(8,538)**	(8,832)
Reinsurance recoveries:		
At the beginning of the year	**4,779**	3,924
Invoiced during the year	**14,926**	18,210
Received during the year	**(12,785)**	(17,355)
Outstanding at the end of the year	**6,920**	4,779
Reinsurance commission:		
At the beginning of the year	**3,270**	2,685
Invoiced during the year	**6,051**	6,026
Received during the year	**(7,505)**	(5,441)
Outstanding at the end of the year	**1,816**	3,270

33 Related parties (continued)

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

In 2023, management fees charged to the Company amounted to EUR 143 thousand (2022: EUR 133 thousand) and software maintenance services amounted to EUR 2 million (2022: EUR 1.7 million) and in 2023 there were no capitalised costs (2022: EUR 796 thousand).

The Company holds 3.07% of shareholding in VIG FUND, a.s., Prague, related company, which is carried at value of EUR 8,813 thousand (2022: 3.07%, EUR 8,733 thousand). In 2023, the Company recognized gain from change in fair value in amount of EUR 80 thousand in other comprehensive income (2022: gain EUR 231 thousand). In 2023, VIG FUND, a.s. paid dividend in amount of EUR 205 thousand to the Company (2022: EUR 197 thousand). 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 EUR 207 thousand (2022: EUR 205 thousand).

Erste&Steiermärkische Bank Group

The Company has strategic partnership with Erste&Steiermärkische Bank d.d. (further on “Erste Bank”) and the Erste bank holds 1.65% of the Company’s Share capital. The Company offers insurance products over the Erste Bank sales network as distribution channel. During 2023, the Company acquired through the Erste Bank as distribution channel gross written premium in amount of EUR 31.1 million (2022: EUR 59.9 million) and paid commission to Erste Bank thereon in amount of EUR 5.7 million (2022: EUR 4.6 million). Erste Bank and other members of Erste Bank Group concludes insurance contracts with the Company with gross written premium in amount of EUR 2.6 million in 2023 (2022: EUR 2.5 million) and the Company has paid claims to Erste Bank in the amount of EUR 735 thousand (2022: EUR 1.1 million). Majority of concluded insurance contracts were property insurance contracts.

The Company holds cash at bank accounts with Erste Bank in amount of EUR 14 million as at 31 December 2023 (2022: EUR 13.5 million). The Company holds corporate bonds issued by Erste Bank in amount of EUR 3.5 million as at 31 December 2023 (2022: EUR 6.3 million). The Company holds units in investment funds managed by Erste Asset Management d.o.o. in amount of EUR 5.5 million as at 31 December 2023 (2022: EUR 18.9 million), and recognised income from retrocession fee in amount of EUR 57 thousand (2022: EUR 70 thousand).

Erste Bank provides custody services, cash and payment transaction services and guarantee services to the Company for which the Company was charged with EUR 270 thousand during 2023 (2022: EUR 278 thousand). As at 31 December 2023 contingent guarantees amounted to EUR 252 thousand (2022: EUR 493 thousand). 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 EUR 157 thousand in 2023 (2022: EUR 137 thousand), Erste nekretnine d.o.o. provides real estate valuation services to the Company for which the Company was charged with EUR 2 thousand in 2023 (2022: EUR 5 thousand). 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 EUR 36 (2022: EUR 3 thousand). The Company rents premises to Erste Group Card Processor d.o.o. whereby rental revenues were recognised in the amount of EUR 366 thousand (2022: EUR 330 thousand).

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 EUR 727 thousand (2022: EUR 597 thousand) 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.

33 Related parties (continued)

2023

	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
Key management personnel	-	214	-	727
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	4,922	43,676	11,833	13,601
Shareholder				
Erste&Steiermärkische Bank Group	25,879	492	3,085	6,995
Related companies				
Wiener Staedtische Versicherung AG	24	63	38	134
VIG Re	4,753	9,471	8,896	12,331
DONAU	2	-	2	13
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	2	3	-	2
UNION Vienna Insurance Group Biztosító Zrt	118	-	132	266
RAY SIGORTA AS	-	-	2	12
Česká podnikatelská pojišťovna. a.s.	-	12	1	21
S.O.S. – Expert d.o.o.	-	-	-	208
	35,700	**53,931**	**23,989**	**34,310**

2022

	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
Key management personnel	-	81	-	597
Parent company				
Vienna Insurance Group AG Wiener Versicherung Gruppe	4,027	80,846	12,455	14,097
Shareholder				
Erste&Steiermärkische Bank Group	39,052	295	2,954	6,538
Related companies				
Wiener Staedtische Versicherung AG	34	13	25	105
VIG Re	4,762	8,609	11,642	13,280
DONAU	1	-	1	11
Kooperativa pojišťovna, a.s. Vienna Insurance Group, Prague	1	1	2	15
UNION Vienna Insurance Group Biztosító Zrt	23	-	109	265
RAY SIGORTA AS	-	-	2	9
Česká podnikatelská pojišťovna. a.s.	-	1	-	1
S.O.S. – Expert d.o.o.	-	-	-	205
	47,900	**89,846**	**27,190**	**35,123**

34 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, insurance contract liabilities 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. Furthermore, profit sharing which is a insurance contract liability cash-flow that depends on interest rates is declared fully based on a discretionary decision by the Company, therefore this risk is also limited.

34 Financial risk management (continued)

Interest rate risk (continued)

Life and non-life insurance liabilities are discounted by using IFRS 17 discount curve, which is based upon the yields on Croatian Government bonds. Therefore interest rate changes influence the level of life and non-life insurance contract liabilities

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 insurance contract liabilities, 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 insurance liabilities, and the inability of the Company to purchase interest rate swaps in Croatia, the Company is exposed to interest rate risk.

Note 36 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 MSFI 9 at 31 December 2023 and 31 December 2022.

Table below presents sensitivity of insurance contract liabilities and assets covering those liabilities on change in interest rate curve:

	Non-life EUR'000	Life EUR'000	Total EUR'000	Impact on insurance contract liabilities EUR'000	Impact on investment assets EUR'000	Impact on profit before income tax EUR'000	Impact on equity EUR'000
2023							
Insurance contract liabilities as at 31 December	80,238	348,931	429,169	-	-	-	-
Investment assets subject to investment risk	70,590	343,750	414,340	-	-	-	-
1% increase in interest rates							
Insurance contract liabilities	79,406	329,225	408,631	(20,538)	-	418	20,120
Investment assets subject to interest rate risk	68,428	321,827	390,255	-	(24,084)	-	(24,084)
1% decrease in interest rates							
Insurance contract liabilities	81,052	371,127	452,179	23,010	-	(463)	(22,547)
Investment assets subject to interest rate risk	72,883	367,738	440,621	-	26,281	-	26,281

34 Financial risk management (continued)

Interest rate risk (continued)

	Non-life	Life	Total	Impact on insurance contract liabilities	Impact on investment assets	Impact on profit before income tax	Impact on equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
2022 (restated)							
Insurance contract liabilities as at 31 December	70,350	357,598	427,948	-	-	-	-
Investment assets subject to investment risk	53,654	325,576	379,230	-	-	-	-
1% increase in interest rates							
Insurance contract liabilities	69,621	341,624	411,245	(16,703)	-	340	16,363
Investment assets subject to interest rate risk	52,497	303,359	355,856	-	(23,373)	-	(23,373)
1% decrease in interest rates							
Insurance contract liabilities	71,026	374,652	445,678	17,730	-	(356)	(17,374)
Investment assets subject to interest rate risk	57,095	350,221	407,316	-	28,086	-	28,086

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 2023 EUR'000	**Impact on other comprehensive income after tax 2023 EUR'000**	Impact on profit or loss after tax 2022 (restated) EUR'000	Impact on other comprehensive income after tax 2022 (restated) EUR'000
Change in price by ± 1%	**19/(19)**	**91/(91)**	254/(254)	88/(88)
Change in price by ± 3%	**56/(56)**	**273/(273)**	762/(762)	263/(263)
Change in price by ± 5%	**94/(94)**	**455/(455)**	1,270/(1,270)	438/(438)

34 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	**2023 EUR'000**	2022 EUR'000
Cash	18	**9,348**	13,686
Debt securities	14	**418,065**	383,579
Deposits with banks	14	**11,162**	11,097
Loans	14	**126**	127
Reinsurance contract assets	15	**22,007**	16,296
Other receivables	17	**11,095**	7,895
Current income tax prepayment	31c)	**1,337**	1,414
		473,140	434,094

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

	Note	**2023 EUR'000**	2022 EUR'000
Government bonds	14	**394,700**	355,951
Current income tax prepayment	31c)	**1,337**	1,414
		396,037	357,365

The total exposure to Croatian state risk represents 72% of the total assets of the Company (2022: 65%).

