



**Annual Report
for 2022**

This document is a translation of the original Croatian version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the Croatian original is binding.

Note: The report in PDF format is an unofficial report, while the official version of the annual report, in accordance with the Capital Market Act, has been prepared and publicly available in accordance with the unique electronic reporting format (ESEF - European Single Electronic Format).

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CROATIA osiguranje d.d.

Management Report for 2022

Insurance market of the Republic of Croatia in 2022

In 2022, the total gross written premium realized by insurers based in the Republic of Croatia, as well as the premium realized by companies based in the European Union that operate in the Republic of Croatia directly or through branches, amounted to HRK 12.8 billion, which represents an increase of HRK 967m, or 8.2 percent, compared to 2021.

The premium realized entirely on the territory of the Republic of Croatia amounted to HRK 11.7 billion, which compared to 2021 represents an increase of HRK 753m, or 6.9 percent. The premium realized outside the territory of the Republic of Croatia has exceeded the threshold of HRK 1 billion and currently amounts to HRK 1.1 billion. Compared to 2021, this represents an increase of HRK 214m, or 23.2 percent.

The total non-life insurance premium on the market of the Republic of Croatia in 2022 amounted to HRK 8.8 billion, which is an increase by 10.1 percent or HRK 810m compared to the previous year. Motor vehicles insurance (liability insurance, casco insurance and automobile assistance) increased by 8.2 percent compared to the previous year, property insurance increased by 9.5 percent, health insurance increased by 11.5 percent, while transport insurance premium increased by 9.1 percent. The most significant increase by 17.4 percent is achieved in loan insurance and transportation in the amount of 24 percent.

The total life insurance premium on the market of the Republic of Croatia in 2022 amounted to HRK 2.9 billion, which is decrease of 1.9 percent, or HRK 56m compared to the previous year. The decrease in premiums was achieved through classic life insurance with a savings component (decrease of approximately HRK 250m), while unit linked products are growing (growth of approximately HRK 180m).

CROATIA osiguranje d.d., Jagićeva 33, Zagreb (hereinafter: the Company), is still the leading company in the Republic of Croatia with a total market share of 25.6 percent, which is 0.1 percentage points lower than in the previous year.

Operating results and financial position of the Company and the Group

Company

CROATIA osiguranje d.d. (hereinafter: Company) with a market share of 25.6 percent continues to hold the leading market position on the Croatian insurance market, despite the decrease in market share by 0.1 percentage points. The decrease in market share was expected due to the termination of cooperation with PBZ in the field of life insurance, which had a negative impact on that business segment.

Positive influence on the operations of CROATIA osiguranje d.d. had the impact of strong growth in non-life insurance premiums (an increase in the market share achieved in the territory of the Republic of Croatia by 0.9 percentage points), a relatively good result of claims on property insurance and a better recovery of regresses were the most influential factors. Inflationary pressures, the increase in the damage quota to motor vehicles (through the increase in the price of parts) and the write-off of part of the investment in intangible assets negatively affected the company's operations.

All the mentioned events ultimately led to a decrease in the Company profit before tax in amount of HRK 368.6m, which is a drop of 6.1 percent, or HRK 24m compared to last year. Net profit decrease by a similar percentage and in 2022 amounts to HRK 313m.

CROATIA osiguranje d.d. still remains the digital leader with investments exceeding HRK 100m per year. The project of transition from kuna to euro was successfully completed, and the project of implementing the new accounting standard for insurance companies (IFRS 17) is nearly accomplished. The functionalities of the Moja Croatia application, as well as the company's website, are constantly being refined and expanded. Laqo, the first digital insurance in the Republic of Croatia, is preparing for a leap into the metaverse, which further confirms the Company's constant innovation and commitment to the development and application of the most modern technologies in business and advertising.

The company is independently developing a new platform and application solutions for claims, and a new innovative digital platform for sales representatives (advanced agent portal) is developed and implemented in cooperation with the global IT company Liferay, which will improve the user experience and increase the quality of service to the client.

A specialist postgraduate study *Products, Digital innovations and Technologies in Insurance (Insurtech)*, developed in cooperation with the Faculty of Electrical Engineering and Computing in Zagreb, continues for the third year in a row. More than 50 participants have already completed the course.

The successful cooperation (manifested through multiple growth) with Swiss RE continues, one of the largest reinsurers in the world, on the crop and plantation insurance product against lack of soil moisture (drought), which uses advanced technology of soil moisture measurement via satellite, and the payment of damages takes place automatically, without the need for an appraiser to go out into the field.

The total gross written premium (before adjustments for the net increase in the provision for premium receivables and related write-offs) increased by 7 percent and amounted to HRK 3,099m.

The gross written premium of non-life insurance amounts to HRK 2,796m and is 14 percent higher than in the same period of the previous year. The total net earned premium in non-life insurance is HRK 2,370m, which is an increase of 10 percent.

Nearly all types of non-life insurance have achieved nominal growth, with property insurance leading the way. On the other hand, all types of life insurance experienced a nominal decline.

From the non-life and life insurance investments, finance net result was realized in the amount of HRK 307m, which is a decrease by 1.2 percent compared to the previous year.

Gross paid claims amounted to HRK 1,813m and have a slight downward trend compared to last year.

Total administrative costs amounted to HRK 439m, recording an increase of 10.6 percent compared to previous year. Acquisition costs amounted to HRK 637m, recording an increase of 19.2 percent compared to the previous year. Higher costs are result of higher service costs influenced by inflation, the implementation of new regulations and business digitalization.

The following is a summary of key business indicators which the Company monitors as alternative performance indicators which together with other measures defined by International Financial Reporting Standards which have been adopted in the EU, provide useful information regarding the Company's operational performance.

They are calculated based on annual HANFA reports, but according to the formulas shown below:

Key performance indicators	31 Dec. 2021	31 Dec. 2022	Change in percentage points (p.p.)
Claims ratio (non-life) *	52.3%	50.5%	-1.8
Cost ratio (non-life) **	40.6%	44.0%	+3.6
Combined ratio (non-life)	92.9%	94.5%	+1.6

* *Claims ratio = (Income from commissions and fees + Other insurance-technical income + Net claims incurred + Change in mathematical provisions and other technical provisions + Cost for premium returns + Other technical expenses) / Net Earned premiums*

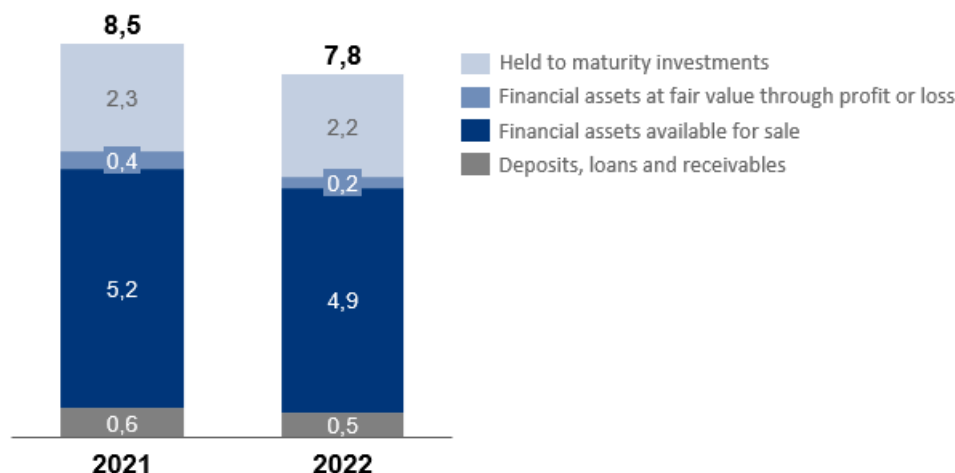
** *Cost ratio = Acquisition costs and administrative expenses / Net Earned premiums*

The combined ratio represents a sum of claims and cost ratio and is the most important financial operative performance indicator for non-life insurance. It is normally presented as percentage, and ratio below 100 percent indicates profitable insurance result, while result above 100 percent represents non-profitable result. Combined ratio amounted to 94.5 percent in 2022, which represents a deterioration of 1.6 percentage point compared to the same period previous year. The claims ratio has decreased by 1.8 percentage points, while the cost ratio increased by 3.6 percentage points.

Total assets of the Company as at 31 December 2022 amounts to HRK 11.8 billion, which represents an decrease of 2.3 percent compared to 31 December 2021.

Technical provisions amounted to HRK 7 billion and are 0.4 percent higher than the technical provisions as of 31 December 2021.

The structure of financial assets (HRK billion)



Group

In 2022, the CROATIA osiguranje d.d. group (hereinafter: the Group) generated consolidated profit after tax and non-controlling interest in the amount of HRK 378m.

In 2022, the total gross written premium (before adjustments for the net increase in the provision for premium receivables and related write-offs) at the Group level amounted to HRK 3,721m, which represents an increase by 8.3 percent. The gross written premium of non-life insurance amounted to HRK 3,316m which represents an increase by 14.5 percent, while gross written premium of life insurance amounted to HRK 405m which represents a decrease by 25.1 percent.

Earned premiums in the reporting period amounted to HRK 3,251m which represents an increase by 5.2 percent compared to the same period last year.

From the non-life and life insurance investments, the Group generated finance income in the amount of HRK 514m which represents an increase of 6.8 percent, with an investment cost of HRK 155m which represents an increase of 0.3 percent.

Gross claims in 2022 amounted to HRK 2,099m, which is an increase of 0.9 percent compared to the same period last year.

Acquisition costs and administrative expenses amounted to a total of HRK 1,457m and represent an increase by 14.5 percent, in which administrative expenses increased by 12.5 percent, and acquisition cost increased by 16.4 percent. The increase in acquisition costs is primarily result of an increase in commission costs due to an increase in premiums and salaries of sales employees due to premium growth and the expansion of the sales network.

Key performance indicators	31 Dec. 2021	31 Dec. 2022	Change in percentage points (p.p.)
Claims ratio (non-life)***	53.0%	51.6%	-1.4
Cost ratio (non-life)***	41.0%	43.1%	+2.1
Combined ratio (non-life)***	94.0%	94.6%	+0.6

***Only members of the Group performing insurance and reinsurance activities were taken into consideration while calculating Group ratios.

2022.

Group	Insurance Companies	Non-insurance Companies	Total
	in HRK '000	in HRK '000	in HRK '000
Earned premiums (revenue)	2,848,631	(2,914)	2,845,717
Investment income	317,829	72,683	390,512
Income from commissions and fees	56,207	(1)	56,206
Other insurance-technical income, net amount from reinsurance	41,751	39	41,790
Other income	22,507	151,591	174,098
Claims incurred	(1,486,264)	24,476	(1,461,788)
Change in mathematical provision and other technical provision, net of reinsurance	(4,182)	1	(4,181)
Cash payments for bonuses and rebates, net of reinsurance	(14,348)	151	(14,197)
Operating expenses (business expenditures), net	(1,227,262)	(169,844)	(1,397,106)
Investment expenses	(126,177)	(8,517)	(134,694)
Other technical expenses, net of reinsurance	(61,620)	65	(61,555)
Other expenses, including value adjustments	(63,737)	(952)	(64,689)
Profit or loss for the accounting period before tax	303,335	66,778	370,113
Profit or loss tax	(46,795)	(10,751)	(57,546)
Profit or loss for accounting period after tax	256,540	56,027	312,567

2021.

Group	Insurance Companies	Non-insurance Companies	Total
	in HRK '000	in HRK '000	in HRK '000
Earned premiums (revenue)	2,553,855	(2,367)	2,551,488
Investment income	277,147	83,177	360,324
Income from commissions and fees	38,201	(1)	38,200
Other insurance-technical income, net amount from reinsurance	43,745	-	43,745
Other income	14,099	156,947	171,046
Claims incurred	(1,350,094)	15,483	(1,334,611)
Change in mathematical provision and other technical provision, net of reinsurance	(16,203)	-	(16,203)
Cash payments for bonuses and rebates, net of reinsurance	(8,709)	-	(8,709)
Operating expenses (business expenditures), net	(1,048,015)	(145,905)	(1,193,920)
Investment expenses	(89,524)	(36,530)	(126,054)
Other technical expenses, net of reinsurance	(60,904)	155	(60,749)
Other expenses, including value adjustments	(2,526)	(174)	(2,700)
Profit or loss for the accounting period before tax	351,072	70,785	421,857
Profit or loss tax	(59,804)	(12,562)	(72,366)
Profit or loss for accounting period after tax	291,268	58,223	349,491

Combined ratio for 2022 is 94.6 percent, which represents deterioration of 0.6 percentage point compared to the same period in 2021. The claims ratio decreased by 1.4 percentage points to 51.6 percent. The cost ratio is 43.1 percent or 2.1 percentage points higher than in 2021.

Total assets of the Group as at 31 December 2022 amount to HRK 13.7 billion, which represents an decrease by 1.7 percent compared to 31 December 2021.

Technical provisions amounted to HRK 8.1 billion, which represents a increase by 1.1 percent compared to the technical provisions as at 31 December 2021.

Significant business events in the reporting period

Approvals from the Croatian Financial Services Supervisory Agency to perform the functions of members of the Supervisory Board and the Management Board

In accordance with the Capital Market Act and the Rules of the Zagreb Stock Exchange, on 18 January 2022 CROATIA osiguranje d.d. held its General Assembly on which the Decision on the election of the members of the Supervisory Board CROATIA osiguranje d.d. was adopted. By the mentioned decision Roberto Škopac and Hrvoje Patajac were elected as a president and as a member of the Supervisory Board of CROATIA osiguranje d.d. for a term of 4 years, starting from the 24 April 2022, subject to obtaining an approval to perform the function of a member of the Supervisory Board issued by the Croatian Financial Services Supervisory Agency. The Governing Board of the Croatian Financial Services Supervisory Agency (HANFA) held a session on 17 February 2022 and issued a decision approving Roberto Škopac to perform the function of a president of the Supervisory Board and Hrvoje Patajac to perform the function of a member of the Supervisory Board of CROATIA osiguranje d.d. for a term of 4 years, starting from 24 April 2022 to 24 April 2026.

At the session held on 29 July 2022, the Croatian Financial Services Supervisory Agency (HANFA) passed a resolution authorizing Hrvoje Šimović to perform the duties of a member of the Supervisory Board of CROATIA osiguranje d.d., for a term of 5 October 2022 until 5 October 2026.

Additionally, at the session held on 5 October 2022, the Administrative Council of HANFA passed resolutions authorizing Davor Tomašković, Robert Vučković, Luka Babić and Vančo Balen to perform the functions of members of the Management Board of CROATIA osiguranje d.d., for a term of 1 January 2023 to 31 December 2026.

Decision of the Supervisory Board on the appointment of members of the Management Board of CROATIA osiguranje d.d.

Supervisory Board, at meeting held on 23 of December 2022, adopted decisions on reappointment of the members of the Management Board of the Company in composition of Davor Tomašković in the capacity of the president of the Management Board, Robert Vučković, Luka Babić, Vančo Balen, all in capacity of the members of the Management Board, for the term starting from 1 January 2023 to 31 December 2026.

Employee representative to the Supervisory Board of CROATIA osiguranje d.d.

After elections for the employee representative to the Supervisory Board, employee Pero Kovačić from Zagreb was elected as a member of the Supervisory Board, for a term of 4 years, starting from 10 March 2022.

Impact of the COVID-19 outbreak on the Company's operations

In 2022, there was a significant improvement in the epidemiological situation related to the COVID-19 pandemic compared to the earlier period. Accordingly, in 2022 no significant negative impacts of the pandemic on the Group's operations have been identified, which is confirmed by the results of the Group's operations and the Company and Group's strong solvency ratio of 289% and 239%. Group continuously monitors the situation and assess the possible impacts of the pandemic as well as the impacts of the normalization of the epidemiological situation. At the same time, the effects of a possible increase in the frequency of claims due to return of all activities to the pre-pandemic state are analysed. In addition, the present risks indirectly caused or triggered by the COVID-19 pandemic are analysed. Firstly, this refers to supply chain disruptions started with the emersion of the pandemic, which triggered high inflation and other negative economic effects, and since February 2022 have been further reinforced by the negative impact of the war in Ukraine at the global level. A long-term increased level of inflation could have negative effects on the Group's operations, primarily through a decrease of realized

premium if there is a significant and permanent decline in the purchasing power of citizens and through an increase in average claims and the Group's operating costs. The rise in interest rates on the financial markets, which further intensified after the escalation of the war in Ukraine, had negative effects primarily in the form of lower market valuations and a decline in the value of financial instruments, but currently does not cause significant difficulties for the Group, due to the adequate alignment of assets and liabilities. On the other hand, the increase in interest rates enables new investments by the Group with slightly higher yields.

In order to be ready to respond to the negative consequences of all of the above mentioned events and possible outcomes, Group continuously places special emphasis on monitoring the situation and analysing scenarios and is ready to take timely measures to mitigate the possible negative consequences on its operations.

The Russian-Ukrainian crisis

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation have a global impact on the world economy, primarily in the form of rising energy prices and the spillover of inflationary effects on individual economies. The Group has no direct operations in insurance and reinsurance business with Russia and Ukraine (nor with reinsurance companies, brokers, MGA agencies, etc.). In addition, reinsurance contracts through the Sanction & Embargo clause exempt reinsurance transactions with states under any sanctions and the terms of insurance on the direct side exclude war damage. The Group has an exposure to insurance policyholders who are members of certain companies associated with entities from Russia and does not expect a significant adverse effect on the ability to collect these receivables in the short term, ie. as a direct consequence of the war in Ukraine. In case of collection receivables inability, the Group disposes of receivables insurance instruments that can be activated as part of compulsory collection if necessary. Furthermore, the Group's certain investments, shareholdings in individual companies and investments in debt instruments are to a certain extent more exposed to their operations of EU issuers that have a slightly more exposed part of operations in Russia. These exposures are not material in terms of business threats and considering the size of the total investment portfolio. The aforementioned indirect exposures may have a negative impact on the Group's results in the event of escalation, which cannot be precisely quantified due to uncertainty and market volatility. However, based on the internal analysis of the impact of the Russian-Ukrainian crisis, as well as the sanctions imposed on Russia, the Group expects to maintain financial stability and a further high level of solvency (SCR ratio). In addition, at the date of these financial statements the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Dividend payment

The General Assembly of CROATIA osiguranje d.d. on 26 May 2022, passed the Decision on the use of the profits of CROATIA osiguranje d.d. achieved in 2021. A dividend was voted for 8,750 preferred shares in the amount of HRK 112.00 per share, i.e. in the amount of HRK 980 thousand. The dividend was paid on 23 June 2022.

Significant events after the end of the reporting date

On 14 March 2023, the General Assembly of CROATIA osiguranje d.d. was held at which the Decision was made on the election of Vitomir Palinac as a member of the Supervisory Board for a period of 4 years, with the beginning of the mandate on 20 June 2023, subject to the approval of HANFA.

In March 2023, certain banks in the USA and Switzerland found themselves in financial difficulties. The group has no direct exposure to the mentioned banks, but despite this, it continuously monitors and analyzes the situation and prepares measures to mitigate possible negative consequences on its operations in case there is a wider spillover of financial difficulties to the banking sector and the capital market in general.

Expected development in the future

In the coming period, uncertainty in the trends and impacts of the COVID-19 pandemic (emergence of a new kraken strain of virus) will continue, as well as the dynamics and development of the Russian-Ukrainian crisis and related energy crisis, the effects of which are reduced due to the currently mild winter. Inflation is still present in most EU countries, including in Republic of Croatia. Croatia is additionally affected by the change of the official currency from kuna to euro, where it is very difficult to distinguish whether conversion has an effect on inflation or not, given the currently high inflation rates.

The above leads to pressure on the overall increase in wages whereby the Government of the Republic of Croatia raised the minimum wage to EUR 700 gross from 1 January 2023, which is an increase of around 12.5% compared to 2022. Considering the expected price growth of all possible services, starting with utilities, the pressure to increase wages will continue to be very high.

The restrictive monetary policy of the US Federal Reserve (Fed) and European Central Bank (ECB) in 2022 is expected to continue, which manifested itself in raising benchmark interest rates, which in the long run could stimulate the growth of life insurance premiums that have stagnated or even decreased in times of pandemic and low interest rates. In doing so, it cannot be ruled out that due to the new situation in March 2023, when certain banks in the US and Switzerland found themselves in financial difficulties, there will be no change in the direction of monetary policy of the Fed and the ECB and the growth of interest rates will be less intense than expected or stopped.

From 1 January 2023, there were also regulatory changes related to the introduction of the euro as the official currency of the Republic of Croatia and changes related to accounting standards (IFRS 17 and IFRS 9). During 2023, the Group will also have certain post-production IT adaptations due to regulatory requirement (example: during 2023, it is necessary to have dual display of prices, which will be abolished from 1 January 2024).

New sources of growth in the future are combinations of organic and acquisition activities. New acquisitions are aimed at strengthening the insurance business and further development of healthcare offering in addition to using the synergies arising from the insurance offer.

Research and development activities

Customer focus and continuous innovations are the values of the Company and Group that underlie research activities and new product development. The aim is to provide fast and quality service and increasing client satisfaction.

At the beginning of 2022, a new cycle of transformation initiatives "Sprint 2022" was launched, the implementation of which by the end of the year should lead to new premium growth and even more efficient cost management. This program also includes Croatian and regional subsidiaries.

The process of digitalization of business continues, and total investments in this segment in 2022 amounted to more than HRK 100 million. The realized premium from digital business in 2022 increased by 68 percent compared to the same period of 2021, while the number of CROATIA osiguranje clients using the Moja Croatia mobile application increased by 75 percent. In 2022, Croatia's digital brand LAQO grew by 84 percent compared to the same period last year. The LAQO Prevent safe driving program is actively used by 37 percent of mobile application users. In August 2022, LAQO introduced payment with cryptocurrencies on its webshop and became the first insurance company in Croatia to enable this type of payment, bringing it even closer to digital users, offering them a completely new shopping experience. On the LAQO website, owners can use 13 cryptocurrencies. In accordance with the Group's sustainability policies, an advanced functionality for monitoring CO2 emissions in traffic was introduced, through which drivers can monitor and positively influence their own carbon footprint in the environment.

CROATIA osiguranje continuously invests in private healthcare with the highest standards, and total value of the investment in the health sector amounts to approximately HRK 150 million. In March, a new Croatia Poliklinika was opened in Rijeka, equipped with the most modern equipment and technology for diagnostics and treatment, and by October it already achieved its annual planned income for 2022. This is the fifth polyclinic after Zagreb, Split, Pula and Koprivnica. The business development strategy is focused on geographical coverage of the entire country with modern polyclinics that provide a wide range of services. Croatia polyclinics strengthened their market position and are now in fourth place in terms of revenue among comparable polyclinics in Croatia. In 2022, Croatia Poliklinika achieved a 48 percent increase in revenue from health services compared to last year, which confirms that market recognizes polyclinics as a provider of above-standard health insurance services, based on top experts and modern medical equipment and space. With the aim of providing an even better user experience and faster and easier information about availability, services and benefits for clients, the new Croatia Poliklinika website was launched in the third quarter of 2022. In November, an addendum to the Collective Agreement of Croatia osiguranje was signed, which guarantees a high level of social and material rights and by which it was agreed to revise the salaries of employees in order to preserve the real value of employees' income due to the increase in the cost of living in an inflationary environment.

In accordance with the size and significance of the business, in addition to supporting a significant number of initiatives within the framework of sponsorship and donation policy, Croatia also helped in crisis situations. Thus, at the beginning of 2022, following the Russian aggression against Ukraine, donation of HRK 1 million was made to the Croatian Red Cross for the needs of refugees and victims from Ukraine. An account for donations was opened for all employees who wanted to help with their own contribution. Every kuna paid by the employees was increased by the company by the same additional amount.

In 2022, Croatia osiguranje became a sponsor of the Croatian national football team. The sponsorship was accompanied by a notable media campaign inspired by Croatia's long-term support of small and large sports teams throughout the Republic of Croatia. Respondents evaluated the campaign with high marks in the segments of liking, quality and comprehensibility of the messages and creating a good feeling towards the brand and its social responsibility.

In May 2022, the European Association for Digital Marketing (IAB Europe) declared Brigometar, created by Croatia osiguranje in cooperation with two reputable Croatian agencies, as the best European digital outdoor advertising project. Brigometer is a unique interactive ad powered by artificial intelligence whose goal is to raise awareness of the importance of mental health care, which has been further threatened by the pandemic, earthquake and other unfavourable circumstances in society.

In 2022, the third generation of participants was enrolled in the postgraduate specialist study "Products, digital innovations and technologies in insurance - INSURTECH", which was launched by the Faculty of Electrical Engineering and Computing in cooperation with Croatia osiguranje. During the course, participants learn about the latest trends in the development of information and communication and digital technologies, as well as the organizational and business aspects of their application in the dynamic environment of the insurance industry. And on this wise Croatia osiguranje has confirmed its position as a market and digital insurance leader, which is the initiator and leader of the improvement of the profession and business, as well as a modern and innovative company facing the future.

In December 2022, Croatia osiguranje received the HANFA award for corporate governance in the category of companies from the official market.

Company branch

As at 31 December 2022, the Company has one registered branch (Branch Ljubljana). In its legal transactions, the branch operates under CROATIA osiguranje d.d. branch Ljubljana, in Croatian, and under CROATIA ZAVAROVANJE d.d. branch Ljubljana, in Slovenian.

Financial risk management

Financial risk management is described in Note 2.38. *Financial risk management* to the Consolidated and separate financial statements for 2022.

Other

In accordance with the statutory obligation and the permitted exemption pursuant to Art. 21.a of the Accounting Act, the Company has prepared a nonfinancial report to be published as part of the annual financial report of the parent company Adris Grupa d.d.

During 2022, PricewaterhouseCoopers d.o.o. (PwC) provided educational and advisory services while in 2021 it provided advisory services. During 2022 and 2021, Deloitte d.o.o. provided tax advisory services.

Corporate Governance Statement

CROATIA osiguranje d.d., PIN 26187994862, Vatroslava Jagića 33, Zagreb (hereinafter: the Company), applies the Corporate Governance Code, which was jointly adopted by the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange and is available on their web sites.

By applying the provisions of the Corporate Governance Code, Rules of the Zagreb Stock Exchange (which are available Zagreb Stock Exchange's website), the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15; 40/19, 34/22, 114/22, 18/23) and the Capital Market Act (Official Gazette 65/18, 17/20, 83/21, 151/22), the Company makes its operations and operating results transparent and accessible to the public. All explanations and possible deviations from the above rules are going to be published in the Compliance Questionnaire, in accordance with the Corporate Governance Code.

In order to take the necessary measures to achieve its business objectives, the Company has established a system of internal controls as a totality of elements: an adequate organisational structure, an implemented management system with the establishment of key and control functions, prescribed control activities for portfolio management, administrative and accounting procedures, security and adequate information system including a reporting system at all levels of the Company.

The system of internal controls in financial reporting ensures that the Company's financial statements present its financial results and financial position with reasonable accuracy and that they comply with International Financial Reporting Standards (IFRS).

The Company's accounting policies represent the principles, rules and practices that the Company applies in preparing and presenting financial statements. The Company's accounting policies are defined by a special Rulebook. A summary of significant accounting policies is disclosed in the Company's financial statements.

The internal accounting control procedures include the control of formal, substantive and computational accuracy of an accounting document:

- Control of formal accuracy of an accounting document determines whether the document has been prepared in accordance with applicable regulations,
- Substantive control of an accounting document determines whether the business changes actually occurred and in the range as indicated,
- Control of computational accuracy of an accounting document means the control of mathematical operations (division, multiplication, addition and subtraction), based on which the results are obtained in the document.

The control of accounting documents is carried out in accordance with the Company's organizational structure and internal regulations by a person holding authorisation to do so as defined in the internal documents of the Company. The organisational chart is located on the internal network and is available to all employees. The control of formal, substantive and computational accuracy is confirmed by a physical and/or electronic signature of the person who has signed it.

In accordance with the provisions of the Insurance Act, the Company has formed an internal audit function at the highest organizational level which structurally reports directly to the Management Board and functionally to the Audit Committee and the Supervisory Board. Activities of the internal audit function are based on the work plans adopted by the Supervisory Board following a positive opinion of the Management Board. The internal audit function analyses and evaluates the activities of the Company and provides expert advice, recommendations and advice on controls. Internal audit assists the Company in meeting the set goals by introducing a systematic and disciplined approach to assessing and improving the effectiveness of risk management, control and corporate governance.

CROATIA osiguranje d.d.
Corporate Governance Statement

The Company has established a risk management function in the form of an independent organisational unit directly responsible to the Management Board. This function established a risk management system consisting of a set of internal acts, procedures and methodologies to identify, estimate or measure, control and report risks. The risk management system is regularly being improved in line with best market practices and the requirements of external regulations. More detailed information on risk management can be found in the Notes to the financial statements.

In accordance with the Insurance Act, the Company has formed an effective compliance function which includes advising and reporting to the Management Board and Supervisory Board on Company compliance with the Insurance Act and other regulations governing the operation of an insurance company, carrying out an assessment of the possible impact of changes in the legal environment on Company operations, and determining and assessing compliance risk.

The Company has established an effective actuarial function that according to the Insurance Act coordinates calculation of technical reserves, ensures the appropriateness of methodologies and models, evaluates the adequacy and quality of data needed to evaluate technical reserves, compares the assumptions and experience, and gives its opinion to the Management Board and Supervisory Board about calculating technical reserves, insurance risk takeovers, the appropriateness of the reinsurance program and participation of actuarial function in the implementation of the Company's risk management system.

In accordance with the Insurance Act, the Company has appointed a certified actuary who verifies data, methods and underlying documents for the calculation of technical provisions according to accounting regulations, and whether the technical provisions and premiums are designed to enable a permanent fulfilment of all Company obligations under the insurance or reinsurance contract regarding which the actuary provides an Opinion and Report to the Management Board and Supervisory Board.

Under the Insurance Act, the Company applies internal control systems to Group companies involved in the insurance part of business, while the companies concerned apply systems of internal controls in accordance with its legal framework.

As at 31 December 2022, significant direct holders of shares in the Company are:

- ADRIS GRUPA d.d. with a share of 66.96% and
- Restructuring and Sales Centre, for the Republic of Croatia, with a share of 30.1%.

The data on the 10 largest shareholders is available on the website of the Central Depository and Clearing Company.

According to the Company's applicable Articles of Association, the limitation of voting rights of shareholders or partial restriction of voting rights does not exist.

The members of the Management Board and the Supervisory Board are not shareholders of the Company.

The Company does not own treasury shares, and the General Assembly did not authorise the Company to acquire treasury shares.

The bodies of the Company are the General Assembly, the Supervisory Board and the Management Board.

General Assembly

The General Assembly of the Company consists of all shareholders of the Company.

The General Assembly of the Company, in accordance with the provisions of the Articles of Association, makes decisions by public voting at sessions, convened usually by the Management Board and the Supervisory Board only when it deemed this necessary for the benefit of the Company. The powers of the General Assembly are regulated by the Company's Articles of Association and do not deviate from the powers which General Assembly of a public limited company has under the Companies Acts. A shareholder has the right to participate and vote at the General Assembly only if he / she has registered his / her participation in writing to the Management Board no later than six days before the General Assembly.

The Company's Articles of Association may be amended at the General Assembly in accordance with the provisions of the Companies Act, and the Supervisory Board is authorized to amend the provisions of the Articles of Association based on the decision of the General Assembly to the extent of editorial changes.

Supervisory Board

The right to appoint individual members of the Supervisory Board are set out in Article 24 of the Articles of Association in favour of the Republic of Croatia and employees of the Company. In accordance with the provisions of the Articles of Association, and in connection with the provision of Article 256, paragraph 3 of the Companies Act, the Republic of Croatia has the right to directly appoint two members of the Supervisory Board, as long as it holds at least 25% of the Company's ordinary shares plus one ordinary share; however, as long as it holds at least 10% of ordinary shares of the Company, pursuant to the same statutory provisions, and in connection with the provision of Article 256 paragraph 3 of the Companies Act, the Republic of Croatia has the right to directly appoint one member of the Supervisory Board. One member of the Supervisory Board is appointed by the work council of the Company, i.e. by employees, through direct and secret elections in the manner prescribed for the election by the work council, and they are entitled to this right as long as the conditions prescribed by the Labour Act are met. The remaining 4 (four) members, ie the remaining 5 (five) members of the Supervisory Board are elected by the General Assembly of the Company.

The Supervisory Board has competencies prescribed by law and the Company's Articles of Association.

In the period from 1 January 2022 to 31 December 2022, the Supervisory Board of the Company consisted of:

- | | | |
|---|-------------------------|-----------------------------|
| • | Roberto Škopac* | President |
| • | Željko Lovrinčević, PhD | Vice President |
| • | Vitomir Palinec | Member |
| • | Hrvoje Patajac** | Member |
| • | Vlasta Pavličević | Member until 4 October 2022 |
| • | Zoran Barac, PhD | Member |
| • | Hrvoje Šimović*** | Member since 5 October 2022 |
| • | Pero Kovačić**** | Member since 10 March 2022 |

** The previous mandate of Robert Škopac ended on 23 April 2022 and was re-elected as a member of the Supervisory Board at the General Assembly of the Company held on 18 January 2022, with the beginning of the mandate from 24 April 2022.*

*** Hrvoje Patajac previous mandate ended on 23 April 2022 and was re-elected as a member of the Supervisory Board at the General Assembly of the Company held on 18 January 2022, with the beginning of the mandate from 24 April 2022.*

**** Hrvoje Šimović was appointed as a member of the Supervisory Board by the Statement of the Center for Restructuring and Sales, with the beginning of his mandate on 5 October 2022.*

***** Pero Kovačić was elected as a worker representative in the Supervisory Board with the beginning of the mandate from 10 March 2022.*

During 2022, the Supervisory Board held a total of 12 meetings, and all members of the Supervisory Board attended all meetings of the Supervisory Board during 2022.

The Supervisory Board formed the Audit Committee and the Nomination and Remuneration Committee.

The Audit Committee consists of three members appointed by the Supervisory Board from among its members.

In the period from 1 January 2022 to 31 December 2022, the Audit Committee consisted of:

- | | | |
|---|-------------------------|-----------|
| • | Hrvoje Patajac* | President |
| • | Željko Lovrinčević, PhD | Member |
| • | Vitomir Palinec | Member |

** By the decision of the Supervisory Board on the appointment of a member of the Audit Committee of CROATIA osiguranje d.d. from 28 April 2022, Hrvoje Patajac was appointed as a member of the Audit Committee for a new mandate, from 28 April 2022 to 24 April 2026.*

➤ *Report on the work of the Audit Committee for the period from 1 January 2022 to 31 December 2022.*

The Audit Committee is an expert body that provides support to the Supervisory Board in terms of improving the quality of supervision that the Supervisory Board is obliged to conduct in accordance with the prescribed competencies.

The Audit Committee performs the tasks determined by the Audit Committee's Rules and Procedures, and in accordance with the provisions of the Audit Act, Regulation (EU) no. 537/2014, Code of Corporate Governance of the Zagreb Stock Exchange d.d. and the Croatian Financial Services Supervisory Agency and other applicable regulations. The task description of the Audit Committee is publicly available, free of charge, on the website of CROATIA osiguranje d.d.

The organization and manner of work of the Audit Committee are regulated in more detail by the Audit Committee's Rules and Procedures. During 2022, the Audit Committee held a total of 10 sessions and all members of the Audit Committee attended all sessions of the Audit Committee during 2022.

At its sessions during 2022, the Audit Committee discussed the following:

- Report on own risk and solvency assessment for 2021,
- Report on the adequacy of the procedures and effectiveness of the internal control system,
- strategic and annual internal audit plan,
- internal audit reports,
- actuarial function reports,
- consolidated and non-consolidated financial statements,
- Solvency and financial condition report of the CROATIA osiguranje Group,
- Related party report of CROATIA osiguranje d.d.,
- audit engagement for 2022,
- annual risk management report,
- non-audit engagement of Deloitte d.o.o.,
- Risk management strategies,
- Risk management policy,
- Report on the solvency and financial condition of CROATIA osiguranje d.d. for the year 2021,
- Questionnaire for audit committees,
- Business information,
- Auditor's report on the audit status of financial statements.

The Audit Committee regularly reported to the Supervisory Board on the recommendations made at its meetings in form of the submitted minutes of the Committee meetings.

The Nomination and Remuneration Committee consists of three members appointed by the Supervisory Board from among its members.

In the period from 1 January 2022 to 31 December 2022, Nomination and Remuneration Committee consisted of:

- | | | |
|---|-----------------|-----------|
| • | Roberto Škopac* | President |
| • | Vitomir Palinec | Member |
| • | Hrvoje Patajac* | Member |

**By decision of the Supervisory Board on the appointment of members of the Appointments and Remuneration Committee of CROATIA osiguranje d.d. as of 28 April 2022, Roberto Škopac and Hrvoje Patajac were appointed members of the Appointments and Remuneration Committee for a new mandate, as of 28 April 2022 until 24 April 2026.*

➤ *Report on the work of the Nomination and Remuneration Committee for the period from 1 January 2022 to 31 December 2022.*

The Nomination and Remuneration Committee is an expert body that provides support to the Supervisory Board in terms of improving the quality of supervision that the Supervisory Board is obliged to carry out in accordance with the prescribed competencies.

The Nomination and Remuneration Committee performs tasks determined by the Decision of the Supervisory Board on the establishment of the Nomination and Remuneration Committee and the appointment of the members of the Committee, and in accordance with the provisions of the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency applicable to the role of the Board. The task description of the Nomination and Remuneration Committee is publicly available, free of charge, on the website of CROATIA osiguranje d.d.

The Committee on Appointments and Remuneration shall apply the Rules of Procedure of the Supervisory Board to the manner of work, as well as to other issues that are important for the work of the Committee.

During 2022, the Nomination and Remuneration Committee held a total of 5 sessions, and all members of the Nomination and Remuneration Committee attended all sessions of the Nomination and Remuneration Committee in 2022.

At its sessions during 2022, the Nomination and Receipts Committee performed the following tasks:

- consideration of the initial assessment and assessment of the existence of conditions for performing the function of a member of the Supervisory Board,
- consideration of the initial assessment of the existence of conditions for performing the function of members of the Management Board of CROATIA osiguranje d.d.,
- consideration of the addendum to the terms of the contract for the performance of the duties of members of the Management Board of CROATIA osiguranje d.d.,
- consideration of the proposal of the Decision on the adoption of the Report on remuneration for 2021 and determination of the proposal of the Decision of the General Assembly on the approval of the Report on remuneration for 2021,
- consideration of the proposal of the Decision on payment of bonuses for 2021 to the members of the Management Board of CROATIA osiguranje d.d.

The Nomination and Remuneration Committee regularly reported to the Supervisory Board on the recommendations made at its meetings, in form of the submitted minutes from the Committee meetings.

Management Board

According to the Company's Articles of Association, the Management Board consists of a minimum of three and a maximum of seven members, one of whom is the President of the Management Board. As of 31 December 2022, the Management Board consisted of four members.

The Management Board of the Company manages all the affairs of the Company jointly, and the Company is represented jointly by at least two members of the Management Board. Members of the Management Board, in conducting the Company's affairs, must adhere to the restrictions prescribed by positive legal regulations, the Company's Articles of Association, decisions of the Supervisory Board and the General Assembly of the Company.

In the period from 1 January 2022 to 5 April 2023, the Management Board of the Company operated as follows:

- Davor Tomašković* President
- Robert Vučković* Member
- Luka Babić* Member
- Vančo Balen* Member

**By decision of the Supervisory Board on the appointment of members of the Management Board of CROATIA osiguranje d.d. from 23 December 2022, Davor Tomašković, Robert Vučković, Luka Babić and Vančo Balen were appointed members of the Management Board of CROATIA osiguranje d.d. for a new mandate, from 1 January 2023 to 31 December 2026.*

During 2022, the Company actively implemented measures to promote gender equality at the Company's overall level. The focus was placed on equal terms in terms of sex and age in the implementation of the recruitment process as well as internal redistribution of workers. Equal criteria applied to the recruitment of employees for management positions of the Company. There are also no differences in salaries for the same type of work or work of equal value. On all levels we are recording equal representation of experts regardless of sex and age parameters. With respect to the professional criteria, the Company applies the strategy of recruiting and developing the management functions of the appropriate profession and level of education in relation to the nature of the function and its requirements. The Company also continuously carries out education and training of employees for the purpose of further improvement and development of competencies.

Zagreb, 5 April 2023



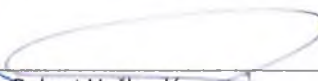
Luka Babić
Member of the Management Board



Davor Tomašković
President of the Management Board



Vančo Balen
Member of the Management Board



Robert Vučković
Member of the Management Board

CROATIA osiguranje d.d.
Vatroslava Jagića 33
10 000 Zagreb
Republika Hrvatska





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for 2022**

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Responsibility for the Annual report

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

The Management Board is responsible for selecting suitable accounting policies that are in accordance with the International Financial Reporting Standards as adopted in the European Union and then applying them consistently; adopting reasonable and prudent judgments and estimates; and preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

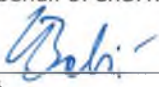
In accordance with Accounting Act, the Management Board is obliged to prepare an Annual report of the Company and the Group comprising the Annual financial statements, Management Report and Corporate Governance Statement. Management Report and Corporate Governance Statement have been prepared in line with the requirements of Article 21, 22 and 24 of the Accounting Act.

The Management Board is responsible for submitting the Annual report of the Company and the Group, which includes the Annual financial statements, to the Supervisory Board, following which the Supervisory Board should approve these for submitting to the General Assembly for acceptance.

The separate and consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted in the European Union and which are presented on the following pages, as well as the forms, prepared in accordance with the *Ordinance on the structure and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19 and 98/20)* adopted by the Croatian Financial Services Supervision Agency were approved by the Management Board on 5 April 2023 and submitted for issue to the Supervisory Board. In acknowledgment, the financial statements have been signed by the Company's authorized persons, as follows.