34 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.

2023

	AAA - A EUR'000	**BBB - B EUR'000**	**Not rated EUR'000**	**Total EUR'000**
Financial assets at fair value through OCI				
Debt securities	17,619	398,147	2,299	**418,065**
Financial assets at amortised cost				
Deposits with banks	5,006	4,011	2,145	**11,162**
Loans	-	-	128	**128**
Reinsurance contract assets	22,007	-	-	**22,007**
Other receivables	-	-	11,095	**11,095**
Current income tax prepayment	-	1,337	-	**1,337**
Cash	9,348	-	-	**9,348**
Total exposure to credit risk	**53,980**	**403,495**	**15,667**	**473,142**

2022 (restated)

	AAA - A EUR'000	**BBB - B EUR'000**	**Not rated EUR'000**	**Total EUR'000**
Financial assets at fair value through OCI				
Debt securities	22,353	359,068	2,158	**383,579**
Financial assets at amortised cost				
Deposits with banks	2,092	-	9,005	**11,097**
Loans	-	-	200	**200**
Reinsurance contract assets	16,296	-	-	**16,296**
Other receivables	-	-	7,895	**7,895**
Current income tax prepayment	-	1,414	-	**1,414**
Cash	13,686	-	-	**13,686**
Total exposure to credit risk	**54,427**	**360,482**	**19,258**	**434,167**

34 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 2023	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 Biztosító 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+

34 Financial risk management (continued)

Credit risk (continued)

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for debt instruments measured at FVtOCI or at AC by replacing IAS 39's incurred loss with a forward-looking expected loss approach. An expected credit loss allowance has to be recognised for all debt instruments that are not measured at FVtPL. For debt instruments without a significant increase in the credit risk since acquisition, the ECL is based on the portion of lifetime ECLs that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since issuance or purchase of the assets, the allowance is based on the full lifetime ECL. The debt instruments measured at FVtOCI or at AC are primarily made up of investment-grade bonds, so have a low credit risk. Under IFRS 9, such instruments can be measured on a 12-month ECL basis. VIG's definition of default covers at least two dimensions, namely one rating-based dimension (C, D) as well as one days past due (90 days past due) based criterion. However, in certain cases, financial assets can be considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The adoption of the ECL requirements and the associated new system resulted in an increase in the credit loss allowances related to debt instruments. With the initial application of IFRS 9, these effects were recognised under shareholders' equity in retained earnings, with the exception of the associated deferred taxes. The simplified approach is used for trade receivables and receivables from leases in accordance with IFRS 9.5.5.15. As a result, loss rates have been calculated based on historical probabilities of default and future parameters for determining the corresponding risk provisions. Furthermore, receivables whose contractually agreed payments are 90 days past due are classified as being in default.

The following table explains changes in the loss allowance for FVOCI debt securities:

	Stage 1 Carrying amount EUR'000	Stage 1 Related ECL allowance EUR'000	Stage 2 Carrying amount EUR'000	Stage 2 Related ECL allowance EUR'000	Total Carrying amount EUR'000	Total Related ECL allowance EUR'000
Balance as at 1 January 2023	***383,579***	***(389)***	-	-	***383,579***	***(389)***
Transfer to Stage 2						
Originated or purchased	55,864	(22)	-	-	**55,864**	**(22)**
Matured or sold	(43,270)	8	-	-	**(43,270)**	**8**
Remeasurements	21,892	112	-	-	**21,892**	**112**
Total impairment charge for the period	-	98	-	-	-	**98**
Balance as at 31 December 2023	**418,065**	**(291)**	-	-	**418,065**	**(291)**
Balance as at 1 January 2022 (restated)	418,779	(845)	-	-	418,779	(845)
Transfer to Stage 2						
Originated or purchased	90,174	(96)	-	-	90,174	(96)
Matured or sold	43,496	64	-	-	43,496	64
Remeasurements	(168,870)	488	-	-	(168,870)	488
Total impairment charge for the period	-	456	-	-	-	456
Balance as at 31 December 2022 (restated)	383,579	(389)	-	-	383,579	(291)

34 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 35 discloses the maturity analysis at the reporting date for the Company's financial assets and financial liabilities.

Note 21 discloses the maturity analysis of the Company's insurance contract liabilities.

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.

		2023		2022 (restated)	
	Note	**Book value EUR'000**	**Fair value EUR'000**	Book value EUR'000	Fair value EUR'000
Financial assets at amortised cost	14	**11,290**	**11,290**	11,297	11,297
Financial assets at fair value through OCI	14	**429,172**	**429,172**	394,268	394,268
Financial assets at fair value through profit or loss	14	**7,751**	**7,751**	35,799	35,799
Reinsurance contract assets	15	**22,007**	**22,007**	16,296	16,296
Other receivables	17	**11,095**	**11,095**	7,895	7,895
Current income tax prepayment	31c)	**1,337**	**1,337**	1,414	1,414
Cash	18	**9,348**	**9,348**	13,686	13,686
Total financial assets		**492,000**	**492,000**	480,655	480,655
Subordinated loans	22	**24,947**	**24,947**	24,947	24,947
Other payables	24	**14,155**	**14,155**	9,750	9,750
Total financial liabilities		**39,102**	**39,102**	34,697	34,697

34 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).

Financial assets	Fair value as at 31 December 2023	31 December 2022 (restated)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Fair value through profit and loss						
Open-end investment fund shares	**7,691**	35,799	Level 1	Quoted price issued by the fund	Not applicable	Not applicable
Open-end investment fund shares	**60**	-	Level 3	Alternative valuation methods	Not applicable	Not applicable
Financial assets at fair value through OCI						
Debt securities	**412,242**	374,797	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	**5,823**	8,782	Level 2	Price is based on theoretical pricing (Discounted Cash Flows or Hull White Model). The basis for the calculation are: spreads, swap curves and volatilities	Not applicable	Not applicable
Equity securities	**2,294**	1,956	Level 1	Price quoted on a stock exchange – average price on the last day in the month	Not applicable	Not applicable
Equity securities	**8,813**	8,733	Level 3	Alternative valuation methods	Not applicable	Not applicable

34 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 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
31 December 2023				
Financial assets at fair value through profit or loss				
Investment funds	2,225	-	60	**2,285**
Investment funds – assets backing unit-linked products	5,466	-	-	**5,466**
Financial assets at fair value through OCI				
Debt securities	412,242	5,823	-	**418,065**
Equity securities	2,294	-	8,813	**11,107**
Total financial assets	**422,227**	**5,823**	8,873	**436,923**
31 December 2022 (restated)				
Financial assets at fair value through profit or loss				
Investment funds	30,984	-	-	**30,984**
Investment funds – assets backing unit-linked products	4,815	-	-	**4,815**
Financial assets at fair value through OCI				
Debt securities	374,797	8,782	-	**383,579**
Equity securities	1,956	-	8,733	**10,689**
Total financial assets	**412,552**	**8,782**	**8,733**	**430,067**

In 2023 there was no transfer between levels.

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 further 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).

35 Maturity analysis

The tables below analyse the financial assets and liabilities within the scope of IFRS 9 of the Company at 31 December 2023 and 31 December 2022 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 21 j).

2023

	Up to 6 months EUR'000	**6-12 months EUR'000**	**1-2 years EUR'000**	**2-5 years EUR'000**	**More than 5 years EUR'000**	**Total EUR'000**
Financial assets						
Financial assets at fair value through profit or loss						
Investment funds	2,285	-	-	-	-	**2,285**
Investment funds – assets backing unit-linked products	5,466	-	-	-	-	**5,466**
Financial assets at fair value through OCI						
Debt securities	14,838	23,497	34,549	83,336	261,845	**418,065**
Equity securities	11,107	-	-	-	-	**11,107**
Financial assets at amortised cost						
Deposits with banks	9,017	2,145	-	-	-	**11,162**
Loans	111	1	2	6	8	**128**
Net reinsurance contract asset	14,759	1,269	2,652	2,170	(206)	**20,644**
Other receivables	11,095	-	-	-	-	**11,095**
Current income tax prepayment	1,337	-	-	-	-	**1,337**
Cash	9,348	-	-	-	-	**9,348**
Total financial assets	**79,363**	**26,912**	**37,203**	**85,512**	**261,647**	**490,637**
Financial liabilities						
Subordinated loans	-	-	-	-	24,947	**24,947**
Other payables	14,155	-	-	-	-	**14,155**
Lease liabilities	519	519	781	843	250	**2,912**
Total financial liabilities	**14,674**	**519**	**781**	**843**	**25,197**	**42,014**

35 Maturity analysis (continued)

2022 (restated)

	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Total EUR'000
Financial assets						
Financial assets at fair value through profit or loss						
Investment funds	30,984	-	-	-	-	30,984
Investment funds – assets backing unit-linked products	4,815	-	-	-	-	4,815
Financial assets at fair value through OCI						
Debt securities	15,281	2,879	21,317	66,948	277,154	383,579
Equity securities	10,689	-	-	-	-	10,689
Financial assets at amortised cost						
Deposits with banks	9,005	-	2,092	-	-	11,097
Loans	183	1	2	4	10	200
Net reinsurance contract assets	11,569	908	(966)	1,801	800	14,112
Other receivables	7,895	-	-	-	-	7,895
Current income tax prepayment	1,414	-	-	-	-	1,414
Cash	13,686	-	-	-	-	13,686
Total financial assets	105,521	3,788	22,445	68,753	277,964	478,471
Financial liabilities						
Subordinated loans	-	-	-	-	24,947	24,947
Other payables	9,750	-	-	-	-	9,750
Lease liabilities	484	484	764	764	464	2,960
Total financial liabilities	10,234	484	764	764	25,411	37,657

36 Interest rate repricing analysis

The following tables present the Company's financial assets and liabilities within the scope of IFRS 9 analysed according to repricing dates determined as the earlier of the remaining contractual maturity and the contractual repricing.

2023

	Effective interest rate %	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Non – interest bearing EUR'000	Total EUR'000	Amounts subject to fixed rates EUR'000
Financial assets									
Financial assets at fair value through profit or loss									
Investment funds	n/a	-	-	-	-	-	2,285	**2,285**	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	5,466	**5,466**	-
Financial assets at fair value through OCI									
Debt securities	1.90	11,115	23,497	34,549	83,336	261,845	3,723	**418,065**	**414,342**
Equity securities	n/a	-	-	-	-	-	11,107	**11,107**	-
Financial assets at amortised cost									
Deposits with banks	2.11	9,000	1,984	-	-	-	178	**11,162**	**10,984**
Loans to customers	0.83	1	1	2	6	8	110	**128**	**18**
Net reinsurance contract assets		-	-	-	-	-	20,644	**20,644**	-
Other receivables		-	-	-	-	-	11,095	**11,095**	-
Current income tax prepayment		-	-	-	-	-	1,337	**1,337**	-
Cash	0.00	9,348	-	-	-	-	-	**9,348**	-
Total financial assets		**29,464**	**25,482**	**34,551**	**83,342**	**261,853**	**55,945**	**490,637**	**425,344**
Financial liabilities									
Subordinated loans	7.22	-	-	-	-	24,947	-	**24,947**	**24,947**
Other payables		-	-	-	-	-	14,155	**14,155**	-
Lease liabilities	1.9	519	519	781	843	250	-	**2,912**	-
Total financial liabilities		**519**	**519**	**781**	**843**	**25,197**	**14,155**	**42,014**	**24,947**

36 Interest rate repricing analysis (continued)

2022 (restated)

	Effective interest rate %	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Non – interest bearing EUR'000	Total EUR'000	Amounts subject to fixed rates EUR'000
Financial assets									
Financial assets at fair value through profit or loss									
Investment funds	n/a	-	-	-	-	-	30,984	30,984	-
Investment funds – assets backing unit-linked products	n/a	-	-	-	-	-	4,815	4,815	-
Financial assets at fair value through OCI									
Debt securities	1.75	12,000	2,879	21,317	66,948	277,154	3,281	383,579	380,298
Equity securities	n/a	-	-	-	-	-	10,689	10,689	-
Financial assets at amortised cost									
Deposits with banks	1.49	9,000	-	1,967	-	-	130	11,097	10,967
Loans to customers	2.38	40	1	2	4	10	143	200	57
Net reinsurance contract assets		-	-	-	-	-	14,112	14,112	-
Other receivables		-	-	-	-	-	7,895	7,895	-
Current income tax prepayment		-	-	-	-	-	1,414	1,414	-
Cash	0,00	13,686	-	-	-	-	-	13,686	-
Total financial assets		34,726	2,880	23,286	66,952	277,164	73,463	478,471	391,322
Financial liabilities									
Subordinated loans	7.22	-	-	-	-	24,947	-	24,947	24,947
Other payables		-	-	-	-	-	9,750	9,750	-
Lease liabilities	0.6	484	484	764	764	464	-	2,960	-
Total financial liabilities		484	484	764	764	25,411	9,750	37,657	24,947

37 Contingent assets and liabilities

Off-balance sheet accounts

The Company had no off-balance sheet liabilities as at 31 December 2023 and 31 December 2022.

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.

38 Events after the balance sheet date

From the date of the balance sheet to the date of compiling these financial statements, there are no events related to the Company's operations that should be disclosed or that affect these financial statements.