5 April 2023


For and on behalf of CROATIA osiguranje d.d.:



Luka Babić
Member of the Management Board



Davor Tomašković
President of the Management Board



Vančo Balen
Member of the Management Board



Robert Vučković
Member of the Management Board



CROATIA osiguranje d.d.
Vatroslava Jagića 33
10 000 Zagreb
Republika Hrvatska

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Croatia osiguranje d.d., Zagreb

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Croatia osiguranje d.d. (the Company) and consolidated financial statements of the Croatia osiguranje d.d. and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31 December 2022, the separate and the consolidated statement of comprehensive income, the separate and the consolidated statement of changes in equity and the separate and the consolidated statement of cash flows for the year then ended, and notes to the separate and the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, is of the most significance in our audit of the separate and the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Company Directors: Dražen Nimčević, Katarina Kadunc; Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

For accounting policies please see description of key judgments and estimates used in the calculation of provisions for reported but not settled court and annuity claims, incurred but not reported claims, mathematical reserve and estimates used in liability adequacy test („LAT“) which are presented in Notes 2.22. *Technical provisions* and 2.25 *Liabilities and related assets under liability adequacy test* that have a significant material effect on the amount, timing and uncertainty of future cash flows of the financial statements.

Key audit matter	How we addressed the key audit matter
<p>Valuation of provisions for reported but not settled court and annuity claims, incurred but not reported claims and mathematical insurance provisions</p> <p>In connection with all insurance or reinsurance activities carried out by the Company and the Group, the Company and the Group must design appropriate provisions according to the accounting requirements intended to cover the obligations under insurance contracts, i.e. reinsurance contracts and any losses due to risks arising from insurance or reinsurance activities they perform.</p> <p>In their financial statements, the Company and the Group have stated that the reserves for reported but not settled court and annuity claims (<i>RBNS</i>) in the amount of 1,237,336 thousand HRK and 1,300,856 thousand HRK respectively, what represents 14% of the company's total liabilities, and 16% of total liabilities of the Group, which are expressed in accordance with the legal requirements for accounting of insurance companies.</p> <p>The valuation of provisions for reported but not settled court and annuity claims are determined by individual assessment and involve significant judgment because it requires the Management to develop and integrate sophisticated methods of mathematical and actuarial valuations that imply a high level of complexity and subjectivity in relation to past and future, as well as internal and external variables whose changes in the underlying assumptions may have a significant impact on the measurements of these obligations.</p>	<p>In order to respond to the risks associated with the calculation of provisions for reported but not settled court and annuity claims, incurred but not reported claims and mathematical insurance provisions and liability adequacy tests, identified as a key audit matter, we designed audit procedures, which enabled us to obtain sufficient adequate audit evidence for our conclusion on the matter.</p> <p><i>Provisions for reported but not settled court and annuity claims</i></p> <p>We have carried out the following audit procedures, including the use of actuarial experts:</p> <ul style="list-style-type: none"> • Review and verification of the methodology and adequacy of the actuarial methods used to assess insurance liabilities; • Review and assessment of actuarial judgments used in models, which may vary depending on the product and/or product specifications, as well as model compliance with IFRS; • Gaining an understanding of the control environment and internal controls established by the Management in the process of calculating provisions, including the applications and information technology tools used; • Assessing the adequacy of the design and verifying the implementation of the identified internal controls relevant to the process of calculating provisions for reported but not settled court and annuity claims; • Testing the operational effectiveness of identified and relevant internal controls; • Testing, on the basis of a sample and on the basis of our risk assessment, the adequacy of provisions for reported but not settled court claims • Assessment of the appropriateness of the disclosures in the financial statements. • Testing the methodology application when calculating provisions for reported but not settled annuity claims;

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

Key audit matter	How we addressed the key audit matter
<p>Valuation of provisions for reported but not settled court and annuity claims, incurred but not reported claims and mathematical insurance provisions</p> <p>Also, for the purpose of calculating the provisions of non-life insurance claims, the Company and the Group have stated reserves for incurred but not reported claims until the end of the accounting period (IBNR) in the amount of 1,016,302 thousand and HRK 1,162,806 thousand HRK respectively, what represents 13% of the company's total liabilities and 13% of total Group liabilities, which are expressed in accordance with the legal requirements for accounting of insurance companies.</p> <p>In line with insurance market practice, their valuation involves significant judgment, as it requires management to develop complex and subjective assumptions as key inputs in the actuarial model of calculating these provisions. Some of the key assumptions are: return on investment, interest rates, costs, mortality, longevity, withdrawal assumptions, damage quotas and cost quotas.</p> <p>In relation to all life insurance activities, the Company and the Group should formulate appropriate mathematical insurance provisions according to the accounting regulations intended to cover liabilities under insurance contracts. In their financial statements, the Company and the Group have stated mathematical reserves in the amount of 2,680,185 thousand HRK and 3,175,315 thousand HRK respectively, which represents 34% the Company's total liabilities and 34% total Group liabilities, which are expressed in accordance with the legal requirements for accounting of insurance companies.</p> <p>The Company and the Group calculate the mathematical insurance provisions of Life Insurance individually under each insurance contract using the net prospective method in accordance with legal regulations and HANFA rule books.</p>	<p><i>Provisions for incurred, but not reported claims (IBNR)</i></p> <p>We have carried out the following audit procedures, including the use of actuarial experts:</p> <ul style="list-style-type: none"> • Review and verification of the methodology and adequacy of the actuarial methods used to assess insurance liabilities; • Review and assessment of actuarial judgments used in models, which may vary depending on the product and/or product specifications, as well as model compliance with IFRS; • Recalculation of provisions for incurred, but not reported claims based on the loss triangles method; • Completeness assessment of the used data in the calculation of incurred, but not reported claims; • Gaining an understanding of the control environment and internal controls established by the Management in the process of calculating provisions, including the applications and information technology tools used; • Assessing the adequacy of the design and verifying the implementation of the identified internal controls relevant to the process of calculating provisions for incurred, but not reported claims; • Testing the operational effectiveness of identified and relevant internal controls; • Assessment of the appropriateness of the disclosures in the financial statements. <p><i>Mathematical insurance provisions</i></p> <ul style="list-style-type: none"> • Review and verification of the methodology and adequacy of the actuarial methods used to assess insurance liabilities; • Recalculation of the mathematical insurance provision on a sample basis; • Testing the operational effectiveness of identified and relevant internal controls; • Review and evaluation of the actuarial judgments used in the models, which may vary depending on the product and/or product specifications, as well as the compliance of the model with IFRS;

INDEPENDENT AUDITOR’S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matter (continued)

Key audit matter	How we addressed the key audit matter
<p>Valuation of provisions for reported but not settled court and annuity claims, incurred but not reported claims and mathematical insurance provisions</p> <p>The underlying assumptions that must be made as part of the assessment include assumptions about mortality, longevity, loss, morbidity, disability and cost, and economic assumptions such as interest rates and capital market movements.</p> <p>Furthermore, on each reporting date, the Company and the Group are obliged to conduct a liability adequacy test, with the aim of determining the sufficiency of the recognized provisions from the insurance contract, in accordance with the requirements of IFRS 4: <i>Insurance contracts</i>.</p> <p>The Company and the Group shall assess at each reporting date whether their stated insurance obligations are adequate, using current estimates of future cash flows under all their insurance contracts.</p> <p>Estimates of future cash flows are based on realistic actuarial assumptions, as listed above.</p> <p>If that estimate shows that the carrying amount of insurance liabilities is insufficient in relation to the estimated future cash flows, the shortfall shall be recognized if the profit or loss statement.</p> <p>Given that the measurement of the above-mentioned insurance provisions involves a significant assessment of uncertain future outcomes, mainly due to the total amount of settlement of insurance liabilities, including all guarantees given to policyholders, which may have a significant impact on the financial statements of the Company and the Group, we have decided to include the estimates used in the calculation of the aforementioned insurance provisions and in testing the adequacy of liabilities as a key audit matter during our audit.</p>	<p><i>Mathematical insurance provisions (continued)</i></p> <ul style="list-style-type: none"> • Review and evaluation of the actuarial judgments used in the models, which may vary depending on the product and/or product specifications, as well as the compliance of the model with IFRS; • Gaining an understanding of the control environment and internal controls established by the Management in the process of calculating provisions, including the applications and information technology tools used; • Assessing the adequacy of the design and verifying the implementation of the identified internal controls relevant to the process of calculating the mathematical insurance provision; • On a sample basis, testing the quality of the data used in the calculation of the Mathematical Insurance Reserve; • Assessment of the appropriateness of the disclosures in the financial statements. <p><i>Liability Adequacy test</i></p> <ul style="list-style-type: none"> • Review and verification of the methodology and adequacy of the actuarial methods used to assess insurance liabilities; • Review and assessment of the adequacy and consistency of the actuarial judgments used in the models, which may vary depending on the product and/or product specifications and scenario, as well as the compliance of the model with IFRS; • Review of projected cash flows and assumptions used in the context of Company, Group and industry experience and specific product features; • Gaining an understanding of the control environment and internal controls established by the Management in the process of calculating provisions, including the applications and information technology tools used; • Assessing the adequacy of the design and verifying the implementation of the identified internal controls relevant to the process of liability adequacy test; • Testing the operational effectiveness of identified and relevant internal controls; • Assessment of the appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- 1) Information included in the other information is, in all material respects, consistent with the attached separate and consolidated financial statements.
- 2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
- 3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act,

Based on the knowledge and understanding of the Company and the Group and its environment, which we gained during our audit of the separate and the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor's reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Company the Group for the financial year ended 31 December 2022 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file *croatiasiguranjedd-2022-12-31-en*, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)*. This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (ISQM 1)* and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company and the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate and the consolidated report have been prepared in valid XHTML format;
- Data included in the separate and the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
 - XBRL has been used for markups.
 - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
 - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Shareholders' Meeting held on 26 May 2022 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted engagement has lasted two years and covers period 1st January 2021 to 31st December 2022.

We confirm that:

- our audit opinion on the accompanying separate and consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Company on 4th April 2023 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

In line with the Ordinance on the structure and content of the financial statements of insurance companies or reinsurance companies (OG No. 37/16, 36/18, 50/19, 98/20 "the Ordinance"), the Management Board of the Company designed forms shown in the Appendix to these financial statements on pages 190 to 212, containing the non- consolidated and consolidated statement of comprehensive income, non-consolidated and consolidated statement of financial position, non-consolidated and consolidated statement of changes in equity, non-consolidated and consolidated statement of cash flows, and notes on reconciliation. These forms and relevant notes on reconciliation are the responsibility of the Management board of the Company, and they do not form an inseparable part of these financial statements, which are shown on pages 34 to 189, but are required by the Ordinance.

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

Katarina Kadunc
Director

For signatures, please refer to the original Croatian auditor's report, which prevails.

Goran Končar
Certified auditor

Deloitte d.o.o.

5th April 2023
Radnička cesta 80,
10 000 Zagreb,
Croatia

Statement of comprehensive income for 2022

	Note	Company		Group	
		2022	2021	2022	2021
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	4	3,106,077	2,910,840	3,727,321	3,451,871
Premiums ceded to reinsurance and coinsurance	4	(343,841)	(278,305)	(375,698)	(310,733)
Written premiums, net of reinsurance and coinsurance	4	2,762,236	2,632,535	3,351,623	3,141,138
Change in gross provisions for unearned premiums	4	(102,306)	(50,136)	(114,236)	(66,940)
Change in provision for unearned premiums, reinsurance and coinsurance share	4	13,782	16,664	13,723	17,249
Earned premiums, net of reinsurance and coinsurance	4	2,673,712	2,599,063	3,251,110	3,091,447
Commission and fee income	5	55,677	38,416	57,772	40,074
Finance income	6	432,241	399,965	513,640	480,877
Other operating income	7	50,006	40,343	219,096	217,890
Net operating income		3,211,636	3,077,787	4,041,618	3,830,288
Claims incurred	8	(1,746,940)	(1,684,320)	(2,077,472)	(1,988,840)
Reinsurance and coinsurance share of claims incurred	8	204,904	66,465	213,943	76,210
Claims incurred, net of reinsurance and coinsurance		(1,542,036)	(1,617,855)	(1,863,529)	(1,912,630)
Acquisition costs	9	(636,821)	(534,139)	(767,720)	(659,679)
Administrative expenses	10	(438,522)	(396,502)	(689,683)	(612,926)
Other operating expenses	11	(100,226)	(39,848)	(127,176)	(64,003)
Finance costs	12	(125,478)	(96,796)	(154,614)	(154,107)
Share in profit of associates and joint ventures		-	-	10,513	11,111
Profit before tax		368,553	392,647	449,409	438,054
Income tax	13	(55,570)	(58,534)	(70,970)	(75,297)
Profit for the year		312,983	334,113	378,439	362,757

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

Statement of comprehensive income (continued)

for 2022

	Note	Company		Group	
		2022	2021	2022	2021
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Other comprehensive income for the year					
<i>Items that will not be recognised in profit or loss</i>					
Change in fair value of property for own use, net of deferred tax	24.3/i/	(963)	(20)	(399)	(3,883)
<i>Items that can be subsequently recognised in profit or loss</i>					
Change in fair value of available-for-sale financial assets, net of realised amounts and net of deferred tax	24.3/ii/	(485,343)	147,675	(571,427)	134,573
Foreign exchange differences	24.3/ii/	(67)	53	988	(675)
Other comprehensive (loss)/income for the year		(486,373)	147,708	(570,838)	130,015
Total comprehensive (loss)/income for the year		(173,390)	481,821	(192,399)	492,772
Profit attributable to:					
Company shareholders		312,983	334,113	378,084	362,342
Non-controlling interest		-	-	355	415
		312,983	334,113	378,439	362,757
Total comprehensive (loss)/income attributable to:					
Company shareholders		(173,390)	481,821	(192,747)	492,355
Non-controlling interest		-	-	348	417
		(173,390)	481,821	(192,399)	492,772
Earnings per share attributable to the Company's shareholders					
Basic and diluted earnings per share (HRK)	14	-	-	898,17	860,78

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

Statement of financial position

as at 31 December 2022

	Note	Company		Group	
		31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets					
Intangible assets	15	116,164	133,713	133,995	144,341
Deferred acquisition costs	15.1	188,935	196,996	230,348	236,930
Property and equipment	16	483,505	496,354	833,744	814,845
Investment property	17	522,851	524,104	1,043,076	1,071,946
Investments in subsidiaries, associates and participation in joint ventures	18	388,115	384,197	72,776	72,412
Held-to-maturity investments	19	2,197,270	2,325,984	2,289,237	2,407,887
Available-for-sale financial assets	19	4,881,860	5,167,207	5,471,386	5,820,956
Financial assets at fair value through profit or loss	19	229,895	384,079	296,976	432,027
Loans and receivables	19	506,848	608,170	667,251	743,891
Reinsurance share in technical provisions	20	396,207	331,343	413,556	349,119
Deferred tax assets	21	43,868	-	53,329	1,158
Insurance contract and other receivables	22	973,403	910,793	1,105,315	1,034,150
Cash and cash equivalents	23	863,367	609,033	1,078,164	797,265
Total assets		11,792,288	12,071,973	13,689,153	13,926,927
Capital and reserves					
Subscribed share capital	24.1	589,326	589,326	589,326	589,326
Premium on issued shares		681,483	681,483	681,483	681,483
Reserves	24.2	402,038	402,038	402,038	402,038
Revaluation reserve	24.3	131,275	618,193	128,943	696,434
Retained earnings		2,038,405	1,724,759	2,605,491	2,231,868
Equity attributable to shareholders of the Company		3,842,527	4,015,799	4,407,281	4,601,149
Non-controlling interests	1.3	-	-	10,255	10,171
Total capital and reserves		3,842,527	4,015,799	4,417,536	4,611,320
Liabilities					
Technical provisions	25	6,967,505	6,941,300	8,092,642	8,008,369
Provisions	26	49,253	58,054	57,939	67,590
Deferred tax liability	21	-	64,483	45,901	111,954
Financial liabilities at amortized cost	27	362,532	363,847	406,515	412,654
Financial liabilities at fair value through profit or loss	19.5	620	5,987	620	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	28	559,467	599,867	642,139	670,669
Current income tax liability		10,384	22,636	25,861	38,384
Total liabilities		7,949,761	8,056,174	9,271,617	9,315,607
Total capital, reserves and liabilities		11,792,288	12,071,973	13,689,153	13,926,927

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

Statement of changes in equity for 2022

Company	Subscribed share capital	Premium on issued shares	Reserves	Revaluation reserve	Retained earnings	Total capital and reserves
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Balance at 1 January 2021	589,326	681,483	402,038	471,124	1,389,868	3,533,839
Total comprehensive income for the year						
Change in fair value of property for own use (Note 16)	-	-	-	(25)	-	(25)
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	5	-	5
Change in fair value of available-for-sale financial assets, net of amounts realised	-	-	-	180,091	-	180,091
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	(32,416)	-	(32,416)
Foreign exchange differences on translation of foreign operations	-	-	-	53	-	53
<i>Other comprehensive income</i>	-	-	-	147,708	-	147,708
<i>Profit for the year</i>	-	-	-	-	334,113	334,113
Total comprehensive income for the year	-	-	-	147,708	334,113	481,821
Transactions with owners, recognised directly in equity						
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(778)	778	-
Deferred tax on transfer due to depreciation and sale of revalued property for own use (Note 21)	-	-	-	139	-	139
Balance at 31 December 2021	589,326	681,483	402,038	618,193	1,724,759	4,015,799
Balance at 1 January 2022	589,326	681,483	402,038	618,193	1,724,759	4,015,799
Total comprehensive income for the year						
Change in fair value of property for own use (Note 16)	-	-	-	(1,175)	-	(1,175)
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	212	-	212
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	(591,882)	-	(591,882)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	106,539	-	106,539
Foreign exchange differences on translation of foreign operations	-	-	-	(67)	-	(67)
<i>Other comprehensive income</i>	-	-	-	(486,373)	-	(486,373)
<i>Profit for the year</i>	-	-	-	-	312,983	312,983
Total comprehensive income for the year	-	-	-	(486,373)	312,983	(173,390)
Transactions with owners, recognised directly in equity						
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(663)	663	-
Deferred tax on transfer due to depreciation and sale of revalued property for own use (Note 21)	-	-	-	118	-	118
Balance at 31 December 2022	589,326	681,483	402,038	131,275	2,038,405	3,842,527

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

Statement of changes in equity (continued)

for 2022

Group	Subscribed	Premium on	Reserves	Revaluation	Retained	Total	Non-controlling interest	Total capital and reserves
	share capital	issued shares		reserve	earnings			
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Balance at 1 January 2021	589,326	681,483	402,038	568,449	1,866,055	4,107,351	12,654	4,120,005
Total comprehensive income for the year								
Change in fair value of property for own use (Note 16)	-	-	-	(4,920)	-	(4,920)	6	(4,914)
Deferred tax on change in value of property for own use (Note 21)	-	-	-	1,031	-	1,031	-	1,031
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	166,419	-	166,419	(7)	166,412
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realized (Note 21)	-	-	-	(31,839)	-	(31,839)	-	(31,839)
Foreign exchange differences on translation of foreign operations	-	-	-	(678)	-	(678)	3	(675)
<i>Other comprehensive income</i>	-	-	-	130,013	-	130,013	2	130,015
<i>Profit for the year</i>	-	-	-	-	362,342	362,342	415	362,757
Total comprehensive income for the year	-	-	-	130,013	362,342	492,355	417	492,772
Transactions with owners, recognised directly in equity								
Dividends paid	-	-	-	-	-	-	(135)	(135)
Purchase of minority interest	-	-	-	-	1,132	1,132	(2,785)	(1,653)
Other transactions	-	-	-	3	(113)	(110)	20	(90)
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(2,452)	2,452	-	-	-
Deferred tax on transfer due to depreciation and sale of revalued property for own use (Note 21)	-	-	-	421	-	421	-	421
Balance at 31 December 2021	589,326	681,483	402,038	696,434	2,231,868	4,601,149	10,171	4,611,320
Balance at 1 January 2022	589,326	681,483	402,038	696,434	2,231,868	4,601,149	10,171	4,611,320
Total comprehensive income for the year								
Change in fair value of property for own use (Note 16)	-	-	-	(636)	-	(636)	(22)	(658)
Deferred tax on change in value of property for own use (Note 21)	-	-	-	259	-	259	-	259
Change in fair value of available-for-sale financial assets, net of amounts realised	-	-	-	(689,412)	-	(689,412)	8	(689,404)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realized (Note 21)	-	-	-	117,977	-	117,977	-	117,977
Foreign exchange differences on translation of foreign operations	-	-	-	981	-	981	7	988
<i>Other comprehensive income</i>	-	-	-	(570,831)	-	(570,831)	(7)	(570,838)
<i>Profit for the year</i>	-	-	-	-	378,084	378,084	355	378,439
Total comprehensive income for the year	-	-	-	(570,831)	378,084	(192,747)	348	(192,399)
Transactions with owners, recognised directly in equity								
Dividends paid	-	-	-	-	-	-	(248)	(248)
Sale to non-controlling interest	-	-	-	-	-	-	(17)	(17)
Transfer due to depreciation and sale of revalued property for own use	-	-	-	4,460	(4,461)	(1)	1	-
Deferred tax on transfer due to depreciation and sale of revalued property for own use (Note 21)	-	-	-	(1,120)	-	(1,120)	-	(1,120)
Balance at 31 December 2022	589,326	681,483	402,038	128,943	2,605,491	4,407,281	10,255	4,417,536

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

Cash flow statement for 2022

	Note	Company	Company	Group	Group
		2022	2021	2022	2021
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from operating activities					
Profit before tax		368,553	392,647	449,409	438,054
<i>Adjustments for:</i>					
Depreciation and amortisation	15, 16	60,886	59,016	92,817	84,482
Change in deferred acquisition costs	15.1	8,061	11,354	6,582	10,424
Net impairment of loans	6, 12.1	(10,886)	(18,543)	(10,794)	(18,563)
Impairment of property and equipment and intangible assets	7, 11	47,315	101	47,874	(248)
Impairment of shares in subsidiaries and associates	12.1	533	(5,671)	-	-
Interest expense	12	10,855	11,724	13,085	13,516
Interest income	6.1.	(88,759)	(88,137)	(80,587)	(79,847)
Dividend income and share in profit of associates and joint ventures		(73,035)	(65,382)	(61,137)	(43,267)
Net foreign exchange differences on held-to-maturity investments and loans	6.4, 12.3	(3,312)	3,792	(3,295)	3,742
Gain on sale of subsidiaries and associates		-	(9)	-	(24)
(Gains)/losses on sale of investment property and tangible assets and changes in fair value of investment property		(10,149)	(6,972)	(5,629)	13,818
Net provisions for legal disputes, termination benefits, etc.		11,151	756	12,043	2,252
Gain on bargain purchase and valuation of the existing share	18.3	-	-	-	(1,961)
Other adjustments		(604)	1,967	10,865	10,622
Cash flows before changes in operating assets and liabilities		320,609	296,643	471,233	433,000
Changes in available-for-sale financial assets		(306,535)	(450,954)	(339,842)	(530,889)
Changes in financial assets and financial liabilities at fair value through profit or loss		148,817	36,035	129,684	25,969
Changes in loans and receivables		73,474	366,394	31,726	394,201
Changes in reinsurance share in technical provisions		(64,864)	143,526	(64,437)	139,146
Changes in insurance contract and other receivables		(57,771)	(121,812)	(66,381)	(137,163)
Changes in technical provisions		26,205	(93,956)	84,273	(27,650)
Payment of termination benefits, jubilee awards and other provisions		(19,952)	(29,241)	(21,694)	(32,621)
Changes in insurance contract and other liabilities		(34,863)	51,998	(24,854)	44,414
Changes in other financial liabilities except for lease liabilities and financial institutions liabilities		640	74,278	640	74,278
Income tax paid		(74,842)	(44,012)	(88,293)	(54,913)
Changes in operating assets and liabilities		(309,691)	(67,744)	(359,178)	(105,228)
Net cash flows (used in)/from operating activities		10,918	228,899	112,055	327,772

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

Cash flow statement (continued) for 2022

Continued:

	Note	Company	Company	Group	Group
		2022	2021	2022	2021
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from investing activities					
Proceeds from sale of tangible assets		465	1,329	993	3,845
Purchase of tangible assets		(18,264)	(19,473)	(52,919)	(34,399)
Purchase of intangible assets		(51,728)	(61,189)	(61,165)	(63,109)
Proceeds from sale of investment property		19,235	6,342	19,994	6,206
Purchase of investment property		(646)	(2,195)	(1,652)	(3,001)
Proceeds from sale of subsidiaries		-	4,984	-	4,908
Acquisition of subsidiaries (net of cash acquired)	18.3	-	(5,696)	-	(5,389)
Acquisition of additional interest in subsidiaries	18.3	(4,451)	(1,289)	-	-
Proceeds from held- to-maturity investments		313,724	60,000	317,401	79,354
Purchase of held- to-maturity investments		(186,335)	(309,124)	(199,523)	(324,236)
Proceeds from dividends		72,512	63,924	49,918	30,671
Proceeds received from short-term and long-term loans granted		100,492	94,896	71,154	78,267
Short-term and long-term loans granted		(65,159)	(32,222)	(18,576)	(26,232)
Interest income received		87,300	91,842	79,238	84,709
Net cash flows from investing activities		267,145	(107,871)	204,863	(168,406)
Cash flows from financing activities					
Cash inflows from loans received		-	-	-	3,075
Cash outflows for repayment of principal element of lease liabilities		(22,749)	(22,971)	(34,774)	(30,853)
Cash outflows for payment of share in profit (dividend)		(980)	(1,960)	(1,228)	(2,095)
Acquisition of minority interest		-	-	(17)	(1,653)
Net cash flows from financing activities		(23,729)	(24,931)	(36,019)	(31,526)
Cash and cash equivalents at beginning of period	23	609,033	512,936	797,265	669,425
Cash and cash equivalents at end of period	23	863,367	609,033	1,078,164	797,265
Net (decrease)/ increase in cash and cash equivalents		254,334	96,097	280,899	127,840

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

Notes to the financial statements

1. GENERAL INFORMATION ON THE COMPANY

1.1. Legal framework, activities and employees

CROATIA osiguranje d.d., Zagreb, Vatroslava Jagića 33 (the "Company"), in Republic of Croatia is registered in the Court Register of the Commercial Court in Zagreb, Republic of Croatia, under the Company's Court Reg. No. ("MBS") 080051022 and PIN ("OIB") 26187994862 as a joint stock company.

The Company's principal activity is non-life and life insurance business and reinsurance business in the non-life insurance group in the territory of Republic of Croatia and Slovenia, while the Group also operates in the territory of Northern Macedonia, Bosnia and Herzegovina and Serbia. Since 2004 the Company's shares have been listed at Official Market of the Zagreb Stock Exchange, Zagreb.

The Company is the parent company of the CROATIA osiguranje d.d. Group (the "Group").

Company is majorly owned by ADRIS GRUPA d.d., Rovinj (Adris is also an ultimate parent of the Company) and is included in the consolidated financial statements of ADRIS GRUPA d.d. which are available on the ADRIS GRUPA d.d.'s website, Zagreb Stock Exchange and the Officially appointed mechanism for the central storage of regulated information.

Average number of employees of the Company is 2,424 (2021: 2,292), and of the Group 3,708 (2021: 3,488).

1.2. Company bodies

The Company's bodies are the General Assembly, the Supervisory Board and the Management Board.

Members of the Supervisory Board:

- | | | |
|---|-------------------------|-----------------------------|
| • | Roberto Škopac | President |
| • | Željko Lovrinčević, PhD | Vice President |
| • | Vitomir Palinec | Member |
| • | Hrvoje Patajac | Member |
| • | Vlasta Pavličević | Member until 4 October 2022 |
| • | Zoran Barac, PhD | Member |
| • | Pero Kovačić | Member since 10 March 2022 |
| • | Hrvoje Šimović | Member since 5 October 2022 |

Members of the Management Board:

- | | | |
|---|------------------|-----------|
| • | Davor Tomašković | President |
| • | Robert Vučković | Member |
| • | Luka Babić | Member |
| • | Vančo Balen | Member |

1.3. Subsidiaries

The Group consolidated the following entities as at 31 December 2022:

Group	Principal activity	31 December 2022		
		Shares directly held by parent (%)	Shares held by the Group (%)	Shares held by non-controlling interests (%)
Subsidiaries registered in Croatia which are consolidated:				
Croatia premium d.o.o., Zagreb	<i>Real estate business</i>	100	100	-
<i>M teh d.o.o.</i>	<i>Equipment rental</i>	100	100	-
Core 1 d.o.o., Zagreb	<i>Real estate business</i>	100	100	-
Razne usluge d.o.o. (currently being wound up), Zagreb	-	100	100	-
Auto Maksimir Vozila d.o.o., Zagreb	<i>Insurance agency</i>	100	100	-
CO Logistika d.o.o.	<i>Real estate business</i>	100	100	-
Strmec projekt d.o.o.	<i>Real estate business</i>	100	100	-
CO Zdravlje d.o.o., Zagreb	<i>Consulting and services</i>	100	100	-
<i>CROATIA Poliklinika Zagreb</i>	<i>Healthcare</i>	-	100	-
Croatia-Tehnički pregledi d.o.o., Zagreb	<i>MOT*</i>	100	100	-
<i>Herz d.d., Požega</i>	<i>MOT</i>	-	100	-
<i>Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod</i>	<i>MOT</i>	-	76	24
<i>STP Pitomača, Pitomača</i>	<i>MOT</i>	-	100	-
<i>STP Blato</i>	<i>MOT</i>	-	100	-
<i>Autoprijevoz d.d.</i>	<i>MOT</i>	-	79.12	20.88
<i>Crotehna d.o.o., Ljubuški</i>	<i>MOT</i>	-	100	-
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	<i>Fund management</i>	100	100	-
ASTORIA d.o.o.	<i>Real estate</i>	100	100	-
Subsidiaries registered abroad which are consolidated:				
Milenijum osiguranje a.d.o., Belgrade	<i>Insurance</i>	100	100	-
Croatia osiguranje d.d., Mostar	<i>Insurance</i>	97.12	97.12	2.88
<i>Croatia remont d.d., Čapljina**</i>	<i>MOT</i>	-	69.79	30.21
<i>Crauto d.o.o., Mostar</i>	<i>MOT</i>	-	66.79	33.21
<i>Tia auto d.o.o.</i>	<i>Technical examination and analysis of motor vehicles</i>	-	100	-
<i>Skadencā d.o.o.</i>	<i>Insurance agency</i>	-	100	-
<i>Hotel Hum d.o.o., Ljubuški</i>	<i>Hospitality</i>	-	100	-
Croatia osiguranje d.d., društvo za osiguranje neživota, Skopje	<i>Insurance</i>	100	100	-
Croatia osiguranje d.d., društvo za osiguranje života, Skopje	<i>Insurance</i>	95	100	-

* MOT - Motor vehicle examination stations

** Crotehna d.o.o. additionally holds a 9.27% share of Croatia remont d.d.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies adopted in the preparation of financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Hereinafter, the policies applied by the Group also mean the policies applied by the Company, unless otherwise stated.

2.1. Statement of compliance

In accordance with Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22), the financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted in the European Union and in accordance with the Ordinance on the structure and content of the financial statements for insurance or reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20).

These are consolidated financial statements of the Group that also include separate financial statements of the Company ("Parent" of the Group) as defined in International Accounting Standard 27 "Separate Financial Statements" and International Financial Reporting Standard 10 "Consolidated financial statements".

2.2. Basis of preparation

The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in Note 2.35.

2.3. Adoption of new and amended International Financial Reporting Standards ("IFRSs")

The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated and disclosed.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year which were endorsed by the EU. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

(a) *New and amended standards adopted by the Group:*

- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*

The Amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

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

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

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

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

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

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

Their adoption did not have any significant impact on the disclosures or on the amounts shown in these financial statements.

b) Standards and amendments to existing standards published by the International Accounting Standards Board and adopted by the European Union, but not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- *Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)*

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

- *Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)*

The Amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

- *Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)*

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

- *IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)*

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 *Insurance Contracts*. By the reporting date, various *supplements have been issued to IFRS 17 and IFRS 4* containing a number of clarifications for the purpose to facilitate the implementation of IFRS 17, to simplify certain requirements of the standard, and to extend the temporary exemption from IFRS 9 for annual periods starting on or after 1 January 2023. The amendments cover eight areas of IFRS 17, but they are not intended to change the fundamental principles of the standard.

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. An insurance contract is contract on the basis of which one party (issuer) assumes a significant insurance risk

from the other party (the policyholder) and agrees to pay the policyholder compensation if the policyholder suffers damage due to an uncertain future event (insured event). When identifying contracts in the scope of IFRS 17, in some cases the Group will have to assess whether a set or series of contracts should be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and calculated according to a different standard. For insurance and reinsurance contracts, the Group does not expect significant changes resulting from the application of these requirements.

ii. Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes and contract groups are determined firstly by identifying portfolios of contracts, each comprising contracts subject to similar risks which are managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into groups of contracts for which the recognition and measurement requirements under IFRS 17 apply. At initial recognition, the Group divides each portfolio into annual cohorts according to the year of issuance and each annual cohort is classified into one of the following groups:

- o a group of contracts that are onerous upon initial recognition;
- o a group of contracts for which, upon initial recognition, there is no significant possibility of becoming onerous subsequently

When a contract is recognised, it is added to an existing group of contracts. As a rule, reinsurance contracts are valued individually.

The level of aggregation requirements under IFRS 17 limits the offsetting of gains on groups of profitable contracts, through deferred recognition of contractual service margin ("CSM"), against losses on groups of onerous contracts, which are recognised immediately.

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in that group. Compared to the current accounting policy, the Group expects that for certain contracts, IFRS 17 requirements for contract boundaries will change the scope of cash flows that will be included in the measurement of existing recognized contracts. The period covered by the premiums within the contract boundary represents 'coverage period' which is relevant when applying numerous requirements of IFRS 17.

Insurance contracts

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with the insurance contract services. A substantive obligation to provide insurance contract services ends when:

- o the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefit that fully reflects those risks; or
- o the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the date when risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the

reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- o has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- o has a substantive right to terminate the coverage.

Some of the Group's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Group and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

iv. Measurement

Insurance contracts are subject to different requirements depending on how they are classified.

The standard requires a general measurement model based on current best estimates, whereas estimates are re-measured in each reporting period. Contracts shall be measured as the sum of (a) the fulfilment of cash flows, which consist of estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

An alternative simplified approach based on the allocation of premiums based on the passage of time is allowed to calculate the liability for the remaining coverage for short-term contracts, which are often contracted by non-life insurers.

A variation of the general measurement model, called the "variable fee approach", is also envisaged, which must be applied to certain life insurance contracts in which insurance policy holders participate in changing the fair value of the specific items defined by the relevant insurance contracts.

Below are more detailed individual models.

Life insurance contracts

At initial recognition, the Group shall measure the contract group with a general model. The general model measures the group of insurance contracts at the level of:

(a) total cash flows from the performance of the contract, which include:

- (i) estimates of future cash flows;
- (ii) adjustments to reflect the time value of money and the financial risks associated with future cash flows if financial risks are not included in future cash flow estimates; and
- (iii) adjustment of value for non-financial risk.

(b) the total margin for the service contracted.

The fulfillment cash flows from a group of contracts shall not reflect the non-performance risk of Group's obligations.

The estimate of future cash flows is measured as the present value of future gross expenditure (fees and expenses) reduced by the present value of future gross income (gross written premium of future periods) taking into account the estimated probabilities of possible outcomes.

All cash flows shall be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the yield of on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the liquidity adjusted risk-free rates.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for uncertainty regarding the amount and timing of the cash flows arising from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those insurance contracts. On initial recognition of a group of contracts, the group of contracts is not onerous if the total of the following is a net inflow:

- (a) cashflows from the fulfillment of contract;
- (b) any cash flows arising from related group of contracts at that date; and
- (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to a group of contracts.

In the case of net outflows, the group of contracts constitutes onerous contracts and the net outflow is recognised as a loss in the profit and loss account. Also, the loss component is recognized in order to display the amount of net outflow of money, which determines the amounts that are subsequently displayed in the income statement as the reversal of losses under onerous contracts and are excluded from income from insurance contracts.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for claims incurred. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for claims incurred includes the fulfilment cash flows for claims incurred and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- o the fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Changes related to future services	<i>Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)</i>
Changes related to current or past services	<i>Recognised in the insurance service result in profit or loss</i>
Effects of time value of money, financial risk and changes on estimated future cash flows	<i>Recognised as part of net financial income or expense from the insurance contract</i>

The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

As regards life insurance reinsurance contracts, the Group will apply the same accounting policies as for the measurement of a group of insurance contracts.

Cash flows from acquisition costs arise from the sales and underwriting activities of a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, for life

contracts, cash flows from acquisition costs are allocated to groups of contracts using systematic and rational methods.

A variation of the general measurement model, called the " variable fee approach ", is also envisaged, which shall be applied to certain life insurance contracts in which the owners of insurance policies participate in the change in the fair value of the specific items defined by the relevant insurance contracts. When applying this model, the insurer's share of fair value changes is included in the contractual service margin. Consequently, the results of insurers using this model are likely to be less volatile than by applying a general measurement model.

Impact assessment

In accordance with IFRS 17, profit shall be recognised in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the CSM recognition in profit or loss, in accordance with the time frame of the provision of services and the risk adjustment for non-financial risk as the related risk expires. Although the total profit recognised over the lifetime of the contracts will not change, the Group expects the recognition of the profit to be less volatile. This is mainly because, for certain life contracts, all profits are currently recognised in profit or loss on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of IFRS 17 because a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17.

The increase in the liabilities for life contracts on transition to IFRS 17 can mainly be attributed to the following:

Changes from IFRS 4	Impact on capital at the date of transition to IFRS 17
Estimates of the present value of future cash flows will increase based on reduced discount rates in accordance with the requirement in IFRS 17 to measure future cash flows using current discount rates.	Decrease
Recognised CSM determined using approaches described under (vi) represents unearned profit for these contracts.	Decrease

The Group estimates that, after the adoption of IFRS 17, the effect of these changes (before tax) is a reduction of the Group's total equity amounting between HRK 105m and HRK 125m as at 1 January 2022, and the reduction of the Company total equity amounting between HRK 128m and HRK 148m as at 1 January 2022.

Non-life insurance contracts

The Premium allocation approach (PAA) is a simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet certain criteria.

The Group expects to apply PAA to all contracts in the non-life insurance segment, except loan insurance to which the general measurement model will be applied as described in the life insurance section, as the following criteria are expected to be met at initial recognition:

- o Insurance contracts and disproportionate reinsurance contracts: the coverage of each contract in the group of contracts is one year or less.
- o Reinsurance contracts containing related risks: The Group reasonably expects the result of the measuring assets for the remaining coverage will not differ significantly from the results of the application of the general measurement model.

Upon initial recognition of each group of non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured based on the premiums incurred upon initial recognition. The Group will

decide to recognize the cash flows from the sales costs as an expense when they arise, except for commission expenses, which will be accrued for the duration of the insurance contract and recognized based on the passage of time.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums incurred and decreased by the amount recognised as insurance revenue for services provided. The Group expects that the time between provision of each part of the services and the related premium due date will not exceed one year. Accordingly, as permitted by IFRS 17, the Group will not adjust the residual cover obligation to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group will recognise a loss in profit or loss and increase the liability for the remaining coverage to the extent that the current estimates of the fulfilment cash flows related to residual coverage exceed the carrying amount of the liability for residual coverage. The fulfilment cash flows will be discounted.

The Group will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted unless they are expected to be settled within one year or less from the date the claims are incurred.

The Group will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Impact assessment

Although the PAA is similar to the Group's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for non-life contracts.

Changes from IFRS 4	Impact on capital at the date of transition to IFRS 17
In accordance with IFRS 17, the Group will discount future cash flows when measuring the liability for incurred claims, unless they are expected to occur within one year or less from the date on which the claims are incurred. The group does not currently discount such future cash flows.	Increase
IFRS 17 requires that cash flows for contract performance include a correction of value for non-financial risk. Under IFRS 4, cash flows are not explicitly adjusted to correct the value for financial risk.	Decrease
In accordance with IFRS 17, the Group will include in cash flows the expected recourse collections, which differs from the current practice according to which these amounts are not booked.	Increase

The Group estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a increase the Group's total equity which will amount to between of HRK 504m and HRK 524m on 1 January 2022 and the increase Company total equity will amount to between of HRK 507m and HRK 527m on 1 January 2022.

v. Measurement - significant judgments and estimates

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information

includes both internal and external historical data about claims and other experiential data, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of all relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or annul a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. This includes premiums (including policyholders' premium adjustments and installment premiums and any additional cash flows resulting from these premiums, payments to (or on behalf of) the policyholder, cash flows from the acquisition of insurance and other costs incurred in executing the contract. Cash flows from acquisition costs and other costs incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable general overheads which can be directly attributed to the execution of the insurance contract (so-called attributable costs).

Cost cash flows are distributed into groups of contracts using systematic and meaningful methods that are consistently applied to all costs with similar characteristics. A significant part of direct administrative costs are directly charged to life and non-life insurance segments. Administrative costs that cannot be directly allocated to life or non-life insurance will be allocated by the Group on the basis of an analysis of the time spent of administrative employees on activities related to life and non-life insurance. The allocation of these costs within a particular segment to the associated insurance groups is carried out on the basis of a share of the insurance income of the respective insurance group.

Other non-attributable expenses are not allocated to groups of insurance contracts and are reported in the financial statements separately from the technical result items, i.e. results from the insurance contract.

Discount rates

According to the requirements of IFRS 17, the Group will set discount rates with the so-called bottom-up approach, creating a risk-free interest curve using market yields of government bonds with the application of credit risk correction and EIOPA methodology for extrapolation. To reflect the liquidity characteristics of insurance contracts, risk-free interest curves will be further adjusted by illiquidity adjustment. Illiquidity adjustment will generally be determined based on estimates of differences in the liquidity characteristics of insurance contract groups and assets on the basis of which risk-free interest curves will be assessed.

For life insurance group contracts, the Group measures liabilities under the requirements of IFRS 4 by discounting future cash flows, using technical interest rates, determined at initial recognition in accordance with applicable price lists and subsequently corrected in accordance with regulatory requirements. According to the requirements of IFRS 17, the Group will measure life insurance obligations by discounting future cash flows (cash flows from the execution of life insurance group contracts) with the application of current discount rates at the appropriate measurement date. Due to the different methodology of determining discount rates according to the requirements of IFRS 17 where entire time structures of interest rates are applied (interest curves at which each maturity is assigned a special interest rate), compared to IFRS 4 where constant interest rates are applied for all maturities relating to a particular contract, discount rates according to the requirements of IFRS 17 will in some cases be higher, and in some cases lower than discount rates applied according to the requirements of IFRS 4. In addition, due to significant changes in the financial markets, which led to a significant increase in interest rates during 2022 and their volatility was evident, the Group will regularly estimate discount rates on each accounting date using current market returns.

For non-life insurance contracts, the Group does not discount future cash flows according to the requirements of IFRS 4, except for annuity claims in the claims provision. According to the requirements of IFRS 17, the Group will discount cash flows of non-life insurance contracts that will be measured in accordance with the general measurement model (loan insurance). For all other contracts, for which the premium

distribution model – PAA will apply, cash flows from the performance of contracts relating to claims incurred will be discounted, unless they are expected to be paid within one year or less from the date of incurred claims. Applicable discount rates will be determined in accordance with the methodology described earlier.

Adjustment of value for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its level of risk aversion. They will be determined separately for the life and non-life contracts.

The adjustment of value for non-financial risk will be determined using the following techniques:

- o for measurement of the correction of values for non-financial risk in non-life insurances two methods are used:

the quantum method and the cost of capital method, where the choice of the method depends on the availability of data and the stability of the results of statistical calculations of a particular portfolio;
- o for life insurance contracts: The calculation of the value correction for non-financial risk for life insurance is based on shock scenarios with explicit margins. These margins were derived on the basis of the corresponding shocks from the life insurance risk submodules defined in Solvency II. The shocks calibrated by EIOPA in Solvency II were adjusted to the requirements of IFRS 17 and the target confidence interval.

CSM

The CSM of a group of contracts is recognised in profit or loss in each period to reflect the services provided under the group of insurance contracts in that period. This amount is determined by identifying the coverage units in the group, evenly distributing the CSM at the end of the year (before any allocation) to each coverage unit insured in the current period and expected to be insured in future and recognised in profit or loss the amount of the amount allocated to coverage unit insured in that period.

The number of coverage units is the quantity of services provided by a group of contracts, taking into account for each contract the quantity of benefits provided and the expected coverage period. Coverage units will be reviewed and updated at each reporting date.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Group will generally consider the selling prices for the similar services had they been offered on a stand-alone basis and adjust the quantity of benefits for each service in proportion to those stand-alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Group sells that service separately to policyholders with similar characteristics.

vi. Presentation and disclosure

IFRS 17 will significantly change the way insurance and reinsurance contracts are presented and published in the separate and consolidated financial statements of the Company and the Group.

According to IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as receivables from insurance and insurance liabilities will no longer be presented separately.

In accordance with IFRS 17, the amounts recognized in the profit or loss statement are disaggregated into:

- o an insurance service result, comprising insurance revenue and insurance service expenses; and
- o net financial income or expense from insurance contracts.

The amounts from the reinsurance contract will be reported separately.

Insurance service result

For contracts that are not measured using PAA, the revenue from the insurance contract for each year represents changes in liabilities for the remaining coverage relating to the services the Group expects to receive compensation. For contracts measured using PAA, the income from the insurance contract is recognised on the basis of the passage of time.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally at the time of their occurrence. Expenses that do not relate directly to the fulfilment of contracts will be excluded from insurance service result.

Investment components will not be included in insurance revenue and insurance service expenses according to IFRS 17. As a result, the Group expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Group will identify the investment component of a contract by determining the amount required to return to the policyholder in all scenarios with commercial content. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. The group determined that all life insurance contracts that have a redemption value contain an investment component.

The Group will decide not to separate the changes in the risk adjustment for non-financial risk between the insurance service result and net insurance financial income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Net financial income and expenses

In accordance with IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items.

For most insurance and reinsurance contracts, the Group plans to use the option of recognizing a change in the current discount rate in relation to the initial (so-called "locked-in") discount rate in other comprehensive income and will accordingly separate net financial income or expenses from the insurance contract to the aforementioned part to be recognised in other comprehensive income and the part that will be recognised through profit and loss account as release of the discount effect.

This is expected to reduce accounting mismatch of assets and liabilities, given that financial assets relating to debt and equity instruments will mostly be measured at fair value through other comprehensive income in accordance with IFRS 9.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed contract adjustments, effects of newly recognised contracts and information on the timing of expected recognition of CSM at the end of the reporting period in the income statement, as well as disclosures about significant judgements used when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts.

vii. Transition

In accordance with IAS 8 "Accounting Policies, Changes in Accounting estimates and Errors", IFRS 17 requires the Group to apply IFRS 17 retroactively, unless this is not practically feasible. This implies that the effective transition date is 1 January 2022, whereby adjustments to the opening balances will be recognised as one-off adjustments in equity and reserves.

The group expects to use the full retroactive approach for groups of contracts to be measured using a premium-based approach.

According to the full retrospective approach, as at 1 January 2022 the Group will:

- o identify, recognise and measure each group of insurance contracts as if it had always applied IFRS 17;
- o stop recognising previously recognised amounts that would not have existed if IFRS 17 had always been applied
- o recognise all the resulting net effects in equity

Where retroactive application for a group of insurance contracts is impractical, the Group will use two alternative transition methods - modified retroactive approach and fair value approach.

The Group considers the full retrospective approach impracticable under any of the following circumstances:

- o the effects of retroactive application cannot be determined because the necessary information has not been collected (or has not been collected with sufficient precision) or is not available due to system migrations, data archiving requirements or other reasons. Such information shall 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 Group's current accounting policies do not require such information.
- o the full retrospective approach requires assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight.

The modified retroactive approach allows certain simplifications and modifications over full retroactive application. This approach allows insurers who lack certain information to calculate initial balances as close as possible to the conditions that would be obtained by applying full retroactive approach, using information that is available, verifiable and appropriate to the insurer. The Group will apply this approach to groups of insurance contracts relating to credit insurance against inability to repay and include contracts issued with a difference of more than one year. For these groups of contracts, discount rates at initial recognition will be set on 1 January 2022 instead of the date of initial recognition. For all groups of contracts measured under the modified retroactive approach, the amount of net financial revenue or expenses from insurance contracts accumulated in the financial reserve from the insurance contract as at 1 January 2022 will be determined as zero.

Under the fair value approach, the CSM (or the loss component) as at 1 January 2022 will be 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 Group will measure the fair value of the contracts as the sum of present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. The present value of future cash flows taken into account when measuring fair value will generally be consistent with that determined in the exercise cash flow measurement.

For all contracts measured by fair value access, the Group will use 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 will contain contracts issued more than one year apart. Discount rates on initial recognition will be 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 will be determined to be zero.

The Group plans to apply 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.

- **IFRS 9 Financial instruments and related annexes to various other standards**

IFRS 9 which replaces *IAS 39 Financial Instruments: Recognition and Measurement* regulates the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedging accounting and a new model of impairment of financial assets and other categories in accordance with IFRS 9. IFRS 9 is effective for annual periods starting on or after 1 January 2018, with early application permitted. However, the Group has met the relevant criteria related to insurance as the dominant activity and has exercised the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Group will apply IFRS 9 for the first time on 1 January 2023.

- i. Financial assets - classification

Financial assets are distributed in the following categories with respect to the valuation method: valuation according to the amortised cost method, valuation at fair value through profit and loss, and valuation at fair value through other comprehensive income. The classification of financial assets depends on the business model used to manage financial assets and contracted cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- o held within a business model aimed at holding assets in order to collect contracted cash flows ("Holding for collection"); and
- o contracted cashflows relate exclusively to principal and interest payments based on the assessment of the characteristics of contractual cash flows ('SPPI test').

Financial assets are measured at fair value through other comprehensive income if they meet both of the following conditions:

- o is held within a business model aimed at holding assets in order to collect contracted cash flows and sell financial assets ('Holdings for collection and sale'); and
- o contracted cashflows relate exclusively to principal and interest payments based on the assessment of the characteristics of contractual cash flows ('SPPI test').

All financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income as described above (the "Other" business model), are measured at fair value through profit and loss. Furthermore, at initial recognition, the Group may irrevocably designate financial assets, which otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, measured at fair value through profit and loss if this eliminates or significantly reduces the accounting mismatch that would otherwise arise.

Also, at the initial recognition of equity instruments that are not held for trading purposes, the Group may irrevocably decide to show subsequent changes in fair value through other comprehensive income. The choice is carried out on instrument-by-instrument basis.

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held as at 1 January 2023 as follows:

- o most financial instruments currently measured at fair value through profit and loss according to IAS 39 will be measured at fair value through profit and loss according to IFRS 9;
- o debt instruments that are also classified as financial assets available for sale according to IAS 39 will be classified in accordance with the holding business model for collection and sale in the category at fair value through other comprehensive income. However, the Group and the Company plan to reclassify part of the debt instruments classified as financial assets available for sale according to IAS 39 into the category of profit-loss valuation according to IFRS 9 due to the business model of holding assets for sale purposes;
- o equity instruments relating to shares that are also classified as financial assets available for sale according to IAS 39 will be measured at fair value through other comprehensive income according to IFRS 9 as they are not held for trading purposes. Given that the Group has chosen to classify the listed equity instruments at fair value through other comprehensive income, there is no subsequent reclassification of profit or loss from fair valuation into profit and loss when investment is derecognized;
- o investment funds that are currently classified as financial assets available for sale according to IAS 39 and as financial assets at fair value through profit and loss will be classified into the category of assets valued at fair value through profit and loss account according to IFRS 9 because they relate to financial assets whose cash flows do not contain only principal and interest, and are not considered equity instruments;
- o on held to maturity investment and loans and receivables measured at amortised cost in accordance with IAS 39 will mostly also be measured at amortised cost according to IFRS 9.

As majority of the Group's financial assets are measured at fair value both before and after transition to IFRS 9, the new classification requirements are not expected to have a material impact on the Group's total equity at 1 January 2023.

ii. Financial assets - impairment

In accordance with IFRS 9, the impairment model will require the recognition of impairment provisions based on expected credit losses (so-called 'ECL'), not just on the basis of incurred credit losses as is the case with IAS 39 and will apply to financial assets classified at amortized cost and debt instruments measured in other comprehensive income.

Any change in the fair value of a debt instrument includes the effect of a change in the credit risk of the issuer of financial instrument. For all debt instruments measured at fair value through other comprehensive income, it is necessary to estimate and report value adjustment, i.e. provisions for expected credit losses. All changes in the amount of provisions for expected credit losses are recognised in the profit and loss, while the amount of adjustments to the expected credit losses is already included in the cumulative amount of the change in fair value reported in other comprehensive income. Value adjustments are recognised through other comprehensive income, as part of the overall change in fair value, and shall not further reduce the carrying amount of financial assets measured at fair value through other comprehensive income in the statement of financial position. Changes in fair value previously recognised in other comprehensive income are recycled in full in the profit and loss after the derecognition of debt instrument.

For short-term receivables without significant financial components (real estate and business premises lease receivables, claims on employees, etc.), the Company intends to apply a simplified approach in accordance with the requirements of IFRS 9 and assesses the correction of the value for the expected life of credit losses from the initial recognition of receivables.

Expected credit losses related to a particular instrument are estimated on the basis of expected future cash flows (based on principal, interest, fees and commissions) related to the contract, including the amounts that may arise from the realisation of the relevant collateral. All expected cash flows are reduced to present value by discounting at the relevant effective interest rate.

In simplified terms, expected credit losses are calculated as the product of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EaD"). Default status is considered to have occurred when one or both circumstances have occurred: the improbability of payment by the debtor, when the Group considers that the payment of existing loan obligations in full by the debtor is unlikely to be without the

realization of collateral and when there has been a materially significant delay in payment, i.e. the debtor is late with the payment of due obligations towards the Group for more than 90 days.

Probability-weighted scenarios- expected credit losses are modeled by several forward-looking scenarios, which take into account the probability of occurrence of "stressful" and favorable economic conditions, so that the resulting value of the ECL represents a probable-weighted number based on the results of several analyzed economic scenarios within which credit risk parameters are modeled.

The appropriate selection of a set of representative economic scenarios based on the impartial and objective information available to the Group, as well as the probability of a particular (representative) economic scenario, is determined by the relevant organizational units of the Group by the expert method.

Expected credit losses for a twelve month period relate to part of the expected credit losses over the entire duration of the instrument that represent the expected credit losses as a result of default over a period of twelve months from the reporting period. Lifetime expected credit losses refer to the expected credit losses over the entire life of the instrument that represent the expected credit losses as a result of the occurrence of all possible default statuses during the life of the financial instrument. For financial instruments to which this impairment model applies, the Group shall always recognise, on initial recognition, in profit and loss, at least the amount of expected credit losses for the twelve month period. The expected credit losses over the life of a financial instrument are recognised if there is a significant increase in credit risk compared to initial recognition or the instrument is credit impaired. For financial assets that are credit impaired at initial recognition (POCI assets), estimated expected credit losses are included in the initial fair value of the asset and the Group determines a credit adjusted effective interest rate for it. For POCI assets, the Group recognises only a cumulative change in the expected credit losses over the entire life of the financial asset in the reporting period compared to initial recognition. If there is a positive change in the expected credit losses compared to the initially determined the expected credit losses, the change is carried out through the adjustment of the gross book value of the asset, while with negative changes in the expected credit losses compared to the initially determined the expected credit losses, impairment reservations are formed.

Impact assessment

The Group estimates that the application of IFRS 9 impairment requirements on 1 January 2023 will result in additional adjustments or provisions for expected credit losses. The recognition of provisions for expected credit losses according to IFRS 9 partially relate to debt instruments measured at fair value through other comprehensive income, but this will not affect the Group's total equity as recognition of impairment losses in the profit or loss will also result in the recognition of impairment losses in the profit or loss will lead to an equal and opposite gains in other comprehensive income. The Group estimates that the application of the impairment requirement of IFRS 9 to these investments will result in the transfer (before tax) from retained earnings to a fair value reserve in the amount of HRK 6.1m for the Company and HRK 8.3m for the Group as at 1 January 2023.

Impairment requirements for IFRS 9 affect the Group's total equity only in the amount of provisioning for expected credit losses on financial assets measured at amortised cost. The Group estimates that, following the adoption of IFRS 9, the effect of these changes (before tax) will be a decrease in the Group's total capital in the amount of HRK 7m for the Company and HRK 11.7 m for the Group on 1 January 2023.

iii. Financial liabilities

IFRS 9 largely retains the requirements of IAS 39 for the classification and measurement of financial liabilities.

Financial liabilities are initially recognised at fair value reduced for transaction costs and are subsequently valued at amortised cost using the effective interest rate method, except for the following:

- o financial liabilities determined at fair value through profit and loss. Such liabilities, including derivative instruments that are liabilities, are subsequently measured at fair value;
- o financial liabilities arising if the transfer of financial assets does not meet condition for derecognition or if a follow-up approach is applied. The assets transferred and the related liability shall be

measured on a basis that reflects the rights and obligations retained by the entity. The related liability shall be measured in such a way that the net carrying amount of the transferred assets and the related liability is equal to the following:

- the amortised cost of rights and liabilities retained if the transferred assets are measured at amortised cost, or
 - the fair value of the rights and liabilities retained when measured on a stand-alone basis if the transferred assets are measured at fair value.
- o financial guarantee agreement. After initial recognition, such a contract shall subsequently be measured at more than the following two amounts:
- the amount of provision for expected credit losses and
 - initially recognised amount at fair value;
- o the obligation to provide a loan at interest rates lower than market interest rates. Such an obligation shall subsequently be measured at more than the following two amounts:
- the amount of provision for expected credit losses and
 - initially recognised amount at fair value;
- o unpredicted amounts recognised by the customer in the context of the business merger to which IFRS 3 applies. Such unpredicted amounts are subsequently measured at fair value, and changes are recognised in the profit and loss account.

The Group does not expect the adoption of IFRS 9 to have an effect on financial liabilities.

iv. Transition

For the purposes of the first application of IFRS 9, the Group will decide on a simplified method based on which it will not change comparative data and will recognize adjustments to the carrying amount of financial assets in initial retained earnings from the date of the first application of the standard, i.e. from 1 January 2023.

- *The expected impact of the adoption of IFRS 17 and IFRS 9 on the Company and the Group*

For the purposes of the first application of IFRS 17, the Group will apply a retroactive approach and will revise comparative balances, while for the purposes of the first application of IFRS 9, it will decide on a simplified method based on which the Group will not change the data of the comparative previous period and will recognize adjustments to the carrying amount of financial assets in initial retained earnings from the date of first application of the standard, i.e. from 1 January 2023.

Accordingly, the effects of the first application of IFRS 9 on 1 January 2023 are set out in point *IFRS 9 financial instruments and related amendments to various other standards and paragraphs of impact assessment*, while the effects of the first application of IFRS 17 are set out in paragraph *IFRS 17 insurance contracts*, paragraphs *of impact assessments*, on 1 January 2022. Given that certain assumptions, which will be applicable and used in the calculation of the effects of IFRS 17 from 31 December 2022, are generally agreed at the beginning of 2023 and require a period of time to calculate the impact on individual and consolidated capital, the Company and the Group are not able to estimate the quantitative impact on 1 January 2023 until the date of issue of the report.

The above assessment is preliminary since the implementation of these standards is in the process of finalization. The actual effect of the adoption of IFRS 17 and IFRS 9 may change because:

- The Group continuously improves the new accounting processes and internal controls required for the application of IFRS 17 and IFRS 9;
- although the comparative opening balances IFRS 17 postings were carried out in the second half of 2022, the new application systems and related controls were only for a shorter period of time

and for the purpose of refinement it is necessary to carry out comparative postings over several periods of time;

- The group has not completed testing and assessment of controls over new IT systems; and the new accounting policies, assumptions, judgments and valuation techniques applied are subject to change until the Group finalizes its first annual financial statements including the date of first application.
- *Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023)*

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

c) New standards and amendments to standards published by the Committee for International Accounting Standards, but not yet adopted by the European Union

Currently, the standards adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board, except for the following new standards and amendments to existing standards, which have not yet been adopted by the EU at the date of issuance of these financial statements:

- *IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard*
- *Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023)*

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

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

- *Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded)*

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.

- *Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024)*

The Amendments are effective for annual periods beginning on or after 1 January 2024 with earlier application permitted. The amendment addresses the inconsistency of the amendment to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current which refers to the classification of debts and other financial liabilities as current or long-term in certain circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The Amendments have not yet been endorsed by the EU. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

- *Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024)*

The Amendments are effective for annual periods beginning on or after 1 January 2024 with earlier application permitted. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The Amendments have not yet been endorsed by the EU. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

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

2.4. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, certain estimates were used which influence the presentation of assets and liabilities of the Group, the income and expenses of the Group and the disclosure of contingent liabilities of the Group.

Future events and their effects cannot be reliably anticipated, and therefore actual results may differ from these estimates. The accounting estimates used in the preparation of the financial statements are subject to change as new events occur, as more experience is gained, additional information is obtained and due to the changing environment in which the Group operates.

The key estimates used in applying accounting policies in the preparation of the financial statements relate to impairment losses on loans and receivables, calculation of technical provisions and determining fair value of investment property.

Information about the assessments of the Management regarding the application of IFRS, which have a significant impact on the financial statements, and the information about the estimates with a high risk of likely significant adjustment in the next year, is presented in Note 2.35 while carrying amounts of the assets and liabilities are presented in notes 16, 17, 19, 21 and 25.

2.5. Consolidation

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

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of identifiable acquiree's net assets.

Goodwill is initially measured as excess of the aggregate of the consideration transferred and the fair value of non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is lower

than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Transactions eliminated at consolidation

Balances and transactions between Group members and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only if there are no indicators of impairment.

Non-controlling interests

Non-controlling interests in subsidiaries are included in the total equity of the Group.

Losses applicable to non-controlling interests in subsidiaries are added to non-controlling interests in situations where this causes non-controlling interests to be disclosed with negative value. The reconciliation of non-controlling interest is based on the proportionate amount of the net assets of the subsidiary, with no adjustment to goodwill and recognition of profit or loss in the income statement.

Loss of control

At the moment of loss of control, the Group derecognises assets and liabilities of subsidiaries, interests of minority shareholders and other elements of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any share in the subsidiary, such share is measured at fair value at the date that control ceases. After that, this is reported as an investment valued using the equity method or as available-for-sale financial assets, depending on the level of influence retained.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Merger of entities under common control

A merger or a business combination involving business entities under common control is a business combination in which all of the combining business entities are controlled by the same party (or parties) both before and after the business combination, and that control is not transitory. The predecessor method of accounting is used to account for the mergers of entities under common control. According to the predecessor method of accounting, the carrying amount of the assets (including goodwill, if any) and liabilities of the acquired or merged company (or the company that has ceased to exist as a result of the merger) are transferred to the successor company from the consolidated financial statements of the highest entity that has common control and which prepares consolidated financial statements or a lower level entity if justified. The merged entity's results and balance sheet are incorporated prospectively from the date on which the merger or business combination between entities under common control occurred.

On the date of the merger, inter-company transactions, balances and unrealised gains and losses on mutual transactions are eliminated.

The difference between the transferred fee and the carrying amount of the net assets of the acquired company is recognised in equity (in retained earnings).

2.6. Presentation currency

The Group's financial statements are presented in Croatian kuna (HRK) as the functional currency of the Company and subsidiaries in Croatia and presentation currency of the Group.

2.7. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate effective at the reporting day. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate effective on the date their fair value is determined.

Changes in the fair value of monetary securities denominated in or linked to a foreign currency and 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. Foreign exchange rate differences resulting from the conversion of monetary assets and liabilities are recognised through profit or loss and are presented within finance income or finance cost. As at 31 December 2021, the official HRK exchange rate was HRK 7.534500 for EUR 1 (31 December 2021: HRK 7.517174).

2.8. Revenue recognition

/i/ Gross written premiums represent basic operating revenue and they comprise the non-life and life insurance written premiums.

/ii/ Non-life insurance gross written premiums include all amounts of premiums written in the current accounting period, irrespective of the fact whether these amounts partially or completely pertain to a later accounting period.

Non-life insurance gross written premiums include all gross premiums written in the accounting period, whose beginning of the insurance year falls within the accounting period, irrespective of the fact whether they pertain in whole or in part to later accounting periods. The premiums are presented in gross amounts, that is, they include brokers' commissions, but exclude taxes and charges levied with premiums. Written premiums include the adjustment of the premium written in the prior accounting periods as well as estimates of premiums written at the end of the period. Written premiums, that is, gross written premiums and unearned premiums include adjustments for the write-off of receivables from policyholder as a result of insurance termination. Net impairment losses on receivables for premium of the insured party are recognised as a deduction of gross written premium.

The earned portion of received premiums is recognised as income. Premiums are earned from the date of the risk occurrence during the insurance period, based on the assumption of risk patterns.

/iii/ Life insurance gross written premiums include all amounts of premiums collected until the end of the accounting period.

/iv/ Group recognise other operating income not directly related to insurance operations and sales income from subsidiaries which main activities are not insurance operations. Other operating income is recognised when an invoice is issued.

In accordance with the exception permitted by IFRS 4, life insurance premiums are recorded in books on a cash basis, Supplemental insurance premiums are also recorded on a cash basis.

The Group provides vehicle inspection services and similar services under fixed price contracts, where price lists are an integral part of each contract. The services are delivered in a short time (within one day), and revenue is recognized on the basis of the actual service after the Group fulfils the obligation to perform. Purchase contracts are simple and usually involve a single performance obligation. Customers are invoiced

immediately after the delivery of the service, and payment follows the delivery of the service at the point of sale.

2.9. Investment income and expenses

/i/ Investment income comprises the income realised through participating interests (dividends, profit share), gains on investments in land and buildings, interest income, unrealised gains on investments at fair value through profit or loss, gain on sale of investment, net foreign exchange gains and other gains on investment.

Gains on investments in land and buildings consist of income realized due to an increase in the value of land and buildings, gains on sale of land and buildings, land and buildings rental income and other gains on investments in land and buildings. Land and buildings rental income and income from other operating leases are recognised in profit or loss on a straight-line basis over the entire term of the lease.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets. Interest on monetary assets at fair value through profit or loss is recognized using the effective interest rate method and is presented in interest income. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy in relation to the finance income recognition is disclosed in Note 2.17 "Financial instruments".

/ii/ Investment expenses include interest expense, investment impairment, losses realised on the sale of investments, net foreign exchange losses and other investment expenses.

2.10. Claims incurred

Claims incurred include settled amounts for claims, plus claims provisions, mathematical provisions, other technical provisions and special provisions for life insurance where the policyholder bears the investment risk in the accounting period.

Gross claims paid include the costs related to claims payment (appraisals, attorneys' fees, staff costs of the claims management sector etc.), surrenders and recourse claims expenditures.

2.11. Operating expenses

Operating expenses include the costs of insurance sale and administration costs. The sales costs include all direct costs incurred in concluding insurance contracts, such as agents' costs, costs of salaries of sales staff, commissions and marketing costs.

Non-life insurance commission expenses are recognised on a straight-line basis over the accounting period in accordance with the recognition of the premium income to which they relate. Commission expenses for non-life insurances are recognised on a pay-as-you-go basis. Administration costs include the costs incurred in connection with portfolio management, expenses for employees as well as other material and non-material costs.

2.12. Intangible assets

Intangible assets are initially carried at cost, which includes the purchase price, including import duties and non-refundable tax after deducting trade discounts and rebates, as well as all other costs directly attributable to bringing the asset to their working condition for their intended use.

Non-current intangible assets are recognised if it is probable that future economic benefits associated with the item will flow to the Group, if the cost of the asset can be reliably measured, and if the cost exceeds HRK 3,500.

After initial recognition, assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation of assets commences when the assets are ready for use, i.e. when the assets are at the required location and the conditions necessary for use have been met. The amortisation of assets ceases when the assets are fully amortised or classified as assets held for sale. The amortisation is calculated by writing off the purchase cost of each particular asset during the estimated useful life of the asset, by applying the straight-line method. The estimated useful life of intangible assets is from 2 to 15 years (2021: from 2 to 15 years).

Deferred acquisition costs

Deferred acquisition costs for non-life insurance comprise commissions calculated for the internal and external sales network incurred in concluding insurance policies during the financial year. In this regard, the commission charged to the sales network represents the total acquisition commission for each insurance policy, Indirect or general sales costs are not deferred.

For non-life insurance, at the reporting date deferred acquisition costs are calculated using the methodology comparable to the method of calculating the provision for unearned premiums at the reporting date.

By introducing the accounting policy of deferral of acquisition costs, the Group has also introduced recording liabilities for undue commission. Liabilities for undue commission is the difference between the total commission to be calculated for a particular insurance policy and the accrued commission. The basis for calculating the total commission is the value of the written (charged) premium, while the basis for calculating the accrued commission is the amount of the charged premium by each policy.

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

2.13. Property and equipment

Property, plant and equipment are initially carried at cost, which includes the purchase price, including import duties and non-refundable tax after deducting trade discounts and rebates, as well as all other costs directly attributable to bringing the asset to their working condition for their intended use.

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the item will flow to the Company, if the cost of the asset can be reliably measured, and if the cost exceeds HRK 3,500.

After initial recognition, land and buildings are carried at revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The increase in value of assets due to the revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

A revaluation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The Group assessed the fair value of these assets during 2019.

After initial recognition, equipment and other tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Maintenance and repairs, replacements and improvements of minor scale are expensed when incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an asset beyond its originally assessed standard performance, the expenditures are capitalised and included in the carrying value of the asset.

Gains or losses on the retirement or disposal of assets are included in the income statement in the period when incurred.

The depreciation of assets commences when the assets are ready for use, i.e. when the assets are at the required location and the conditions necessary for use have been met. The depreciation of assets ceases when the assets are fully depreciated or classified as assets held for sale. Depreciation is charged so as to write off the cost of each asset, other than land and tangible assets under construction, over their estimated useful lives, using the straight-line method, as follows:

	2022	2021
	Estimated useful life	Estimated useful life
Buildings	40 years	40 years
Furniture and equipment	4-10 years	4-10 years
Computer equipment	3-4 years	3-4 years
Vehicles	5 years	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.14. Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- initial direct costs incurred,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Group measures the right-of-use asset applying a cost model. To apply a cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Lease agreements are made for fixed and indefinite periods. For a lease that is made for an indefinite period, the Group estimates the lease term with respect to the possibility of extension or termination, the historical lease term or the significant cost of replacing the leased asset. The same was applied to lease agreements with a fixed period, and the lease term was reviewed on a case-by-case basis.

The Group mainly leases offices, vehicles and IT equipment.

At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined (mostly in case of office premises lease), the Group use the incremental borrowing rate. As of 31.12.2022 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 ranged from 2.57% to 5.25% (31.12.2021: from 2.57% to 7.25%). The Group determines its incremental borrowing rate based on publicly available

information, considering various factors such as the lease term, the value of the leased asset, the economic environment, and the specifics related to the creditworthiness of the lessee.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, a Group measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made,
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate, or if applicable the revised discount rate.

The Group as lessee, in accordance with IFRS 16, elected not to apply the requirements of standard to:

- short-term leases (lease term of 12 months or less),
- leases for which the underlying asset is of low value (such as tablets and personal computers, telephones etc.).

In that case, the Group recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

In statement of financial position, right-of-use assets are presented within Property and equipment, while lease liabilities are presented within Financial liabilities at amortized cost.

Lease income in which the Group is lessor, are recognised in the statement of comprehensive income on a straight-line basis over the lease term in note 6.2 *Income from Investment property*. The Group leases business premises for a period of 1 to 8 years. Lease receivables are disclosed as Trade receivables in note 22.5.

2.15. Investment property

Investment property (land and buildings) that are not used for operations and that are owned by the Group that are held to enable the Group to earn rental income and/or for capital appreciation and are measured at fair value through profit or loss.

The Group measures the fair value of its investment property at the end of each accounting period, and such measurement is based on the appraisal by a hired appraiser.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.16. Investments in subsidiaries, associates and joint ventures

Subsidiaries are entities which are controlled by the Group.

Associates are companies in which the Company has significant influence but not control over the adoption and implementation of financial and operating policies.

Investments in subsidiaries, associates and joint ventures are presented in separate financial statements using the cost method.

2.17. Financial instruments

/i/ Classification and recognition

The Group classifies its financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired.

The Management Board determines the classification of financial assets and financial liabilities at initial recognition and, where appropriate, re-evaluates this designation at each reporting date.

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

Financial assets and financial liabilities at fair value through profit or loss are those that are classified as assets and liabilities held for trading or those that the Group initially classified as at fair value through profit or loss.

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking as well as for the purpose of hedging (derivatives financial instruments).

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

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

Financial assets at fair value through profit or loss is included in debt and equity securities, investments funds and other financial assets held for trading. Derivatives are classified as assets held for trading. The Group does not use hedge accounting.

Loans and receivables

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

- that the entity intends to sell immediately or in a short period of time and that will be classified as financial assets held for trading, and that which the Management classifies at initial recognition as assets at fair value through profit or loss;
- that the entity, upon initial recognition, classifies as available for sale; or
- for which it is unlikely that the entity will recover the larger portion of the initial investment value, except in the case of credit rating deterioration, and which will be classified as available for sale.

Loans and receivables are created when the Group approves financial resources to clients without the intention to trade in such receivables, and they include deposits with credit institutions, loans secured mostly by mortgages and loans given to the insured parties from mathematical provisions for life insurance, secured by life insurance policies.

Accounting of receivables arising from insurance contracts is disclosed in Note 2.18 - "Receivables".

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity and are quoted in an active market. Held-to-maturity investments include state and corporate bonds with fixed income.

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities include all financial liabilities that are not classified in the category at fair value through profit or loss (preference shares) and derivative financial instruments at fair value through profit or loss (Note 2.17 /iv/).

/ii/ Recognition and derecognition

Regular way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised on the trading date, that is, the date on which the Group commits to purchasing or selling the instrument. Loans and receivables as well as financial liabilities are initially recognized on the date of occurrence, that is, on the day they are advanced to borrowers or received from lenders.

The Group derecognises financial assets (in full or in part) when the contractual rights to receive cash flows from the financial asset have expired or when it loses control over the contractual rights to such financial assets. This occurs when the Group essentially transfers all risks and benefits to another business entity, or when the rights are exercised, surrendered or expired.

The Group derocognises financial liabilities only when are extinguished, that is, when they are discharged, cancelled or expired, or when they are transferred. Should the terms of financial liabilities substantially change, the Group shall derecognise that particular liability and at the same time recognise a new financial liability, with new terms.

Initial and subsequent measurement

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

After initial recognition, the Group measures financial instruments at fair value through profit or loss, and available-for-sale financial assets at their fair value, without any deduction for selling costs.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on official stock exchanges.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable financial information based on which value is determined using the discounted cash flow method and/or the method of comparable companies and transactions.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost.

Loans and receivables and held-to-maturity investments are measured at amortised cost net of impairment. Financial liabilities not classified at fair value through profit or loss are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the associated instrument and amortized using the effective interest rate of that instrument.

Gains and losses

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

Gains and losses arising from changes in the fair value of available-for-sale monetary assets are recognised in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. Foreign exchange differences resulting from revaluation of non-

monetary financial assets denominated in or linked to foreign currency that are classified as available for sale are recognised within other comprehensive income, along with all other changes in their fair value, whereas income earned from dividends is recognised through profit or loss. Upon sale or other derecognition of available-for-sale financial assets, all cumulative gains or losses are transferred from other comprehensive income to profit or loss.

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

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

Fair value measurement principles

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets available for sale is their quoted market price at the reporting date without any deduction for estimated future costs to sell. If the financial assets market (including the unlisted securities market) is not active, or if, for any other reason the fair value cannot be reliably measured on the basis of the market price, the Group determines the fair value based on observable prices (prices of similar or identical items), and when this is not available, it applies various estimation techniques that use all relevant information and inputs that can help in estimating the fair value. This includes the use of prices attained in recent transactions between knowledgeable and willing parties, reference to other essentially similar instruments, discounted cash flow analysis and option pricing models, maximising the use of observable market data and relying as little as possible on entity-specific estimates.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Management Board's best estimates and the discount rate is the market rate effective at the reporting date and used for financial instruments with similar conditions. Where a pricing model is used, the market related rates effective at the reporting date are used.

/iii/ Impairment of financial assets

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

The Group considers the evidence of impairment for both a specific asset and at group level. All individually significant financial assets are tested for impairment. All individually significant financial assets where impairment has not been identified are included in the base for testing for impairment on a collective basis for impairment that has occurred but has yet to be identified. Assets that are not individually significant are tested for impairment by grouping together financial assets (presented at amortised cost) on the basis of shared risk characteristics.

Objective evidence of impairment of financial assets (including equity securities) includes default or delinquency by a borrower, restructuring of loans or advances by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other available data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers within the group, or economic conditions that are connected with defaults within the group.

For the purposes of assessing impairment at portfolio level, the Group relies on historical experience in terms of loss rates, periods of loss recognition, adjusted for the purposes of the Management Board's assessment as to whether current economic and credit conditions are such that the actual losses may be higher or lower than before. Loss rates and the expected recognition period are reviewed regularly.

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 through profit or loss and reflected in impairment provisions.

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

If a subsequent event results in the decrease in the amount of impairment loss for financial assets that are presented at amortised cost and for debt securities available for sale, the previously recognised impairment loss is reversed and recognised through profit or loss. Changes in the amount of impairment related to the time value of money are recognised as a component of interest income.

/iv/ Specific instruments

Debt securities

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

Loans and advances to banks

Deposits with banks are classified as loans and receivables and valued at amortised cost less impairment losses.

Equity securities

Equity securities are classified as assets at fair value through profit or loss or as available-for-sale financial assets and measured at fair value, unless it is impossible to reliably establish the fair value (as described above) when they are measured at cost.

Loans and receivables from policyholders

Loans and receivables from policyholders are presented at amortised cost less impairment to reflect the estimated recoverable amounts.

Investments in funds

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

Investments for the account and risk of life insurance policyholders

Investments for the account and risk of life insurance policyholders include investments in unit-linked products and are classified as financial assets at fair value through profit or loss.

Receivables from insurance and other receivables

Receivables from direct insurance and other receivables are recognised initially at fair value and subsequently at amortised cost less value impairment.

Trade and other payables

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

Derivative financial instruments

As part of its regular operations, the Group concludes contracts on derivative financial instruments for the purpose of managing currency risk and therefore these financial instruments are classified as Financial assets or liabilities held for trading - derivatives. Derivatives of the Group include foreign exchange forward contracts.

Increase / decrease in fair value is recognized as an asset if their fair value is positive and liabilities if their fair value is negative and changes in fair value of derivatives are included in profit or loss i.e. in financial income and expenses.

Embedded derivatives within insurance contracts and investment contracts

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

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

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

Embedded derivatives that meet the definition of an insurance contract need not be separated from the host contract. Furthermore, the Group has used the exemption provided in IFRS 4, 'Insurance Contracts':

- it does not separate or measure at fair value the option of the policyholder to repurchase the insurance contract at a fixed price (or the amount based on the fixed amount and interest rate), even if the price is different from the book value of the insurance liability in the host contract,
- it does not separate or measure at fair value the option of the policyholder to repurchase the contract with discretionary participation features.

Offsetting of financial instruments

Financial assets and liabilities are offset and presented in the financial statement on a net basis when there is a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or the acquisition of assets and settlement of liabilities take place simultaneously.

2.18. Receivables

/i/ Insurance receivables include receivables from insured parties based on non-life insurance premiums.

Receivables based on non-life insurance premiums comprise receivables for written, but not yet invoiced premium and receivables for invoiced, but not paid premium.

Recognition of insurance premium is described in Note 2.8. – "Gross written premiums".

/ii/ Receivables for invoiced but unpaid premiums are presented at nominal value, and doubtful and uncollectible receivables are impaired. Impairment is recognised for all outstanding receivables which were due and payable 180 days prior to the balance sheet date. Impairment can be decreased for receivables which are used as basis for payment of claim to the debtor (provision for claims).

/iii/ Receivables under the right to recourse are recognised for all recourse cases from an out-of-court procedure arising from receivables from another insurance company and recourses for which a financial settlement was concluded with the counterparty. Recourse receivables are impaired for all receivables 180 past due. The determined impairment can be decreased by recourse receivables that are likely to be collected. Recognition of income from recourses is deferred due to uncertainty of collection. Income from recourses is deferred for recourses which are not settled in cash with the exception of recourses from other insurance companies which are recognised in profit or loss immediately.

/iv/ Other receivables pertain to receivables arising from interest on loans and deposits, receivables arising from advance payments, receivables arising from received payment instruments, trade receivables etc.

2.19. Cash and cash equivalents and short-term deposits

Cash consists of balances with banks. Cash equivalents are short-term, high-liquidity investments that can be converted at any time into known amounts of cash and are not exposed to significant changes in value. The carrying amounts of cash and cash equivalents generally approximate their fair value.

For the purposes of reporting on cash flows, cash and cash equivalents refer to cash with banks and in hand, as well as deposits with original maturity up to three months.

2.20. Income tax

The tax expense represents the sum of the current tax liability and deferred tax.

Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized on the basis of revaluation of land and buildings and of financial assets available for sale.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. The calculation of deferred tax liabilities and assets reflects the amount at which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities.

Current and deferred income tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited to other comprehensive income in which case the deferred tax is also recognised in comprehensive income.

2.21. Capital

In its financial records the Group records capital categorized as follows: subscribed capital, share premium, fair value reserve, statutory reserves, legal reserves, other reserves, retained profit and current year profit/(loss).

/i/ Subscribed capital represents the indivisible share capital of the Company, paid in full

/ii/ Revaluation reserve

The revaluation reserve includes profits from the revaluation of properties, net of taxes. The revaluation reserve is transferred directly to retained profit in proportion to the depreciation of the asset.

The revaluation reserve of available-for-sale financial assets includes unrealised gains and losses from changes in fair value of available-for-sale financial assets, net of impairment and deferred tax.

/iii/ Allocations to statutory reserves, legal reserves, other reserves and retained profit are regulated by the Decisions of the Company's General Assembly.

/iv/ The current year income is presented according to the balance as at reporting date and it is transferred to the upcoming fiscal year. The utilization or allocation of profit is determined by the Decision of the Company's General Assembly.

2.22. Technical provisions

Technical provisions of the Group presented in the financial statements pertain to provisions for unearned premiums, mathematical reserve, provisions for claims, fluctuation provisions, provisions for bonuses and discounts and other insurance-technical provisions. They are formed in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions in insurance based on the accounting regulations as well as in accordance with the Company's and the Group's internal regulations. All technical provisions have been granted a positive opinion of the appointed certified actuary for life insurance and the appointed certified actuary for the Company's non-life insurance.

/i/ Provisions for unearned premiums

Provisions for unearned premiums are calculated for those types of insurance where the insurance coverage lasts even after the end of the reporting period, since the insurance year and the reporting period do not overlap. The basis for calculation of gross unearned premium of non-life insurance and reinsurance is the accrued (written) premium, while the basis for the calculation of gross unearned premium of supplemental insurance with life insurance is the collected premium.

Provisions for unearned premiums are calculated according to the *pro rata temporis* method, except for the types of loan insurance where a decrease of insurance cover throughout the contract term is taken into consideration. The reinsurance share of the gross written premium is determined depending on the reinsurance contract and the method used for the calculation of the corresponding gross written premium,

/ii/ Mathematical provision

Mathematical provisions are calculated individually for every insurance contract by using the prospective net method in accordance with legal regulations and internal Ordinances of HANFA.

/iii/ Claims provisions

Claims provisions contain provisions for reported claims, provisions for incurred but not reported claims, provisions for costs of processing claims.

Provisions for reported claims are determined by individual assessment. Actuarial methods are applied upon determining provisions for the costs of processing claims and for incurred but unreported claims.

The reinsurance share in provisions for claims incurred is determined in accordance with reinsurance contracts.

/iv/ Provisions for unexpired risks

Provisions for unexpired risks are created where the expected value of claims and costs pertaining to unexpired periods of policies, which are valid on the reporting date, exceeds the provisions for unearned premiums pertaining to such policies. Provisions for unexpired risks are calculated separately for individual types of insurance, i.e. homogeneous risk groups.

/v/ Provision for bonuses and discounts

The provision for bonuses and discounts is established according to the provisions of insurance contracts and the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions in insurance in line with accounting regulations and internal regulations.

2.23. Technical life insurance provisions where the policy holder bears the investment risk

For the life insurance policies where the policy holder bears the investment risk, adequate separate provisions are created for every such insurance contract.

2.24. Reinsurance

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

Premiums ceded and recoverable amounts are presented through profit or loss on a gross basis. Only the contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the corresponding claim. Contracts, through which significant insurance risk (financial reinsurance) is not transferred, are recorded as deposits. During 2022 and 2021, the Group did not conclude any such contracts.

Reinsurance assets include amounts receivable from reinsurance companies for ceded insurance liabilities. Receivables from reinsurers are estimated in a manner consistent with the provisions for unpaid claims and claims paid by reinsured policies. Reinsurance assets include the actual or estimated receivables from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are created on the basis of the terms of reinsurance contracts and measured on the same basis as the corresponding reinsured liabilities.