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

Statement of financial position (balance sheet) 31 December 2023

In EUR

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**	**2,350,931**	**10,961,139**	**13,312,070**	**2,122,006**	**10,618,306**	**12,740,312**
002		1	Goodwill	-	471,401	**471,401**	-	471,401	**471,401**
003		2	Other intangible assets	2,350,931	10,489,737	**12,840,669**	2,122,006	10,146,905	**12,268,910**
004	005+006+007	**II**	**TANGIBLE ASSETS**	**8,321,455**	**4,732,671**	**13,054,126**	**8,074,202**	**4,142,883**	**12,217,085**
005		1	Land and buildings intended for company business operations	8,257,843	3,138,442	**11,396,285**	8,003,113	2,837,556	**10,840,669**
006		2	Equipment	63,220	1,299,087	**1,362,307**	71,089	1,024,930	**1,096,018**
007		3	Other tangible assets and stock	392	295,142	**295,534**	0,00	280,397	**280,397**
008	009+010+014+033	**III**	**INVESTMENTS**	**396,236,177**	**68,166,460**	**464,402,637**	**385,512,836**	**84,727,989**	**470,240,825**
009		**A**	**Investments in land and buildings not intended for company business operations**	19,957,480	3,081,323	**23,038,803**	19,552,780	2,475,452	**22,028,232**
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+020+025	**C**	**Financial investments**	**376,278,697**	**65,085,137**	**441,363,835**	**365,960,056**	**82,252,537**	**448,212,592**
015	016+017+018+019	**1**	**Financial assets at amortised cost**	**11,185,870**	**111,352**	**11,297,222**	**2,163,135**	**9,126,722**	**11,289,857**
016		*1.1*	Debt financial securities	-	-	**-**	-	-	**-**
017		*1.2*	Deposits with credit institutions	11,096,764	-	**11,096,764**	2,145,431	9,016,702	**11,162,133**
018		*1.3*	Loans	89,106	111,352	**200,458**	17,703	110,020	**127,723**
019		*1.4*	Other	-	-	**-**	-	-	**-**
020	021+022+023+024	**2**	**Financial assets at fair value through Other comprehensive income**	**337,560,768**	**56,707,269**	**394,268,037**	**356,106,103**	**73,065,815**	**429,171,917**
021		*2.1*	Equity financial securities	9,202,751	1,485,902	**10,688,653**	9,340,844	1,767,699	**11,108,543**
022		*2.2*	Debt financial securities	328,358,017	55,221,367	**383,579,384**	346,765,259	71,298,116	**418,063,375**
023		*2.3*	Investment fund units	-	-	**-**	-	-	**-**
024		*2.4*	Other	-	-	**-**	-	-	**-**
025	026+027+028+029+030	**3**	**Financial assets at fair value through profit or loss**	**27,532,059**	**8,266,516**	**35,798,576**	**7,690,818**	**60,000**	**7,750,818**
026		*3.1*	Equity financial securities	-	-	**-**	-	-	**-**
027		*3.2*	Debt financial securities	-	-	**-**	-	-	**-**
028		*3.3*	Investment fund units	27,532,059	8,266,516	**35,798,576**	7,690,818	60,000	**7,750,818**
029		*3.4*	Derivative financial instruments		-			-	
030		*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 2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
031	032 + 036 +040	**IV**	**INSURANCE CONTRACT ASSETS**	**279**	**172,801**	**173,080**	**279**	**247,737**	**248,016**
032	034+035+036	1	General measurement model	-	-	-	-	-	-
033		*1.1*	*Assets for remaining coverage*	-	-	-	-	-	-
034		*1.2*	*Insurance acquisition cash-flows asset*	-	-	-	-	-	-
035		*1.3*	*Assets for incurred claims*	-	-	-	-	-	-
036	037+038+039	2	Variable fee approach	-	-	-	-	-	-
037		*2.1*	*Assets for remaining coverage*	-	-	-	-	-	-
038		*2.2*	*Insurance acquisition cash-flows asset*	-	-	-	-	-	-
039		*2.3*	*Assets for incurred claims*	-	-	-	-	-	-
040	041 +042 +043	3	Premium allocation approach	279	172,801	**173,080**	279	247,737	**248,016**
041		*3.1*	*Assets for remaining coverage*	-	47,855	**47,855**	-	-	-
042		*3.2*	*Insurance acquisition cash-flows asset*	279	130,353	**130,632**	279	247,737	**248,016**
043		*3.3*	*Assets for incurred claims*	-	-5,408	**-5,408**	-	-	-
044		**V**	**REINSURANCE CONTRACT ASSETS**	-	**16,295,816**	**16,295,816**	-	**22,007,024**	**22,007,024**
045	046 +047	**VI**	**DEFERRED AND CURRENT TAX ASSET**	**21,633,987**	**2,581,847**	**24,215,834**	**13,022,004**	**1,430,500**	**14,452,504**
046		1	Deferred tax asset	20,841,272	1,960,793	**22,802,064**	12,411,749	703,487	**13,115,237**
047		2	Current tax asset	792,715	621,054	**1,413,770**	610,254	727,013	**1,337,268**
048		**VII**	**OTHER ASSETS**	**6,015,225**	**15,565,582**	**21,580,807**	**7,984,011**	**12,459,256**	**20,443,267**
049	050 +051 +052	**1**	**Cash at bank and in hand**	**5,839,937**	**7,846,271**	**13,686,208**	**2,156,634**	**7,189,680**	**9,346,313**
050		*1.1*	*Funds in the business account*	2,233,040	7,413,998	**9,647,038**	112,047	7,189,680	**7,301,727**
051		*1.2*	*Funds in the account of assets covering mathematical provision*	3,606,897	431,755	**4,038,652**	2,044,587	-	**2,044,587**
052		*1.3*	*Cash in hand*	-	518	**518**	-	1,514	**1,514**
053		**2**	**Long-term assets intended for sale and business cessation**	-	-	-	-	-	-
054		**3**	**Other**	**175,288**	**7,719,311**	**7,894,600**	**5,827,377**	**5,269,576**	**11,096,953**
055	001+004+008+031+044+045+048	**VIII**	**TOTAL ASSETS**	**434,558,055**	**118,476,315**	**553,034,370**	**416,715,337**	**135,633,695**	**552,349,033**
056		**IX**	**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 2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
057	058+061+062+066+067+071+074	**X**	**CAPITAL AND RESERVES**	**27,273,197**	**37,685,815**	**64,959,012**	**32,000,086**	**35,857,844**	**67,857,930**
058	059 +060	**1**	**Subscribed capital**	**17,825,181**	**13,470,212**	**31,295,393**	**17,907,237**	**13,532,115**	**31,439,352**
059		*1.1*	*Paid-up capital - ordinary shares*	17,825,181	13,470,212	**31,295,393**	17,907,237	13,532,115	**31,439,352**
060		*1.2*	*Paid-up capital - preference shares*	-	-	**-**	-	-	**-**
061		**2**	**Issued shares premiums (capital reserves)**	896,233	5,799,976	**6,696,210**	896,233	5,799,976	**6,696,210**
062	063 +064 +065	**3**	**Revaluation reserve**	**-50,496,806**	**-4,296,512**	**-54,793,319**	**-34,533,798**	**-2,007,246**	**-36,541,043**
063		*3.1*	*Land and buildings*	-	-	**-**	-	-	**-**
064		*3.2*	*Financial investments at fair value through OCI*	-50,496,806	-4,296,512	**-54,793,319**	-34,533,798	-2,007,246	**-36,541,043**
065		*3.3*	*Other revaluation reserves*	-	-	**-**	-	-	**-**
066		**4**	**Financial reserve from insurance contracts**	**46,896,541**	**537,208**	**47,433,750**	**28,425,166**	**-1,995**	**28,423,170**
067	068+069+070	**5**	**Reserves**	**28,915,381**	**4,578,667**	**33,494,047**	**28,833,324**	**4,516,764**	**33,350,089**
068		*5.1*	*Legally stipulated reserves*	369,146	74,401	**443,546**	369,146	74,401	**443,546**
069		*5.2*	*Statutory reserve*	115,676	-	**115,676**	115,676	-	**115,676**
070		*5.3*	*Other reserve*	28,430,559	4,504,266	**32,934,825**	28,348,503	4,442,364	**32,790,866**
071	072+073	**6**	**Transferred profit or retained loss**	**-18,631,877**	**14,543,992**	**-4,087,885**	**-14,963,070**	**15,846,118**	**883,048**
072		*6.1*	*Retained profit*	-	14,543,992	**14,543,992**	-	15,846,118	**15,846,118**
073		*6.2*	*Transferred loss (-)*	-18,631,877	-	**-18,631,877**	-14,963,070	-	**-14,963,070**
074	075+076	**7**	**Profit or loss of the current accounting period**	**1,868,545**	**3,052,271**	**4,920,816**	**5,434,993**	**-1,827,888**	**3,607,105**
075		*7.1*	*Profit of the current accounting period*	1,868,545	3,052,271	**4,920,816**	5,434,993		**5,434,993**
076		*7.2*	*Loss of the current accounting period (-)*	-	-	**-**	-	-1,827,888	**-1,827,888**
077		**XI**	**SUBORDINATED LIABILITIES**	**24,946,743**	**-**	**24,946,743**	**24,946,743**	**-**	**24,946,743**
078		**XII**	**MANORITY INTERESTS**	**-**	**-**	**-**	**-**	**-**	**-**

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

Statement of financial position (balance sheet) 31 December 2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
079	080+084+088	**XIII**	**INSURANCE CONTRACT LIABILITIES**	**357,598,670**	**70,349,523**	**427,948,193**	**348,930,967**	**80,237,550**	**429,168,518**
080	081+082+083	**1**	**General measurement model**	**349,999,391**	**4,112,264**	**354,111,655**	**341,739,817**	**5,192,238**	**346,932,055**
081		*1.1*	*Liability for remaining coverage*	342,076,164	3,918,893	**345,995,056**	334,944,865	4,827,298	**339,772,162**
082		*1.2*	*Insurance acquisition cash-flows asset*	-	-	-	-	-	-
083		*1.3*	*Liability for incurred claims*	7,923,227	193,371	**8,116,599**	6,794,952	364,940	**7,159,892**
084	085+086+087	**2**	**Variable fee approach**	**7,599,280**	-	**7,599,280**	**7,191,151**	-	**7,191,151**
085		*2.1*	*Liability for remaining coverage*	5,599,143	-	**5,599,143**	6,295,148	-	**6,295,148**
086		*2.2*	*Insurance acquisition cash-flows asset*	-	-	-	-	-	-
087		*2.3*	*Liability for incurred claims*	2,000,136	-	**2,000,136**	896,002	-	**896,002**
088	089 +090 +091	**3**	**Premium allocation approach**	-	**66,237,258**	**66,237,258**	-	**75,045,312**	**75,045,312**
089		*1.1*	*Liability for remaining coverage*	-	22,126,539	**22,126,539**	-	23,140,509	**23,140,509**
090		*1.2*	*Insurance acquisition cash-flows asset*	-	-		-	-	-
091		*1.3*	*Liability for incurred claims*	-	44,110,719	**44,110,719**	-	51,904,804	**51,904,804**
092		**XIV**	**REINSURANCE CONTRACT LIABILITIES**	**862,283**	**1,321,933**	**2,184,216**	**84,158**	**1,278,608**	**1,362,766**
093		**XV**	**INVESTMENT CONTRACT LIABILITIES**	-	-	-	-	-	-
094	095+096	**XVI**	**OTHER RESERVES**	**2,943,369**	**2,614,728**	**5,558,097**	**3,402,311**	**2,303,258**	**5,705,570**
095		1	Provisions for pensions and similar liabilities	-	189,019	**189,019**	-	220,608	**220,608**
096		2	Other provisions	2,943,369	2,425,710	**5,369,078**	3,402,311	2,082,651	**5,484,962**
097	098+099	**XVII**	**DEFERRED AND CURRENT TAX LIABILITY**	**13,580,095**	**1,149,536**	**14,729,631**	**6,239,670**	-	**6,239,670**
098		1	Deferred tax liability	13,580,095	1,149,536	**14,729,631**	6,239,670	-	**6,239,670**
099		2	Current tax liability	-	-	-	-	-	-
100	101+102+…+105	**XVIII**	**FINANCIAL LIABILITIES**	**475,077**	**2,959,976**	**3,435,053**	**477,645**	**2,912,034**	**3,389,679**
101		1	Liabilities on the basis of loans	475,077	-	**475,077**	477,645	-	**477,645**
102		2	Liabilities on the basis of issued financial instrument	-	-	-	-	-	-
103		3	Liabilities for derivative financial instruments	-	-	-	-	-	-
104		4	Liability for unpaid dividend	-	-	-	-	-	-
105		5	Other financial liabilities	-	2,959,976	**2,959,976**	-	2,912,034	**2,912,034**

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

Statement of financial position (balance sheet) 31 December 2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
106	107+108+109	**XIX**	**OTHER LIABILITIES**	**6,878,621**	**2,394,805**	**9,273,426**	**633,756**	**13,044,401**	**13,678,158**
107		1	Liabilities for sale and ceased business	-	-	-	-	-	-
108		2	Accrued expenses and deferred income	245,808	4,470,478	**4,716,286**	455,913	5,419,320	**5,875,233**
109		3	Other liabilities	6,632,812	-2,075,673	**4,557,140**	177,843	7,625,082	**7,802,925**
110	057+077+078+079+092+093+094+097+100+106	**XX**	**TOTAL LIABILITIES AND EQUITY**	**434,558,055**	**118,476,315**	**553,034,371**	**416,715,338**	**135,633,695**	**552,349,033**
111		**XXI**	**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 01.01.2023 - 31.12.2023 (continued)

In EUR

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**	**I**	**Insurance revenue**	**13,546,452**	**77,243,921**	**90,790,373**	**13,340,746**	**84,314,968**	**97,655,714**
002		1	General measurement model	13,298,368	1,557,500	**14,855,867**	13,170,542	2,175,706	**15,346,247**
003		2	Variable fee approach	248,084	-	**248,084**	170,204	-	**170,204**
004		3	Premium allocation approach	-	75,686,421	**75,686,421**	-	82,139,262	**82,139,262**
005	**006+007+….+012**	**II**	**Insurance service expenses**	**-15,068,177**	**-70,112,274**	**-85,180,452**	**-8,390,496**	**-79,791,355**	**-88,181,851**
006		1	Incurred claims	-1,064,946	-47,973,954	**-49,038,900**	-1,390,751	-56,373,628	**-57,764,379**
007		2	Commissions	-941,392	-18,961,254	**-19,902,647**	-3,536,301	-15,539,657	**-19,075,957**
008		3	Other acquisition costs	-	-	**-**	-2,894,101	-6,969,498	**-9,863,600**
009		4	Other operating costs	-4,785,976	-4,435,597	**-9,221,573**	-4,307,439	-5,101,050	**-9,408,489**
010		5	Amortisation of acquisition costs	-	-	**-**	4,324,942	2,319,419	**6,644,360**
011		6	Losses on onerous contracts and reversal of those losses	-3,670,106	-10,184	**-3,680,290**	257,295	-113,567	**143,728**
012		7	Changes that relate to past service	-4,605,757	1,268,715	**-3,337,042**	-844,141	1,986,627	**1,142,486**
013	**014 + 015**	**III**	**Net expenses from reinsurance contracts held**	**-303,695**	**-2,643,044**	**-2,946,739**	**-45,245**	**-3,452,378**	**-3,497,623**
014		1	Income from reinsurance contracts held	-3,293,534	-17,553,562	**-20,847,096**	-12,911,875	-26,572,045	**-39,483,919**
015		2	Expenses from reinsurance contracts held	2,989,839	14,910,518	**17,900,357**	12,866,629	23,119,667	**35,986,296**
016	**001 + 005 + 013**	**IV**	**Insurance service result**	**-1,825,421**	**4,488,603**	**2,663,182**	**4,905,005**	**1,071,235**	**5,976,240**
017	**018 + 023 + 024 + 025 + 026 + 027 + 031 + 032 + 033 +034**	**V**	**Net investment income**	**6,799,544**	**625,887**	**7,425,431**	**9,455,758**	**1,162,653**	**10,618,411**
018	019 + 020 + 021 + 022	1	Income from investment property	770,140	16,571	**786,712**	785,827	-30,540	**755,287**
019		*1.1*	*Net gains/losses from rent*	1,107,258	83,495	**1,190,753**	1,063,864	13,211	**1,077,075**
020		*1.2*	*Net realised gains/losses from investment property*	-	-12,984	**-12,984**	62,713	6,171	**68,885**
021		*1.3*	*Net unrealised gains/losses from investment property*	-	-	**-**	-	-	**-**
022		*1.4*	*Depreciation of investment property*	-337,118	-53,940	**-391,057**	-340,750	-49,923	**-390,673**
023		2	Interest revenue calculated with effective interest rate	7,216,199	796,548	**8,012,747**	7,295,187	1,541,686	**8,836,872**
024		3	Other interest revenue	-	-	**-**	-	-	**-**
025		4	Dividend income	245,516	61,174	**306,689**	221,947	69,995	**291,942**
026		5	Net unrealised gains/losses from financial assets measured at fair value through profit or loss	-3,294,795	-638,403	**-3,933,198**	840,606	-	**840,606**

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

Statement of comprehensive income (income statement) for period 01.01.2023 - 31.12.2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
027	028 + 029 + 030	6	Realized profits from investment	864,442	444,940	**1,309,382**	-226,569	-14,129	**-240,698**
028		*6.1*	*Net realized gains/losses from financial assets measured at fair value through profit or loss*	864,442	444,940	**1,309,382**	273,088	-14,129	**258,958**
029		*6.2*	*Net realized gains/losses from financial assets measured at fair value through other comprehensive income*	-	-	-	-499,656	-	**-499,656**
030		*6.2*	*Other net realized gains/losses*	-	-	-	-	-	-
031		7	Net impairment/release of impairment of financial assets	603,775	156,555	**760,331**	134,274	-213,990	**-79,716**
032		8	Net exchange rate differentials	743,775	18,019	**761,794**	-41,210	-	**-41,210**
033		9	Other investment income	285,485	115,366	**400,851**	94,852	20,312	**115,164**
034		10	Other investment expenses	-634,994	-344,883	**-979,877**	350,843	-210,680	**140,163**
035	036 + 037 + 038	**VI**	**Net insurance finance expenses/income**	**1,052,533**	**-169,151**	**883,382**	**-2,289,950**	**-218,607**	**-2,508,557**
036		1	Finance expenses/income from insurance contracts issued	1,052,773	-501,003	**551,770**	-2,327,643	-474,107	**-2,801,750**
037		2	Finance income from reinsurance contracts held	-241	331,852	**331,611**	37,694	255,500	**293,193**
038		3	Change of investment liabilities	-	-	-	-	-	-
039		**VII**	**Other income**	**450,895**	**432,579**	**883,474**	**180,351**	**425,158**	**605,509**
040		**VIII**	**Other operating expenses**	**-3,025,906**	**-2,359,565**	**-5,385,470**	**-3,141,366**	**-4,457,925**	**-7,599,290**
041		**IX**	**Other financial expenses**	**-486,805**	**-5,722**	**-492,527**	**-1,834,472**	**-24,935**	**-1,859,407**
042		**X**	**Share in the profit of companies that are consolidated using the equity method, net of taxes**	-	-	-	-	-	-
043	016+017+035+039+040+041+042	**XI**	**Profit or loss of the accounting period before taxation (+/-)**	**2,964,840**	**3,012,632**	**5,977,471**	**7,275,326,59**	**-2,042,421**	**5,232,905,83**
044	045 + 046	**XII**	**Profit or loss tax**	**-1,096,295**	**39,640**	**-1,056,655**	**-1,840,334**	**214,533**	**-1,625,801**
045		1	Current tax expense	-	-	-	-182,461	-	**-182,461**
046		2	Deferred tax expense (income)	-1,096,295	39,640	**-1,056,655**	-1,657,873	214,533	**-1,443,340**
047		**XIII**	**Profit or loss of the accounting period after taxation (+/-)**	**1,868,545**	**3,052,271**	**4,920,816**	**5,434,993**	**-1,827,888**	**3,607,105**
048		1	Attributable to owners of the parent	-	-	-	-	-	-
049		2	Attributable to non-controlling interests	-	-	-	-	-	-