Reinsurance receivables are tested for impairment at each reporting date.

2.25. Liabilities and related assets under liability adequacy test

IFRS 4 provides for the implementation of mandatory liability adequacy test under the insurance contract. At each reporting date the Group estimates whether its reported insurance liabilities are adequate, using current estimates of future cash flows for all its insurance contracts. Should the above assessment show that the book value of insurance liabilities is insufficient in relation to the estimated future cash flows, the shortage is charged to profit or loss. Estimates of future cash flows are based on realistic actuarial assumptions, taking into account experience of the occurrence of claims, latest demographic tables, aspects of mortality, morbidity, return on investment, costs and inflation.

2.26. Other liabilities

/i/ Liabilities arising from direct insurance pertain to liabilities under claims,

/ii/ Liabilities arising from direct reinsurance pertain to liabilities under reinsurance premium,

/iii/ Other liabilities pertain to liabilities toward domestic suppliers, liabilities for advances received, liabilities to employees, commission liabilities etc.

/vi/ The Company makes monthly payments to the guarantee fund of the Croatian Insurance Bureau for the settlement of claims for damages caused by uninsured and unknown vehicles. The monthly fee is determined according to the premium market share of each insurer, expressed in percentage. The guarantee funds of the Croatian Insurance Bureau are utilised to settle claims for damages caused by uninsured and unknown vehicles.

2.27. Employee benefits and pension plans

Pension obligations

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

Short-term employee benefits

Short-term employee benefits 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 the short-term cash bonus or profit-sharing plans if the Group has a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and termination benefits at retirement, are recorded as the net present value of the liability for defined benefits at the balance sheet date. Provisions for employee benefits for long-term employment and retirement (regular jubilee awards and termination benefits) are determined in such a manner that in each year of work, the present value of the proportional part of the expected amount of regular jubilee rewards and termination benefit depends on the total time remaining until the jubilee award is paid, less expected employee turnover. The discount rate applied is the yield on the respective bonds. The discounted future cash flow method is used for the calculation of the present value of the liability.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits, The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits and

(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.28. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate.

Provisions are determined for costs of legal disputes and costs of employee benefits for the number of years of service and retirement (regular jubilee awards and termination benefits) and stimulation termination benefits as part of the redundancy plan.

2.29. Impairment of non-financial assets

The net book value of the Group's assets, other than financial assets (see Note 2.17 - "Financial instruments") and income tax (see Note 2.20 - "Income tax"), are reviewed at each reporting date to determine whether there is any indication of value impairment. If any such indication exists, the asset's recoverable amount of the asset is estimated. For intangible assets with no finite useful life (the Group had no such assets on the date of reporting) and intangible assets not yet in 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 group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Exceptionally, the impairment of property measured by using the revaluation model is debited to fair value reserves, if any, and the remaining amount of the impairment after these reserves have been exhausted is recognised in profit or loss for the period.

The recoverable amount of an asset and 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.

The value impairment loss recognised in prior periods is assessed on each reporting date in order to establish whether the loss has decreased or no longer exists. 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 accumulated depreciation or amortisation, if no impairment loss had been recognised.

2.30. Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are recognised as a provision in the financial statements when it is more likely than not that there will be a cash outflow. Other contingent liabilities are only disclosed in the notes to the financial statements.

Contingent assets are not recognised in the financial statements, rather they are recognized when an inflow of economic benefits is nearly certain.

2.31. Events after the balance sheet date

Events after the balance sheet date, which provide additional information on the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements, if material.

2.32. Earnings per share

Earnings per share are calculated as profit of the period attributable to Company shareholders decreased by dividends of preference shares (in the case of shares classified as equity, not financial liabilities) divided by the weighted average of ordinary shares (without treasury shares). When the parent's separate financial statements and consolidated financial statements are presented, earnings per share are presented only on the basis of the consolidated information.

2.33. Classification of contracts

Contracts through which the Group undertakes significant underwriting risk on behalf of the other party (policyholder) by accepting to indemnify the policyholder or another insurance beneficiary, if a particular future event occurs (insured event) which has a negative effect on the policyholder or other insurance beneficiary, are classified as insurance contracts. The underwriting risk differs from financial risk.

Financial risk is the risk of possible future change in one or more of the defined interest rates, prices of securities, prices of assets, foreign exchange rates, price or rate indexes, credit rating or credit indexes or other variables, provided that when it comes to a non-financial variable, this variable is not specific to one of the contractual parties. Insurance contracts can also transfer financial risk to some extent.

Contracts where the transfer of risk from the policyholder to the Group is not significant are classified as investment contracts.

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

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

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

At the reporting date, the Company has no provisions for discretionary allocation of profit (2021: HRK 0 thousand), and the provisions for the Group amounts to HRK 866 thousand (2021: HRK 864 thousand).

2.34. Segment reporting

A segment is an integral part of the Company that carries out business activities from which it can earn income or have expenses incurred, including income and expenses relating to transactions with other constituents of the Company, whose business results are regularly reviewed by the chief operating decision maker. Profit before tax is mostly used as performance measure for segment reporting. The review is carried out in order to make decisions about resources to be allocated to a particular segment and to assess its performance, and for which there is separate financial information. Segments of the Group and the Company include the life insurance and non-life insurance segments.

Distribution of costs between life and non-life insurance segments

Investment income, realised and unrealised profits and losses, expenses and compensations arising from non-life insurance, are distributed to the non-life segment.

Investment income, realised and unrealised profits and losses, expenses and compensations related to life insurance are included directly in the life insurance segment.

Income and expenses from investments, realized and unrealized profits and losses, expenses and compensations arising from the investment of capital and reserves are distributed to life and non-life segments depending on the allocation of the related assets or shares in the Group's provisions.

A significant amount of direct administrative costs are directly debited to life and non-life insurance segments. The Group allocates administrative costs that cannot be allocated directly to life or non-life insurance on the basis of an analysis of the time spent by the administration employee on life-insurance and non-life insurance matters. The allocation of stated costs within a particular segment to the corresponding type of insurance is made on the basis of the share in the gross earned premium of the appropriate type of insurance. Commissions are recorded separately to the life and non-life insurance segments.

Allocation of capital, reserves and assets

Property and equipment, intangible assets and investment property are allocated to the non-life segment, unless directly related to life insurance segment. Financial investments are allocated in accordance with sources of funding. Provisions are allocated according to the source of related financial assets while legal and other provisions are allocated to each segment based on the results of the related segment. Other receivables and liabilities are allocated to those segments from which they arise.

2.35. Key sources of estimation uncertainty and critical accounting judgments in applying the Group's accounting policies

/i/ Impairment losses on loans and receivables

The need for impairment of assets carried at amortised cost is estimated as described in Note 2.17/iii/ impairment of financial assets. The provision for impairment of a certain receivable is based on the Management's best estimate of the present value of expected future cash flows.

In estimating such cash flows, the Management assesses the debtor's financial position and the estimated fair value of insurance instruments. Any asset which has undergone impairment is evaluated individually and the function of credit risk helps to independently approve a recovery strategy and assessment of realizable cash flows.

The gross amount of loans and receivables, and the rate of recognised impairment loss at the end of the year are as follows:

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Gross exposure (HRK'000)	547,828	579,071	294,323	342,585
Impairment rate (%)	20%	19%	37%	33%

The change in the impairment rate by 1 pp (as a result of a change in the expected cash flows and/or fair value of the collaterals) on the gross amount of the above loans and receivables would lead to an increase/reversal of impairment in the amount of HRK 5,478 thousand (31 December 2021: HRK 5,791 thousand) for the Company and HRK 2,943 thousand (2021: HRK 3,426 thousand) for the Group.

/ii/ Estimation uncertainty relating to the forming of provisions

The most significant estimates in terms of the Group's financial statements pertain to the forming of technical reserves. In the forming of technical reserves, the Group applies legal regulations. Actuaries included in valuation of technical provisions have adequate knowledge and experience. The Group's staff includes certified actuaries. The Management believes that the current level of technical provisions is sufficient.

The Group forms reserves for unexpired risks arising from non-life insurance where it is expected that the claims and administrative expenses likely to arise upon the expiry of the financial year for contracts concluded before that date will exceed the unearned premium from such contracts.

Expected cash flows relating to claims and expenses are estimated on the basis of experience of the previous contract term and adjusted for significant individual losses which are not expected to recur. The liability adequacy test was performed on all types of insurance. For the purposes of the liability adequacy test, the Group applies an internally developed discount curves based on returns to be realized on the existing portfolio of financial assets and projected returns on reinvestment of financial assets. Assumptions on reinvestment of financial assets take into account the allocation of assets and marketable returns that take into account forward rates determined from available market data. The Management believes that the current amount of provisions is sufficient.

Insurance risk management is described in detail in Note 2.36, while the reserves for insurance contracts are analysed in Notes 2.22 and 2.23. The sensitivity analysis of technical provisions is presented in Note 2.36.

/iii/ Fair valuation of investment property

Fair valuation of investment property of the Company and the Group is subjective in nature due to individual nature of each property, location and the expected future rental income. The management engages external appraisers to determine the fair value of the property. Fair value techniques, key inputs and sensitivity analysis are presented in Note 2.38 Fair value.

/iv/ Estimation of the useful life of right-of-use assets

We distinguish between lease agreements made for a fixed period, for an indefinite period or for a fixed period with an extension option.

In the case of real property and office leases, the Company and the Group consider each lease contract and evaluate whether it is possible to extend it after its planned completion if it is defined as a fixed term contract or estimate the duration of the lease in case of contract made for indefinite period. The estimated life expectancy is based on historical experience and business plans for the future operations of the Company and the Group.

In case of lease agreements made for fixed period, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of HRK 1.28m for the Company and HRK 1.34m for the Group (2021: HRK 1.6m for the Company and HRK 1.9m for the Group).

2.36. Insurance risk management

Underwriting risk pertains to the risk that may arise if actual payments of claims and compensations exceed the net book amount of insurance liabilities due to coincidence, error and/or change in circumstances. Underwriting risk includes the risk of the occurrence of a loss event, risk of determining the amount of premium (setting the tariff), the risk of forming provisions and the risk of reinsurance.

Premium risk is present at the moment of issuing the policy, before the insured event occurs. There is a risk that the costs and losses which may occur might be greater than the premiums received. The provision risk represents the risk of having the absolute amount of technical provisions wrongly assessed or of having the actual losses vary around the statistical mean value. Non-life underwriting risk also includes the risk of disaster which arises from highly extraordinary events which are not sufficiently covered by the premium risk or provision risk. Life underwriting risk includes biometrical risk (which involves mortality, longevity, risk of becoming ill or disability risk) and the lapse risk. Lapse risk represents a higher or lower rate of withdrawal from policies, interruptions, changes in capitalization (cessation of payments of premium) and surrender.

The Group manages its underwriting risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, through tariff determination, product design and management of reinsurance. The underwriting strategy aims at diversity which will ensure a balanced portfolio, and which is based on a large portfolio of similar risks for several years, which reduces the variability of results. As a rule, all non-life insurance contracts are concluded on a yearly basis and the policyholders have the right to decline renewal of contract or to change the contract terms upon renewal.

The Group transfers a portion of the risk to reinsurance in order to control its exposure to losses and protect capital resources. The Group purchases a combination of proportional and non-proportional reinsurance contracts to reduce the net exposure to a particular risk depending on the type of insurance.

Underwriting risk in the Group is monitored by the actuaries within the scope of their tasks and the Risk Management Department, in agreement with them, takes the indicators in order to include the risks in the risk management process at the overall Group level.

A report on the adequacy of provisions and insurance premium is submitted by the appointed certified actuary, while a report on the adequacy of reinsurance program based on which is confirmed adequacy of its own part is submitted by the actuarial function.

Concentration of insurance risk

A key aspect of underwriting risk is that the Group is exposed to is the degree of underwriting risk concentration which determines the extent to which a particular event or a series of events may affect the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts which may result in a similar liability. An important aspect of the insurance risk concentration is that it may arise from the accumulation of risk through different types of insurance.

Concentration risk may arise from events that are not frequent but with considerable consequences such as natural disasters, in situations where the Group is exposed to unexpected changes in trends, for example unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or regulatory risks could cause a large single loss or have a pervasive effect on a large number of contracts.

The concentration of insurance risk before and after reinsurance, or retrocession in relation to the type of accepted insurance risk is shown below with reference to the carrying value of claims and benefits (gross and net of reinsurance) arising under the insurance contract:

Company	31 Dec. 2022			31 Dec. 2021		
	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	23,057	(338)	22,719	32,115	(21)	32,094
Health insurance	220,196	-	220,196	189,664	-	189,664
Road motor vehicle insurance	272,169	(1,376)	270,793	238,036	(772)	237,264
Railroad insurance	3,574	-	3,574	1,715	-	1,715
Aircraft insurance	682	96	778	-	993	993
Vessel insurance	7,116	2,369	9,485	36,469	(21,379)	15,090
Insurance for goods in transit	7,776	(1,983)	5,793	7,740	73	7,813
Insurance against fire and natural disasters	178,188	(117,168)	61,020	49,813	(3,876)	45,937
Other property insurance	320,490	(58,403)	262,087	276,411	(30,051)	246,360
Motor liability insurance	351,075	(11,389)	339,686	297,524	(5,837)	291,687
Aircraft liability insurance	65	-	65	30	(348)	(318)
Vessel liability insurance	444	(17)	427	864	3,989	4,853
Other types of liability insurance	72,339	1,042	73,381	96,086	1,250	97,336
Loan insurance/credit insurance	(53,096)	(1,039)	(54,135)	(34,783)	(2,785)	(37,568)
Guarantee insurance	151	-	151	(396)	-	(396)
Miscellaneous financial loss insurance	30,317	(16,685)	13,632	23,003	(7,693)	15,310
Legal expenses insurance	(15)	(13)	(28)	(3)	-	(3)
Assistance	11,410	-	11,410	5,764	-	5,764
Total non-life insurance	1,445,938	(204,904)	1,241,034	1,220,052	(66,457)	1,153,595
Life insurance	300,020	-	300,020	443,635	(8)	443,627
Annuity insurance	507	-	507	6,489	-	6,489
Additional insurance with life insurance	529	-	529	1,524	-	1,524
Life or annuity insurance where the policyholder bears the investment risk	(54)	-	(54)	12,620	-	12,620
Total life insurance	301,002	-	301,002	464,268	(8)	464,260
Total	1,746,940	(204,904)	1,542,036	1,684,320	(66,465)	1,617,855

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Group	31 Dec. 2022			31 Dec. 2021		
	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	33,910	(728)	33,182	46,443	(267)	46,176
Health insurance	225,063	(2,380)	222,683	182,554	(665)	181,889
Road motor vehicle insurance	321,929	(1,510)	320,419	281,735	(1,413)	280,322
Railroad insurance	3,574	-	3,574	1,715	-	1,715
Aircraft insurance	682	96	778	-	993	993
Vessel insurance	7,116	2,369	9,485	36,469	(21,379)	15,090
Insurance for goods in transit	7,022	(1,139)	5,883	9,156	(500)	8,656
Insurance against fire and natural disasters	187,499	(120,042)	67,457	55,667	(6,829)	48,838
Other property insurance	325,464	(59,037)	266,427	285,574	(31,631)	253,943
Motor liability insurance	502,848	(13,049)	489,799	431,277	(6,091)	425,186
Aircraft liability insurance	65	-	65	30	(380)	(350)
Vessel liability insurance	444	(17)	427	864	3,989	4,853
Other types of liability insurance	73,987	309	74,296	97,368	802	98,170
Loan insurance/credit insurance	(46,419)	(2,061)	(48,480)	(25,371)	(5,074)	(30,445)
Guarantee insurance	1,534	(56)	1,478	62	(63)	(1)
Miscellaneous financial loss insurance	30,930	(16,685)	14,245	23,435	(7,694)	15,741
Legal expenses insurance	(15)	(13)	(28)	(3)	-	(3)
Assistance	18,475	-	18,475	8,749	-	8,749
Total non-life insurance	1,694,108	(213,943)	1,480,165	1,435,724	(76,202)	1,359,522
Life insurance	370,600	-	370,600	519,947	(8)	519,939
Annuity insurance	618	-	618	6,651	-	6,651
Additional insurance with life insurance	1,502	-	1,502	2,934	-	2,934
Life or annuity insurance where the policyholder bears the investment risk	10,644	-	10,644	23,584	-	23,584
Total life insurance	383,364	-	383,364	553,116	(8)	553,108
Total	2,077,472	(213,943)	1,863,529	1,988,840	(76,210)	1,912,630

The Management believes that the non-life insurance has no significant exposure to any client group insured by social, professional, generation or similar criteria. The greatest likelihood of significant losses could arise from catastrophic events, such as floods, hail, storms or earthquake damage. The techniques and assumptions that the Group uses to calculate these risks include:

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

The table below presents reinsurance coverage and retention of the Company by type of insured event:

	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	7,500	Unlimited	7,500
Insurance against fire	551,250	11,250	551,250	11,250
Motor hull insurance	-	15,000	-	15,000
Machinery breakage	551,250	11,250	551,250	11,250
Construction /assembly	551,250	11,250	551,250	11,250
Theft	551,250	11,250	551,250	11,250
Vessels	181,875	5,625	157,625	4,875
Other liability	71,250	3,750	71,250	3,750
Earthquake	1,155,000	45,000	1,155,000	45,000
Flood	551,250	11,250	551,250	11,250

The table below presents reinsurance coverage and retention of the Group by type of insured event:

	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	9,040	Unlimited	9,036
Insurance against fire	681,014	12,020	679,744	12,018
Motor hull insurance	2,793	15,327	2,787	15,306
Machinery breakage	631,256	12,020	630,133	12,018
Construction /assembly	631,256	12,020	630,133	12,018
Theft	590,527	12,020	588,246	12,030
Vessels	181,881	8,135	157,917	4,898
Other liability	75,204	3,877	75,134	3,871
Earthquake	1,235,560	46,525	1,235,361	46,521
Flood	679,303	12,020	679,489	12,018

Non-life insurance

The basic indicator of underwriting risk is the claims (loss) ratio. The following tables present claims ratios, cost ratios and combined ratios as well as the claims ratio net of reinsurance.

Comparison of claims and costs ratio for 2022 and 2021:

Non-life insurance	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Claims ratio	53.26%	50.27%	53.10%	50,68%
Cost ratio	38.99%	36.66%	38.85%	37,41%
Combined ratio	92.25%	86.93%	91.95%	88,09%
Claims ratio, net	52.03%	52.93%	52.29%	53,19%

Note: The ratio calculation method is set out in Note 25.8. Analysis of claim (loss) ratios, cost ratios and combined ratios. In the ratio calculation for the Group, only Group companies involved in the insurance and reinsurance activities were considered.

Life insurance

The primary risks in life insurance and non-life insurance for which mathematical provision is formed are interest rate risk and biometrical risks. Interest rate risk is processed through market risks, and biometrical risks are monitored on the basis of actuarial analyses.

Analysis of mathematical provisions according to guaranteed interest rate for the Company is as follows:

Interest included in the tariff is in the range of	Mathematical provisions*	Share	Mathematical provisions*	Share
	as at 31 Dec. 2022		as at 31 Dec. 2021	
	in HRK'000	%	in HRK'000	%
[0, 1]	699,509	26%	572,244	22%
[1, 3]	1,102,134	41%	1,135,758	43%
[3, 4]	685,240	26%	705,441	27%
[4, 5]	191,617	7%	240,851	9%
[5, 6]	1,685	0%	1,991	0%
	2,680,185	100%	2,656,285	100%

* The mathematical provision is the mathematical provision for agreed sums and mathematical provision for additional sums.

The analysis of mathematical provisions for the Group according to guaranteed interest rate is as follows:

Interest included in the tariff is in the range of	Mathematical provisions*	Share	Mathematical provisions*	Share
	as at 31 Dec. 2022		as at 31 Dec. 2021	
	in HRK'000	%	in HRK'000	%
[0, 1]	699,509	22%	572,244	18%
[1, 3]	1,383,340	44%	1,389,268	44%
[3, 4]	899,025	28%	928,600	30%
[4, 5]	191,756	6%	241,262	8%
[5, 6]	1,685	0%	1,990	0%
	3,175,315	100%	3,133,364	100%

* The mathematical provision is the mathematical provision for agreed sums and mathematical provision for additional sums.

The table above shows the mathematical provision according to guaranteed interest rates. The yield on life insurance investment is presented in the following table and it is sufficient to cover the required interest for the life insurance portfolio.

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Yield on mathematical provision

Company	2022	2021
	in HRK'000	in HRK'000
Average balance of mathematical provision	2,660,073	2,604,930
Yield on investment in mathematical provision	85,343	80,920
Annual yield on mathematical provision	3.21%	3.11%
Average annual yield on mathematical provision for the past 2 years	3.16%	3.21%

Group	2022	2021
	in HRK'000	in HRK'000
Average balance of mathematical provision	3,145,321	3,069,846
Yield on investment in mathematical provision	100,518	96,391
Annual yield on mathematical provision	3.20%	3.14%
Average annual yield on mathematical provision for the past 2 years	3.17%	3.24%

The sensitivity of the present value of future profits to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, rates costs and the discount rate used for the purposes of the liability adequacy test.

The Group assessed the impact of changes in key variables that may have a material effect on the present value of future profits (PVFP) at the end of the year. For each period, the projection is the calculated profit (vector profit), and PVFP is calculated as the present value of profits with a discount rate risk.

The table below shows the sensitivity analysis for life insurance.

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Change in liabilities	Change in liabilities	Change in liabilities	Change in liabilities
Interest rate -0,5%	74,425	90,129	105,262	116,193
Mortality +10%	1,695	1,092	24,556	8,618
Expenses +10%	28,346	25,049	77,423	33,327

For life insurance contracts that cover policyholder's death, there is no significant geographical concentration of risk, although the concentration of the amount at risk may impact the ratio of insurance payment on the portfolio level. Amounts at risk for life insurance are as follows:

Company	2022		2021	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life insurance – traditional products	1,592,863	93.2%	1,840,087	90.3%
Unit-linked life insurance products	115,584	6.8%	198,766	9.7%
As at 31 December	1,708,447	100%	2,038,853	100%

Group	2022		2021	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life insurance – traditional products	7,045,445	95.8%	6,240,672	94.7%
Unit-linked life insurance products	312,444	4.2%	350,223	5.3%
As at 31 December	7,357,889	100%	6,590,895	100%

Tables for long-term insurance contracts are presented below and provide an overview of the concentration of risk through nine groups of contracts grouped by sum insured per policy.

Sum insured per policy	Company		Group	
	Total sum insured before reinsurance		Total sum insured before reinsurance	
	in HRK'000	%	in HRK'000	%
in HRK				
< 40,000	1,430,505	31.0%	2,985,084	28.4%
40,001 - 60,000	470,162	10.2%	872,281	8.3%
60,001 - 80,000	662,776	14.4%	1,639,165	15.6%
80,001 - 100,000	295,521	6.4%	579,758	5.5%
100,001 - 125,000	389,583	8.4%	906,217	8.6%
125,001 - 150,000	173,456	3.8%	323,291	3.1%
150,001 - 250,000	687,732	14.9%	1,392,316	13.2%
250,001 - 500,000	308,469	6.7%	575,155	5.5%
> 500,001	199,588	4.3%	1,236,633	11.8%
As at 31 December 2022	4,617,792	100%	10,509,900	100%
< 40,000	1,553,882	31.4%	3,078,140	30.9%
40,001 - 60,000	525,263	10.6%	914,813	9.2%
60,001 - 80,000	729,952	14.8%	1,376,193	13.8%
80,001 - 100,000	333,068	6.7%	630,631	6.3%
100,001 - 125,000	418,228	8.5%	806,319	8.1%
125,001 - 150,000	183,923	3.7%	345,794	3.5%
150,001 - 250,000	701,901	14.2%	1,179,038	11.9%
250,001 - 500,000	299,921	6.1%	534,525	5.4%
> 500,001	196,814	4.0%	1,082,291	10.9%
As at 31 December 2021	4,942,952	100%	9,947,744	100%

The Group applies the calculation of the present value of future profits or PVFP for the purposes of managing insurance risk sensitivity. The base run refers to the calculation of liabilities using assumptions for the best estimate calculation. The base run represents the calculation by applying the assumptions set out in in Note 2.37 during the liability adequacy test. For each policy income from premiums and investments is calculated, and costs are calculated on the basis of administrative costs and claims expenses.

Changes in variables represent reasonable possible changes which, had they occurred, have led to significant changes in insurance liabilities at the reporting date. The reasonably possible changes represent neither expected changes in variables nor worst case scenarios. Changes in each variable were analysed, whereby all other assumptions remained unchanged, and changes in value of the underlying assets were ignored.

The sensitivity to changes in mortality was calculated by reduction in mortality for pension products by 10% and an increase in mortality for other products by 10%, while the sensitivity to changes in costs was calculated by increasing the costs of portfolio maintenance by 10%.

The PVFP results show that changes in interest rates and expenses have the most significant effect on profit or loss and the amount of technical provisions.

Non-life insurance

In non-life insurance variables, which would have the greatest impact on insurance liabilities relate to legal claims from auto insurance liability. Obligations relating to judicial damages are sensitive to legal, judicial, political, economic and social trends. The Management Board believes that it is not practicable to quantify the sensitivity of non-life insurance to changes in these variables.

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

/i/ Non-life insurance

On the balance sheet date provisions are created for the estimated final cost of settling all claims resulting from events occurred by that date, whether reported or not, together with relevant costs of processing such claims, decreased by amounts already paid. The liability for reported but unsettled claims is estimated separately for every individual claim, taking into consideration the circumstances, available information from the claims adjuster and historical evidence of amounts of similar claims. Individual claims are regularly examined and provisions are regularly updated when new information is available. The assessment of provision for incurred, but unreported losses (IBNR) are generally subject to a greater degree of uncertainty than the provision for reported losses. IBNR provisions are estimated by the Company's actuaries.

Depending on the feature of each insurance type, the Group's portfolio and the form and quality of available data, IBNR provisions are formed using the most appropriate model which is based on deterministic or stochastic methods whose basis is the claims triangle. In order to describe as best as possible future claims development, the selected model may contain one or a combination of several methods.

IBNR provisions are formed according to the lines of business, i.e. homogeneous risk groups.

For long-tail claims, the level of provision greatly depends on the assessment of claims development for which there is historical data until the final development. The residual factor of claims development is prudently assessed by using mathematical methods of curves which serve as projections of observed factors or which are based on actuarial assessment.

The actual method which is used depends on the year of claim occurrence and the observed historical development of claims. To the extent that these methods use historical claim rates, the past pattern of claim rates is assumed to recur in the future. There are reasons for partial fulfilment of the above, so the methods should be modified. Possible reasons may be:

- economic, political and social trends (which cause a different level of inflation than expected);
- changes in the combination of the types of insurance contracts which are acquired;
- random variations, including the effect of major losses,

IBNR provisions are initially estimated in gross amount and a special calculation is performed in order to assess the reinsurance portion.

Discounting

Except for reported rental claims, non-life insurance provisions are not discounted. The provisions for liability insurance which are payable in annuities are determined as the current value of future liabilities based on an interest rate curve of own portfolio, the annual rate of adjustment of the rent and the Mortality Tables for the Republic of Croatia for the period from 2010 – 2012.

/ii/ Life insurance

Mathematical provisions are calculated by the net prospective method using rational actuarial assumptions, in accordance with the guidelines issued by HANFA or Group companies regulator. The guaranteed technical interest rate in insurance policies ranges from 0 % to 6 %, depending on the original (historic) tariff.

In the case of death and survival, policyholders are entitled to a share in the Company's profit realised by life insurance funds management. For policies concluded after 31 December 2017, cost and mortality are the only possible sources of profit. Shares in profit are calculated once a year, at the earliest at the end of the first or second year of the insurance term, depending on the tariff. The amount of the share in the profit is determined by the Management Board.

The Company uses mortality tables for Croatia for the period 2010 to 2012 for the calculation of mathematical reserves.

/ii/ Life insurance (continued)

For the purpose of the calculation of mathematical reserves the Company:

- for insurance contracts concluded before 2010, an interest rate of 2.5% was used (the maximum rate prescribed by HANFA is 3.3%),
- for insurance contracts concluded in 2010 the interest rate used was 2.5% (the maximum rate prescribed by HANFA is 3%),
- for insurance contracts concluded after 2010 until 30 June 2016, the interest rate used was in range 2.5%-1% (the maximum rate prescribed by HANFA is 2.75%).
- for insurance contracts concluded after 1 July 2016, the interest rate used was in range 1.75%-0%, (the maximum rate prescribed by HANFA is 1.75% for contracts with a currency clause and 2% for contracts in HRK),
- for insurance contracts concluded after 1 January 2018, the interest rate used was 1%-0%, and interest rate of 1.50% was used for insurance contracts with a contractual duration of 5 years (the maximum rate prescribed by HANFA is 1%, and 1,75% for insurance contracts with a contractual duration of 5 years).

Additionally, in the Group, for purpose of the calculation of mathematical reserves in Bosnia and Herzegovina for insurance contracts concluded before 1.11.2017, an interest rate of 1,7% was used, and for insurance contracts concluded after 1.11.2017, an interest rate of 1.7% and 1.5%, and for decrease risk 2%. For contracts concluded until 30.6.2015. the Insurance Supervision Agency of the Federation of BiH prescribed a maximum rate of 5%, and 2.75% for contracts concluded after that period.

For the purpose of the calculation of mathematical reserves in Northern Macedonia for insurance contracts before 2014 concluded with 30 May 2022, an interest rate of 3.5% and 4%, and from 30.06.2022 the interest rate has also been changed for all insurance contracts that were contracted before 2014, the 3% interest rate is used. An interest rate 3% is used for insurance contracts contracted during the first two months of 2014 (this was the maximum rate prescribed by the Insurance Supervision Regulatory Agency in that period). For insurance contracts contracted after March 2014 and during 2015, the interest rate is 2.75% (which is also the maximum rate prescribed by the Insurance Supervision Regulatory Agency). For insurance contracts contracted after 2016, the interest rate is 2.5% (the maximum rate prescribed by the Insurance Supervision Regulatory Agency is 2.5%). For the purposes of calculating the mathematical reserve for insurance contracts contracted during 2018, the interest rate for CroInvest Flexi and malignant diseases tariffs is 1%, and for insurance contracts contracted with the start of insurance after 1.6.2020, the interest rate is 2% and for insurance contracts with start of insurance after 1.6.2021, the interest rate is 1,5%. For collective risk insurance contracts, the interest rate is 0%.

Profit or loss and equity sensitivity to changes in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in the rate of investment and the rate of costs estimated for the calculation of the liability adequacy.

Terms and conditions of insurance contracts that have a significant effect on the amount, duration, and uncertainty of future cash flows

The Group offers different types of non-life insurance, mainly motor vehicles, property, liability insurance, marine insurance, transport insurance, and accident insurance. The main source of uncertainty affecting the amount and timing of future cash flows arises from the uncertainty of the occurrence of future insured events as well as the uncertainty associated with their amounts. The amount payable under individual claims is limited by the insured amount as established in the insurance policy.

Other significant sources of uncertainty related to non-life insurance result from legislation that entitles policyholders to report a claim before the statute of limitation, which occurs three years from the first notification of the claim, but not later than five years from the beginning of the year after the year of occurrence. This stipulation is particularly important in cases of permanent disability under accident insurance, due to difficulties in estimating the period between the occurrence of the accident and the confirmation of permanent consequences thereof.

The portfolio of non-life insurance does not include products that warrant unlimited coverage, while the maximum amount for which the insurer may be held liable per each policy due to the occurrence of one loss event is always limited by the contractually agreed insured sum. The exception to this rule is motor vehicles liability insurance in the Green Card Insurance System member states that have unlimited coverage. Since legal provisions in motor vehicles liability insurance prescribe the application of insured sums in the state where the damage occurred, this risk cannot be completely avoided, but it can be transferred through appropriate reinsurance contracts.

2.38. Financial risk management

The Group's primary objective in financial and underwriting risk management is to maintain a level of capital which is adequate for the scope and types of insurance it transacts, and with due consideration of the risks it is exposed to. The Management recognizes the importance of having an efficient and effective risk management system.

National competent authorities control the Company's and Group solvency in order to ensure that there is coverage for liabilities arising from possible economic changes or natural disasters.

The Group actively manages its assets by using an approach which balances quality, diversification, harmonization of assets and liabilities, liquidity and return on investments. Management examines and approves portfolios, determines the limits and supervises the process of managing assets and liabilities. Due attention is also given to the compliance with the rules established by the Insurance Act.

Transactions with financial instruments result in the Group assuming financial risks. These risks include market risk, credit risk and liquidity risk. Each of these risks is described below, together with a summary of the methods used by the Group to manage such risks.

Market risk

Market risk includes currency risk, interest rate risk and price risk. Market risk is the fluctuation risk of future cash flows' fair value of financial instruments resulting from changes in market prices. The comprehensive system of market risk management is prescribed by a series of internal acts of the Group.

a) Currency risk - the risk of fluctuation of fair value or cash flows under financial instruments resulting from changes in foreign currency exchange rates.

The Group is exposed to the risk of exchange rate fluctuations through its transactions in foreign currencies, mostly in euros. The Group is exposed to currency risk through its investments in debt securities, deposits, loans and other investments, and through premiums, claims and technical provisions under insurance policies with a currency clause. The Group manages foreign exchange risk by attempting to reduce the difference between assets and liabilities denominated in foreign currency or with a currency clause. Investments for covering mathematical provisions are mostly denominated in Euro, since most of the mathematical provisions are also denominated in Euro. The Group actively uses derivatives in order to hedge against currency risk exposure. An analysis of the sensitivity of financial assets to the exchange rate fluctuations is given below, noting that the stated effects of financial assets and liabilities on profit/loss would be partially compensated by the effects on non-financial liabilities (technical or mathematical provisions):

	2022		2021	
	Impact on profit before tax	Impact on comprehensive income	Impact on profit before tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company				
Change of exchange rate by 1%	35,816	8,879	19,314	10,454
Group				
Change of exchange rate by 1%	38,992	8,879	23,041	10,454

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At the reporting date, the currency structure of the Company's assets and liabilities is as follows:

Company in HRK'000	31 December 2022				31 December 2021			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	388,115	-	-	388,115	384,197	-	-	384,197
Held-to-maturity investments	690,455	1,506,815	-	2,197,270	1,285,792	1,040,192	-	2,325,984
Available-for-sale financial assets	1,240,645	3,471,595	169,620	4,881,860	1,607,329	3,382,693	177,185	5,167,207
Financial assets at fair value through profit or loss	6,534	118,232	105,129	229,895	6,024	274,239	103,816	384,079
<i>Derivative financial assets at fair value through profit or loss</i>	-	12,095	1,512	13,607	-	3,030	3	3,033
<i>Non derivative financial assets at fair value through profit or loss</i>	6,534	106,137	103,617	216,288	6,024	271,209	103,813	381,046
Loans and receivables	412,652	94,193	3	506,848	549,693	58,477	-	608,170
Reinsurance share in technical provisions	271,252	101,897	23,058	396,207	225,281	68,899	37,163	331,343
Insurance contract and other receivables	876,342	94,073	2,988	973,403	722,108	164,377	24,308	910,793
Cash and cash equivalents	782,101	44,949	36,317	863,367	546,161	52,787	10,085	609,033
Total assets	4,668,096	5,431,754	337,115	10,436,965	5,326,585	5,041,664	352,557	10,720,806
Liabilities								
Technical provisions	3,697,502	3,203,667	66,336	6,967,505	3,562,471	3,201,315	177,514	6,941,300
Provisions	49,226	27	-	49,253	58,024	30	-	58,054
Financial liabilities at amortized cost	48,366	314,166	-	362,532	71,898	235,468	56,481	363,847
Financial liabilities at fair value through profit or loss	-	-	620	620	-	2,048	3,939	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	466,691	87,321	5,455	559,467	468,033	125,669	6,165	599,867
Total liabilities	4,261,785	3,605,181	72,411	7,939,377	4,160,426	3,564,530	244,099	7,969,055
Foreign currency gap	406,311	1,826,573	264,704	2,497,588	1,166,159	1,477,134	108,458	2,751,751

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The analysis of the currency structure of the Group's assets and liabilities at the reporting date is as follows:

Group in HRK'000	31 December 2022				31 December 2021			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	70,706	-	2,070	72,776	70,692	-	1,720	72,412
Held-to-maturity investments	690,455	1,564,828	33,954	2,289,237	1,285,792	1,102,207	19,888	2,407,887
Available-for-sale financial assets	1,254,020	3,731,064	486,302	5,471,386	1,626,549	3,680,643	513,764	5,820,956
Financial assets at fair value through profit or loss	6,534	118,232	172,210	296,976	6,024	274,239	151,764	432,027
<i>Derivative financial assets at fair value through profit or loss</i>	-	12,095	1,512	13,607	-	3,030	3	3,033
<i>Non derivative financial assets at fair value through profit or loss</i>	6,534	106,137	170,698	283,369	6,024	271,209	151,761	428,994
Loans and receivables	166,441	91,475	409,335	667,251	308,099	68,061	367,731	743,891
Reinsurance share in technical provisions	271,252	102,073	40,231	413,556	225,281	69,043	54,795	349,119
Insurance contract and other receivables	915,086	98,053	92,176	1,105,315	761,505	164,411	108,234	1,034,150
Cash and cash equivalents	940,567	45,828	91,769	1,078,164	676,687	60,024	60,554	797,265
Total assets	4,315,061	5,751,553	1,328,047	11,394,661	4,960,629	5,418,628	1,278,450	11,657,707
Liabilities								
Technical provisions	3,697,502	3,607,862	787,278	8,092,642	3,562,471	3,561,844	884,054	8,008,369
Provisions	55,489	28	2,422	57,939	64,400	29	3,161	67,590
Financial liabilities at amortized cost	70,889	303,651	31,975	406,515	93,713	225,642	93,299	412,654
Financial liabilities at fair value through profit or loss	-	-	620	620	-	2,048	3,939	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	501,892	88,142	52,105	642,139	492,845	127,184	50,640	670,669
Total liabilities	4,325,772	3,999,683	874,400	9,199,855	4,213,429	3,916,747	1,035,093	9,165,269
Foreign currency gap	(10,711)	1,751,870	453,647	2,194,806	747,200	1,501,881	243,357	2,492,438

b) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or cash flows under financial instruments resulting from changes in market interest rates. The Group is exposed to interest rate risk on the basis of financial instruments whose value is sensitive to interest rate changes.

Interest rate changes do not affect the level of technical non-life provisions, while the mathematical life reserve is discounted using the technical rate of interest of a particular product or the maximum interest rate stipulated by HANFA, which cannot be higher than the weighted average yield on mathematical reserve assets in the last three years.

The Group monitors this exposure through periodic reviews of its asset and liability positions. The Group intends to harmonize future earnings from such assets with liabilities under insurance by purchasing state bonds and other financial instruments with defined cash flows or for which cash flows can be estimated. However, considering the relatively short duration of such assets and longer period of duration of liabilities under life insurance, the Group is exposed to interest rate risk.

An analysis of the sensitivity of financial assets to a change in market interest rates is given below:

	2022		2021	
	Impact on profit/loss before tax	Impact on comprehensive income	Impact on profit/loss before tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company				
Change in interest rate by +/- 100 bps	-	(143,832)/143,832	-	(164,255)/164,255
Group				
Change in interest rate by +/- 100 bps	-	(176,557)/176,557	-	(209,756)/209,756

Carrying amounts of debt securities classified as available-for-sale are presented in note 19.

c) Other price risks

The equity securities risk is caused by the fluctuation of fair value or cash flows in connection with financial instruments resulting from changes in market prices (which are not the result of interest rate risk or foreign exchange risk), whether this involves changes caused by factors relatable to an individual financial instrument or its issuer or if there are other factors which effect all similar financial instruments being traded in the market.

The marketable equity securities portfolio, which is presented in the balance sheet at fair value, exposes the Group to this risk. The Group's portfolio comprises securities of various issuers, and the concentration risk in any individual company is monitored and limited by legal requirements and the adopted limits.

The Group assesses, or measures, and controls the exposure to market risk by monitoring exposure to investment, establishing the limits and powers of investment, and through a series of statistical and other quantitative risk measures.

Price risk analysis

	2022		2021	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company				
Change in price by +/- 5%	1,120/(1,120)	58,333/(58,333)	1,288/(1,288)	64,904/(64,904)
Group				
Change in price by +/- 5%	3,230/(3,230)	58,333/(58,333)	2,625/(2,625)	64,907/(64,907)

Credit risk

Credit risk is the risk that one contractual party to a financial instrument might cause the other party to suffer financial losses as a result of failure to fulfil its obligations.

The Group is exposed to credit risk through the following financial assets:

- reinsurance share in claims provisions
- receivables from reinsurance under settled claims
- receivables from policyholders
- deposits and given loans
- debt securities (bonds and commercial bills)
- receivables from insurance brokers and other receivables
- cash at bank

The Group manages this risk by up-front analysis of credit risk and exposure monitoring, regular reviews carried out by the Management and regular meetings held to monitor the credit risk development. The Group manages credit risk and continuously monitors exposure to credit risk. Assessments of creditworthiness of all policyholders are made, and collaterals are collected prior to payment of granted loans or renewal of such loans.

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Credit risk exposure	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in debt securities (note 19.1)	5,912,475	6,195,115	6,593,967	6,930,698
Investments in bank deposits (note 19.1)	68,163	141,637	482,416	514,142
Loans (note 19.1)	438,685	466,533	184,835	229,749
Reinsurance share in technical provisions	396,207	331,343	413,556	349,119
Insurance contract and other receivables	915,995	889,522	1,027,233	988,876
Cash and cash equivalents	863,367	609,033	1,078,164	797,265
	8,594,892	8,633,183	9,780,171	9,809,849

Concentration of receivables from the Republic of Croatia as at 31 December

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Government bonds	5,129,351	5,400,565	5,156,511	5,434,235
Undue interest on bonds	78,405	81,327	78,490	81,447
Other receivables	2,323	1,809	12,827	11,957
	5,210,079	5,483,701	5,247,828	5,527,639

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The table below shows the company's asset analysis by category according to the ratings by the agencies Standard&Poor's (S&P).