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

Statement of comprehensive income (income statement) for period 01.01.2023 - 31.12.2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
050	051 + 056	**XIV**	**Other comprehensive income**	**-14,856,034**	**-7,198,409**	**-22,054,443**	**-2,455,253**	**1,750,063**	**-705,189**
051	052 + 053 + 054 + 055	1	Items that will not be reclassified subsequently to profit or loss	197,811	-106,955	**90,856**	87,259	281,797	**369,056**
052		*1.1*	*Net change of fair value of equities at fair value through OCI*	197,811	-106,955	**90,856**	87,259	281,797	**369,056**
053		*1.2*	*Actuarial gains/losses on defined benefit pension plans*	-	-	-	-	-	-
054		*1.3*	*Other*	-	-	-	-	-	-
055		*1.4*	*Tax*	-	-	-	-	-	-
056	057 + 058 + ...+ 063	2	Items that may be reclassified subsequently to profit or loss	-15,053,845	-7,091,454	**-22,145,299**	-2,542,512	1,468,266	**-1,074,246**
057		*2.1*	*Change in fair value of financial assets at fair value through OCI, net of amounts realised*	-75,549,166	-9,460,078	**-85,009,244**	19,412,670	2,448,134	**21,860,804**
058		*2.2*	*Exchange rate differences arising from the recalculation of foreign operations*	-	-	-	-	-	-
059		*2.3*	*Effects from cash flow hedging instruments*	-	-	-	-	-	-
060		*2.4*	*Net financial income/expense from insurance contracts*	57,189,514	811,963	**58,001,477**	-22,524,679	-657,565	**-23,182,244**
061		*2.5*	*Net financial income/expense from (passive) reinsurance contracts*	-	-	-	-	-	-
062		*2.6*	*Other*	-	-	-	-	-	-
063		*2.7*	*Tax*	3,305,807	1,556,661	**4,862,468**	569,497	-322,302	**247,195**
064	047+ 050	**XV**	**Total comprehensive income**	**-12,987,490**	**-4,146,137**	**-17,133,627**	**2,979,740**	**-77,825**	**2,901,915**
065		1	Attributable to owners of the parent	-	-	-	-	-	-
066		2	Attributable to non-controlling interests	-	-	-	-	-	-
067		**XVI**	**Reclassification adjustments**	-	-	-	-	-	-

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

Statement of cash flow (indirect method) for period 01.01.2023 - 31.12.2023

In EUR

Position number	Sum elements	Position code	Position description	Current business period	The same period of the previous year
001	002+018+035 + 036 + 037	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**-2,868,355**	**-43,332,841**
002	003+004	**1**	**Cash flow before the change in assets and liabilities**	**2,405,165**	**5,405,858**
003		1.1	Profit/loss before taxation	5,232,906	5,232,906
004	005+006+….. +017	1.2	Adjustments	-2,827,741	172,952
005		*1.2.1*	*Depreciation of real estate and equipment*	1,358,244	887,675
006		*1.2.2*	*Depreciation of intangible assets*	3,302,487	3,218,615
007		*1.2.3*	*Loss from impairment of intangible assets*	-	-
008		*1.2.4*	*Other financial expenses*	-	-
009		*1.2.5*	*Value impairment and profits/losses on reduction to fair value*	-599,908	2,623,816
010		*1.2.6*	*Interest expense*	1,859,407	493,567
011		*1.2.7*	*Interest income*	-8,836,872	-8,013,214
012		*1.2.8*	*Income from sale of associated companies*	-	-
013		*1.2.9*	*Shares in profit of associated companies*	-	-
014		*1.2.10*	*Equity-settled share-based payment transactions*	-	-
015		*1.2.11*	*Income tax expense*	-	-
016		*1.2.12*	*Profits/losses on sale of tangible assets (including land and buildings)*	-75,353	-29,782
017		*1.2.13*	*Other adjustments*	164,254	992,275
018	019+020+…+ 034	**2**	**Increase/decrease in assets and liabilities**	**-12,697,664**	**-57,381,484**
019		2.1	Increase/decrease in investments at fair value through other comprehensive income	26,566,664	-41,357,573
020		2.2	Increase/decrease in investment valued at fair value through profit and loss account	-29,147,564	29,099,453
021		2.3	Increase/decrease in investments at amortised cost	-7,365	-11,185,870
022		2.4	Increase/decrease of assets/liabilities from insurance contracts	-5,487,647	-41,946,905
023		2.5	Increase/decrease of assets/liabilities from reinsurance contracts	-6,532,658	1,032,283
024		2.6	Increase/decrease in tax assets	-	-
025		2.8	Increase/decrease in receivables	-	-
026		2.9	Increase/decrease in investment property	462,568	-502,764
027		2.10	Increase/decrease in own-used assets	-	-
028		2.11	Increase/decrease in other assets	47,720	3,646,693
029		2.12	Increase/decrease in insurance contract liabilities	-	-
030		2.13	Increase/decrease in other insurance liabilities	-	-
031		2.14	Increase/decrease in tax liabilities	-	-
032		2.15	Increase/decrease in financial liabilities	-	-925,077
033		2.16	Increase/decrease in other liabilities	1,400,618	4,758,276
034		2.17	Increase/decrease in accruals and deferred income	-	-
035		**3**	**Paid profit tax**	**-1,625,802**	**-792,715**
036		**4**	**Interest receipt**	**8,756,490**	**9,741,749**
037		**5**	**Dividend receipt**	**291,942**	**-307,305**

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

Statement of cash flow (indirect method) for period 01.01.2023 - 31.12.2023 (continued)

In EUR

Position number	Sum elements	Position code	Position description	Current business period	The same period of the previous year
038	039+040+…+ 045	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**-1,470,025**	**-3,872,264**
039		1	Inflows from sale of tangible assets	370,220	5,595
040		2	Outflows for purchase of tangible assets	-214,787	-528,063
041		3	Inflows from sale of intangible assets	-	-
042		4	Outflows for purchase of intangible assets	-1,625,458	-3,349,796
043		5	Inflows in investments in subsidiaries, associates and joint ventures	-	-
044		6	Outflows in investments in subsidiaries, associates and joint ventures	-	-
045		7	Inflows/outflows from other investing activities	-	-
046	047+048+...+ 057	**III**	**CASH FLOW FROM FINANCING ACTIVITIES**	**-**	**42,771,924**
047		1	Cash inflows on the basis of initial capital increase	-	42,771,924
048		2	Cash inflows from the issue of redeemable preferred shares	-	-
049		3	Cash inflows from received short-term and long-term loans	-	-
050		4	Cash inflows from sale of own shares	-	-
051		5	Cash inflows from sale of equity options	-	-
052		6	Cash outflows for redeemable preferred shares	-	-
053		7	Cash outflows for payment of received short-term and long-term loans	-	-
054		8	Cash outflows for repurchase of own shares	-	-
055		9	Cash outflows for paid interests	-	-
056		10	Cash outflows for payment of dividends	-	-
057		11	Cash outflows for lease liabilities	-	-
058	001+038+046	**IV**	**NET CASH FLOW**	**-4,339,894**	**-4,433,181**
059		**V**	**EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS**	**-**	**-**
060	058+059	**VI**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**-4,339,894**	**-4,433,181**
061		1	Cash and cash equivalents at the beginning of the period	13,686,208	18,120,445
062	**060+061**	**2**	**Cash and cash equivalents at the end of the period**	**9,346,314**	**13,687,264**

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

Statement of changes in equity for period 01.01.2023 - 31.12.2023

In EUR

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	Financial reserve from insurance contracts	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
I	**Balance as at 1 January of the previous year**	**31,295,393**	**6,696,210**	**12,264,318**	**-128,601**	**23,461,886**	**24,770,047**	**-**	**98,359,252**	**-**	**98,359,252**
1.	Changes in accounting policies	-	-	-	-	-	-28,857,932	-	-28,857,932	-	-28,857,932
2.	Correction of errors from previous periods	-	-	2,559,086	-	-	-	-	2,559,086	-	2,559,086
II	**Balance as at 1 January of the previous year (corrected)**	**31,295,393**	**6,696,210**	**14,823,404**	**-128,601**	**23,461,886**	**-4,087,885**	**-**	**72,060,406**	**-**	**72,060,406**
III	**Comprehensive income/loss of the previous year**	**-**	**-**	**-69,616,724**	**47,560,850**	**-**	**-**	**4,920,816**	**-17,135,057**	**-**	**-17,135,057**
1	Profit or loss of the previous period	-	-	-	-	-	-	4,920,816	**4,920,816**	-	**4,920,816**
2	Other comprehensive income or loss of the current year	-	-	-69,616,724	47,560,850	-	-	-	**-22,055,873**	-	**-22,055,873**
2.1	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-	-	-	-	-
2.2	Unrealised gains or losses from financial assets at fair value through other comprehensive income	-	-	-69,616,724	-	-	-	-	-69,616,724	-	-69,616,724
2.3	Realised gains or losses from financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2.4	Net financial gains/losses from insurance contracts	-	-	-	47,560,850	-	-	-	47,560,850	-	47,560,850
2.5	Net financial gains/losses from (passive) reinsurance contracts	-	-	-	-	-	-	-	-	-	-
2.4	Other non-owner changes in equity	-	-	-		-	-	-	-	-	-
IV	**Transactions with owners (previous period)**	**-**	**-**	**-**	-	**10,032,162**	**-**	**-**	**10,032,162**	**-**	**10,032,162**
1	Increase/decrease in subscribed capital	-	-	-	-	10,032,162	-	-	10,032,162	-	10,032,162
2	Other payments by owners	-	-	-	-	-	-	-	-	-	-
3	Payment of shares in profit /dividends	-	-	-	-	-	-	-	-	-	-
4	Other transactions with owners	-	-	-	-	-	-	-	-	-	-
V	**Balance as at the last day of the reporting period in the previous year**	**31,295,393**	**6,696,210**	**-54,793,320**	**47,432,249**	**33,494,047**	**-4,087,885**	**4,920,816**	**64,957,510**	**-**	**64,957,510**

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

Statement of changes in equity for period 01.01.2023 - 31.12.2023 (continued)

In EUR

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	Financial reserve from insurance contracts	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	**Total capital and reserves**		
I	**Balance as at 1 January of the current year**	**31,295,393**	**6,696,210**	**-54,793,320**	**47,432,249**	**33,494,047**	**-4,087,885**	**4,920,816**	**64,957,510**	**-**	**64,957,510**
1.	Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
2.	Correction of errors from current periods	-	-	-	-	-	-	-	-	-	-
II	**Balance as at 1 January of the current year (corrected)**	**31,295,393**	**6,696,210**	**-54,793,320**	**47,432,249**	**33,494,047**	**-4,087,885**	**4,920,816**	**64,957,510**	**-**	**64,957,510**
III	**Comprehensive income/loss of the current year**			**18,252,276**	**-19,010,527**		**50,117**	**3,607,104**	**2,898,969**	**-**	**2,898,969**
1	Profit or loss of the current period	-	-	-	-	-	-	3,607,104	3,607,104	-	3,607,104
2	Other comprehensive income or loss of the current year	-	-	18,252,276	-19,010,527	-	50,117	-	-708,135	-	-708,135
2.1	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-	-	-	-	-
2.2	Unrealised gains or losses from financial assets at fair value through other comprehensive income	-	-	18,252,276	-	-	50,117	-	18,302,393	-	18,302,393
2.3	Realised gains or losses from financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2.4	Net financial gains/losses from insurance contracts	-	-	-	-19,010,527	-	-	-	-19,010,527	-	-19,010,527
2.5	Net financial gains/losses from (passive) reinsurance contracts	-	-	-	-	-	-	-	-	-	-
2.4	Other non-owner changes in equity	-	-	-		-	-	-	-	-	-
IV	**Transactions with owners (current period)**	**143,959**				**-143,959**	**-**	**-**	**-**	**-**	**-**
1	Increase/decrease in subscribed capital	143,959	-	-	-	-143,959	-	-	-	-	-
2	Other payments by owners	-	-	-	-	-	-	-	-	-	-
3	Payment of shares in profit /dividends	-	-	-	-	-	-	-	-	-	-
4	Other transactions with owners	-	-	-	-	-	-	-	-	-	-
V	**Balance as at the last day of the reporting period in the current year**	**31,439,352**	**6,696,210**	**-36,541,044**	**28,421,722**	**33,350,089**	**-4,037,768**	**8,527,920**	**67,856,480**	**-**	**67,856,480**

Reconciliation between financial statements and Croatian Financial Services Supervisory Agency Schedules

Statement of financial position – Assets as at 31 December 2023

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of right-of-use assets	Transfer of other tangible assets to inventories	**Statutory financial statements**	**Comment**
INTANGIBLE ASSETS	**12,740,312**	(2,867,265)		**9,873,047**	**Other intangible assets**
Goodwill	471,401				
Other intangible assets	12,740,312				
		2,867,265		**2,867,265**	**Right-of-use assets**
TANGIBLE ASSETS	**12,217,085**		(1,828)	**12,215,257**	**Property and equipment**
Land and buildings intended for company business operations	10,840,669				
Equipment	1,096,018				
Other tangible assets and stock	280,397				
			1,828	**1,828**	Inventories
INVESTMENTS	**470,240,825**				
Investments in land and buildings not intended for company business operations	**22,028,232**			**22,028,232**	**Investment property**
Investments in subsidiaries, associates and joint ventures					
Shares and stakes in subsidiaries					
Shares and stakes in associates					
Joint venture participation					
Financial investments	**448,212,592**				
Financial investments amortised cost	**11,289,857**			**11,289,857**	**Financial assets at amortised cost**
Debt financial securities					
Deposits with credit institutions	11,162,133				
Loans	127,723				
Other					
Financial investments fair value through OCI	**429,171,917**			**429,171,917**	**Financial assets at fair value through OCI**
Equity financial securities	11,108,543				
Debt financial securities	418,063,375				
Investment fund units					
Other					
Financial investments at fair value through profit and loss account	**7,750,818**			**7,750,818**	**Financial assets at fair value through profit and loss**
Equity financial securities					
Debt financial securities					
Derivative financial instruments					
Investment fund units	7,750,818				
Other					

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

Statement of financial position – Assets as at 31 December 2023 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of right-of-use assets	Transfer of other tangible assets to inventories	**Statutory financial statements**	**Comment**
INSURANCE CONTRACT ASSETS	**248,016**			**248,016**	**Insurance contract assets**
General measurement model					
- Assets for remaining coverage					
- Insurance acquisition cash-flow asset					
- Assets for incurred claims					
Variable fee approach					
- Assets for remaining coverage					
- Insurance acquisition cash-flow asset					
- Assets for incurred claims					
Premium allocation approach	248,016				
- Assets for remaining coverage					
- Insurance acquisition cash-flow asset	248,016				
- Assets for incurred claims					
REINSURANCE CONTRACT ASSETS	**22,007,024**			**22,007,024**	**Reinsurance contract assets**
DEFERRED AND CURRENT TAX ASSET	**14,452,504**				
Deferred tax asset	13,115,237			**13,115,237**	**Deferred tax assets**
Current tax asset	1,337,268			**1,337,268**	**Current income tax prepayment**
OTHER ASSETS	**20,443,267**				
Cash at bank and in hand	**9,347,827**			**9,347,827**	**Cash**
Funds in the business account	*7,301,727*				
Funds in the account of assets covering mathematical provision	*2,044,587*				
Cash in hand	*1,514*				
Long-term assets intended for sale and business cessation					
Other	**11,096,953**			**11,096,953**	**Other receivables**
TOTAL ASSETS	**552,349,033**			**552,349,033**	**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 2023