	2022	2021	Company	Company
	S&P	S&P	31 Dec. 2022	31 Dec. 2021
			u 000 HRK	u 000 HRK
<i>Held-to-maturity investments</i>			2,197,270	2,325,984
Ministry of Finance of the Republic of Croatia	BBB+	BBB-	2,133,326	2,262,103
Corporations rated by another agency	-	-	44,018	43,977
No rating	-	-	19,926	19,904
<i>Available-for-sale financial assets</i>			3,715,205	3,869,131
Ministry of Finance of the Republic of Croatia	BBB+	BBB-	3,074,430	3,219,789
Ministry of Finance of Romania	BBB-	BBB-	129,389	126,554
Ministry of Finance of Slovenia	AA-	-	33,869	-
Ministry of Finance of Bulgaria	BBB	-	18,671	-
Rated corporations	B-	B-	-	10,117
	B	-	10,155	-
	BBB-	BBB-	135,699	156,755
	BBB	-	13,792	-
	A-	A-	18,637	25,095
	A	-	9,032	-
Corporations rated by another agency	-	-	234,783	288,381
No rating	-	-	36,748	42,440
<i>Loans and receivables</i>			506,848	608,170
Rated banks	-	-	-	-
Other banks and financial institutions*	-	-	68,163	141,637
No rating**	-	-	438,685	466,533
<i>Reinsurance share in technical provisions</i>			396,207	331,343
Rated reinsurers	A-	A-	19,839	19,237
	A	A	35,872	23,700
	A+	A+	168,873	109,696
	AA-	AA-	120,151	135,682
	AA	AA	3,720	7,081
	AA+	AA+	7,223	8,634
Reinsurers rated by another agency	-	-	23,001	19,853
No rating	-	-	17,528	7,460
<i>Insurance contract and other receivables</i>			915,995	889,522
No rating	-	-	915,995	889,522
<i>Cash and cash equivalents</i>			863,367	609,033
Other banks and financial institutions*	-	-	863,367	609,033
			8,594,892	8,633,183

* Other banks and financial institutions mostly include banks and financial institutions rated by another agency and banks and financial institutions that have no rating, but their parent banks have a rating.

** Loans and receivables with no rating relate to loans to related parties, domestic companies with no rating and retail loans that are insured.

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	2022	2021	Group	Group
	S&P	S&P	31 Dec. 2022	31 Dec. 2021
			u 000 HRK	u 000 HRK
<i>Held-to-maturity investments</i>			2,289,237	2,407,887
Ministry of Finance of the Republic of Croatia	BBB+	BBB-	2,139,518	2,268,280
Ministry of Finance of Macedonia	-	BB-	60,182	60,232
Corporations rated by another agency	-	-	44,018	43,977
No rating	-	-	45,519	35,398
<i>Available-for-sale financial assets</i>			4,304,730	4,522,811
Ministry of Finance of the Republic of Croatia	BBB+	BBB-	3,095,483	3,247,402
Ministry of Finance of Macedonia	-	BB-	329,083	380,147
Ministry of Finance of Slovenia	AA-	-	33,869	-
Ministry of Finance of Serbia	-	BB+	239,390	245,920
Ministry of Finance of Romania	BBB-	BBB-	129,389	126,554
Ministry of Finance of Bulgaria	BBB	-	18,671	-
Rated corporations	B-	B-	-	10,117
	B	-	10,155	-
	BBB-	BBB-	135,699	156,755
	BBB	-	13,792	-
	A-	A-	18,637	25,095
	A	-	9,032	-
Corporations rated by another agency	-	-	234,783	288,381
No rating	-	-	36,747	42,440
<i>Loans and receivables</i>			667,251	743,891
Rated banks	-	-	-	-
Other banks and financial institutions*	-	-	482,416	514,142
No rating**	-	-	184,835	229,749
<i>Reinsurance share in technical provisions</i>			413,556	349,119
Rated reinsurers	A-	A-	19,839	19,237
	A	A	35,872	23,700
	A+	A+	168,873	109,696
	AA-	AA-	120,151	135,682
	AA	AA	3,720	7,081
	AA+	AA+	7,223	8,634
Reinsurers rated by another agency	-	-	23,001	19,853
No rating	-	-	34,877	25,236
<i>Insurance contract and other receivables</i>			1,027,233	988,876
No rating	-	-	1,027,233	988,876
<i>Cash and cash equivalents</i>			1,078,164	797,265
Other banks and financial institutions*	-	-	1,078,164	797,265
			9,780,171	9,809,849

* Other banks and financial institutions mostly include banks and financial institutions rated by another agency and financial institutions that have no rating, but their parent banks have a rating.

** Loans and receivables with no rating relate to loans to related parties, domestic companies with no rating and retail loans that are insured.

Liquidity risk

Liquidity risk is the risk that a sudden and unexpected settlement of liabilities might require the Group to liquidate assets in a short time and at a low price. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe. The Group has a portfolio of liquid assets as a part of liquidity risk management strategy, which ensures continuation of business and satisfies legal requirements.

Legal claims for damages have been met in a timely manner. The Organizational units for finance monitor the inflows and outflows on a daily basis and develop monthly plans as well as scenarios of deteriorated liquidity. Liquidity risk is taken into account in the assessment of matching assets and liabilities.

The following table shows the amounts of contracted discounted cash flows for financial assets and, for insurance liabilities, the estimated maturity of the amounts recognized in the statement of financial position.

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The maturity analysis on the reporting date is as follows:

Company in HRK'000	31 December 2022						31 December 2021					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
Assets												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	388,115	388,115	-	-	-	-	384,197	384,197
Held-to-maturity investments	72,380	465,223	178,277	1,080,645	400,745	2,197,270	342,159	452,858	159,319	666,865	704,783	2,325,984
Available-for-sale financial assets	492,357	1,012,400	1,084,454	1,858,744	433,905	4,881,860	251,072	1,170,365	1,378,444	1,928,384	438,942	5,167,207
Financial assets at fair value through profit or loss	7,809	5,798	6,534	209,754	-	229,895	426	2,607	6,024	375,022	-	384,079
Loans and receivables	174,652	118,999	112,547	61,329	39,321	506,848	182,260	198,977	103,023	79,452	44,458	608,170
Reinsurance share in technical provisions	208,928	93,658	29,472	28,063	36,086	396,207	188,146	67,454	21,063	22,345	32,335	331,343
Insurance contract and other receivables	973,403	-	-	-	-	973,403	910,793	-	-	-	-	910,793
Cash and cash equivalents	863,367	-	-	-	-	863,367	609,033	-	-	-	-	609,033
Total	2,792,896	1,696,078	1,411,284	3,238,535	1,298,172	10,436,965	2,483,889	1,892,261	1,667,873	3,072,068	1,604,715	10,720,806
Liabilities												
Technical provisions	2,580,114	1,570,892	791,322	787,971	1,237,206	6,967,505	2,386,960	1,596,998	880,839	848,591	1,227,912	6,941,300
Provisions	7,088	19,078	18,571	2,130	2,386	49,253	10,467	22,849	20,144	2,058	2,536	58,054
Financial liabilities at amortized cost	94,512	27,444	20,893	52,762	166,921	362,532	92,587	30,093	23,442	58,045	159,680	363,847
Financial liabilities at fair value through profit or loss	620	-	-	-	-	620	5,576	411	-	-	-	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	469,760	21,532	5,017	37,662	25,496	559,467	560,647	19,523	4,957	6,462	8,278	599,867
Total	3,152,094	1,638,946	835,803	880,525	1,432,009	7,939,377	3,056,237	1,669,874	929,382	915,156	1,398,406	7,969,055
Maturity mismatch	(359,198)	57,132	575,481	2,358,010	(133,837)	2,497,588	(572,348)	222,387	738,491	2,156,912	206,309	2,751,751

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The maturity analysis at the Group's reporting date is as follows:

Group in HRK'000	31 December 2022						31 December 2021					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
Assets												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	72,776	72,776	-	-	-	-	72,412	72,412
Held-to-maturity investments	76,746	521,644	198,623	1,085,302	406,922	2,289,237	345,346	474,430	181,818	695,355	710,938	2,407,887
Available-for-sale financial assets	534,709	1,254,677	1,088,800	1,992,225	600,975	5,471,386	296,456	1,272,840	1,532,456	2,038,815	680,389	5,820,956
Financial assets at fair value through profit or loss	37,052	14,237	11,474	226,837	7,376	296,976	18,204	7,112	14,705	386,783	5,223	432,027
Loans and receivables	322,672	224,620	91,119	27,301	1,539	667,251	290,059	303,984	116,198	32,133	1,517	743,891
Reinsurance share in technical provisions	223,095	94,807	30,155	28,644	36,855	413,556	202,758	67,927	21,447	23,306	33,681	349,119
Insurance contract and other receivables	1,104,832	483	-	-	-	1,105,315	1,033,633	131	239	14	133	1,034,150
Cash and cash equivalents	1,078,164	-	-	-	-	1,078,164	797,265	-	-	-	-	797,265
Total	3,377,270	2,110,468	1,420,171	3,360,309	1,126,443	11,394,661	2,983,721	2,126,424	1,866,863	3,176,406	1,504,293	11,657,707
Liabilities												
Technical provisions	3,057,552	1,779,371	911,932	921,259	1,422,528	8,092,642	2,816,121	1,737,089	1,004,616	1,027,413	1,423,130	8,008,369
Provisions	8,846	20,475	20,113	3,746	4,759	57,939	12,965	24,800	21,583	3,550	4,692	67,590
Financial liabilities at amortized cost	103,888	41,782	29,118	60,680	171,047	406,515	101,252	43,693	32,351	63,054	172,304	412,654
Financial liabilities at fair value through profit or loss	620	-	-	-	-	620	5,576	411	-	-	-	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	552,198	21,695	5,089	37,662	25,495	642,139	627,564	20,642	5,840	7,999	8,624	670,669
Total	3,723,104	1,863,323	966,252	1,023,347	1,623,829	9,199,855	3,563,478	1,826,635	1,064,390	1,102,016	1,608,750	9,165,269
Maturity mismatch	(345,834)	247,145	453,919	2,336,962	(497,386)	2,194,806	(579,757)	299,789	802,473	2,074,390	(104,457)	2,492,438

The table below shows the future undiscounted cash flows of financial liabilities which refer to lease liabilities:

Lease liabilities	Company in HRK'000						Group in HRK'000					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
31 December 2022	27,410	54,648	36,256	100,723	224,541	443,578	34,899	63,281	47,453	107,253	228,051	480,937
31 December 2021	25,067	70,105	40,385	87,847	224,944	448,348	32,763	77,489	49,227	96,982	236,707	493,168

The table below shows the contractual obligations for future investments (note 32):

Contractual obligations for future investments	Company in HRK'000						Group in HRK'000					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
31 December 2022	-	-	-	-	338,016	338,016	-	-	-	-	338,016	338,016
31 December 2021	-	-	-	-	356,505	356,505	-	-	-	-	356,505	356,505

Fair value

Fair value is the amount that should be received for an asset sold or paid to settle a liability in an arm's length transaction between market participants at the value measurement date. Fair value is based on quoted market prices, where available. If market prices are not available, fair value is estimated by using discounted cash flow models or other appropriate pricing techniques. Changes in assumptions on which the estimates are based, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, at this point the estimated fair value cannot be achieved from the sale of a financial instrument. The fair value of investments at amortised cost is presented below:

	31 Dec. 2022			31 Dec. 2021		
	Net book value	Fair value	Difference	Net book value	Fair value	Difference
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company						
Debt securities	2,197,270	2,010,057	(187,213)	2,325,984	2,523,641	197,657
Loans	438,685	446,860	8,175	466,533	481,986	15,453
Deposits	68,163	68,163	-	141,637	141,855	218
	2,704,118	2,525,080	(179,038)	2,934,154	3,147,482	213,328
Group						
Debt securities	2,289,237	2,102,288	(186,949)	2,407,887	2,610,990	203,103
Loans	184,835	185,081	246	229,749	230,316	567
Deposits	482,416	482,416	-	514,142	514,360	218
	2,956,488	2,769,785	(186,703)	3,151,778	3,355,666	203,888

Methods of assessment or assumptions in determining fair value

For measuring the fair value, the Group takes into account the IFRS fair value hierarchy rules that reflect the significance of inputs used in the assessment process. Each instrument is assessed individually and in detail. The levels of the fair value hierarchy are determined on the basis of the lowest level and the input data that are important for determining the fair value of the instrument.

Different levels have been defined as follows:

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

The overview of fair value by individual levels for investments at amortized cost is presented below:

Company	31 Dec. 2022				31 Dec. 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Debt securities	1,073,435	936,622	-	2,010,057	1,969,630	554,011	-	2,523,641
Loans	-	446,860	-	446,860	-	481,986	-	481,986
Deposits	-	-	68,163	68,163	-	-	141,855	141,855
	1,073,435	1,383,482	68,163	2,525,080	1,969,630	1,035,997	141,855	3,147,482

Group	31 Dec. 2022				31 Dec. 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Debt securities	1,104,961	997,327	-	2,102,288	1,991,839	619,151	-	2,610,990
Loans	-	180,630	4,451	185,081	-	224,689	5,627	230,316
Deposits	-	-	482,416	482,416	-	-	514,360	514,360
	1,104,961	1,177,957	486,867	2,769,785	1,991,839	843,840	519,987	3,355,666

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The table below analyses financial instruments and other assets carried at fair value using the valuation method.

The Company's assets measured at fair value as at 31 December 2022 are presented as follows:

	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	-	-	189,544	189,544
Investment property	-	-	522,851	522,851
Equity securities	604,862	95,672	73,615	774,149
Debt securities	2,846,063	867,361	1,781	3,715,205
Investment funds	2,881	389,625	-	392,506
Available-for-sale financial assets	3,453,806	1,352,658	75,396	4,881,860
Equity securities	22,406	-	-	22,406
Debt securities	-	-	-	-
Investment funds	193,882	-	-	193,882
Foreign currency forward contracts	-	13,607	-	13,607
Financial assets at fair value through profit or loss	216,288	13,607	-	229,895
Total assets at fair value	3,670,094	1,366,265	787,791	5,824,150

The Company's assets measured at fair value as at 31 December 2021 are presented as follows:

	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	-	-	195,048	195,048
Investment property	-	-	524,104	524,104
Equity securities	764,572	100,467	7,938	872,977
Debt securities	2,798,248	1,068,992	1,891	3,869,131
Investment funds	180,957	244,083	59	425,099
Available-for-sale financial assets	3,743,777	1,413,542	9,888	5,167,207
Equity securities	25,766	-	-	25,766
Debt securities	-	-	-	-
Investment funds	355,280	-	-	355,280
Foreign currency forward contracts	-	3,033	-	3,033
Financial assets at fair value through profit or loss	381,046	3,033	-	384,079
Total assets at fair value	4,124,823	1,416,575	729,040	6,270,438

The Group's assets measured at fair value as at 31 December 2022 are presented as follows:

	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	-	-	427,542	427,542
Investment property	-	-	1,043,076	1,043,076
Equity securities	604,862	95,672	73,615	774,149
Debt securities	3,106,505	1,196,444	1,781	4,304,730
Investment funds	2,882	389,625	-	392,507
Available-for-sale financial assets	3,714,249	1,681,741	75,396	5,471,386
Equity securities	22,406	-	-	22,406
Debt securities	-	-	-	-
Investment funds	260,963	-	-	260,963
Foreign currency forward contracts	-	13,607	-	13,607
Financial assets at fair value through profit or loss	283,369	13,607	-	296,976
Total assets at fair value	3,997,618	1,695,348	1,546,014	7,238,980

The Group's assets measured at fair value as at 31 December 2021 are presented as follows:

	Level 1 in HRK'000	Level 2 in HRK'000	Level 3 in HRK'000	Total in HRK'000
Property for own use	-	-	415,844	415,844
Investment property	-	-	1,071,946	1,071,946
Equity securities	764,583	100,467	7,996	873,046
Debt securities	3,071,780	1,449,140	1,891	4,522,811
Investment funds	180,957	244,083	59	425,099
Available-for-sale financial assets	4,017,320	1,793,690	9,946	5,820,956
Equity securities	25,766	-	-	25,766
Debt securities	-	-	-	-
Investment funds	403,228	-	-	403,228
Foreign currency forward contracts	-	3,033	-	3,033
Financial assets at fair value through profit or loss	428,994	3,033	-	432,027
Total assets at fair value	4,446,314	1,796,723	1,497,736	7,740,773

The following table presents the changes in level 3 items for the Company:

Company	Equity securities in HRK'000	Debt securities in HRK'000	Investment funds in HRK'000	Total in HRK'000
31 December 2020	30,241	2,130	3,029	35,400
Transfer from/to Level 2	(23,001)	-	-	(23,001)
Disposals	(619)	-	-	(619)
(Losses) recognised in other comprehensive income	-	(239)	(2,970)	(3,209)
Gains recognised in other comprehensive income	1,317	-	-	1,317
31 December 2021	7,938	1,891	59	9,888
Transfer from/to Level 2	65,585	-	-	65,585
Increase	92	-	-	92
Decrease	-	(110)	(59)	(169)
31 December 2022	73,615	1,781	-	75,396

Movement of property for own use and investment property for the Company are disclosed in Note 16 and 17.

The following table presents the changes in level 3 items for the Group:

Group	Equity securities in HRK'000	Debt securities in HRK'000	Investment funds in HRK'000	Total in HRK'000
31 December 2020	30,298	2,130	3,029	35,457
Transfer from/to Level 2	(23,001)	-	-	(23,001)
Disposals	(619)	-	-	(619)
(Losses) recognised in other comprehensive income	-	(239)	(2,970)	(3,209)
Gains recognised in other comprehensive income	1,318	-	-	1,318
31 December 2021	7,996	1,891	59	9,946
Transfer from/to Level 2	65,585	-	-	65,585
Increase	92	-	-	92
Decrease	(58)	(110)	(59)	(227)
31 December 2022	73,615	1,781	-	75,396

Movement of property for own use and investment property for the Group are disclosed in Note 16 and 17.

Information on fair value measurements of equity securities, debt securities and investment funds which included significant parameters that are not available on the market (level 3)

	Fair value at 31 Dec. 2022 in HRK'000	Unob- servable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Equity securities	73,615	Discount rate	4.93%-12.10% (8.30%)	An increase in the discount rate by 100 bps would decrease the fair value by HRK 13,801 thousand. A decrease in the discount rate by 100 bps would increase the fair value by HRK 16,632 thousand
Debt securities	1,781	Discount rate	12.5% - 14.5% (13.5%)	An increase in the discount rate by 100 bps would decrease the fair value by HRK 45 thousand. A decrease in the discount rate by 100 bps would increase the fair value by HRK 48 thousand.
Investment funds	-	Discount rate	-	-

	Fair value at 31 Dec. 2021 in HRK'000	Unob- servable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Equity securities	7,938	Discount rate	7.85%-9.85% (8.85%)	An increase in the discount rate by 100 bps would decrease the fair value by HRK 1,003 thousand. A decrease in the discount rate by 100 bps would increase the fair value by HRK 1,257 thousand.
Debt securities	1,891	Discount rate	12.5% - 14.5% (13.5%)	An increase in the discount rate by 100 bps would decrease the fair value by HRK 42 thousand. A decrease in the discount rate by 100 bps would increase the fair value by HRK 68 thousand.
Investment funds	59	Discount rate	-	-

The Company has adopted IFRS 13, pursuant to which it is required to disclose the fair value hierarchy of financial assets that are not measured at fair value as well as a description of valuation techniques and inputs used.

Financial liabilities are recorded at amortised cost. Since the interest rate they bear is aligned with market rates, the Management Board believes that the carrying value of these instruments is not significantly different from their fair value.

The fair value of deposits, loans and financial liabilities are estimated on the basis of inputs that are not commercially available rates, and would therefore be classified as level 3, or by using publicly available rates published by the Croatian national bank (for the Company's loans) and would therefore be classified as level 2 in the fair value hierarchy. Investments with available market prices that are classified in the portfolio of held-to-maturity investments would be classified as level 1.

The fair values of cash and cash equivalents and insurance contract and other receivables do not differ significantly from their carrying amounts due to the short-term nature of these financial instruments. Fair value is determined based on level 2 inputs for cash and cash equivalents and based on level 3 inputs for insurance contract and other receivables.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of financial instruments that are classified as level 3 is determined by using discontinued cash flow techniques or other valuation techniques by using relevant observable market data, information about current business and estimation of issuer's future business.

The fair value of held-to-maturity investments is based on the available market prices and is classified as level 1 in accordance with IFRS 13.

Fair value of properties

An independent valuation of the Company's investment property was conducted by external valuers in order to determine the fair value as at 31 December 2022 and 31 December 2021.

To determine fair value of the property for own use, the Group use real estate appraisals conducted by independent certified authorized external valuers in 2019, whereas in 2022 it reviewed whether there were any indications of impairment and recognized impairment of the property for own use where there was a significant difference in its net book value in comparison to the previously determined value. The effects are listed in Note 16.

Valuation techniques used for determining fair value on Level 3

The fair value of investment property is derived primarily by applying a sales comparison and income approach, and sometimes lacking information on market parameters by applying the cost method, depending on a particular property.

The fair value of the property for own use for was carried out primarily by applying the income method.

The most significant inputs in the valuations were prices or rental income per square meter, generated based on comparable properties in the immediate vicinity and then adjusted by differences in key characteristics.

Information on fair value measurement of investment property which included significant parameters that are not available on the market (level 3)

Description	Fair value as at 31 December 2022	Fair value Land as at 31 December 2022	Fair value Building as at 31 December 2022	Fair value as at 31 December 2021	Fair value Land as at 31 December 2021	Fair value Building as at 31 December 2021	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
									2022	2021
Company	522,851	72,802	450,049	524,104	69,309	454,795	Income approach	Capitalization rate	5.5-10%	5.5-10%
							Cost approach	Building unit price per m2 (HRK)	120-5.357	120-6,161
							Sales comparison approach	Average price per m2 (HRK)	2-25.425	1-24,515
Group	1,043,076	152,951	890,125	1,071,946	150,276	921,670	Income approach	Capitalization rate	5.5%-10%	5.5%-12%
								Discount rate	10%	10%
							Cost approach	Building unit price (HRK)	120-5.357	120-6,161
							Sales comparison approach	Building unit price per m2 (HRK)	2-35.114	1-34,414

A significant increase (decrease) in the estimated capitalization rate, average building price and the average price per m2, with other variables held constant, would have an impact on a significant increase (decrease) in the fair value of investment property. A significant increase (decrease) in the discount rate, with other variables held constant, would have an impact on a significant decrease (increase) in the fair value of investment property.

There is no significant interaction between invisible inputs used in estimates that would have a significant effect on fair value.

2.39. Capital management

The Company's objectives when managing capital are:

- Ensuring the Company's going concern;
- Compliance with Croatian and EU laws and subordinate legislation, regulations and instructions of the regulatory body governing capital management;
- Maintaining a high level of capitalization and consequently financial stability, thus providing an adequate level of security to the insurers and the insured party;
- Achieving efficient and optimal capital allocation as well as maximizing return on capital;
- Ensuring continuous compliance of the Company's and the Group's business strategy with risk appetite and targeted levels of capital adequacy;
- Providing a high level of capitalization or sufficient surplus capital for further investment in the development and growth of the Company and the Group.

The Company and the Group are subject to the statutory and subordinate regulations of the Republic of Croatia and the EU governing capital management, which also define the minimum levels of capital that the Company and the Group must maintain (regulatory framework Sovereignty 2 applied since 2016). The above-mentioned regulatory framework defines the rules governing the method of calculation and reporting on capital adequacy. In particular, it stipulates that the Company and the Group must at all times maintain eligible own funds (available capital) in such a manner as to cover the Minimum Capital Requirement (the so-called MCR), as well as the Solvency Capital Requirement SCR).

The SCR ratio is defined as the ratio of the amount of total eligible own funds to cover the required solvency capital (SCR) and the amount of solvent capital required. The MCR ratio is defined as the ratio of the amount of total eligible own funds to cover the Minimum Capital Requirement (MCR) and the amount of minimum required capital.

Based on information provided internally to key management personnel, the Company and the Group comply with the legal and subordinate regulations governing the capital adequacy, as follows:

	Regulatory requirement	Company	Company
		31 Dec. 2022	31 Dec. 2021
SCR ratio	>100%	289%	272%
MCR ratio	>100%	1086%	999%

	Regulatory requirement	Group	Group
		31 Dec. 2022*	31 Dec. 2021**
SCR ratio	>100%	239%	227%
MCR ratio	>100%	839%	779%

* Temporary data for the last reference date for which the data is available at the time of this Report are presented. The Group will disclose the final data for 31 December 2022 as part of the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2022, which will be published on the Company's website within the stipulated deadlines.

** Data presented for 31 December 2021 are the data that are published in the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2021.

The Company and the Group regularly monitor capital adequacy and conduct stress tests of capital and its adequacy in order to prevent the possibility of capital shortages in time.

3. Segment reporting

The Company's statement of comprehensive income by segments for the year is as follows:

	2022	2022	2022	2021	2021	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Gross written premiums	2,802,932	303,145	3,106,077	2,466,825	444,015	2,910,840
Premiums ceded to reinsurance and coinsurance	(343,784)	(57)	(343,841)	(278,233)	(72)	(278,305)
Written premiums, net of reinsurance and coinsurance	2,459,148	303,088	2,762,236	2,188,592	443,943	2,632,535
Change in gross provisions for unearned premiums	(103,163)	857	(102,306)	(49,979)	(157)	(50,136)
Change in provision for unearned premiums, reinsurance and coinsurance share	13,782	-	13,782	16,664	-	16,664
Earned premiums, net of reinsurance and coinsurance	2,369,767	303,945	2,673,712	2,155,277	443,786	2,599,063
Commission and fee income	54,300	1,377	55,677	36,541	1,875	38,416
Finance income	318,000	114,241	432,241	295,918	104,047	399,965
Other operating income	49,234	772	50,006	39,399	944	40,343
Net operating income	2,791,301	420,335	3,211,636	2,527,135	550,652	3,077,787
Claims incurred	(1,445,938)	(301,002)	(1,746,940)	(1,220,052)	(464,268)	(1,684,320)
Reinsurance share of claims incurred	204,904	-	204,904	66,457	8	66,465
Claims incurred, net of reinsurance and coinsurance	(1,241,034)	(301,002)	(1,542,036)	(1,153,595)	(464,260)	(1,617,855)
Acquisition costs	(627,718)	(9,103)	(636,821)	(511,374)	(22,765)	(534,139)
Administrative expenses	(415,039)	(23,483)	(438,522)	(364,487)	(32,015)	(396,502)
<i>Amortisation and depreciation</i>	<i>(59,497)</i>	<i>(1,390)</i>	<i>(60,887)</i>	<i>(56,409)</i>	<i>(2,607)</i>	<i>(59,016)</i>
Other operating expenses	(99,423)	(803)	(100,226)	(38,823)	(1,025)	(39,848)
Finance costs	(108,287)	(17,191)	(125,478)	(76,690)	(20,106)	(96,796)
Profit before tax	299,800	68,753	368,553	382,166	10,481	392,647
Taxation	(43,939)	(11,631)	(55,570)	(56,851)	(1,683)	(58,534)
Profit for the year	255,861	57,122	312,983	325,315	8,798	334,113

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The Company's statement of financial position by segments at the reporting date is as follows:

	31 Dec. 2022	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Assets						
Intangible assets	116,164	-	116,164	133,713	-	133,713
Deferred acquisition costs	188,935	-	188,935	196,996	-	196,996
Property and equipment	483,491	14	483,505	496,340	14	496,354
Investment property	522,851	-	522,851	524,104	-	524,104
Investments in subsidiaries, associates and participation in joint ventures	388,115	-	388,115	384,197	-	384,197
Held-to-maturity investments	1,048,200	1,149,070	2,197,270	1,094,522	1,231,462	2,325,984
Available-for-sale financial assets	3,145,349	1,736,511	4,881,860	3,283,112	1,884,095	5,167,207
Financial assets at fair value through profit or loss	33,837	196,058	229,895	28,489	355,590	384,079
Loans and receivables	383,830	123,018	506,848	500,158	108,012	608,170
Reinsurance share in technical provisions	396,187	20	396,207	331,322	21	331,343
Deferred tax assets	26,809	17,059	43,868	-	-	-
Insurance contract and other receivables	991,499	6,319	997,818	916,401	16,108	932,509
Cash and cash equivalents	759,735	103,632	863,367	560,581	48,452	609,033
Total assets	8,485,002	3,331,701	11,816,703	8,449,935	3,643,754	12,093,689
Capital and reserves						
Subscribed share capital	545,037	44,289	589,326	545,037	44,289	589,326
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	316,742	85,296	402,038	316,742	85,296	402,038
Revaluation reserve	197,839	(66,564)	131,275	503,065	115,128	618,193
Retained earnings	1,792,500	245,905	2,038,405	1,535,976	188,783	1,724,759
Total capital and reserves	3,533,601	308,926	3,842,527	3,582,303	433,496	4,015,799
Liabilities						
Technical provisions	3,986,057	2,981,448	6,967,505	3,836,466	3,104,834	6,941,300
Provisions	46,261	2,992	49,253	54,104	3,950	58,054
Deferred tax liability	-	-	-	41,336	23,147	64,483
Financial liabilities at amortized cost	362,529	3	362,532	343,847	20,000	363,847
Financial liabilities at fair value through profit or loss	595	25	620	5,731	256	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	545,575	38,307	583,882	563,512	58,071	621,583
Current income tax liabilities	10,384	-	10,384	22,636	-	22,636
Total liabilities	4,951,401	3,022,775	7,974,176	4,867,632	3,210,258	8,077,890
Total capital, reserves and liabilities	8,485,002	3,331,701	11,816,703	8,449,935	3,643,754	12,093,689

Differences in the amounts of Insurance contract and other receivables and the amounts of Liabilities arising from insurance contracts, other liabilities and deferred income, stated in the Statement of financial position and Note 3 arise from intersegmental receivables and liabilities.

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The Company's additions to non-current assets by segments at the reporting date are as follows:

	2022	2022	2022	2021	2021	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Additions to non-current assets (Note 15, 16, 17)	87,548	-	87,548	110,995	-	110,995

The Group's statement of comprehensive income by segments for the year is as follows:

	2022	2022	2022	2021	2021	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Gross written premiums	3,322,102	405,219	3,727,321	2,911,038	540,833	3,451,871
Premiums ceded to reinsurance and coinsurance	(375,277)	(421)	(375,698)	(310,371)	(362)	(310,733)
Written premiums, net of reinsurance and coinsurance	2,946,825	404,798	3,351,623	2,600,667	540,471	3,141,138
Change in gross provisions for unearned premiums	(114,799)	563	(114,236)	(66,396)	(544)	(66,940)
Change in provision for unearned premiums, reinsurance and coinsurance share	13,693	30	13,723	17,217	32	17,249
Earned premiums, net of reinsurance and coinsurance	2,845,719	405,391	3,251,110	2,551,488	539,959	3,091,447
Commission and fee income	56,206	1,566	57,772	38,199	1,875	40,074
Finance income	378,668	134,972	513,640	354,284	126,593	480,877
Other operating income	217,994	1,102	219,096	216,604	1,286	217,890
Net operating income	3,498,587	543,031	4,041,618	3,160,575	669,713	3,830,288
Claims incurred	(1,694,108)	(383,364)	(2,077,472)	(1,435,724)	(553,116)	(1,988,840)
Reinsurance share of claims incurred	213,943	-	213,943	76,202	8	76,210
Claims incurred, net of reinsurance and coinsurance	(1,480,165)	(383,364)	(1,863,529)	(1,359,522)	(553,108)	(1,912,630)
Acquisition costs	(740,990)	(26,730)	(767,720)	(623,383)	(36,296)	(659,679)
Administrative expenses	(658,739)	(30,944)	(689,683)	(573,636)	(39,290)	(612,926)
<i>Amortisation and depreciation</i>	<i>(90,192)</i>	<i>(2,624)</i>	<i>(92,816)</i>	<i>(80,689)</i>	<i>(3,793)</i>	<i>(84,482)</i>
Other operating expenses	(125,730)	(1,446)	(127,176)	(62,164)	(1,839)	(64,003)
Finance costs	(133,363)	(21,251)	(154,614)	(131,125)	(22,982)	(154,107)
Share in profit of associates and joint ventures	10,513	-	10,513	11,111	-	11,111
Profit before tax	370,113	79,296	449,409	421,856	16,198	438,054
Income tax	(57,546)	(13,424)	(70,970)	(72,367)	(2,930)	(75,297)
Profit for the year	312,567	65,872	378,439	349,489	13,268	362,757

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The Group's statement of financial position by segments at the reporting date is as follows:

	31 Dec. 2022	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Assets						
Intangible assets	133,502	493	133,995	143,869	472	144,341
Deferred acquisition costs	230,348	-	230,348	236,930	-	236,930
Property and equipment	816,629	17,115	833,744	797,115	17,730	814,845
Investment property	1,041,833	1,243	1,043,076	1,070,659	1,287	1,071,946
Investments in subsidiaries, associates and participation in joint ventures	72,776	-	72,776	72,412	-	72,412
Held-to-maturity investments	1,090,158	1,199,079	2,289,237	1,128,479	1,279,408	2,407,887
Available-for-sale financial assets	3,413,146	2,058,240	5,471,386	3,564,079	2,256,877	5,820,956
Financial assets at fair value through profit or loss	65,325	231,651	296,976	50,361	381,666	432,027
Loans and receivables	378,918	288,333	667,251	476,075	267,816	743,891
Reinsurance share in technical provisions	413,362	194	413,556	348,955	164	349,119
Deferred tax assets	31,833	21,496	53,329	1,158	-	1,158
Insurance contract and other receivables	1,161,799	34,290	1,196,089	1,077,586	48,701	1,126,287
Cash and cash equivalents	970,069	108,095	1,078,164	736,200	61,065	797,265
Total assets	9,819,698	3,960,229	13,779,927	9,703,878	4,315,186	14,019,064
Capital and reserves						
Subscribed share capital	545,037	44,289	589,326	545,037	44,289	589,326
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	316,742	85,296	402,038	316,742	85,296	402,038
Fair value reserve	234,571	(105,628)	128,943	548,958	147,476	696,434
Retained earnings	2,273,751	331,740	2,605,491	1,966,302	265,566	2,231,868
Equity attributable to owners of the parent	4,051,584	355,697	4,407,281	4,058,522	542,627	4,601,149
Non-controlling interest	9,328	927	10,255	9,349	822	10,171
Total capital and reserves	4,060,912	356,624	4,417,536	4,067,871	543,449	4,611,320
Liabilities						
Technical provisions	4,581,494	3,511,148	8,092,642	4,396,227	3,612,142	8,008,369
Provisions	54,888	3,051	57,939	63,595	3,995	67,590
Deferred tax liability	45,901	-	45,901	85,260	26,694	111,954
Financial liabilities at amortized cost	403,232	3,283	406,515	388,861	23,793	412,654
Financial liabilities at fair value through profit or loss	595	25	620	5,731	256	5,987
Liabilities arising from insurance contracts, other liabilities and deferred income	648,612	84,301	732,913	659,196	103,610	762,806
Current income tax payable	24,064	1,797	25,861	37,137	1,247	38,384
Total liabilities	5,758,786	3,603,605	9,362,391	5,636,007	3,771,737	9,407,744
Total capital, reserves and liabilities	9,819,698	3,960,229	13,779,927	9,703,878	4,315,186	14,019,064

Differences in the amounts of Insurance contract and other receivables and the amounts of Liabilities arising from insurance contracts, other liabilities and deferred income, stated in the Statement of financial position and Note 3 arise from intersegmental receivables and liabilities.

Group's additions to non-current assets by segments at the reporting date are as follows:

	2022	2022	2022	2021	2021	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Additions to non-current assets (Note 15, 16 and 17)	138,499	525	139,024	144,646	1,155	145,801

The measurement of the assets and liabilities segment and the revenues and result segment is based on the accounting policies set out in the notes on accounting policies. Based on the internal management reports, the key performance measure for measurement of profitability of each segment and insurance type identified by the Group is gross written premium and profit before tax.

The Group's main reportable segments are non-life and life. The Group performs insurance business in segments of non-life and life insurance. Among other important activities, the Group also carries out activities of pension fund management, technical examinations and providing medical services of clinics within the segment of non-life.

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

The main products offered by reportable segments include:

Non-life:

- Accident insurance
- Health insurance
- Road motor vehicle insurance
- Railroad rolling stock insurance
- Aircraft insurance
- Vessel insurance
- Insurance for goods in transit
- Insurance against fire and natural disasters
- Other types of property insurance
- Motor third party liability insurance
- Aircraft liability insurance
- Vessel liability insurance
- Other types of liability insurance
- Loan insurance/credit insurance
- Surety insurance
- Miscellaneous financial loss insurance
- Legal expenses insurance
- Assistance

Life:

- Life insurance
- Annuity insurance
- Additional insurance with life insurance
- Life or annuity insurance where the policyholder bears the investment risk

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An overview of gross written premium, before impairment and collected premium impairment, by type of insurance is shown below:

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	116,438	107,493	142,692	130,277
Health insurance	428,736	385,031	463,057	398,065
Road motor vehicle insurance	468,133	402,453	534,880	459,206
Railroad rolling stock insurance	1,843	2,955	1,843	2,958
Aircraft insurance	5,145	5,876	5,145	5,876
Vessel insurance	38,697	33,770	38,697	33,770
Insurance for goods in transit	18,427	15,731	19,882	17,206
Insurance against fire and natural disasters	292,085	266,587	312,944	289,180
Other types of property insurance	554,978	431,673	577,356	451,548
Motor third party liability insurance	599,991	549,061	906,280	818,739
Aircraft liability insurance	2,541	987	2,560	988
Vessel liability insurance	8,421	7,414	8,431	7,416
Other types of liability insurance	135,777	135,353	141,303	139,679
Loan insurance/credit insurance	14,981	14,708	28,186	33,267
Surety insurance	1,996	1,549	2,594	1,568
Miscellaneous financial loss insurance	84,985	79,132	87,941	81,871
Legal expenses insurance	25	5	25	6
Assistance	22,682	11,971	42,091	23,765
Total non-life insurance	2,795,881	2,451,749	3,315,907	2,895,385
Life insurance	289,463	416,310	375,388	497,351
Annuity insurance	4,226	4,880	4,340	5,052
Additional insurance with life insurance	9,452	10,839	14,836	15,612
Life or annuity insurance where the policyholder bears the investment risk	4	11,986	10,655	22,818
Total life insurance	303,145	444,015	405,219	540,833
Total	3,099,026	2,895,764	3,721,126	3,436,218

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An overview of the Company's and the Group's revenues by geographical area is shown below:

Company in HRK'000	2022			
	Republic of Croatia	Slovenia	Other countries	TOTAL
Written premiums, net of reinsurance and coinsurance	2,604,369	52,411	16,932	2,673,712
Commission and fee income, Finance income and Other operating income	537,511	413	-	537,924
Net operating income	3,141,880	52,824	16,932	3,211,636

Company in HRK'000	2021			
	Republic of Croatia	Slovenia	Other countries	TOTAL
Written premiums, net of reinsurance and coinsurance	2,543,107	36,671	19,285	2,599,063
Commission and fee income, Finance income and Other operating income	478,453	271	-	478,724
Net operating income	3,021,560	36,942	19,285	3,077,787

Group in HRK'000	2022					
	Republic of Croatia	Republic of Serbia	Bosnia and Herzegovina	North Macedonia	Other countries	TOTAL
Written premiums, net of reinsurance and coinsurance	2,594,475	254,663	142,149	190,480	69,343	3,251,110
Commission and fee income, Finance income and Other operating income	734,084	25,503	8,224	22,284	413	790,508
Net operating income	3,328,559	280,166	150,373	212,764	69,756	4,041,618

Group in HRK'000	2021					
	Republic of Croatia	Republic of Serbia	Bosnia and Herzegovina	North Macedonia	Other countries	TOTAL
Written premiums, net of reinsurance and coinsurance	2,533,203	210,094	144,896	147,299	55,955	3,091,447
Commission and fee income, Finance income and Other operating income	678,187	25,591	11,823	22,969	271	738,841
Net operating income	3,211,390	235,685	156,719	170,268	56,226	3,830,288

An overview of the Company's and the Group's non-current assets by geographical area is shown below:

Company in HRK'000	2022			
	Republic of Croatia	Slovenia	Other countries	TOTAL
Non-current assets (note 15, 16 and 17)	1,119,243	3,277	-	1,122,52

Company in HRK'000	2021			
	Republic of Croatia	Slovenia	Other countries	TOTAL
Non-current assets (note 15, 16 and 17)	1,150,616	3,555	-	1,154,171

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Group in HRK'000	2022					TOTAL
	Republic of Croatia	Republic of Serbia	Bosnia and Herzegovina	North Macedonia	Other countries	
Non-current assets (note 15, 16 and 17)	1,875,611	23,735	99,182	9,011	3,276	2,010,815

Group in HRK'000	2021					TOTAL
	Republic of Croatia	Republic of Serbia	Bosnia and Herzegovina	North Macedonia	Other countries	
Non-current assets (note 15, 16 and 17)	1,889,322	25,729	102,156	10,370	3,555	2,031,132

4. Premiums

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Gross written premiums	3,099,026	2,895,764	3,721,126	3,436,218
Impairment and collected premium impairment	7,051	15,076	6,195	15,653
Gross premiums written	3,106,077	2,910,840	3,727,321	3,451,871
Reinsurance premium in the country	(12,454)	(10,896)	(21,092)	(20,394)
Reinsurance premium abroad	(320,650)	(260,794)	(340,669)	(280,036)
Co-insurance premium in the country	(10,737)	(6,615)	(13,937)	(10,303)
Gross premiums ceded to reinsurance and coinsurance	(343,841)	(278,305)	(375,698)	(310,733)
Written premiums, net of reinsurance and coinsurance	2,762,236	2,632,535	3,351,623	3,141,138
Gross provisions for unearned premiums	(102,306)	(50,136)	(114,236)	(66,940)
Provisions for unearned premiums, reinsurance share	12,688	16,430	12,171	16,540
Provisions for unearned premiums, coinsurance share	1,094	234	1,552	709
Change in provisions for unearned premiums	(88,524)	(33,472)	(100,513)	(49,691)
Earned premiums, net of reinsurance and coinsurance	2,673,712	2,599,063	3,251,110	3,091,447

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Gross written premiums	303,145	444,015	405,219	540,833
Reinsurance premium abroad	(57)	(72)	(421)	(362)
Premium ceded to reinsurance	(57)	(72)	(421)	(362)
Written premiums, net of reinsurance	303,088	443,943	404,798	540,471
Gross provisions for unearned premiums	857	(157)	563	(544)
Provisions for unearned premiums, reinsurance share	-	-	30	32
Change in provisions for unearned premiums	857	(157)	593	(512)
Earned premiums, net of reinsurance	303,945	443,786	405,391	539,959

4. Premiums (continued)

	Company		Group	
	2022	2021	2022	2021
NON-LIFE	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	2,795,881	2,451,749	3,315,907	2,895,385
Impairment and collected premium impairment	7,051	15,076	6,195	15,653
Gross premiums written	2,802,932	2,466,825	3,322,102	2,911,038
Reinsurance premium in the country	(12,454)	(10,896)	(21,092)	(20,394)
Reinsurance premium abroad	(320,593)	(260,722)	(340,248)	(279,674)
Co-insurance premium in the country	(10,737)	(6,615)	(13,937)	(10,303)
Premium ceded to reinsurance	(343,784)	(278,233)	(375,277)	(310,371)
Written premiums, net of reinsurance	2,459,148	2,188,592	2,946,825	2,600,667
Gross provisions for unearned premiums	(103,163)	(49,979)	(114,799)	(66,396)
Provisions for unearned premiums, reinsurance share	12,688	16,430	12,141	16,508
Provisions for unearned premiums, coinsurance share	1,094	234	1,552	709
Change in provisions for unearned premiums	(89,381)	(33,315)	(101,106)	(49,179)
Earned premiums, net of reinsurance	2,369,767	2,155,277	2,845,719	2,551,488

5. Commission and fee income

Commission and fee income in the amount of HRK 55,677 thousand (2021 HRK 38,416 thousand) for the Company and HRK 57,772 thousand (2021: HRK 40,074 thousand) for the Group relate to commissions from reinsurance companies under reinsurance contracts.

6. Finance income

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income	174,450	168,986	193,717	186,987
Dividend income	73,035	65,382	50,624	32,156
Gains on investment property	39,787	36,401	121,259	124,439
Gain on bargain purchase and valuation of the existing share	-	-	-	1,961
Foreign exchange gains	38,741	16,633	41,082	18,480
Realised gains from financial assets	79,216	64,290	79,405	65,252
Unrealised gains from financial assets at fair value through profit or loss	-	9,089	343	11,872
Unrealised gains on change in fair value of derivative financial instruments	12,327	11,883	12,327	11,883
Reversal of impairment and collection of amounts previously written off - loans	12,106	21,179	12,111	21,208
Collection of amounts previously written off - other	1,198	1,965	1,198	1,965
Other income	1,381	4,157	1,574	4,674
	432,241	399,965	513,640	480,877

6.1. Interest income

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest on held-to-maturity investments	67,563	72,451	70,045	75,111
Interest on available-for-sale financial assets	83,813	76,844	103,987	95,896
Given deposits	1,690	4,005	8,955	11,244
Given loans and other placements	21,196	15,686	10,542	4,736
Interest on investments at fair value through the profit and loss	188	-	188	-
	174,450	168,986	193,717	186,987

6.2. Income from investment property

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Rental income	27,227	25,446	99,558	95,033
Income from increase in the value of land and buildings (Note 17)	8,877	10,415	17,997	28,768
Net (loss)/income from the sale of land and buildings	3,683	540	3,704	638
	39,787	36,401	121,259	124,439

The table below presents future minimum lease payments from uncancellable operating lease contracts:

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Within 1 year	-	-	11,725	12,706
Between 1 and 2 years	-	-	11,369	11,604
Between 2 and 3 years	-	-	10,667	11,247
Between 3 and 4 years	-	-	9,082	10,547
Between 4 and 5 years	-	-	8,176	8,966
Later than 5 years	-	-	61,479	68,969
	-	-	112,498	124,039

6.3. Realised gains from financial assets

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Financial assets at fair value through profit or loss	179	106	368	179
Available-for-sale financial assets	68,176	41,099	68,176	41,973
Derivative financial instruments	10,861	23,076	10,861	23,076
Investments in subsidiaries	-	9	-	24
	79,216	64,290	79,405	65,252

6.4. Foreign exchange gains

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	3,288	1,391	3,668	1,702
Available-for-sale financial assets	21,823	7,764	23,624	9,158
Financial assets at fair value through profit or loss	430	4	430	4
Deposits	7,693	425	7,693	425
Borrowings	939	984	1,072	1,108
Foreign currency accounts	4,394	4,778	4,421	4,795
Repo contracts	173	1,284	173	1,284
Other	1	3	1	4
	38,741	16,633	41,082	18,480

7. Other operating income

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Income from liabilities and collected receivables written off	17,016	4,638	17,912	6,239
Income from guarantee fund	1,028	312	1,028	312
Income from penalty interest	5,155	8,333	5,361	8,505
Net recourse income	888	1,499	8,194	6,556
Income from claims incurred abroad	1,378	3,330	1,996	3,889
Income from assessment services	4,518	3,270	4,389	3,196
Income from reversal of long-term provisions	878	143	2,624	3,053
Gain on sale of tangible assets	49	153	173	472
Income from estimation of property for own use	-	-	299	375
Income from collection of the premium claimed	5,130	6,120	5,168	6,120
Other income - insurance	13,966	12,545	22,503	24,121
Income from motor vehicle examination	-	-	79,353	77,160
Revenue from the provision of polyclinic medical services	-	-	54,613	63,041
Income from entry and management fees	-	-	15,483	14,297
Other income – non-insurance	-	-	-	554
	50,006	40,343	219,096	217,890

Income from motor vehicle examination, polyclinic medical services and income from entry and management fees by geographical area mostly relate to the Republic of Croatia and to non-life reportable segment. Income from entry and management fees is recognized when revenue can be reliably measured, when the Group will have future economic benefits and when specific criteria are met, all in accordance with IFRS 15 Revenue from Contracts with Customers.

8. Claims incurred, net of reinsurance

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Claims incurred	1,746,940	1,684,320	2,077,472	1,988,840
Reinsurance and coinsurance share in claims incurred	(204,904)	(66,465)	(213,943)	(76,210)
	1,542,036	1,617,855	1,863,529	1,912,630
	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Expenditure for insured events, net	1,662,448	1,551,766	1,959,057	1,815,175
Claims paid	1,658,820	1,601,654	1,935,580	1,848,538
<i>Gross amount</i>	1,812,641	1,828,310	2,098,832	2,081,091
<i>Coinsurance share</i>	(4,528)	(3,945)	(1,877)	(4,322)
<i>Reinsurance share</i>	(149,293)	(222,711)	(161,375)	(228,231)
Change in claims provisions, net	3,628	(49,888)	23,477	(33,363)
<i>Gross amount</i>	54,711	(210,087)	74,168	(189,839)
<i>Coinsurance share</i>	(18)	370	(798)	320
<i>Reinsurance share</i>	(51,065)	159,829	(49,893)	156,156
Change in mathematical provision and other technical provisions, net	30,588	110,955	49,450	132,877
Change in insurance mathematical provisions	23,900	90,791	42,083	111,920
<i>Gross amount</i>	23,900	90,799	42,083	111,928
<i>Reinsurance share</i>	-	(8)	-	(8)
Change in other technical provisions, net of reinsurance	6,688	20,164	7,367	20,957
<i>Gross amount</i>	6,688	20,164	7,367	21,082
<i>Coinsurance share</i>	-	-	-	(125)
Change in special provision for life insurance group where the policyholder bears the investment risk, net	(151,000)	(44,866)	(144,978)	(35,422)
<i>Gross amount</i>	1,746,940	1,684,320	2,077,472	1,988,840
<i>Reinsurance and coinsurance share</i>	(204,904)	(66,465)	(213,943)	(76,210)

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	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Expenditure for insured events, net	1,237,284	1,138,187	1,475,984	1,343,321
Claims paid	1,245,688	1,187,887	1,462,511	1,377,589
<i>Gross amount</i>	1,399,509	1,414,543	1,625,763	1,610,142
<i>Coinsurance share</i>	(4,528)	(3,945)	(1,877)	(4,322)
<i>Reinsurance share</i>	(149,293)	(222,711)	(161,375)	(228,231)
Change in claims provisions, net	(8,404)	(49,700)	13,473	(34,268)
<i>Gross amount</i>	42,679	(209,899)	64,164	(190,744)
<i>Coinsurance share</i>	(18)	370	(798)	320
<i>Reinsurance share</i>	(51,065)	159,829	(49,893)	156,156
Change in mathematical provision and other technical provisions, net	3,750	15,408	4,181	16,201
Change in insurance mathematical provisions	(2,938)	(4,756)	(2,938)	(4,756)
<i>Gross amount</i>	(2,938)	(4,756)	(2,938)	(4,756)
<i>Reinsurance share</i>	-	-	-	-
Change in other technical provisions, net of reinsurance	6,688	20,164	7,119	20,957
<i>Gross amount</i>	6,688	20,164	7,119	21,082
<i>Coinsurance share</i>	-	-	-	(125)
Gross amount	1,445,938	1,220,052	1,694,108	1,435,724
Reinsurance and coinsurance share	(204,904)	(66,457)	(213,943)	(76,202)
	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Expenditure for insured events, net	425,164	413,579	483,073	471,854
Claims paid, gross	413,132	413,767	473,069	470,949
Change in claims provisions, gross	12,032	(188)	10,004	905
Reinsurance share	-	-	-	-
Change in mathematical provision and other technical provisions, net of reinsurance	26,838	95,547	45,269	116,676
Change in insurance mathematical provisions	26,838	95,547	45,021	116,676
<i>Gross amount</i>	26,838	95,555	45,021	116,684
<i>Reinsurance share</i>	-	(8)	-	(8)
Change in other technical provisions, net of reinsurance	-	-	248	-
<i>Gross amount</i>	-	-	248	-
<i>Coinsurance share</i>	-	-	-	-
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	(151,000)	(44,866)	(144,978)	(35,422)
Gross amount	301,002	464,268	383,364	553,116
Reinsurance share	-	(8)	-	(8)

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	Company		Group	
	2022	2021	2022	2021
Claims paid - gross amount	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Expenses for claims	1,783,963	1,792,639	2,055,997	2,034,659
Staff costs	50,722	54,271	61,259	62,376
Interest expense on claims	23,056	13,114	23,408	13,538
Claims paid	45,795	48,094	53,117	53,291
Collected recourses	(99,512)	(89,563)	(103,566)	(92,526)
Recourse costs	8,617	9,755	8,617	9,753
	1,812,641	1,828,310	2,098,832	2,081,091

	Company		Group	
	2022	2021	2022	2021
Staff costs	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	29,175	28,648	37,480	34,814
Contributions from salaries	7,766	7,826	9,344	9,161
Taxes and surtaxes	3,442	3,443	3,583	3,581
Contributions on salaries	5,812	6,089	6,114	6,395
Other employee costs	4,527	8,265	4,738	8,425
	50,722	54,271	61,259	62,376

9. Acquisition costs

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission	324,319	278,271	369,450	305,109
Other acquisition costs	295,338	221,749	364,841	307,966
Change in deferred acquisition costs	8,061	11,354	6,700	10,307
NON-LIFE	627,718	511,374	740,991	623,382
Commission	3,920	6,024	12,742	12,795
Other acquisition costs	5,183	16,741	13,987	23,502
LIFE	9,103	22,765	26,729	36,297
Commission	328,239	284,295	382,192	317,904
Other acquisition costs	300,521	238,490	378,828	331,468
Change in deferred acquisition costs (Note 15.1)	8,061	11,354	6,700	10,307
TOTAL LIFE AND NON-LIFE	636,821	534,139	767,720	659,679

9.1. Commission

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission expenses - agents	6,554	6,785	11,214	9,830
Commission expenses - employees	85,820	79,926	91,056	79,926
Commission for banks, agencies and brokers	235,865	197,584	279,922	228,148
	328,239	284,295	382,192	317,904

9.2. Other acquisition costs

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Marketing costs	80,787	64,014	92,151	72,813
Sales staff costs	207,931	162,644	272,222	243,296
Other direct sales costs	11,803	11,832	14,455	15,359
	300,521	238,490	378,828	331,468
	Company	Company	Group	Group
Sales staff costs	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	106,682	90,778	166,045	164,733
Contributions from salaries	27,127	22,993	27,188	22,993
Taxes and surtaxes	12,655	10,507	13,033	11,073
Contributions on salaries	20,908	17,788	24,242	22,754
Other employee costs	40,559	20,578	41,714	21,743
	207,931	162,644	272,222	243,296

10. Administrative expenses

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation and depreciation of assets	60,886	59,016	92,817	84,482
Salaries, taxes and contributions from and on salaries	146,701	129,711	242,310	209,768
Other administrative expenses	230,935	207,775	354,556	318,676
	438,522	396,502	689,683	612,926

10.1. Amortisation and depreciation

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation of intangible assets (Note 15)	24,785	24,335	27,001	26,631
Depreciation of tangible assets (Note 16)	19,123	18,267	40,715	35,839
Depreciation – right-of-use assets (Note 16)	16,978	16,414	25,101	22,012
	60,886	59,016	92,817	84,482

10.2. Salaries, taxes and contributions from and on salaries

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	93,313	81,362	156,911	134,754
Contributions from salaries	22,525	20,133	36,392	31,669
Taxes and surtaxes	13,704	12,424	21,198	18,335
Contributions on salaries	17,159	15,792	27,809	25,010
	146,701	129,711	242,310	209,768

10.3. Other administrative expenses

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Services	147,295	144,088	195,772	191,029
Vacation allowance to employees	989	871	1,740	1,697
Net provision for jubilee awards and termination benefits	108	2,517	1,637	2,175
Other employee benefits in line with collective agreement	6,714	6,213	8,722	7,941
Net provisions for unused vacation days	2,094	621	2,470	1,446
Other provisions, net	1,500	3,160	2,301	3,690
Provisions for legal disputes, net (Note 26)	(3,267)	(9,823)	(2,972)	(9,450)
Materials used	2,488	2,297	11,949	12,043
Energy consumed	12,041	7,603	20,468	13,914
Transportation to and from work	3,237	2,072	5,684	4,455
Insurance premiums	12,289	11,698	14,620	13,667
Entertainment	10,351	6,488	13,726	7,931
Commission expenses of credit card companies	9,477	8,851	9,958	9,393
Other contributions and fees	13,557	11,000	29,369	25,003
Daily allowances and transportation expenses	1,743	845	2,616	1,228
Bank services	204	209	3,489	3,309
Other various costs and expenditures	10,115	9,065	33,007	29,205
	230,935	207,775	354,556	318,676

Total employee benefit expenses in note above amounts HRK 14,885 thousand for the Company (2021: HRK 13,139 thousand) and for the Group HRK 22,869 thousand (2021: HRK 18,942 thousand).

11. Other operating expenses

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Guarantee fund fee	2,791	3,847	6,304	7,072
Fee to Croatian Insurance Bureau	1,624	1,726	1,624	1,726
Fire Department fee	7,000	6,226	8,960	7,636
Fee to Croatian Financial Services Supervisory Agency	2,583	2,449	4,051	4,007
Contributions for health insurance from motor liability premium	14,119	11,816	23,866	20,509
Other insurance-technical expenses	8,473	12,241	16,400	20,057
Impairment of property and equipment (Note 16)	1,505	101	2,363	127
Impairment of value of intangible assets*	45,810	-	45,810	45
Other impairment**	14,699	625	14,815	659
Other expenses	1,622	817	2,983	2,165
	100,226	39,848	127,176	64,003

* Impairment of intangible assets refers to the impairment of software and ongoing investments related to the introduction of new software.

** Other impairments mostly refer to the impairment of receivables from claims from reinsurance which are mostly collected during the year and the related income was recognized in *Income from liabilities and collected receivables written off* (Note 7 Other operating income). Detailed movement in impairment of Receivables from coinsurance and reinsurance business is shown in Note 22.9.

12. Finance costs

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reversal of impairment of investments	(4,828)	-	-	-
Impairment of investments	9,824	(609)	4,559	5,095
Impairment of investments, net	4,996	(609)	4,559	5,095
Realised losses on investments	62,426	17,816	62,426	17,816
Foreign exchange losses	15,986	30,243	19,249	32,509
Losses from changes in fair value of property (Note 17)	2,460	4,135	16,246	43,696
Unrealised losses on investments in financial assets at fair value through profit or loss	3,396	-	4,838	540
Unrealised losses on changes in fair value of derivative financial instruments	1,536	11,255	1,536	11,255
Payment transaction fees	5,868	5,810	6,706	6,231
Interest expense	1,086	1,069	1,135	1,605
Interest on lease liabilities	9,769	10,655	11,950	11,911
Utilities and investment maintenance of real estate classified as investment property	7,129	7,865	14,929	14,658
Staff costs - investments	6,583	6,662	6,712	6,787
Other investment costs	4,243	1,895	4,328	2,004
	125,478	96,796	154,614	154,107

12.1. Impairment of investments

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries and associates (Note 18.3)	533	(5,671)	-	-
Available-for-sale financial assets	3,243	2,426	3,242	2,450
Impairment of loans given	1,220	2,636	1,317	2,645
	4,996	(609)	4,559	5,095

12.2. Realised losses on investments

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Realised losses on available-for-sale financial assets	35,925	9,998	35,925	9,998
Realised losses on derivative financial instruments	26,354	7,818	26,354	7,818
Realised losses on investments at fair value through profit or loss	147	-	147	-
	62,426	17,816	62,426	17,816

12.3. Foreign exchange losses

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	-	5,017	437	5,362
Available-for-sale financial assets	2,649	9,823	5,055	11,483
Financial assets at fair value through profit or loss	453	134	453	134
Deposits	9,046	814	9,088	882
Loans	915	1,150	1,008	1,190
Foreign currency accounts	1,885	10,262	2,066	10,329
Repo contracts	1,037	3,042	1,037	3,042
Other	1	1	105	87
	15,986	30,243	19,249	32,509

12.4. Staff costs - investments

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	3,923	3,965	3,923	3,965
Contributions from salaries	1,109	1,136	1,109	1,136
Taxes and surtaxes	726	784	726	784
Contributions on salaries	819	872	819	872
Other employee costs	6	(95)	135	30
	6,583	6,662	6,712	6,787

13. Income tax

Income tax is calculated in accordance with legal regulations on the tax base, which represents the difference between the realised income and expenditures in the accounting period for which the tax base is determined. The initial tax base was increased by tax non-deductible expenditure and decreased by income in accordance with the tax regulations in effect in the countries of Group members.

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net deferred tax expense (Note 21)	(1,482)	(3,769)	(1,124)	(4,226)
Current tax expense	57,052	62,303	72,094	79,523
Net income tax expense for the year	55,570	58,534	70,970	75,297

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The reconciliation between income tax and the profit before tax reported in the income statement is set out below:

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Profit before tax	368,554	392,649	449,409	438,054
Income tax at 18%	66,340	70,677	80,894	78,850
Non-deductible expenses	23,616	12,129	27,410	34,588
Income not subject to tax	(34,386)	(24,272)	(37,334)	(38,141)
Income tax	55,570	58,534	70,970	75,297
Effective tax rate	15.08%	14.91%	15.79%	17.19%

As at 31 December 2022, the Company has no tax losses that can be carried forward for covering the Company's future profits. The remaining Group companies have no significant tax losses that can be carried forward to cover future profits.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within 3 years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

14. Earnings per share

	Group	Group
	2022	2021
	in HRK'000	in HRK'000
Profit for the year attributable to the Parent company's shareholders	378,084	362,342
Weighted average of ordinary shares	420,947	420,947
Earnings per share attributable to the Parent company's shareholders		
Basic and diluted earnings per share in HRK	898,17	860.78

For the purpose of calculating earnings per share, earnings are calculated as the profit for the period attributable to the Company's shareholders. The number of ordinary shares is the weighted average number of ordinary shares in circulation during the year. The weighted average number of ordinary shares used for the calculation of basic earnings per share was 420,947 (2021: 420,947). In addition, since there is no effect of options, convertible bonds or similar effects, the weighted average number of ordinary shares used to calculate diluted earnings per share was the same as the one used to calculate basic earnings per share.

15. Intangible assets

Company	in HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
At 31 December 2020	6,521	210,131	23,977	240,629
Additions	-	43,854	6,427	50,281
Capitalized employee expenses	-	-	10,909	10,909
At 31 December 2021	6,521	253,985	41,313	301,819
Additions	-	139	43,774	43,913
Capitalized employee expenses	-	-	7,815	7,815
Transfer from/to tangible assets	-	1,341	-	1,341
Transfer into use	-	28,971	(28,971)	-
At 31 December 2022	6,521	284,436	63,931	354,888
Accumulated amortisation				
At 31 December 2020	6,521	137,250	-	143,771
Amortisation charge for 2021	-	24,335	-	24,335
At 31 December 2021	6,521	161,585	-	168,106
Amortisation charge for 2022	-	24,785	-	24,785
Impairment of value (note 11)	-	9,761	36,049	45,810
Exchange rate fluctuations	-	4	19	23
At 31 December 2022	6,521	196,135	36,068	238,724
Net book amount				
At 31 December 2022	-	88,301	27,863	116,164
At 31 December 2021	-	92,400	41,313	133,713

The Company capitalized costs of net salaries in the amount of HRK 4,064 thousand (2021: HRK 5,687 thousand), costs of contributions from salaries in the amount of HRK 1,137 thousand (2021: HRK 1,637 thousand), costs of taxes and surcharges from salaries in the amount of HRK 684 thousand (2021: HRK 1,042 thousand), costs of contributions to salaries in the amount of HRK 876 thousand (2021: HRK 1,291 thousand) and other costs of employees in the amount of HRK 1,054 thousand (2021: HRK 1,252 thousand).

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Group	in HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
At 31 December 2020	27,712	232,241	24,075	284,028
Additions	1,012	44,447	6,741	52,200
Capitalized employee expenses	-	-	10,909	10,909
Disposals or retirements	-	(19)	-	(19)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(41)	-	(41)
At 31 December 2021	28,724	276,628	41,725	347,077
Additions	914	1,418	50,933	53,265
Capitalized employee expenses	-	-	7,815	7,815
Transfer from/to tangible assets	-	1,438	(97)	1,341
Transfer into use	-	29,105	(29,105)	-
Disposals or retirements	-	(120)	-	(120)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	140	2	142
At 31 December 2022	29,638	308,609	71,273	409,520
Accumulated amortisation				
At 31 December 2020	20,703	155,452	-	176,155
Amortisation charge for 2021	845	25,786	-	26,631
Disposals or retirements	-	(19)	-	(19)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(31)	-	(31)
At 31 December 2021	21,548	181,188	-	202,736
Amortisation charge for 2022	871	26,130	-	27,001
Impairment of value (note 11)	-	9,761	36,049	45,810
Disposals or retirements	-	(105)	-	(105)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	54	29	83
At 31 December 2022	22,419	217,028	36,078	275,525
Net book amount				
At 31 December 2022	7,219	91,581	35,195	133,995
At 31 December 2021	7,176	95,440	41,725	144,341

Group capitalized costs of net salaries in the amount of HRK 4,064 thousand (2021: HRK 5,687 thousand), costs of contributions from salaries in the amount of HRK 1,137 thousand (2021: HRK 1,637 thousand), costs of taxes and surcharges from salaries in the amount of HRK 684 thousand (2021: HRK 1,042 thousand), costs of contributions to salaries in the amount of HRK 876 thousand (2021: HRK 1,291 thousand) and other costs of employees in the amount of HRK 1,054 thousand (2021: HRK 1,252 thousand).

15.1. Deferred acquisition costs

	Company		Group	
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 31 December	196,996	208,350	236,930	247,354
Increase	118,112	107,927	124,085	111,894
Decrease	(126,173)	(119,281)	(130,785)	(122,201)
Foreign exchange differences	-	-	118	(117)
At 31 December	188,935	196,996	230,348	236,930

16. Property and equipment

Company		in HRK'000						
Cost	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Right- of-use assets - Buildings	Right- of-use assets - Other tangible assets	Total
At 31 December 2020	30,550	411,061	209,638	17,565	2,790	264,652	14,631	950,887
Change in fair value (through OCI)	-	(25)	-	-	-	-	-	(25)
Change in fair value (P&L) (Note 7 and Note 11)	(3)	(98)	-	-	-	-	-	(101)
Additions	880	3,558	9,663	666	4,710	21,711	4,774	45,962
Transfer to investment property (Note 17)	(5,881)	(109,626)	-	-	-	-	-	(115,507)
Disposals or retirements	(241)	(1,993)	(713)	(8)	-	(1,880)	(38)	(4,873)
At 31 December 2021	25,305	302,877	218,588	18,223	7,500	284,483	19,367	876,343
Change in fair value (through OCI)	(200)	(975)	-	-	-	-	-	(1,175)
Change in fair value (P&L) (Note 7 and Note 11)	(56)	(1,449)	-	-	-	-	-	(1,505)
Additions	-	-	159	-	18,109	9,055	1,785	29,108
Transfer from assets in preparation for use	-	5,094	9,306	2,489	(16,889)	-	-	-
Transfer from/to intangible assets (Note 15)	-	-	-	-	(1,341)	-	-	(1,341)
Transfer from/to tangible assets (Note 16)	-	-	96	(96)	-	-	-	-
Transfer to investment property (Note 17)	-	-	26	-	(1,161)	-	-	(1,135)
Disposals or retirements	(99)	(464)	(611)	(236)	-	(279)	-	(1,689)
At 31 December 2022	24,950	305,083	227,564	20,380	6,218	293,259	21,152	898,606
Accumulated depreciation and impairment								
At 31 December 2020	-	177,225	183,087	9,587	-	23,302	4,780	397,981
Depreciation charge for 2021	-	7,378	9,880	497	-	12,526	3,889	34,170
Depreciation on revaluation effect	-	511	-	-	-	-	-	511
Transfer to investment property (Note 17)	-	(50,907)	-	-	-	-	-	(50,907)
Disposals or retirements	-	(1,073)	(685)	(8)	-	-	-	(1,766)
At 31 December 2021	-	133,134	192,282	10,076	-	35,828	8,669	379,989
Depreciation charge for 2022	-	7,193	10,700	746	-	12,928	4,050	35,617
Depreciation on revaluation effect	-	484	-	-	-	-	-	484
Transfer to investment property (Note 17)	-	-	(5)	-	-	-	-	(5)
Disposals or retirements	-	(322)	(464)	(198)	-	-	-	(984)
At 31 December 2022	-	140,489	202,513	10,624	-	48,756	12,719	415,101
Net book amount								
At 31 December 2022	24,950	164,594	25,051	9,756	6,218	244,503	8,433	483,505
At 31 December 2021	25,305	169,743	26,306	8,147	7,500	248,655	10,698	496,354

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Group								in HRK'000
	Cost	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Right- of-use assets - Buildings	Right- of-use assets - Other tangible assets
At 31 December 2020	66,975	656,094	331,413	55,250	2,924	311,303	16,332	1,440,291
Change in fair value (through OCI)	(5,626)	712	-	-	-	-	-	(4,914)
Change in fair value (P&L) (Note 7 and Note 11)	39	209	-	-	-	-	-	248
Additions	880	3,902	23,957	1,825	5,108	34,158	5,384	75,214
Transfer to investment property (Note 17)	(5,881)	(113,301)	-	-	-	-	-	(119,182)
Foreign exchange differences arising on translation of financial statements of foreign operations	(35)	(113)	(62)	(169)	-	(196)	(3)	(578)
Disposals or retirements	(241)	(4,680)	(3,484)	(1,295)	-	(2,585)	(204)	(12,489)
At 31 December 2021	56,111	542,823	351,824	55,611	8,032	342,680	21,509	1,378,590
Change in fair value (through OCI)	(460)	(198)	-	-	-	-	-	(658)
Change in fair value (P&L) (Note 7 and Note 11)	(56)	(1,261)	-	-	-	-	-	(1,317)
Additions	381	161	21,500	3,844	27,506	16,325	511	70,228
Transfer from assets in preparation for use	-	5,094	10,464	2,490	(18,048)	-	-	-
Transfer from/to intangible assets (Note 15)	-	-	-	-	(1,341)	-	-	(1,341)
Transfer from/to tangible assets (Note 16)	-	-	96	(96)	-	-	-	-
Transfer to investment property (Note 17)	3,160	20,155	27	-	(1,161)	-	-	22,181
FX diff. arising on translation of FS of foreign operation	40	199	82	95	3	184	5	608
Disposals or retirements	(99)	(1,624)	(1,650)	(895)	-	(3,569)	(534)	(8,371)
At 31 December 2022	59,077	565,349	382,343	61,049	14,991	355,620	21,491	1,459,920
Accumulated depreciation and impairment								
At 31 December 2020	-	226,408	261,068	37,864	-	34,698	5,867	565,905
Reclassification	-	-	(708)	708	-	-	-	-
Depreciation charge for 2022	-	10,248	20,763	2,222	-	18,641	3,370	55,244
Depreciation on revaluation effect	-	2,607	-	-	-	-	-	2,607
Transfer to investment property (Note 17)	-	(54,525)	-	-	-	-	-	(54,525)
FX diff. arising on translation of FS of foreign operation	-	(46)	(82)	(29)	-	(54)	(2)	(213)
Disposals or retirements	-	(1,602)	(3,400)	(134)	-	-	(137)	(5,273)
At 31 December 2021	-	183,090	277,641	40,631	-	53,285	9,098	563,745
Depreciation charge for 2022	-	10,624	24,180	3,083	-	21,707	3,434	63,028
Depreciation on revaluation effect	-	2,788	-	-	-	-	-	2,788
Change in fair value (P&L) (Note 7 and Note 11)	-	747	-	-	-	-	-	747
Transfer to investment property (Note 17)	-	1	7	-	-	-	-	8
FX diff. arising on translation of FS of foreign operation	-	61	47	83	3	158	3	355
Disposals or retirements	-	(427)	(405)	(1,059)	-	(2,161)	(443)	(4,495)
At 31 December 2022	-	196,884	301,470	42,738	3	72,989	12,092	626,176
Net book amount								
At 31 December 2022	59,077	368,465	80,873	18,311	14,988	282,631	9,399	833,744
At 31 December 2021	56,111	359,733	74,183	14,980	8,032	289,395	12,411	814,845

The carrying amount of land and buildings that would have been recognised had the assets been carried under the cost method would have amounted to HRK 159,798 thousand (31 December 2021: HRK 163,651 thousand) for the Company and HRK 241,767 thousand (31 December 2021: HRK 256,217 thousand) for the Group.

17. Investment property

	Company	Group
	in HRK'000	in HRK'000
At 31 December 2020	456,653	1,013,247
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(82)
Transfer from property and equipment (Note 16)	64,600	64,657
Increase in fair value recognized in the income statement (Note 6.2)	10,415	28,768
Decrease in fair value recognized in the income statement (Note 12.1)	(4,135)	(43,696)
Assets under construction	-	652
Additions	3,843	6,826
Effect of acquisition (Note 18.3. /i/)	-	16,170
Disposals	(7,272)	(9,866)
Disposal by sale of a business (by losing control) (Note 18.3. /iii/)	-	(4,730)
At 31 December 2021	524,104	1,071,946
Foreign exchange differences arising on translation of financial statements of foreign operations	-	97
Transfer from/to property and equipment (Note 16)	1,130	(22,173)
Increase in fair value recognized in the income statement (Note 6.2)	8,877	17,997
Decrease in fair value recognized in the income statement (Note 12.1)	(2,460)	(16,246)
Assets under construction	-	393
Additions	6,711	7,323
Disposals	(15,511)	(16,261)
At 31 December 2022	522,851	1,043,076

The Group measures investment property in accordance with IAS 40 - "Investment Property", by applying the fair value model. Accordingly, the Group recognises profit or loss arising from changes in the fair value of investment property as profit or loss for the period in which it occurred, based on the valuation provided by independent appraisers.

18. Investments in subsidiaries, associates and participation in joint ventures

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries	568,447	563,995	-	-
Impairment of investments in subsidiaries	(208,332)	(207,798)	-	-
	360,115	356,197	-	-
Investments in joint ventures	28,000	28,000	67,488	67,634
Investments in associates	-	-	5,288	4,778
Impairment of investments in associates	-	-	-	-
	-	-	5,288	4,778
	388,115	384,197	72,776	72,412

18.1. The Company's investments in subsidiaries and associates and participation in joint ventures

Activity	Country	31 Dec. 2022		31 Dec. 2021		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Subsidiaries						
Croatia Premium d.o.o., Zagreb	Services	Croatia	100	12,162	100	12,162
Core 1 d.o.o., Zagreb	Real estate	Croatia	100	20	100	20
Auto Maksimir Vozila d.o.o., Zagreb	Insurance representation	Croatia	100	247	100	247
CO LOGISTIKA d.o.o.	Real estate	Croatia	100	20	100	20
Strmec projekt d.o.o.	Real estate	Croatia	100	11,365	100	11,365
CO Zdravlje d.o.o., Zagreb	Consulting and services	Croatia	100	33,164	100	33,164
Astoria d.o.o.	Real estate	Croatia	100	78,897	100	78,897
Milenijum osiguranje a.d., Belgrade	Insurance	Serbia	100	71,524	100	66,863
Croatia osiguranje d.d., Ljubuški	Insurance	Bosnia and Herzegovina	97.1	20,191	97.1	20,024
Croatia osiguranje - život a.d., Skopje	Insurance	Macedonia	95.0	22,272	95.0	22,272
Croatia osiguranje - neživot a.d., Skopje	Insurance	Macedonia	100	8,486	91.8	9,396
Croatia-Tehnički pregledi d.o.o., Zagreb	Motor vehicle services	Croatia	100	71,767	100	71,767
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Pension fund management	Croatia	100	30,000	100	30,000
Razne usluge d.o.o. – currently being wound up, Zagreb	Services	Croatia	100	-	100	-
				360,115		356,197
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50	28,000	50	28,000
				388,115		384,197

18.2. The Group's investments in subsidiaries and associates and participation in joint ventures

Group

Activity	Country	31 Dec. 2022		31 Dec. 2021		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50	65,418	50	65,914
Nacionalni biro za osiguranje Skopje	Insurance	Macedonia	-	2,070	-	1,720
				67,488		67,634
Associates						
STP Agroservis d.o.o., Virovitica	Technical testing and analysis	Croatia	37	5,288	37	4,778
				5,288		4,778
				72,776		72,412

Summary financial information for joint ventures

The summary financial information for PBZ Croatia osiguranje d.d. is presented below. For the Group, the information was presented using the equity method.

Summary statement of financial position	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000
Financial assets	123,207	104,872
Cash and cash equivalents	7,128	29,066
Other assets	9,185	7,137
Total assets	139,520	141,075
Liabilities	8,685	9,247
Capital and reserves	130,835	131,828
Total equity and liabilities	139,520	141,075
Summary statement of comprehensive income		
Income from mandatory pension funds management	69,866	69,838
Expenses from mandatory pension funds management	(25,397)	(26,011)
Other income	834	121
Other expenses	(20,371)	(18,033)
Financial income	250	273
Financial expenses	(769)	(100)
Profit before tax	24,413	26,088
Income tax	(4,406)	(4,699)
Profit for the year	20,007	21,389
Share in profit of joint venture @ 50%	10,004	10,695

Other expenses include depreciation in the amount of HRK 713 thousand (2021: HRK 373 thousand).

Reconciliation of the presented summary financial information with the carrying amount of shares in the joint venture.

Summary financial information	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000
Opening balance of net assets at 1 January	131,828	130,240
Profit for the period	20,007	21,389
Dividends	(21,000)	(19,800)
Closing balance of net assets	130,835	131,829
Share in profit of joint venture @ 50%	65,418	65,914
Carrying amount	65,418	65,914

18.3. Movements in investments in subsidiaries, associates and participation in joint ventures

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	384,197	376,516	72,412	76,593
Increase in investments (purchase) (i)	4,451	6,985	-	-
Increase/decrease by using the equity method	-	-	364	1,211
Sale of shares (ii)	-	(4,975)	-	(5,688)
Impairment of investment value (iii)	-	5,671	-	-
Reversal of impairment of investments (iii)	(533)	-	-	-
Foreign exchange differences	-	-	-	296
At 31 December	388,115	384,197	72,776	72,412

/i/ The increase in investment in 2022 refers to the company Croatia osiguranje - neživot a.d., Skopje in the amount of HRK 4,451 thousand.

During 2021, the Company has acquired the remaining 50.24% in the Company Strmec projekt d.o.o. in order to gain 100% of ownership in Strmec projekt d.o.o. Details on the fair value of identifiable assets and liabilities of Strmec projekt d.o.o. at the acquisition date, gain on bargain purchase and the purchase consideration are shown below:

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	in HRK'000
Assets	
Investment property	16,170
Receivables and other assets	5
Cash and cash equivalents	287
Liabilities	
Financial liabilities	(3,135)
Other liabilities	(2)
Total net assets at fair value	13,325
Value of investment in company Strmec projekt d.o.o. – 49.76%	5,688
Purchase consideration paid in cash for additional 50.24%	5,676
Value of investment in company Strmec projekt d.o.o.	11,364
Gain on bargain purchase and income from the valuation of the existing share	1,961
<i>Fair value of investment in company Strmec projekt d.o.o. – 49.76%</i>	6,631
<i>Value of investment in company Strmec projekt d.o.o. – 49.76%</i>	(5,688)
Income from the valuation of the existing share	943
<i>Net assets of the Company at fair value – 50.24%</i>	6,694
<i>Purchase consideration paid in cash for additional 50.24%</i>	(5,676)
Gain on bargain purchase	1,018
<i>Cash flow on acquisition:</i>	
Cash and cash equivalents acquired	287
Purchase consideration paid in cash	(5,676)
Cash flow on acquisition	(5,389)

During 2021, the Company has established CO Logistika d.o.o. by payment of the share capital in the amount of HRK 20 thousand and acquired an additional share (2.10%) in the company Croatia osiguranje d.d., Mostar in the amount of HRK 1,289 thousand.

/ii/ During 2021, the Company sold 100% of share in Histria Construct d.o.o. Details on the compensation received and the value of the company are shown below:

	in HRK'000
<i>Details on the sale of Histria construct d.o.o.</i>	
Compensation received in cash	4,984
Net book value of the sold subsidiary	(4,960)
Profit from sales for the Group (Note 6.3)	24
Profit from sales for the Company (Note 6.3)	9

The present value of the assets and liabilities of the Histria construct as at 1 April 2021 was the following:

	in HRK'000
Investment property	4,730
Insurance contract and other receivables	155
Cash and cash equivalents	76
Total assets	4,961
Other liabilities	1
Total liabilities	1

/iii/ During 2022, a higher value was determined as a result of the fair value estimation and therefore the investments were increased, ie reversal of impairment of the shares in the following subsidiaries was made: Milenijum osiguranje a.d. in the amount of HRK 4,661 thousand and Croatia osiguranje d.d., Mostar in the amount of HRK 168 thousand. In addition, in 2022, based on the lower value determined by the fair value assessment, a reduction in the value of the investment in Croatia osiguranje - neživot a.d., Skopje was made for the amount of HRK 5,362 thousand.

In 2021, based on the higher value determined by the fair value assessment, an increase in the value of the investment was made, i.e. a return of the decrease in the share in the following subsidiaries: Auto Maksimir Vozila d.o.o. in the amount of HRK 147 thousand, Milenijum osiguranje a.d. in the amount of HRK 5,349 thousand and Croatia osiguranje d.d., Mostar in the amount of HRK 175 thousand.

An impairment or impairment reversal is determined by calculating the recoverable amount of cash flows of an individual subsidiary. The subsidiaries were valued according to the discounted cash flow valuation (mostly dividend discount model and free cash flow to equity model) using the planned net income for the next 5 years (forecasted balance sheets and income statements), discount rates etc. The differences in the estimated fair value valuations for an individual subsidiary are due to the differences in future net income, assumptions of dividend distribution and/or other constituents of the discount rates (risk free rate, equity risk premium and beta) according to the Capital Asset Pricing model. The discount rates for the subsidiaries that were impaired or had a reversal of impairment (listed above) vary from 10.53% to 15.56% (2021: 10.69% -12.94%).