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of current year profit to retained earnings	Transfer of loan liabilities to other payables	**Statutory financial statements**	**Comment**
CAPITAL AND RESERVES	**67,857,930**			**67,857,930**	**Total equity**
Subscribed capital	**31,439,352**			**31,439,352**	**Share capital**
Paid-up capital - ordinary shares	*31,439,352*				
Paid-up capital - preference shares					
Issued shares premiums (capital reserves)	**6,696,210**			**6,696,210**	**Capital reserves**
Revaluation reserve	**(36,541,043)**			**(36,541,043)**	**Fair value reserve**
Land and buildings					
Financial investments at fair value through OCI	*(36,541,043)*				
Other revaluation reserves					
Financial reserve from insurance contracts	**28,423,170**			**28,423,170**	**Financial reserve from insurance contracts**
Reserves	**33,350,089**				
Legally stipulated reserves	*443,546*			**559,222**	**Legal and statutory reserves**
Statutory reserve	*115,676*				
Other reserve	*32,790,866*			**32,790,866**	**Other reserves**
Transferred profit or retained loss	**883,048**	3,607,105		**4,490,152**	**Retained earnings**
Retained profit	*15,846,118*				
Transferred loss (-)	*-14,963,070*				
Profit or loss of the current accounting period	**3,607,105**	(3,607,105)			
Profit of the current accounting period	*5,434,993*				
Loss of the current accounting period (-)	*-1,827,888*				
SUBORDINATED LIABILITIES	**24,946,743**			**24,946,743**	**Subordinated liabilities**
MINORITY INTERESTS					
INSURANCE CONTRACT LIABILITIES	**429,168,518**			**429,168,518**	**Insurance contract liabilities**
General measurement model	*346,932,055*				
- Liability for remaining coverage	*339,772,162*				
- Insurance acquisition cash-flow asset					
- Liability for incurred claims	*7,159,892*				
Variable fee approach	*7,191,151*				
- Liability for remaining coverage	*6,295,148*				

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

Statement of financial position – Equity and liabilities as at 31 December 2023 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer of current year profit to retained earnings	Transfer of loan liabilities to other payables	**Statutory financial statements**	**Comment**
- Insurance acquisition cash-flow asset	-				
- Liability for incurred claims	*896,002*				
Premium allocation approach	*75,045,312*				
- Liability for remaining coverage	*23,140,509*				
- Insurance acquisition cash-flow asset	-				
- Liability for incurred claims	*51,904,804*				
REINSURANCE CONTRACT LIABILITIES	**1,362,766**			**1,362,766**	**Reinsurance contract liabilities**
INVESTMENT CONTRACT LIABILITIES	-				
OTHER RESERVES	**5,705,570**			**5,705,570**	**Provisions for liabilities and charges**
Provisions for pensions and similar liabilities	220,608				
Other provisions	5,484,962				
DEFERRED AND CURRENT TAX LIABILITY	**6,239,670**				
Deferred tax liability	6,239,670			**6,239,670**	**Deferred tax liability**
Current tax liability	-				
FINANCIAL LIABILITIES	**3,389,679**				
Liabilities on the basis of loans	477,645		(477,576)		
Liabilities on the basis of issued financial instrument	-				
Liabilities from derivatives	-				
Liability for unpaid dividend	-				
Other financial liabilities	2,912,034			**2,912,034**	**Lease liabilities**
OTHER LIABILITIES	**13,678,158**		477,576	**14,155,734**	**Other payables**
Liabilities for sale and ceased business	-				
Accrued expenses and deferred income	5,875,233				
Other liabilities	7,802,925				
TOTAL LIABILITIES AND EQUITY	**552,349,033**			**552,349,033**	**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 2023

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer to other income	**Statutory financial statements**	**Comment**
Insurance revenue	**97,655,714**		**97,655,714**	**Insurance revenue**
General measurement model	15,346,247			
Variable fee approach	170,204			
Premium allocation approach	82,139,262			
Insurance service expenses	**-88,181,851**		**-88,181,851**	**Insurance service expenses**
Incurred claims	-57,764,379			
Commissions	-19,075,957			
Other acquisition costs	-9,863,600			
Other operating costs	-9,408,489			
Amortisation of acquisition costs	6,644,360			
Losses on onerous contracts and reversal of those losses	143,728			
Changes that relate to past service	1,142,486			
Net expenses from reinsurance contracts held	**-3,497,623**		**-3,497,623**	**Net expenses from reinsurance contracts held**
Income from reinsurance contracts held	-39,483,919			
Expenses from reinsurance contracts held	35,986,296			
Insurance service result	**5,976,240**		**5,976,240**	**Insurance service result**
Net investment income	**10,618,411**		**10,618,411**	**Net investment income**
Income from investment property	755,287			
Net gains/losses from rent	1,077,075			
Net realised gains/losses from investment property	68,885			
Net unrealised gains/losses from investment property	-			
Depreciation of investment property	-390,673			
Interest revenue calculated with effective interest rate	8,836,872			
Other interest revenue	-			

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

Statement of comprehensive income for year ended 31 December 2023 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer to other income	**Statutory financial statements**	**Comment**
Dividend income	291,942			
Net unrealised gains/losses from financial assets measured at fair value through profit or loss	840,606			
Realized profits from investment	-240,698			
Net realized gains/losses from financial assets measured at fair value through profit or loss	258,958			
Net realized gains/losses from financial assets measured at fair value through other comprehensive income	-499,656			
Other net realized gains/losses	-			
Net impairment/release of impairment of financial assets	-79,716			
Net exchange rate differentials	-41,210			
Other investment income	115,164			
Other investment expenses	140,163			
Net insurance finance expenses/income	**-2,508,557**		**-2,508,557**	**Net insurance finance expenses/income**
Finance expenses/income from insurance contracts issued	-2,801,750		**-2,801,750**	**Finance expenses/income from insurance contracts issued**
Finance income from reinsurance contracts held	293,193		**293,193**	**Finance income from reinsurance contracts held**
Change of investment liabilities	-			
Other income	**605,509**	1,168,070	**1,773,579**	**Other income**
Other operating expenses	**-7,599,290**	(1,168,070)	**-8,767,361**	**Other operating expenses**
Other financial expenses	**-1,859,407**		**-1,859,407**	**Other financial expenses**
Share in the profit of companies that are consolidated using the equity method, net of taxes	-			
Profit or loss of the accounting period before taxation (+/-)	**5,232,905**		**5,232,905**	**Profit before income tax**
Profit or loss tax	**-1,625,801**		**-1,625,801**	**Income tax expense**
Current tax expense	-182,461			

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

Statement of comprehensive income for year ended 31 December 2023 (continued)

Supplementary information prescribed by a regulation of the Croatian Agency for Financial Services		Transfer to other income	**Statutory financial statements**	**Comment**
Deferred tax expense (income)	-1,443,340			
Profit or loss of the accounting period after taxation (+/-)	**3,607,105**		**3,607,105**	**Profit for the year**
Attributable to owners of the parent	-			
Attributable to non-controlling interests	-			
Other comprehensive income	**-705,189**			
Items that will not be reclassified subsequently to profit or loss	369,056		**369,056**	**Items that will not be reclassified subsequently to profit or loss**
Net change of fair value of equities at fair value through OCI	369,056		**369,056**	*Net change of fair value of equities at fair value through OCI*
Actuarial gains/losses on defined benefit pension plans	-			
Other	-			
Tax	-			
Items that may be reclassified subsequently to profit or loss	**-1,321,440**		**-1,321,440**	**Items that may be reclassified subsequently to profit or loss**
Change in fair value of financial assets at fair value through OCI, net of amounts realised	21,860,804		**21,860,804**	*Change in fair value of financial assets at fair value through OCI, net of amounts realised*
Exchange rate differences arising from the recalculation of foreign operations				
Effects from cash flow hedging instruments				
Net financial income/expense from insurance contracts	-23,182,244		**-23,182,244**	*Net financial income/expense from insurance contracts*
Net financial income/expense from (passive) reinsurance contracts				
Other				
Tax	247,195		**247,195**	*Change in deferred tax on fair value of financial assets and liabilities*
Total comprehensive income	**2,901,915**		**2,901,915**	**Total comprehensive income 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 flow (indirect method) for period 01.01.2023 - 31.12.2023

Other adjustments in operating activities in the Croatian Financial Services Supervisory Agency schedules are summed up in the amount of 164,254 EUR while in financial statements are presented in more detailed categories. Total of changes in operating activities is the same in Schedules and in financial statements.