19. Financial assets

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	2,197,270	2,325,984	2,289,237	2,407,887
Available-for-sale financial assets	4,881,860	5,167,207	5,471,386	5,820,956
Financial assets at fair value through profit or loss – held for trading	229,895	384,079	296,976	432,027
Loans and receivables	506,848	608,170	667,251	743,891
	7,815,873	8,485,440	8,724,850	9,404,761

19.1. Overview of investments

The Company's investment structure as at 31 December 2022 was as follows:

	Company				
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Shares					
Shares, listed	-	772,151	22,406	-	794,557
Shares, not listed	-	1,998	-	-	1,998
	-	774,149	22,406	-	796,555
Debt securities					
Government bonds	2,133,326	3,256,358	-	-	5,389,684
Corporate bonds	63,944	458,847	-	-	522,791
	2,197,270	3,715,205	-	-	5,912,475
Derivative financial instruments					
Foreign currency forward contracts	-	-	13,607	-	13,607
	-	-	13,607	-	13,607
Investment funds					
Open-ended investment funds	-	392,506	-	-	392,506
Open-ended investment funds - assets for coverage of unit-linked products	-	-	193,882	-	193,882
	-	392,506	193,882	-	586,388
Loans and receivables					
Deposits with credit institutions	-	-	-	68,163	68,163
Loans	-	-	-	438,685	438,685
	-	-	-	506,848	506,848
	2,197,270	4,881,860	229,895	506,848	7,815,873

19.1. Overview of investments (continued)

The Company's investment structure as at 31 December 2021 was as follows:

	Company				
	Held-to- maturity investments	Available- for-sale financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Shares					
Shares, listed	-	806,337	25,766	-	832,103
Shares, not listed	-	66,640	-	-	66,640
	-	872,977	25,766	-	898,743
Debt securities					
Government bonds	2,262,103	3,346,343	-	-	5,608,446
Corporate bonds	63,881	522,788	-	-	586,669
	2,325,984	3,869,131	-	-	6,195,115
Derivative financial instruments					
Foreign currency forward contracts	-	-	3,033	-	3,033
	-	-	3,033	-	3,033
Investment funds					
Open-ended investment funds	-	425,099	-	-	425,099
Open-ended investment funds - assets for coverage of unit-linked products	-	-	355,280	-	355,280
	-	425,099	355,280	-	780,379
Loans and receivables					
Deposits with credit institutions	-	-	-	141,637	141,637
Loans	-	-	-	466,533	466,533
	-	-	-	608,170	608,170
	2,325,984	5,167,207	384,079	608,170	8,485,440

19.1. Overview of investments (continued)

The Group's investment structure as at 31 December 2022 was as follows:

					Group
	Held-to- maturity investments	Available- for-sale financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Shares					
Shares, listed	-	772,151	22,406	-	794,557
Shares, not listed	-	1,998	-	-	1,998
	-	774,149	22,406	-	796,555
Debt securities					
Government bonds	2,225,048	3,845,883	-	-	6,070,931
Corporate bonds	64,189	458,847	-	-	523,036
	2,289,237	4,304,730	-	-	6,593,967
Derivative financial instruments					
Foreign currency forward contracts	-	-	13,607	-	13,607
	-	-	13,607	-	13,607
Investment funds					
Open-ended investment funds	-	392,507	42,195	-	434,702
Open-ended investment funds - assets for coverage of unit-linked products	-	-	218,768	-	218,768
	-	392,507	260,963	-	653,470
Loans and receivables					
Deposits with credit institutions	-	-	-	482,416	482,416
Loans	-	-	-	184,835	184,835
	-	-	-	667,251	667,251
	2,289,237	5,471,386	296,976	667,251	8,724,850

19.1. Overview of investments (continued)

The Group's investment structure as at 31 December 2021 was as follows:

					Group
	Held-to- maturity investments	Available- for-sale financial assets	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Shares					
Shares, listed	-	806,348	25,766	-	832,114
Shares, not listed	-	66,698	-	-	66,698
	-	873,046	25,766	-	898,812
Debt securities					
Government bonds	2,344,006	4,000,023	-	-	6,344,029
Corporate bonds	63,881	522,788	-	-	586,669
	2,407,887	4,522,811	-	-	6,930,698
Derivative financial instruments					
Foreign currency forward contracts	-	-	3,033	-	3,033
	-	-	3,033	-	3,033
Investment funds					
Open-ended investment funds	-	425,099	26,746	-	451,845
Open-ended investment funds - assets for coverage of unit-linked products	-	-	376,482	-	376,482
	-	425,099	403,228	-	828,327
Loans and receivables					
Deposits with credit institutions	-	-	-	514,142	514,142
Loans	-	-	-	229,749	229,749
	-	-	-	743,891	743,891
	2,407,887	5,820,956	432,027	743,891	9,404,761

19.2. Financial investments exposed to credit risk

Company	31 Dec. 2022					31 Dec. 2021				
	in HRK'000					in HRK'000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total
Held-to-maturity investments	2,197,270	-	7,500	(7,500)	2,197,270	2,325,984	-	7,500	(7,500)	2,325,984
Available-for-sale debt securities	3,715,205	-	-	-	3,715,205	3,869,131	-	-	-	3,869,131
Deposits	68,163	-	-	-	68,163	141,637	-	-	-	141,637
Loans	423,135	15,550	109,143	(109,143)	438,685	445,715	20,818	112,538	(112,538)	466,533
	6,403,773	15,550	116,643	(116,643)	6,419,323	6,782,467	20,818	120,038	(120,038)	6,803,285

Group	31 Dec. 2022					31 Dec. 2021				
	in HRK'000					in HRK'000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total
Held-to-maturity investments	2,289,237	-	7,500	(7,500)	2,289,237	2,407,887	-	7,500	(7,500)	2,407,887
Available-for-sale debt securities	4,304,730	-	-	-	4,304,730	4,522,811	-	-	-	4,522,811
Deposits	482,416	-	-	-	482,416	514,142	-	-	-	514,142
Loans	168,153	16,682	109,488	(109,488)	184,835	207,590	22,159	112,836	(112,836)	229,749
	7,244,536	16,682	116,988	(116,988)	7,261,218	7,652,430	22,159	120,336	(120,336)	7,674,589

19.3. Held-to-maturity investments

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Movement in impairment losses				
At 1 January	7,500	7,500	7,500	7,500
Change in impairment	-	-	-	-
At 31 December	7,500	7,500	7,500	7,500

19.4. Loans

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
The maturity dates of granted loans are presented as follows:				
Up to 1 year	106,488	108,209	66,257	80,615
From 1 to 5 years	231,546	234,414	100,041	125,689
More than 5 years	100,651	123,910	18,537	23,445
	438,685	466,533	184,835	229,749

Analysis of due not impaired loan receivables is as follows:

	Company				Group			
	<90 days	90-180 days	> 180 days	Total	<90 days	90-180 days	> 180 days	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2021	147	-	20,671	20,818	373	1,107	20,679	22,159
31 December 2022	2	-	15,548	15,550	304	720	15,658	16,682

Movement in impairment of loans:

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	112,538	137,488	112,836	137,783
Increase	13,691	2,636	13,786	2,645
Write-off	(1,117)	(3,211)	(1,117)	(3,211)
Transfer to off-balance	(3,863)	(3,196)	(3,906)	(3,196)
Decrease	(12,106)	(21,179)	(12,111)	(21,208)
Foreign exchange differences	-	-	-	23
At 31 December	109,143	112,538	109,488	112,836

The structure of loans by type of collateral:

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Collateralised loans:				
- vinculated life insurance policies	12,748	20,652	19,461	27,680
- mortgages and real estate fiduciaries	456,744	518,452	270,427	313,615
- other collaterals	78,336	39,967	4,435	1,290
	547,828	579,071	294,323	342,585
Value adjustment	(109,143)	(112,538)	(109,488)	(112,836)
Total	438,685	466,533	184,835	229,749

The quality of loans mainly depends on the quality of the collateral. The best security instrument is considered the vinculated life insurance policy issued by the Group. Vinculated life insurance policies almost fully cover the loan exposure.

For loans neither past due nor impaired, which are secured by mortgages, mortgages are considered a secondary source of repayment only and do not impact the carrying amount of the loan. However, loans and receivables past due but not impaired would be fully impaired if there were no collaterals.

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Company:

31 December 2022	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Loans given based on life insurance policies	12,748	12,748	-	-	12,748	12,748
Loans given to legal entities	137,448	298,757	2,867	-	140,315	298,757
Loans given to related parties	210,170	706,621	75,452	-	285,622	706,621
	360,366	1,018,126	78,319	-	438,685	1,018,126
31 December 2021						
Loans given based on life insurance policies	19,763	19,763	-	-	19,763	19,763
Loans given to legal entities	163,499	336,211	2,650	-	166,149	336,211
Loans given to related parties	241,167	706,621	39,454	-	280,621	706,621
	424,429	1,062,595	42,104	-	466,533	1,062,595

Group:

31 December 2022	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Loans given based on life insurance policies	19,461	28,248	-	-	19,461	28,248
Loans given to legal entities	140,534	311,221	2,986	-	143,520	311,221
Loans given to related parties	21,854	192,420	-	-	21,854	192,420
	181,849	531,889	2,986	-	184,835	531,889
31 December 2021						
Loans given based on life insurance policies	26,729	34,273	-	-	26,729	34,273
Loans given to legal entities	167,421	348,647	2,899	-	170,320	348,647
Loans given to related parties	32,700	192,420	-	-	32,700	192,420
	226,850	575,340	2,899	-	229,749	575,340

19.5. Derivative financial instruments

The following table presents the fair value of derivative financial instruments at the balance sheet date:

	31 Dec. 2022			31 Dec. 2021		
	Nominal amount off-balance sheet	Fair value balance sheet		Nominal amount off-balance sheet	Fair value balance sheet	
		Assets	Liabilities		Assets	Liabilities
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Company						
Foreign currency forward contracts	573,195	13,607	(620)	2,322,818	3,033	(5,987)
Group						
Foreign currency forward contracts	573,195	13,607	(620)	2,322,818	3,033	(5,987)

20. Reinsurance share in technical provisions

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance share in unearned premium reserve	89,145	75,364	95,800	82,056
Reinsurance share in reported but not settled claims reserve	228,658	218,479	239,352	229,553
Reinsurance share in mathematical provisions	20	21	20	21
Reinsurance share in provisions for incurred, but not reported claims (IBNR)	78,384	37,479	78,384	37,489
	396,207	331,343	413,556	349,119

21. Deferred tax assets

(i) Movements in deferred tax assets:

Company

in HRK'000

	Impairment of investments in subsidiaries and associates	Financial assets at fair value through profit or loss	Impairment of available-for-sale financial assets	Impairment of loans and deposits	Fair valuation losses on investment property	Other	TOTAL
At 31 December 2020	674	4,814	14,859	16,728	28,416	1,977	67,468
Utilised deferred tax assets through profit or loss	(31)	(1,285)	(1,579)	(1,028)	(1,811)	-	(5,734)
Deferred tax assets recognised in profit or loss	-	2,182	6	475	1,568	5,272	9,503
At 31 December 2021	643	5,711	13,286	16,175	28,173	7,249	71,237
Utilised deferred tax assets through profit or loss	(31)	(3,343)	(2,880)	(308)	(2,633)	(5,983)	(15,178)
Deferred tax assets recognised in profit or loss	-	309	585	220	397	15,149	16,660
At 31 December 2022	612	2,677	10,991	16,087	25,937	16,415	72,719

in HRK'000

(ii) Movements in deferred tax liabilities:

	Property for own use	Financial assets available for sale	Total
At 31 December 2020	10,795	92,653	103,448
Utilisation through other comprehensive income	(139)	-	(139)
Change in fair value of available-for-sale financial assets through other comprehensive income	-	32,416	32,416
Change in fair value (impairment) of property through other comprehensive income	(5)	-	(5)
At 31 December 2021	10,651	125,069	135,720
Utilisation through other comprehensive income	(118)	-	(118)
Change in fair value of available-for-sale financial assets through other comprehensive income	-	(106,539)	(106,539)
Change in fair value (impairment) of property through other comprehensive income	(212)	-	(212)
At 31 December 2022	10,321	18,530	28,851

(iii) Netting deferred taxes:

	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000
Balance of deferred tax assets	72,719	71,237
Balance of deferred tax liabilities	(28,851)	(135,720)
Net deferred tax (liability)/assets at 31 December	43,868	(64,483)

21. Deferred tax assets (continued)

(i) Movements in deferred tax assets:

Group	in HRK'000						
	Financial assets at fair value through profit or loss	Impairment of available-for-sale financial assets	Impairment of held-to-maturity investments	Impairment of loans and deposits	Fair valuation losses on investment property	Other	TOTAL
At 31 December 2020	5,111	15,402	124	16,801	28,291	3,589	69,318
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1	(2)	(1)
Utilised deferred tax assets through profit or loss	(1,285)	(1,579)	-	(1,028)	(1,842)	(555)	(6,289)
Deferred tax assets recognised in profit or loss	2,182	5	-	475	1,568	5,645	9,875
At 31 December 2021	6,008	13,828	124	16,248	28,018	8,677	72,903
Foreign exchange differences arising on translation of financial statements of foreign operations	-	5	-	-	2	(23)	(16)
Utilised deferred tax assets through profit or loss	(3,342)	(2,877)	-	(307)	(2,891)	(6,174)	(15,591)
Deferred tax assets recognised in profit or loss	309	584	-	220	397	15,748	17,258
Deferred tax assets recognised in other comprehensive income	-	3,153	-	-	-	-	3,153
At 31 December 2022	2,975	14,693	124	16,161	25,526	18,228	77,707

21. Deferred tax assets (continued)

(ii) Movements in deferred tax liabilities:

in HRK'000

	Property for own use	Investment property	Financial assets available for sale	Other	Total
At 31 December 2020	23,524	32,296	96,116	485	152,421
Reclassification to Deferred tax assets	26	-	-	-	26
Utilisation through profit or loss	-	4,924	-	-	4,924
Utilisation through equity	(421)	-	-	-	(421)
Change in fair value of available-for-sale investments through other comprehensive income	-	-	31,839	-	31,839
Impairment of property for own use recognised in profit or loss	-	(4,002)	-	-	(4,002)
Impairment of property for own use recognised through other comprehensive income	(1,031)	-	-	-	(1,031)
Foreign exchange differences	-	-	(57)	-	(57)
At 31 December 2021	22,098	33,218	127,898	485	183,699
Utilisation through profit or loss	(317)	-	-	-	(317)
Recognition through profit or loss	-	1,421	-	-	1,421
Utilisation through equity	1,121	-	-	-	1,121
Change in fair value of available-for-sale investments through other comprehensive income	-	-	(114,824)	-	(114,824)
Impairment of property for own use recognised in profit or loss	-	(563)	-	-	(563)
Impairment of property for own use recognised through other comprehensive income	(259)	-	-	-	(259)
Foreign exchange differences	(23)	-	24	-	1
At 31 December 2022	22,620	34,076	13,098	485	70,279

(iii) Netting deferred taxes:

	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000
Total deferred tax assets	77,707	72,903
Netting deferred taxes (i)	(24,378)	(71,745)
Net movement in deferred tax assets	53,329	1,158
Total deferred tax liabilities	70,279	183,699
Netting deferred taxes (i)	(24,378)	(71,745)
Net movement in deferred tax liabilities	45,901	111,954

(iii) Netting deferred taxes is recognised where it is possible to net the future tax liability with tax receivables at the level of each Group company.

22. Insurance contract and other receivables

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from policyholders, net	675,315	536,453	732,018	583,444
Receivables from reinsurance and coinsurance	49,177	150,120	51,580	150,663
Receivables from other insurance business, net	125,818	130,469	130,519	133,943
Receivables for return on investments, net	795	992	320	527
Other receivables, net	64,890	71,488	112,796	120,299
	915,995	889,522	1,027,233	988,876
Prepaid expenses and accrued income	57,073	20,932	66,317	33,541
Other assets	335	339	11,765	11,733
	973,403	910,793	1,105,315	1,034,150

22.1. Receivables from policyholders

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Written but not invoiced premium	383,096	233,109	447,601	289,866
Invoiced uncollected premium	407,675	440,377	420,134	456,502
Receivables from policyholders, gross	790,771	673,486	867,735	746,368
Impairment	(115,456)	(137,033)	(135,717)	(162,924)
Receivables from policyholders, net	675,315	536,453	732,018	583,444

22.2. Receivables from reinsurance and coinsurance

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from reinsurance provision	8,803	22,538	8,803	22,538
Receivables from reinsurance claims	40,665	126,378	42,639	126,900
Receivables from coinsurance claims	467	1,204	932	1,230
Receivables from reinsurance and coinsurance, gross	49,935	150,120	52,374	150,668
Impairment	(758)	-	(794)	(5)
Receivables from reinsurance and coinsurance,	49,177	150,120	51,580	150,663

22.3. Receivables from other insurance business

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Recourse receivables	164,430	174,663	184,211	191,316
Impairment	(50,389)	(54,786)	(68,964)	(70,579)
Net receivables	114,041	119,877	115,247	120,737
Receivables for foreign claims	11,126	9,332	14,259	11,848
Impairment	(1,975)	(1,264)	(1,975)	(1,264)
Net receivables	9,151	8,068	12,284	10,584
Other receivables	2,626	2,524	2,988	2,622
Receivables from other insurance business, gross	178,182	186,519	201,458	205,786
Impairment	(52,364)	(56,050)	(70,939)	(71,843)
Receivables from other insurance business, net	125,818	130,469	130,519	133,943

22.4. Receivables for returns on investments

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for regular interest on given loans	13,678	14,641	13,080	14,110
Receivables for regular interest on deposits	4,461	4,461	4,591	4,533
Receivables for returns on investments, gross	18,139	19,102	17,671	18,643
Impairment	(17,344)	(18,110)	(17,351)	(18,116)
Receivables for returns on investments, net	795	992	320	527

22.5. Other receivables

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for sold tangible assets	5,677	5,935	5,677	5,935
Receivables for advances given	3,645	5,074	6,012	6,254
Trade receivables	2,116	2,373	25,760	25,919
Receivables from the state and state institutions	2,322	1,809	19,070	17,068
Receivables from credit card companies	5,789	6,161	7,483	7,118
Receivables obtained through cession	4,464	4,464	4,464	4,467
Receivables under court decisions	323	318	575	570
Receivables from employees	1,325	1,333	2,385	2,490
Receivables from agents	778	942	778	942
Receivables for funds on blocked accounts	25,373	25,373	25,373	25,373
Receivables for default interest	5,968	6,457	5,968	6,457
Claims for financial assets in the settlement process	49,656	50,268	49,656	50,268
Other receivables	1,538	7,923	9,825	20,444
Other receivables, gross	108,974	118,430	163,026	173,305
Impairment	(44,084)	(46,942)	(50,230)	(53,006)
Other receivables, net	64,890	71,488	112,796	120,299

22.6. Analysis of receivables from insurance business and other receivables by maturity:

Company	Receivables from policyholders	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables for foreign claims	Other receivables		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Neither past due nor impaired	396,315	62,577	9	119,481	7,083	2,511	385	588,361
Past due but not impaired	140,138	87,543	983	396	985	13	71,103	301,161
Impaired	137,033	-	18,110	54,786	1,264	-	46,942	258,135
Impairment	(137,033)	-	(18,110)	(54,786)	(1,264)	-	(46,942)	(258,135)
31 December 2021	536,453	150,120	992	119,877	8,068	2,524	71,488	889,522
Neither past due nor impaired	455,468	39,927	9	114,041	7,062	2,626	1,439	620,572
Past due but not impaired	219,847	9,250	786	-	2,089	-	63,451	295,423
Impaired	115,456	758	17,344	50,389	1,975	-	44,084	230,006
Impairment	(115,456)	(758)	(17,344)	(50,389)	(1,975)	-	(44,084)	(230,006)
31 December 2022	675,315	49,177	795	114,041	9,151	2,626	64,890	915,995

22.6. Analysis of receivables from insurance business and other receivables by maturity (continued)

Group	Receivables from	Receivables from	Receivables for	Receivables from other insurance business			Other receivables	TOTAL
	policyholders	coinsurance and reinsurance business	returns on investments	Recourse receivables	Receivables for foreign claims	Other receivables		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Neither past due nor impaired	437,028	62,753	81	120,342	7,632	2,607	42,677	673,120
Past due but not impaired	146,416	87,910	446	395	2,952	15	77,622	315,756
Impaired	162,924	5	18,116	70,579	1,264	-	53,006	305,894
Impairment	(162,924)	(5)	(18,116)	(70,579)	(1,264)	-	(53,006)	(305,894)
31 December 2021	583,444	150,663	527	120,737	10,584	2,622	120,299	988,876
Neither past due nor impaired	505,589	39,927	139	115,247	10,160	2,988	42,379	716,429
Past due but not impaired	226,429	11,653	181	-	2,124	-	70,417	310,804
Impaired	135,717	794	17,351	68,964	1,975	-	50,230	275,031
Impairment	(135,717)	(794)	(17,351)	(68,964)	(1,975)	-	(50,230)	(275,031)
31 December 2022	732,018	51,580	320	115,247	12,284	2,988	112,796	1,027,233

22.7. Credit quality of receivables neither past due nor impaired:

Company	Insurance receivables	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables for foreign claims	Other receivables		
				in HRK'000	in HRK'000	in HRK'000		
High quality	-	-	-	-	-	-	-	-
Standard quality	396,315	62,577	9	119,481	7,083	2,511	385	588,361
31 December 2021	396,315	62,577	9	119,481	7,083	2,511	385	588,361
High quality	-	-	-	-	-	-	-	-
Standard quality	455,468	39,927	9	114,041	7,062	2,626	1,439	620,572
31 December 2022	455,468	39,927	9	114,041	7,062	2,626	1,439	620,572

Group	Insurance receivables	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables for foreign claims	Other receivables		
				in HRK'000	in HRK'000	in HRK'000		
High quality	-	-	-	-	-	-	-	-
Standard quality	437,028	62,753	81	120,342	7,632	2,607	42,677	673,120
31 December 2021	437,028	62,753	81	120,342	7,632	2,607	42,677	673,120
High quality	-	-	-	-	-	-	-	-
Standard quality	505,589	39,927	139	115,247	10,160	2,988	42,379	716,429
31 December 2022	505,589	39,927	139	115,247	10,160	2,988	42,379	716,429

High quality means receivables from companies that have a high credit rating and the possibility that receivables become uncollectable is low. The Group monitors the collection of receivables and has established a process for issuing reminders, forced collection and possible court claims.

22.8. Analysis of receivables past due but not impaired by the number of days up to maturity

	Company				Group			
	<90 days in HRK'000	90-180 days in HRK'000	> 180 days in HRK'000	Total in HRK'000	<90 days in HRK'000	90-180 days in HRK'000	> 180 days in HRK'000	Total in HRK'000
Receivables from insurance business	107,479	31,781	878	140,138	111,940	32,711	1,765	146,416
Receivables from coinsurance and reinsurance business	34,445	42,542	10,556	87,543	34,685	42,541	10,684	87,910
Receivables for returns on investments	18	-	965	983	-	-	446	446
Receivables from other insurance business:	968	3	423	1,394	2,935	3	424	3,362
recourse receivables	-	-	396	396	-	-	395	395
receivables for foreign claims	968	3	14	985	2,935	3	14	2,952
other receivables	-	-	13	13	-	-	15	15
Other receivables	65,690	1,029	4,384	71,103	70,905	1,627	5,090	77,622
31 December 2021	208,600	75,355	17,206	301,161	220,465	76,882	18,409	315,756
Receivables from insurance business	173,176	46,671	-	219,847	179,340	46,809	280	226,429
Receivables from coinsurance and reinsurance business	4,186	4,803	261	9,250	6,589	4,803	261	11,653
Receivables for returns on investments	443	20	323	786	-	20	161	181
Receivables from other insurance business:	2,085	4	-	2,089	2,120	4	-	2,124
recourse receivables	-	-	-	-	-	-	-	-
receivables for foreign claims	2,085	4	-	2,089	2,120	4	-	2,124
other receivables	-	-	-	-	-	-	-	-
Other receivables	57,011	4,635	1,805	63,451	62,232	5,558	2,627	70,417
31 December 2022	236,901	56,133	2,389	295,423	250,281	57,194	3,329	310,804

22.9. Movements in impairment of receivables maturity

Company	Receivables from insurance business	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business		Other receivables	TOTAL
				Recourse receivables	Receivables for foreign claims		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2021	171,542	313	19,186	60,330	2,344	50,042	303,757
Increase of impairment	53,393	9	-	1,185	346	(13)	54,920
Collection of previously impaired amounts	(66,948)	(322)	(699)	(5,987)	(1,426)	(3,041)	(78,423)
Write-offs	(20,954)	-	(377)	(742)	-	(46)	(22,119)
At 31 December 2021	137,033	-	18,110	54,786	1,264	46,942	258,135
Increase of impairment	81,396	14,246	-	1,652	1,254	1,085	99,633
Collection of previously impaired amounts	(83,555)	(13,488)	(758)	(4,901)	(543)	(3,068)	(106,313)
Write-offs	(19,418)	-	(8)	(1,148)	-	(875)	(21,449)
At 31 December 2022	115,456	758	17,344	50,389	1,975	44,084	230,006

22.9. Movements in impairment of receivables (continued)

Group	Receivables from insurance business	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables for foreign claims	Other receivables		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2021	203,692	326	19,189	74,348	2,344	-	57,837	357,736
Increase of impairment	55,991	13	6	3,598	346	-	242	60,196
Collection of previously impaired amounts	(71,778)	(334)	(702)	(6,596)	(1,426)	-	(4,511)	(85,347)
Write-offs	(24,908)	-	(377)	(742)	-	-	(309)	(26,336)
Disposal by sale of a business (by losing control)	-	-	-	-	-	-	(246)	(246)
Foreign exchange differences	(73)	-	-	(29)	-	-	(7)	(109)
At 31 December 2021	162,924	5	18,116	70,579	1,264	-	53,006	305,894
Increase of impairment	86,909	14,278	2	4,818	1,254	-	2,218	109,479
Collection of previously impaired amounts	(90,844)	(13,489)	(759)	(5,329)	(543)	-	(3,740)	(114,704)
Write-offs	(23,356)	-	(8)	(1,179)	-	-	(1,283)	(25,826)
Foreign exchange differences	84	-	-	75	-	-	29	188
At 31 December 2022	135,717	794	17,351	68,964	1,975	-	50,230	275,031

23. Cash and cash equivalents

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash on bank accounts	782,100	516,161	940,145	643,436
Cash on foreign currency accounts	17,810	62,872	73,834	116,672
Cash on hand	-	-	728	454
Deposits with maturity up to three months	63,457	30,000	63,457	36,703
Total cash and cash equivalents	863,367	609,033	1,078,164	797,265

24. Capital and reserves

24.1. Subscribed share capital

The Company's share capital with a nominal value of HRK 601,576 thousand (31 December 2021: HRK 601,576 thousand) is divided among 429,697 shares with a nominal value of HRK 1,400, which have been paid entirely in cash, entered into the register of the Commercial Court in Zagreb.

The shares are marked as follows:

Number of shares	Nominal amount (in HRK 000):
307,598 ordinary shares I, emission with ticker CROS-R-A/CROS	430,637
113,349 ordinary shares II, emission with ticker CROS-R-A/CROS	158,689
TOTAL ORDINARY SHARES	589,326
8,750 preference shares I, emission with ticker CROS-P-A/CROS2	12,250
TOTAL PREFERENCE SHARES	12,250
TOTAL ORDINARY AND PREFERENCE SHARES	601,576

Preference shares provide their holders with the following rights:

- voting rights equal to the holders of ordinary shares;
- dividend payment in the amount of 8% annually on the revalued value of shares, for the year in which an appropriate profit was realised;
- cumulative dividend payment is guaranteed provided that the Company's result enables the payment;
- cumulative dividend payment if the Company's result enables the payment of a higher dividend to all shareholders than the dividend from the previous point, as well as for the years when the liability cannot be settled due to insufficient profit.

Due to the guaranteed dividend payment, preference shares are classified as financial liabilities (Note 27).

Conversion of share capital into euro planned in 2023

Based on the provisions of the Act on the introduction of the euro as the official currency in the Republic of Croatia and the provisions of the Companies Act, the Company plans to propose at the general assembly a decision on the adjustment of the share capital and the nominal amount of the Company's shares in such a way as to increase the amount of the nominal value of the share from EUR 185.81, obtained by conversion into euros using a fixed conversion rate with rounding to the nearest cent, to the amount of EUR 186.00.

The aforementioned increase in the nominal amount of the share is carried out in order to round the nominal amount of the shares to a whole number, as prescribed by Article 163, paragraph 4 of the Companies Act. With the purpose of aligning the share capital with the provisions of the Companies Act, the share capital is increased by the amount of EUR 80,812.35, whereby the total share capital of the Company after recalculation and adjustment would amount to EUR 79,923,642.00.

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The adjustment of the Company's share capital would be carried out at the expense of the statutory reserves, which as of 31 December 2022 amount to HRK 147,220,000.00, i.e. EUR 19,539,451.85 and are sufficient for the proposed share capital adjustment.

The ownership structure as at 31 December 2022 and 31 December 2021 was as follows:

Shareholder	31 Dec. 2022			31 Dec. 2021		
	Number	Nominal amount	Equity	Number	Nominal amount	Equity
	of shares	in HRK'000	share %	of shares	in HRK'000	share %
ADRIS GRUPA d.d.	263,419	368,787	61.3	263,419	368,787	61.3
CERP/ Republic of Croatia	129,351	181,091	30.1	129,351	181,091	30.1
Raiffeisenbank Austria d.d. - custodian account	19,429	27,201	4.5	19,449	27,229	4.5
Interkapital vrijednosni papiri d.o.o./summary ac.	5,459	7,643	1.3	5,365	7,511	1.2
OTP BANK d.d. (Addiko Bank d.d.)/SZAI F d.d.	2,193	3,070	0.5	2,193	3,070	0.5
Other shareholders	9,846	13,784	2.3	9,920	13,888	2.4
	429,697	601,576	100	429,697	601,576	100

As at 31 December 2022, percentage of ownership of ADRIS GRUPA d.d. consists of the own share of 61.3% increased by the shares on its custodian accounts of 5.7% (31.12.2021: own share of 61.3% increased by the shares on its custodian accounts of 5.6%), while percentage of ownership of CERP consists of the own share of 30.1% (31.12.2021: own share of 30.1%).

24.2. Reserves

	Company		Company		Group		Group	
	31 Dec. 2022		31 Dec. 2021		31 Dec. 2022		31 Dec. 2021	
	in HRK'000		in HRK'000		in HRK'000		in HRK'000	
Legal reserves	30,079	30,079	30,079	30,079	30,079	30,079	30,079	
Statutory reserves	147,220	147,220	147,220	147,220	147,220	147,220	147,220	
Other reserves	224,739	224,739	224,739	224,739	224,739	224,739	224,739	
	402,038	402,038	402,038	402,038	402,038	402,038	402,038	

Pursuant to the Companies Act, 5% of profit for the year is allocated to the legal reserve until total legal reserve reaches 5% of the share capital.

Statutory reserves and other reserves were established based on the decision on profit distribution from previous years. The Company forms statutory reserves to strengthen the security and stability of the Company's operations. The Company may use statutory reserves only for reserves for own shares and coverage of losses from the current year, if the same could not be covered from retained earnings of previous years, legal reserves and capital reserves.

24.3. Revaluation reserve

The revaluation reserve is presented as follows:

	Company	Company	Group	Group
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	57,326	59,164	132,097	128,574
Deferred tax from change in revaluation reserve of property for own use	(10,321)	(10,651)	(22,616)	(22,072)
Available-for-sale financial assets	102,953	694,835	36,217	725,620
Deferred tax from change in revaluation reserve of available-for-sale financial assets	(18,531)	(125,070)	(10,729)	(128,729)
Foreign exchange differences arising on translation of financial statements of foreign operations	(152)	(85)	(6,026)	(6,959)
	131,275	618,193	128,943	696,434

/i/ Revaluation reserve of property for own use, net of deferred tax

	Company	Group
	in HRK'000	in HRK'000
31 December 2020	49,172	112,422
Decrease in revaluation reserve	(659)	(5,920)
31 December 2021	48,513	106,502
Increase in revaluation reserve	-	2,979
Decrease in revaluation reserve	(1,508)	-
31 December 2022	47,005	109,481

/ii/ Revaluation reserve of available-for-sale financial assets, net of deferred tax

	Company	Group
	in HRK'000	in HRK'000
31 December 2020	421,952	456,027
Reclassification	-	3
Changes in fair value of available-for-sale financial assets	171,012	158,791
Impairment of financial assets, net of tax	1,989	2,009
Realised gains of available-for-sale financial assets, net of tax (through profit)	(25,326)	(26,220)
Foreign exchange differences	53	(678)
31 December 2021	569,680	589,932
Changes in fair value of available-for-sale financial assets	(460,496)	(546,581)
Impairment of financial assets, net of tax	2,658	2,658
Realised gains of available-for-sale financial assets, net of tax (through profit)	(27,505)	(27,530)
Foreign exchange differences	(67)	983
31 December 2022	84,270	19,462

25. Technical provisions

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Claims provisions, gross</i>				
Provisions for reported but not settled claims	1,595,227	1,592,076	1,702,033	1,698,650
Provisions for incurred, but not reported claims (IBNR)	1,016,302	965,819	1,162,806	1,097,486
Provisions for costs of claims handling	138,537	137,461	160,437	153,966
	2,750,066	2,695,356	3,025,276	2,950,102
Unearned premiums, gross	1,301,320	1,199,015	1,616,829	1,501,495
Mathematical insurance provisions, gross	2,680,185	2,656,285	3,175,315	3,133,364
Other insurance-technical provisions, gross	42,053	35,365	56,454	46,926
Technical provisions for life insurance where the policyholder bears the investment risk	193,881	355,279	218,768	376,482
Total technical provisions	6,967,505	6,941,300	8,092,642	8,008,369

Other insurance-technical provisions include unexpired risk reserves.

25.1. Movements in the provision for reported but not settled claims, gross

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	90,031	89,977	97,116	95,949
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	19	30
Claims incurred in the current year	58,643	52,571	65,028	62,557
Transfer from provisions for incurred, but not reported claims	36	35	36	102
Change in claims from the previous year	1,179	(68,932)	474	(70,413)
Settled claims	(48,235)	16,380	(55,833)	8,891
At 31 December	101,654	90,031	106,840	97,116
NON-LIFE				
At 1 January	1,502,045	1,604,121	1,601,534	1,692,692
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	333	(255)
Claims incurred in the current year	269,832	215,110	302,889	249,281
Transfer from provisions for incurred, but not reported claims	104,091	109,314	117,794	117,253
Change in claims from the previous year	(39,126)	(50,773)	(45,447)	(28,554)
Settled claims	(343,269)	(375,727)	(381,910)	(428,883)
At 31 December	1,493,573	1,502,045	1,595,193	1,601,534
TOTAL LIFE AND NON-LIFE				
At 31 December	1,595,227	1,592,076	1,702,033	1,698,650

25.2. Movements in provision for incurred but not reported claims

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	936	1,162	1,245	1,427
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	1	41
Increases recognised during the year	675	478	662	580
Transfer to provisions for reported claims	(36)	(35)	(36)	(102)
Settled claims	(690)	(669)	(720)	(701)
At 31 December	885	936	1,152	1,245
NON-LIFE				
At 1 January	964,883	1,073,536	1,096,241	1,200,474
Foreign exchange differences	-	-	562	(348)
Increases recognised during the year	288,963	201,715	360,974	247,979
Transfer to provisions for reported claims	(104,091)	(109,314)	(117,794)	(117,253)
Settled claims	(134,338)	(201,054)	(178,329)	(234,611)
At 31 December	1,015,417	964,883	1,161,654	1,096,241
TOTAL LIFE AND NON-LIFE				
At 31 December	1,016,302	965,819	1,162,806	1,097,486

25.3. Movements in provision for unearned premium

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	5,180	5,023	6,639	6,097
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	8	(2)
Written premiums during the year	303,145	444,015	405,219	540,833
Earned premiums during the year	(304,003)	(443,858)	(405,782)	(540,289)
At 31 December	4,322	5,180	6,084	6,639
NON-LIFE				
At 1 January	1,193,835	1,143,856	1,494,856	1,429,166
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	1,090	(706)
Written premiums during the year	2,795,880	2,451,750	3,315,906	2,895,385
Earned premiums during the year	(2,692,717)	(2,401,771)	(3,201,107)	(2,828,989)
Acquisition	-	-	-	-
At 31 December	1,296,998	1,193,835	1,610,745	1,494,856
TOTAL LIFE AND NON-LIFE				
At 31 December	1,301,320	1,199,015	1,616,829	1,501,495

25.4. Movements in mathematical insurance provisions, gross

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	2,656,285	2,565,485	3,133,364	3,022,248
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(132)	(812)
Allocated premium	247,731	382,975	289,853	421,534
Reversal of liabilities due to benefits paid, surrenders and other terminations	(282,053)	(352,969)	(303,486)	(373,700)
Capitalised technical interest	58,222	60,794	58,217	63,744
Change in discretionary bonus	-	-	(2,501)	350
Change of liabilities based on the Liability Adequacy Test	-	-	-	-
At 31 December	2,680,185	2,656,285	3,175,315	3,133,364

25.5. Movements in technical provisions for life insurance where the policyholder bears the investment risk

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	355,279	400,250	376,482	412,085
Foreign exchange differences	-	-	103	(19)
Allocated premium	4	11,984	3,585	21,371
Reversal of liabilities due to benefits paid, surrenders and other terminations	(151,004)	(56,851)	(151,004)	(56,851)
Unrealised gains on assets in which the policyholders' funds are invested	(10,398)	(104)	(10,398)	(104)
At 31 December	193,881	355,279	218,768	376,482

25.6. Analysis of movements in claims provisions (RBNS and IBNR) for non-life insurance

Company	in HRK'000								Total
	Before 2016	2016	2017	2018	2019	2020	2021	2022	
Assessment of cumulative claims at the end of the year of the accident	-	1,148,645	1,229,855	1,288,855	1,369,563	1,563,797	1,343,313	1,482,838	-
One year later	-	1,101,945	1,183,797	1,236,615	1,373,304	1,455,596	1,286,221	-	-
Two years later	-	1,083,401	1,159,530	1,226,430	1,361,826	1,493,240	-	-	-
Three years later	-	1,077,326	1,154,557	1,220,576	1,346,155	-	-	-	-
Four years later	-	1,070,166	1,150,649	1,215,170	-	-	-	-	-
Five years later	-	1,070,427	1,162,877	-	-	-	-	-	-
Six years later	-	1,069,134	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	-	1,069,134	1,162,877	1,215,170	1,346,154	1,493,240	1,286,221	1,482,838	9,055,634
Cumulative payments	-	984,423	1,058,073	1,108,491	1,199,446	1,265,906	1,076,727	943,126	7,636,192
Provision for previous years	1,089,548	-	-	-	-	-	-	-	1,089,548
Claims handling costs	56,155	4,396	5,834	6,061	7,887	10,243	12,770	31,053	134,399
Amount recognised in the statement of financial position	1,145,703	89,107	110,638	112,740	154,595	237,577	222,264	570,765	2,643,389

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Group

	in HRK'000								
	Before 2016	2016	2017	2018	2019	2020	2021	2022	Total
Assessment of cumulative claims at the end of the year of the accident	-	1,259,528	1,350,327	1,413,532	1,560,141	1,755,566	1,569,894	1,745,697	-
One year later	-	1,200,322	1,301,617	1,366,737	1,516,162	1,596,723	1,451,870	-	-
Two years later	-	1,170,279	1,264,108	1,347,671	1,484,332	1,618,476	-	-	-
Three years later	-	1,170,699	1,262,312	1,334,375	1,466,583	-	-	-	-
Four years later	-	1,163,246	1,255,457	1,326,179	-	-	-	-	-
Five years later	-	1,163,216	1,266,058	-	-	-	-	-	-
Six years later	-	1,161,061	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	-	1,161,061	1,266,058	1,326,179	1,466,583	1,618,476	1,451,870	1,745,697	10,035,924
Cumulative payments	-	1,070,369	1,153,748	1,207,363	1,302,499	1,366,891	1,206,320	1,093,299	8,400,489
Provision for previous years	1,121,412	-	-	-	-	-	-	-	1,121,412
Claims handling costs	58,588	4,950	6,570	7,150	9,452	12,489	15,880	41,116	156,195
Amount recognised in the statement of financial position	1,180,000	95,642	118,880	125,966	173,536	264,074	261,430	693,514	2,913,042

25.7. Maturity of gross technical provisions

The expected maturity of technical provisions is presented below:

Company	in HRK'000				Total
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	
2022					
Unearned premiums, gross	1,245,284	48,959	5,691	1,386	1,301,320
Mathematical insurance provisions, gross	403,870	1,426,797	389,989	459,529	2,680,185
Claims provisions, gross	815,831	765,733	392,273	776,229	2,750,066
Other insurance-technical provisions, gross	35,233	6,820	-	-	42,053
Technical provisions for life insurance where the policyholder bears the investment risk	79,896	113,905	18	62	193,881
	2,580,114	2,362,214	787,971	1,237,206	6,967,505
2021					
Unearned premiums, gross	1,119,606	70,386	7,282	1,741	1,199,015
Mathematical insurance provisions, gross	233,574	1,485,672	451,606	485,433	2,656,285
Claims provisions, gross	850,194	714,830	389,678	740,654	2,695,356
Other insurance-technical provisions, gross	25,916	9,432	13	4	35,365
Technical provisions for life insurance where the policyholder bears the investment risk	157,670	197,517	12	80	355,279
	2,386,960	2,477,837	848,591	1,227,912	6,941,300
Group					
	in HRK'000				
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2022					
Unearned premiums, gross	1,505,970	103,594	5,879	1,386	1,616,829
Mathematical insurance provisions, gross	453,778	1,583,044	501,017	637,476	3,175,315
Claims provisions, gross	969,577	868,659	410,811	776,229	3,025,276
Other insurance-technical provisions, gross	47,733	8,721	-	-	56,454
Technical provisions for life insurance where the policyholder bears the investment risk	80,494	127,285	3,552	7,437	218,768
	3,057,552	2,691,303	921,259	1,422,528	8,092,642
2021					
Unearned premiums, gross	1,353,284	122,005	24,465	1,741	1,501,495
Mathematical insurance provisions, gross	272,977	1,615,944	585,801	658,642	3,133,364
Claims provisions, gross	993,758	783,621	415,284	757,439	2,950,102
Other insurance-technical provisions, gross	37,476	9,432	14	4	46,926
Technical provisions for life insurance where the policyholder bears the investment risk	158,626	210,703	1,849	5,304	376,482
	2,816,121	2,741,705	1,027,413	1,423,130	8,008,369

25.8. Analysis of claim (loss) ratios, cost ratios and combined ratios for the Company and Group

Company:

Types of non-life insurance	Claims ratio	Cost ratio	Combined ratio	Claims ratio	Cost ratio	Combined ratio
	2022	2022	2022	2021	2021	2021
Accident insurance	20.49%	40.61%	61.10%	30.65%	40.60%	71.25%
Health insurance	54.90%	40.72%	95.62%	51.15%	35.41%	86.56%
Road vehicle insurance	62.09%	37.58%	99.67%	61.59%	34.91%	96.50%
Railroad rolling stock insurance	144.64%	46.88%	191.52%	69.30%	33.31%	102.61%
Aircraft insurance	14.08%	37.00%	51.08%	0.00%	18.53%	18.53%
Vessel insurance	19.51%	33.30%	52.81%	115.57%	32.96%	148.53%
Insurance for goods in transit	41.89%	39.17%	81.06%	48.28%	37.39%	85.67%
Insurance against fire and natural disasters	62.35%	40.17%	102.52%	19.33%	38.27%	57.60%
Other types of property insurance	59.19%	32.75%	91.94%	66.32%	33.57%	99.89%
Motor liability insurance	61.20%	41.65%	102.85%	54.40%	36.61%	91.01%
Aircraft liability insurance	3.64%	26.29%	29.93%	1.56%	38.05%	39.61%
Vessel liability insurance	5.39%	34.97%	40.36%	11.75%	37.24%	48.99%
Other types of liability insurance	54.58%	38.05%	92.63%	72.26%	33.23%	105.49%
Loan insurance/credit insurance	-103.52%	75.73%	-27.79%	-57.24%	81.14%	23.90%
Surety insurance	8.81%	31.08%	39.89%	-24.65%	33.52%	8.87%
Miscellaneous financial loss insurance	36.76%	37.87%	74.63%	30.25%	31.31%	61.56%
Legal expenses insurance	-112.92%	5.26%	-107.66%	1.63%	-253.32%	-251.69%
Assistance	53.72%	29.66%	83.38%	51.94%	34.53%	86.47%
Total non-life insurance	53.26%	38.99%	92.25%	50.27%	36.66%	86.93%

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Group:

Types of non-life insurance	Claims ratio	Cost ratio	Combined ratio	Claims ratio	Cost ratio	Combined ratio
	2022	2022	2022	2021	2021	2021
Accident insurance	24.50%	39.65%	64.15%	36.22%	40.87%	77.09%
Health insurance	57.80%	40.45%	98.25%	51.61%	35.57%	87.18%
Road vehicle insurance	64.19%	38.72%	102.91%	63.76%	36.58%	100.34%
Railroad rolling stock insurance	144.61%	46.87%	191.48%	69.22%	24.36%	93.58%
Aircraft insurance	14.07%	37.01%	51.08%	0.01%	17.05%	17.06%
Vessel insurance	19.51%	33.30%	52.81%	115.56%	32.97%	148.53%
Insurance for goods in transit	34.39%	37.07%	71.46%	52.95%	36.24%	89.19%
Insurance against fire and natural disasters	60.64%	39.47%	100.11%	19.01%	38.18%	57.19%
Other types of property insurance	57.65%	32.72%	90.37%	65.44%	33.73%	99.17%
Motor liability insurance	57.45%	39.35%	96.80%	53.92%	38.08%	92.00%
Aircraft liability insurance	3.64%	26.45%	30.09%	1.56%	38.21%	39.77%
Vessel liability insurance	5.38%	34.97%	40.35%	11.75%	37.23%	48.98%
Other types of liability insurance	53.63%	37.77%	91.40%	70.68%	33.08%	103.76%
Loan insurance/credit insurance	-62.99%	66.64%	3.65%	-29.55%	68.14%	38.59%
Surety insurance	84.42%	40.87%	125.29%	-15.42%	31.12%	15.70%
Miscellaneous financial loss insurance	36.24%	37.91%	74.15%	29.77%	31.33%	61.10%
Legal expenses insurance	-112.77%	5.36%	-107.41%	1.62%	-254.49%	-252.87%
Assistance	46.19%	50.95%	97.14%	41.10%	45.56%	86.66%
Total non-life insurance	53.10%	38.85%	91.95%	50.68%	37.41%	88.09%

The above ratios are calculated in accordance with the Ordinance on the structure and contents of financial and additional statements of insurance and reinsurance companies (Official Gazette No. 37/16, 96/18, 50/19 and 98/20) and Instructions for completing the financial and supplementary reports of insurance or reinsurance companies by the Croatian Financial Services Supervisory Agency.

The claims ratio, cost ratio and combined ratio by types of non-life insurance are calculated as follows:

- Claims ratio = (Settled claims, gross amount + Change in provisions for claims, gross amount + Change in other technical provisions, gross amount) / (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) * (- 100)
- Cost ratio = (Operating expenses (business-related expenses), net + Other insurance-technical income, net of reinsurance + Other technical costs, net of reinsurance) / (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) * (-100)
- Combined ratio = claims ratio + cost ratio.

The claims ratio by types of non-life insurance for which mathematical provision is recognized is calculated as follows:

- Claims ratio = (Settled claims, gross amount + Change in provisions for claims, gross amount + Change in mathematical provisions, gross amount + Change in other technical provisions, gross amount) + (Investment income from investment of mathematical provision + Investment expense from investment of mathematical provision) / (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) * (- 100)

Movements in annual return on mathematical provision

In the case of death and survival, policyholders are entitled to a share in the Company's profit realised by life insurance funds management. For policies concluded after 31 December 2017, cost and mortality are the only possible sources of profit. Shares in profit are calculated once a year, at the earliest at the end of the first or second year of the insurance term, depending on the tariff. The amount of the share in the profit is determined by the Management Board.

The Company uses mortality tables for Croatia for the period 2010 to 2012 for the calculation of mathematical reserves.

For the purpose of the calculation of mathematical reserves:

- for insurance contracts concluded before 2010, an interest rate of 2.5% was used (the maximum rate prescribed by HANFA is 3.3%),
- for insurance contracts concluded in 2010 the interest rate used was 2.5% (the maximum rate prescribed by HANFA is 3%),
- for insurance contracts concluded after 2010 until 30 June 2016, the interest rate used was 2.5%-1% (the maximum rate prescribed by HANFA is 2.75%).
- for insurance contracts concluded after 1 July 2016, the interest rate used was 1.75%-0%, (the maximum rate prescribed by HANFA is 1.75% for contracts with a currency clause and 2% for contracts in HRK),
- for insurance contracts concluded after 1 January 2018, the interest rate used was 1%-0%, and interest rate of 1.50% was used for insurance contracts with a contractual duration of 5 years (the maximum rate prescribed by HANFA is 1%, and 1,75% for insurance contracts with a contractual duration of 5 years).

The average return is calculated as a weighted average return from the mathematical provision in the last two years, where the weights represent the average value of mathematical provision during the year.

The following table shows the movements in the annual return realised from investment of assets covering mathematical provisions for 2022 and 2021:

	2022	2021
	in HRK'000	in HRK'000
Average balance of mathematical provisions	2,660,073	2,604,930
Return on investments from mathematical provisions	85,343	80,920
Rate of annual return on mathematical provisions	3.21%	3.11%
Average return on mathematical provisions for the past 2 years	3.16%	3.21%

26. Provisions

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Provisions for jubilee awards</i>	5,103	5,290	8,564	8,456
<i>Provisions for retirement benefits</i>	3,021	2,729	7,007	7,273
Provisions for jubilee awards and retirement benefits /i/	8,124	8,019	15,571	15,729
Provisions for termination benefits	5,015	10,653	5,015	11,237
Provisions for legal disputes	36,114	39,382	37,353	40,593
Other long-term provisions	-	-	-	31
	49,253	58,054	57,939	67,590

Movements in provisions for jubilee awards, pensions, legal disputes and other long-term provisions are shown in the table below:

Company	Provisions for legal disputes	Provisions for jubilee awards and retirement benefits	Provisions for termination benefits	Other long-term provisions	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2021	49,205	30,029	7,305	-	86,539
Additional provisions	7,395	283	15,370	-	23,048
Decrease in provisions (utilisation)	(17,218)	-	(12,022)	-	(29,240)
Decrease in provisions (reversal)	-	(22,293)	-	-	(22,293)
At 31 December 2021	39,382	8,019	10,653	-	58,054
Additional provisions	3,241	105	7,806	-	11,152
Decrease in provisions (utilisation)	(6,509)	-	(13,444)	-	(19,953)
Decrease in provisions (reversal)	-	-	-	-	-
At 31 December 2022	36,114	8,124	5,015	-	49,253

Group	Provisions for legal disputes	Provisions for jubilee awards and retirement benefits	Provisions for termination benefits	Other long-term provisions	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2021	52,965	37,479	7,515	-	97,959
Foreign exchange differences	(6)	(4)	-	-	(10)
Additional provisions	7,768	1,213	15,744	31	24,756
Decrease in provisions (utilisation)	(20,134)	(255)	(12,022)	-	(32,411)
Decrease in provisions (reversal)	-	(22,704)	-	-	(22,704)
At 31 December 2021	40,593	15,729	11,237	31	67,590
Foreign exchange differences	2	(12)	-	-	(10)
Additional provisions	3,536	1,172	7,596	-	12,304
Decrease in provisions (utilisation)	(6,720)	(1,125)	(13,818)	(31)	(21,694)
Decrease in provisions (reversal)	(58)	(193)	-	-	(251)
At 31 December 2022	37,353	15,571	5,015	-	57,939

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/i/ The following assumptions were used for the calculation:

- The employment termination rate for the Company is 6.42% (2021: 6.21%), while for the Group the average is 7.13% (2021: 7.41%)
- The expected annual salary increase for the Company is 2.5%, while for the Group is 1.79%;
- The average tax rate of 18% for the Company and 17% for the Group was applied to the calculation of severance pay.
- The present value of the liability is calculated using the discount rate of 3.13% (2021: 0.34%) for the Company and 3.13%-6.04% for the Group (2021: 0.34%-2.46%).

The table below shows the sensitivity analysis for significant assumptions:

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Change in liabilities	Change in liabilities	Change in liabilities	Change in liabilities
Discount rate -10%	180	20	348	56
Discount rate +10%	(173)	(20)	(332)	(55)
Employment termination rate -10%	473	476	772	821
Employment termination rate +10%	(434)	(436)	(708)	(753)

27. Financial liabilities

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Lease liabilities	272,761	274,716	315,117	320,875
Liabilities for repo transactions	77,521	76,481	77,521	76,481
Preference shares	12,250	12,250	12,250	12,250
Other financial liabilities	-	400	-	400
Financial liabilities to financial institutions	-	-	1,627	2,648
	362,532	363,847	406,515	412,654

Net debt:

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash and cash equivalents	863,367	609,033	1,078,164	797,265
Lease liabilities and financial liabilities to financial institutions	(272,761)	(274,716)	(316,744)	(323,523)
Net debt	590,606	334,317	761,420	473,742

Net debt reconciliation:

	Company	Company	Company	Group	Group	Group
	Cash and cash equivalents	Lease and loan liabilities	Total	Cash and cash equivalents	Lease and loan liabilities	Total
	2022	2022	2022	2022	2022	2022
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	609,033	(274,716)	334,317	797,265	(323,523)	473,742
Cash flow	254,334	-	254,334	280,899	-	280,899
Lease and loan payments	-	22,749	22,749	-	34,774	34,774
Increases based on new contracts	-	(10,845)	(10,845)	-	(18,855)	(18,855)
Canceled contracts	-	284	284	-	3,518	3,518
Interest expense	-	(9,769)	(9,769)	-	(11,995)	(11,995)
Foreign exchange differences	-	(464)	(464)	-	(407)	(407)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(256)	(256)
At 31 December	863,367	(272,761)	590,606	1,078,164	(316,744)	761,420

	Company	Company	Company	Group	Group	Group
	Cash and cash equivalents	Lease and loan liabilities	Total	Cash and cash equivalents	Lease and loan liabilities	Total
	2021	2021	2021	2021	2021	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	512,936	(261,999)	250,937	669,425	(301,613)	367,812
Cash flow	96,097	-	96,097	127,840	-	127,840
Lease and loan payments	-	22,971	22,971	-	30,853	30,853
Increases based on new contracts	-	(26,325)	(26,325)	-	(42,367)	(42,367)
Canceled contracts	-	1,758	1,758	-	2,420	2,420
Interest expense	-	(10,655)	(10,655)	-	(12,418)	(12,418)
Foreign exchange differences	-	(466)	(466)	-	(499)	(499)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	101	101
At 31 December	609,033	(274,716)	334,317	797,265	(323,523)	473,742

27.1. Lease liabilities

The maturity of lease liabilities is presented below:

	Company	Group
	31 Dec. 2022	31 Dec. 2022
	in HRK'000	in HRK'000
2023	16,991	26,194
2024	14,999	23,547
2025	12,445	18,408
2026	10,477	15,545
2027	10,416	13,573
2028 and later	207,433	219,477
	272,761	316,744

	Company	Group
	31 Dec. 2021	31 Dec. 2021
	in HRK'000	in HRK'000
2022	15,705	24,432
2023	15,729	22,821
2024	14,363	20,974
2025	12,257	17,590
2026	11,280	14,705
2027 and later	205,382	223,001
	274,716	323,523

The amounts recognised in the statement of financial position and movements of right-of-use assets during the year are presented in Note 16 Property and equipment.

The following is presented in Statement of comprehensive income:

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Depreciation expense of right-of-use assets				
Buildings	12,928	12,525	21,706	18,642
Vehicles	4,050	3,889	3,395	3,370
	16,978	16,414	25,101	22,012
Interest on lease liabilities	9,769	10,655	11,950	11,911
Expenses relating to short-term leases	809	268	10,951	9,149
Expenses relating to leases of low-value assets	5,364	6,350	7,509	7,905

28. Insurance contract and other liabilities and deferred income

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Insurance contract liabilities	74,490	92,807	93,252	104,436
Reinsurance liabilities	61,375	110,212	65,816	116,291
Other liabilities	111,384	112,478	154,589	150,774
Accrued expenses	172,554	134,419	184,660	144,220
Deferred income	139,664	149,951	143,822	154,948
	559,467	599,867	642,139	670,669

/i/ Insurance contract liabilities

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Liabilities for claims and contracted insurance amounts	8,027	25,026	18,249	30,479
Liabilities for contribution to the Fire Department	641	623	1,657	1,661
Liabilities for the guarantee fund	36,138	36,951	36,791	37,711
Liabilities for advances received for the insurance premium	8,700	8,824	10,336	10,443
Liabilities to the Croatian Insurance Bureau	(25)	75	(25)	75
Fee payable to the Croatian Financial Services Supervisory Agency	240	226	240	226
Liabilities for health insurance under motor liability premium	997	890	1,756	1,693
Other liabilities	19,772	20,192	24,248	22,148
	74,490	92,807	93,252	104,436

/ii/ Liabilities from coinsurance and reinsurance

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance premiums payable	56,385	106,373	57,647	109,905
Coinsurance premiums payable - domestic	4,990	3,839	7,026	5,684
Coinsurance premiums payable - foreign	-	-	1,143	702
	61,375	110,212	65,816	116,291

/iii/ Other liabilities

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Trade payables	52,629	55,371	72,257	66,940
Advances received	503	2,793	4,220	6,163
Liabilities for net salaries	23,747	24,065	30,861	30,531
Liabilities for contributions from salaries	5,862	5,436	7,220	6,711
Liabilities for tax and surtax from salaries	2,830	2,723	3,131	3,014
Liabilities for contributions on salaries	4,538	4,305	5,800	5,488
Dividends payable	1,571	1,457	1,592	1,483
Liability to the state for sold flats	74	231	74	231
Due to employees	212	142	1,501	1,544
Liabilities for tax on motor liability and motor hull insurance	9,712	8,757	10,656	9,685
Other liabilities	9,706	7,198	17,277	18,984
	111,384	112,478	154,589	150,774

/iv/ Accrued expenses and deferred income

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accrued expenses for unused vacation days	16,073	14,098	17,499	15,432
Accrued, but not invoiced acquisition expenses	13,917	9,207	14,635	9,726
Accrued, but not invoiced expenses for service received	9,016	11,572	17,864	18,671
Bonus provisions for employees	37,380	29,086	38,898	30,093
Liabilities for direct provisions, not past due	73,102	56,165	73,102	56,165
Accrued reinsurance provisions	13,844	8,988	13,844	8,988
Other accrued expenses	9,222	5,303	8,818	5,145
Total accrued expenses	172,554	134,419	184,660	144,220
Accrued premium	1,420	1,968	1,420	1,968
Deferred income from recourses /i/	113,201	120,482	113,201	120,482
Other deferred income	25,043	27,501	29,201	32,498
Total deferred income	139,664	149,951	143,822	154,948
	312,218	284,370	328,482	299,168

/i/ Deferred income from recourses, due to uncertainty of collection, in the amount of HRK 113,201 thousand (31 December 2021: HRK 120,482 thousand) relates to deferred income from recourses which are either open or subject to a final settlement for payment (see Note 22.3). When the refusal of payment leads to these recourse receivables being sued, then the recourse receivable and deferred income are transferred to off-balance-sheet records.

29. Off balance sheet items

	Company		Group	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Forward contracts (nominal amount)	573,195	2,322,818	573,195	2,322,818
Premium receivables from companies in bankruptcy	150,024	212,579	169,127	231,682
Shares and stakes of companies in bankruptcy	18,651	18,651	28,592	27,437
Placements and interest from companies in bankruptcy	65,232	62,985	71,626	68,635
Default interest on placements	27,675	32,168	27,675	32,168
Other off-balance-sheet items	1,772	1,643	1,772	1,643
	836,549	2,650,844	871,987	2,684,383
Recourse receivables	752,055	772,299	767,073	789,356
	1,588,604	3,423,143	1,639,060	3,473,739

30. Related party transactions

The Company considers that it has an immediate related party relationship with its ultimate controlling party, the company ADRIS grupa d.d. and the Republic of Croatia (CERP) and companies with majority state ownership or in which the state has significant influence, companies under control, under common control or under influence of key management personnel and their close family members in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24). The Group considers the members of the Management Board and Supervisory Board, and directors of departments as key management.

Key related party transactions

The Company pays income tax in the Republic of Croatia, as described in Note 13. The Company also pays personal income tax as described in Notes 9 and 10.2. With regard to taxes, the Company has no outstanding liabilities towards the Republic of Croatia. The Company invests in securities of the Republic of Croatia and other state-owned companies as listed in the table below with interest rates ranging from 0.25% to 5.75% and with maturities of 2023-2041.

The Company has given loans to the related company Croatia-tehnički pregled d.o.o. in the total value of HRK 181.4m at an interest rate of 4.97%, to the company Core 1 d.o.o. in the total amount of HRK 95m at an interest rate of 4% and 5.14% respectively, to the company Croatia osiguranje d.d., non-life insurance company, Skopje in the amount of HRK 17.4m at an interest rate of 2.625% and 2.68%, to the company CO Zdravlje d.o.o. in the amount of HRK 19m at an interest rate of 6.10%, to the company STRMEC PROJEKT d.o.o. in the amount of HRK 3.7m at an interest rate of 4.55% , to the company CROATIA Premium d.o.o. in the total amount of HRK 12.5m at an interest rate of 3.2%, to the CROATIA POLIKLINIKA in the total amount of HRK 32m at interest rate of 6.07% and to the company CO LOGISTIKA d.o.o. in total amount of HRK 30 thousands at the interest rate of 2.68%, for the purpose of additional investments.

Other relationships with subsidiaries, joint ventures and associates within the Group and other companies that have a significant impact on the Company's financial statements as well as companies in which the state has majority ownership or significant influence are presented in the following tables for 2022 and 2021:

Transactions and balances with the parent company and other related entities of the Company for 2022:

	Subsidiaries	Associates	ADRIS GRUPA d.d. (Parent company)	Other ADRIS GRUPA companies
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	263,727	-	-	21,854
Receivables from insurance	1,327	1	-	2,837
Other receivables	924	-	176	74
Insurance liabilities	286	-	-	-
Technical provisions	31,297	-	-	-
Other liabilities	643	-	2,353	233
Written premiums	7,950	262	538	20,375
Change in gross provisions for unearned premiums	1,945	-	-	-
Investment income	28,210	10,500	-	1,203
Other income	2,230	-	-	-
Claims incurred	60,599	-	100	5,853
Operating expenses	6,384	-	17,127	1,862

Transactions and balances with the parent company and other related entities of the Group for 2022:

	Associates	ADRIS GRUPA d.d. (Parent company)	Other ADRIS GRUPA companies
	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	-	-	21,854
Receivables from insurance	1	-	2,837
Other receivables	-	176	234
Insurance liabilities	-	-	-
Technical provisions	-	-	-
Other liabilities	-	2,353	233
Written premiums	262	538	20,375
Change in gross provisions for unearned premiums	-	-	-
Investment income	10,500	-	1,203
Other income	-	10	37
Claims incurred	-	100	5,853
Operating expenses	-	17,127	1,994

Transactions and balances with parties related to the shareholder with significant influence on the Company and the Group (Republic of Croatia and all companies with majority state ownership) for 2022:

	Company	Group
	in HRK'000	in HRK'000
Debt securities	5,263,695	5,277,070
Loans and receivables	-	-
Receivables from insurance business	10,194	10,194
Other receivables	463	463
Insurance liabilities	-	-
Other liabilities	993	993
Insurance income	109,047	109,047
Interest income	141,698	141,900
Other income	11,635	11,635
Insurance expenses	23,387	23,387
Other expenses	26,451	26,451

Transactions and balances with the parent company and other related entities of the Company for 2021:

	Subsidiaries	Associates	ADRIS GRUPA d.d. (Parent company)	Other ADRIS GRUPA companies
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	247,922	-	-	32,700
Receivables from insurance	3,588	-	-	1,882
Other receivables	1,026	-	120	321
Insurance liabilities	1,528	-	-	-
Technical provisions	12,900	-	-	-
Other liabilities	697	-	1,737	212
Written premiums	6,457	245	555	19,145
Change in gross provisions for unearned premiums	3,449	-	-	-
Investment income	39,474	9,900	-	1,440
Other income	1,481	-	-	-
Claims incurred	14,348	-	38	6,363
Operating expenses	6,157	-	15,280	2,295

Transactions and balances with the parent company and other related entities of the Group for 2021:

	Associates	ADRIS GRUPA d.d. (Parent company)	Other ADRIS GRUPA companies
	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	-	-	32,700
Receivables from insurance	-	-	1,882
Other receivables	-	120	325
Insurance liabilities	-	-	-
Technical provisions	-	-	-
Other liabilities	-	1,782	218
Written premiums	245	555	19,145
Change in gross provisions for unearned premiums	-	-	-
Investment income	9,900	-	1,440
Other income	-	11	297
Claims incurred	-	38	6,363
Operating expenses	-	15,280	2,325

Transactions and balances with parties related to the shareholder with significant influence on the Company and the Group (Republic of Croatia and all companies with majority state ownership) for 2021:

	Company	Group
	in HRK'000	in HRK'000
Debt securities	5,590,030	5,609,250
Loans and receivables	-	-
Receivables from insurance business	5,933	5,933
Other receivables	2,416	2,423
Insurance liabilities	6	6
Other liabilities	2,304	2,467
Insurance income	100,263	100,263
Interest income	134,623	134,947
Other income	11,416	11,416
Insurance expenses	54,981	54,981
Other expenses	27,130	28,702

Transactions and balances with parties related to key management of the Company, Group and Parent company for 2022 and 2021:

	Company	Company	Group	Group
	2022	2021	2022	2021
	in HRK'000	in HRK'000	in HRK'000	In HRK'000
Insurance receivables	7	10	7	10
Insurance income	163	180	163	180

/i/ Key management compensation

Company:

	31 Dec.2022				31 Dec.2021			
	in HRK '000				in HRK '000			
	Management	Department directors	Supervisory Board	Total	Management	Department directors	Supervisory Board	Total
Key management compensation	16,054	20,574	157	36,785	16,575	19,805	84	36,464
Termination benefits	-	370	-	370	415	-	-	415
	16,054	20,944	157	37,155	16,990	19,805	84	36,879

Group:

	31 Dec.2022				31 Dec.2021			
	in HRK '000				in HRK '000			
	Management	Department directors	Supervisory Board	Total	Management	Department directors	Supervisory Board	Total
Key management compensation	25,056	26,688	370	52,114	26,515	26,283	174	52,972
Termination benefits	9	459	-	468	416	-	-	416
	25,065	27,147	370	52,582	26,931	26,283	174	53,388

The key management personnel of the Group are members of the Management Board and Supervisory Board and directors of departments.

Key management compensation includes gross salary, life insurance premiums, benefits in kind, bonuses, termination benefits and compensation of the Supervisory Board. The remuneration of key management in the note above includes provisions for bonuses for 2022 and 2021. The paid bonuses of key management for 2022 amount to HRK 8,505 thousand for the Company (2021: HRK 7,722 thousand), and for the Group HRK 10,758 thousand (2021: HRK 9,205 thousand).

31. Contingent liabilities

The Group has contingent liabilities in terms of issued collection instruments in the course of its business operations. It is unlikely that significant obligations could result from the above. The group has real estate with an estimated value of HRK 1.6m on which there is a lien in favor of a third party. Also, as part of its regular operations, the Group has pledged financial assets worth HRK 100m as collateral.

On account of its principal activity, the Group is subject to legal disputes initiated by injured parties. Based on the opinions of legal advisors, the Management Board has assessed which legal disputes require provisions, since it is probable that the court will not rule in the Group's favour. Legal disputes for which no provision have been made and were designated as contingent liabilities, it has been estimated that the final outcome will be in favour of the Group and that no outflow of resources will occur.

Provisions for legal disputes arising from claims incurred were provided for within claims provisions. The Management Board believes that these provisions are sufficient.

32. Commitments

As at 31 December 2022, the Company's contractual obligations for future investments amount to HRK 338,016 thousand based on binding bids for investments in venture capital funds (31 December 2021: HRK 356,505 thousand).

33. Audit of financial statements

The auditors of the Group's financial statements have provided services in 2022 in the amount of HRK 6,259 thousand plus value added tax (2021: HRK 3,543 thousand plus value added tax). The Company was provided services in the amount of HRK 4,992 thousand plus value added tax (2021: HRK 2,682 thousand plus value added tax). Services in 2022 and 2021 relate to the costs of the statutory audit of annual financial statements and related audit services.

During 2022, PricewaterhouseCoopers d.o.o. ("PwC") provided educational and advisory services while in 2021 it provided advisory services. During 2022 and 2021, Deloitte d.o.o. provided tax advisory services.

34. Events after the balance sheet date

On 14 March 2023, the General Assembly of CROATIA osiguranje d.d. was held at which the Decision was made on the election of Vitomir Palinac as a member of the Supervisory Board for a period of 4 years, with the beginning of the mandate on 20 June 2023, subject to the approval of HANFA.

In March 2023, certain banks in the USA and Switzerland found themselves in financial difficulties. The group has no direct exposure to the mentioned banks, but despite this, it continuously monitors and analyzes the situation and prepares measures to mitigate possible negative consequences on its operations in case there is a wider spillover of financial difficulties to the banking sector and the capital market in general.

Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

Pursuant to the Ordinance on the structure and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19 and 98/20) which was issued by the Croatian Financial Services Supervisory Agency on the basis of the Insurance Act and the Accounting Act, below we present the separate and consolidated financial statements of the company CROATIA osiguranje d.d., Zagreb in the form required by the stated Ordinance.

The reconciliation between the financial statements, as prescribed by the Ordinance on the structure and content of the financial statements of insurance and reinsurance Companies, and the annual financial statements prepared in accordance with the IFRS reporting framework is presented in section entitled "Reconciliation of the financial statements and supplementary statements for the Croatian Financial Services Supervisory Agency".

CROATIA osiguranje d.d., Zagreb
Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

STATEMENT OF FINANCIAL POSITION as at 31 December 2022

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS		133,712,534	133,712,534		116,163,736	116,163,736
002		1	Goodwill						
003		2	Other intangible assets		133,712,534	133,712,534		116,163,736	116,163,736
004	005+006+007	II	TANGIBLE ASSETS	14,133	496,678,283	496,692,416	14,133	483,824,674	483,838,806
005		1	Land and buildings used for business activities		195,045,782	195,045,782		189,540,465	189,540,465
006		2	Equipment	14,051	26,485,497	26,499,548	14,051	25,136,209	25,150,260
007		3	Other tangible assets and inventories	82	275,147,004	275,147,086	82	269,148,000	269,148,082
008	009+010+014+033	III	INVESTMENTS	3,223,878,712	5,844,582,500	9,068,461,212	3,010,774,743	5,585,639,382	8,596,414,125
009		A	Investments in land and buildings not used for business activities		524,104,269	524,104,269		522,850,893	522,850,893
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures		384,197,496	384,197,496		388,115,306	388,115,306
011		1	Shares and stakes in subsidiaries		356,197,496	356,197,496		360,115,306	360,115,306
012		2	Shares and stakes in associates						
013		3	Shares and stakes in joint ventures		28,000,000	28,000,000		28,000,000	28,000,000
014	015+018+023+029	C	Financial assets	3,223,878,712	4,936,280,736	8,160,159,448	3,010,774,743	4,674,673,184	7,685,447,927
015	016+017	1	Held-to-maturity financial assets	1,231,461,828	1,094,522,138	2,325,983,967	1,149,069,715	1,048,200,506	2,197,270,221
016		1.1	Debt financial instruments	1,231,461,828	1,094,522,138	2,325,983,967	1,149,069,715	1,048,200,506	2,197,270,221
017		1.2	Other						
018	019+020+021+022	2	Financial assets available for sale	1,884,095,466	3,283,111,286	5,167,206,752	1,736,511,381	3,145,348,852	4,881,860,233
019		2.1	Equity financial instruments	78,835,758	794,141,134	872,976,892	84,076,070	690,072,992	774,149,062
020		2.2	Debt financial instruments	1,700,547,001	2,168,583,697	3,869,130,698	1,526,459,095	2,188,745,797	3,715,204,893
021		2.3	Shares in investment funds	104,712,707	320,386,454,490	425,099,162	125,976,216	266,530,062,740	392,506,278
022		2.4	Other						
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss	309,553	28,489,385	28,798,938	2,175,835	33,836,976	36,012,811
024		3.1	Equity financial instruments		25,765,552	25,765,552		22,406,215	22,406,215
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments	309,553	2,723,833	3,033,386	2,175,835	11,430,761	13,606,596
027		3.4	Shares in investment funds						
028		3.5	Other						
029	030+031+032	4	Loans and receivables	108,011,865	530,157,926	638,169,791	123,017,813	447,286,849	570,304,662
030		4.1	Deposits with credit institutions	67,847,755	100,289,307	168,137,063	97,709,983	33,910,155	131,620,138
031		4.2	Loans	39,445,265	283,366,478	322,811,744	25,307,829	289,026,223	314,334,052
032		4.3	Other	718,844	146,502,141	147,220,985		124,350,471	124,350,471
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	355,280,253		355,280,253	193,881,776		193,881,776
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	20,627	331,321,934	331,342,561	19,535	396,187,511	396,207,046
036		1	Unearned premiums, reinsurance share		75,363,648	75,363,648		89,144,904	89,144,904
037		2	Mathematical provisions for insurance, reinsurance share	20,627		20,627	19,535		19,535
038		3	Claims provisions, reinsurance share		255,958,286	255,958,286		307,042,607	307,042,607
039		4	Provisions for bonuses and discounts, reinsurance share						
040		5	Provisions for claims fluctuation, reinsurance share						
041		6	Other technical provisions for insurance, reinsurance share						
042		7	Special provisions for life insurance where the policyholder bears the investment risk, reinsurance share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	2,125,392	69,111,257	71,236,649	2,447,898	70,658,006	73,105,904
044		1	Deferred tax assets	2,125,392	69,111,257	71,236,649	2,447,898	70,271,056	72,718,954
045		2	Current tax assets					386,950	386,950
046	047+050+051	VII	RECEIVABLES	16,107,888	895,130,447	911,238,335	6,319,381	933,704,227	940,023,608
047	048+049	1	Receivables from insurance business	233,896	536,565,103	536,798,999	233,896	675,814,795	676,048,691
048		1.1	From policyholders		536,452,727	536,452,727		675,315,011	675,315,011
049		1.2	From agents or insurance brokers	233,896	112,376	346,272	233,896	499,783	733,679
050		2	Receivables from reinsurance business	465	150,119,653	150,120,118		49,176,944	49,176,944
051	052+053+054	3	Other receivables	15,873,527	208,445,691	224,319,218	6,085,485	208,712,489	214,797,974
052		3.1	Receivables from other insurance business		130,469,004	130,469,004		125,817,804	125,817,804
053		3.2	Receivables for returns on investments	381,379	610,571	991,950	135,469	659,653	795,122
054		3.3	Other receivables	15,492,148	77,366,116	92,858,263	5,950,016	82,235,032	88,185,048
055	056+060+061	VIII	OTHER ASSETS	48,451,977	530,381,366	579,033,343	103,632,340	696,278,658	799,910,999
056	057+058+059	1	Cash at bank and on hand	48,451,977	530,580,854	579,032,831	103,632,340	696,278,146	799,910,487
057		1.1	Funds in the business account		530,580,854	530,580,854		696,278,146	696,278,146
058		1.2	Funds in the account of assets covering mathematical provisions	48,451,977		48,451,977	103,632,340		103,632,340
059		1.3	Cash on hand						
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other		512	512		512	512
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME		217,928,510	217,928,510		246,008,109	246,008,109
063		1	Accrued interest and rent						
064		2	Deferred acquisition costs		196,996,387	196,996,387		188,935,071	188,935,071
065		3	Other prepaid expenses and accrued income		20,932,123	20,932,123		57,073,038	57,073,038
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	3,645,878,982	8,519,046,831	12,164,925,813	3,317,089,807	8,528,464,303	11,845,554,109
067		XI	OFF BALANCE-SHEET ITEMS	295,776,653	3,127,366,763	3,423,143,416	97,887,285	1,490,716,847	1,588,604,132

STATEMENT OF FINANCIAL POSITION as at 31 December 2022

in HRK

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY	433,496,449	3,582,303,681	4,015,800,130	308,926,284	3,533,601,078	3,842,527,362
069	070+071	1	Share capital	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
070		1.1	Paid-up capital - ordinary shares	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
071		1.2	Paid-up capital - preference shares						
072		2	Share premium (capital reserves)		681,482,525	681,482,525		681,482,525	681,482,525
073	074+075+076	3	Revaluation reserves	115,128,390	503,064,647	618,193,036	-66,563,699	197,838,319	131,274,620
074		3.1	Land and buildings		48,514,703	48,514,703		47,007,462	47,007,462
075		3.2	Financial assets available for sale	115,128,390	454,549,943	569,678,333	-66,563,699	150,830,857	84,267,158
076		3.3	Other revaluation reserves						
077	078+079+080	4	Reserves	85,295,937	316,742,639	402,038,576	85,295,937	316,742,639	402,038,576
078		4.1	Legal reserves	2,214,436	27,864,354	30,078,790	2,214,436	27,864,354	30,078,790
079		4.2	Statutory reserves	7,581,501	139,638,499	147,220,000	7,581,501	139,638,499	147,220,000
080		4.3	Other reserves	75,500,000	149,239,786	224,739,786	75,500,000	149,239,786	224,739,786
081	082+083	5	Retained earnings or accumulated loss	179,986,450	1,210,660,461	1,390,646,911	188,783,402	1,536,639,772	1,725,423,174
082		5.1	Retained earnings	179,986,450	1,210,660,461	1,390,646,911	188,783,402	1,536,639,772	1,725,423,174
083		5.2	Accumulated loss (-)						
084	085+086	6	Profit or loss for the period	8,796,952	325,316,329	334,113,281	57,121,924	255,860,743	312,982,666
085		6.1	Profit for the period	8,796,952	325,316,329	334,113,281	57,121,924	255,860,743	312,982,666
086		6.2	Loss for the period (-)						
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)						
088		XIV	MINORITY INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,749,553,919	3,836,466,172	6,586,020,091	2,787,566,361	3,986,057,344	6,773,623,705
090		1	Unearned premiums, gross amount	5,179,737	1,193,835,121	1,199,014,858	4,322,305	1,296,997,625	1,301,319,930
091		2	Mathematical provisions, gross amount	2,649,731,672	6,553,376	2,656,285,048	2,676,570,042	3,614,970	2,680,185,011
092		3	Claims provisions, gross amount	94,642,510	2,600,712,902	2,695,355,412	106,674,014	2,643,392,181	2,750,066,195
093		4	Provisions for bonuses and discounts, gross amount		21,471,444	21,471,444		25,604,985	25,604,985
094		5	Provisions for claims fluctuation, gross amount		7,055,533	7,055,533		7,055,533	7,055,533
095		6	Other technical provisions, gross amount		6,837,796	6,837,796		9,392,051	9,392,051
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	355,280,253		355,280,253	193,881,776		193,881,776
097	098+099	XVII	OTHER PROVISIONS	4,059,715	56,691,987	60,751,702	2,992,432	48,885,748	51,878,180
098		1	Provisions for pensions and similar obligations	3,950,010	54,103,971	58,053,981	2,992,432	46,280,971	49,253,403
099		2	Other provisions	109,705	2,588,017	2,697,722		2,624,777	2,624,777
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	25,272,086	133,982,324	159,254,410	-14,611,544	53,845,520	39,233,976
101		1	Deferred tax liabilities	25,272,086	110,447,790	135,719,875	-14,611,544	43,461,764	28,850,220
102		2	Current tax liability		22,534,534	22,534,534		10,383,756	10,383,756
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES	20,256,104	349,578,104	369,834,208	27,843	363,123,888	363,151,731
105		1	Loan liabilities						
106		2	Liabilities for issued financial instruments						
107		3	Other financial liabilities	20,256,104	349,578,104	369,834,208	27,843	363,123,888	363,151,731
108	109+110+111+112	XXI	OTHER LIABILITIES	27,562,002	306,953,587	334,515,589	27,541,569	241,497,232	269,038,801
109		1	Liabilities from direct insurance business	717,639	92,089,280	92,806,919	107,437	74,382,758	74,490,195
110		2	Liabilities from coinsurance and reinsurance	18,567	110,193,290	110,211,857	10,244	61,364,358	61,374,602
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities	26,825,796	104,671,018	131,496,813	27,423,889	105,750,116	133,174,005
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	30,398,455	253,970,974	284,369,430	10,765,085	301,453,493	312,218,578
114		1	Deferred reinsurance commission		8,988,308	8,988,308		13,843,826	13,843,826
115		2	Other accrued expenses and deferred income	30,398,455	244,982,666	275,381,121	10,765,085	287,609,667	298,374,752
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	3,645,878,982	8,519,046,831	12,164,925,813	3,317,089,807	8,528,464,303	11,845,554,109
117		XXIV	OFF-BALANCE-SHEET ITEMS	295,776,653	3,127,366,763	3,423,143,416	97,887,285	1,490,716,847	1,588,604,132

Note: position 088 is completed by companies preparing consolidated financial statements.

CROATIA osiguranje d.d., Zagreb
Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2022 – 31 December 2022

in HRK

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	443,785,158	2,155,278,399	2,599,063,557	303,945,085	2,369,767,114	2,673,712,199
002		1	Gross written premiums	444,014,654	2,451,749,552	2,895,764,205	303,144,881	2,795,880,746	3,099,025,627
003		2	Value adjustment and charged premium value adjustment		15,076,135	15,076,135		7,051,052	7,051,052
004		3	Premiums ceded to reinsurance (-)	-72,243	-278,232,701	-278,304,944	-57,228	-343,783,436	-343,840,664
005		4	Change in gross provisions for unearned premiums (+/-)	-157,253	-49,978,876	-50,136,129	857,432	-103,162,504	-102,305,072
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)		16,664,289	16,664,289		13,781,256	13,781,256
007	008+009+010+011+012+013+014	II	Investment income	99,319,691	295,307,926	394,627,617	112,119,299	324,548,356	436,667,654
008		1	Income from subsidiaries, associates and participation in joint ventures	3,583,367	61,798,901	65,382,268	5,674,729	67,360,034	73,034,763
009		2	Income from investments in land and buildings		42,025,451	42,025,451		55,192,144	55,192,144
010		3	Interest income	85,717,193	83,268,580	168,985,773	82,342,126	92,107,593	174,449,719
011		4	Unrealized gains on investments	1,942,070	19,030,321	20,972,392	2,095,889	10,231,475	12,327,364
012		5	Realised gains on investments	8,073,469	56,216,172	64,289,640	15,967,394	63,248,663	79,216,058
013		6	Net foreign exchange gains		6,028,153	6,028,153		16,727,066	22,755,219
014		7	Other investment income	3,592	32,968,502	32,972,094	11,007	19,681,382	19,692,389
015		III	Income from fees and commissions	1,874,557	36,541,824	38,416,382	1,376,554	54,299,997	55,675,551
016		IV	Other insurance - technical income, net of reinsurance	944,147	27,605,551	28,549,699	768,632	25,752,848	26,521,480
017		V	Other income	12,827,462	12,827,462	12,827,462	3,707	23,018,684	23,022,391
018	019+022	VI	Claims incurred, net	-413,578,267	-1,132,870,252	-1,546,448,518	-425,162,887	-1,229,205,983	-1,654,368,871
019	020+021	1	Settled claims	-413,766,028	-1,182,570,496	-1,596,336,524	-413,131,383	-1,237,611,026	-1,650,742,409
020		1.1	Gross amount (-)	-413,766,028	-1,409,225,490	-1,822,991,518	-413,131,383	-1,391,432,247	-1,804,563,630
021		1.2	Reinsurance share (+)		226,654,994	226,654,994		153,821,221	153,821,221
022	023+024	2	Change in claims provisions (+/-)	187,761	49,700,244	49,888,006	-12,031,504	8,405,042	-3,626,462
023		2.1	Gross amount (-)	187,761	209,898,839	210,086,600	-12,031,504	-42,679,279	-54,710,783
024		2.2	Reinsurance share (+)		-160,198,595	-160,198,595		51,084,321	51,084,321
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	-95,547,136	-15,408,777	-110,955,912	-26,839,462	-3,749,389	-30,588,851
026	027+028	1	Change in mathematical provisions (+/-)	-95,547,136	4,755,518	-90,791,618	-26,839,462	2,938,407	-23,901,055
027		1.1	Gross amount (-)	-95,555,500	4,755,518	-90,799,982	-26,838,370	2,938,407	-23,899,963
028		1.2	Reinsurance share (+)	8,364		8,364	-1,092		-1,092
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)		-20,164,294	-20,164,294		-6,687,796	-6,687,796
030		2.1	Gross amount (-)		-20,164,294	-20,164,294		-6,687,796	-6,687,796
031		2.2	Reinsurance share (+)						
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	44,865,715		44,865,715	151,000,361		151,000,361
033		1	Gross amount (-)	44,865,715		44,865,715	151,000,361		151,000,361
034		2	Reinsurance share (+)						
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-5,316,985	-5,316,985		-8,078,222	-8,078,222
036		1	Depending on the result (bonuses)		-5,316,985	-5,316,985		-8,078,222	-8,078,222
037		2	Irrespective of result (discounts)						
038	039+043	X	Operating expenses (business expenditures), net	-54,779,933	-875,718,037	-930,497,970	-32,585,997	-1,041,878,202	-1,074,464,199
039	040+041+042	1	Acquisition costs	-22,765,013	-511,372,988	-534,138,001	-9,103,034	-627,716,878	-636,819,912
040		1.1	Commission	-6,024,293	-278,271,016	-284,295,309	-3,919,822	-324,318,884	-328,238,706
041		1.2	Other acquisition costs	-16,740,720	-221,748,690	-238,489,409	-5,183,212	-295,336,679	-300,519,890
042		1.3	Change in deferred acquisition costs (+/-)		-11,353,283	-11,353,283		-8,061,316	-8,061,316
043	044+045+046	2	Administration costs (administrative expenses)	-32,014,920	-364,345,049	-396,359,969	-23,482,963	-414,161,324	-437,644,287
044		2.1	Depreciation	-2,607,131	-56,408,732	-59,015,863	-1,389,837	-59,496,631	-60,886,468
045		2.2	Salaries, taxes and contributions from and on salaries	-12,832,249	-116,878,801	-129,711,050	-9,671,835	-137,028,713	-146,700,548
046		2.3	Other administrative expenses	-16,575,540	-191,057,516	-207,633,056	-12,421,291	-217,635,979	-230,057,270
047	048+049+050+051+052+053+054	XI	Investment expenses	-15,378,640	-76,080,111	-91,458,751	-15,069,293	-114,835,762	-129,905,056
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest	-1,074,347	-10,649,415	-11,723,763	-468,346	-10,385,746	-10,854,092
050		3	Impairment of investments		-2,425,582	-2,425,582	-1,032,515	-7,571,254	-8,603,769
051		4	Realised losses on investments	-3,766,324	-14,049,330	-17,815,654	-11,820,561	-60,605,463	-62,426,024
052		5	Unrealised losses on investments	-702,467	-10,552,706	-11,255,172	-250,704,53	-4,681,112,82	-4,931,817,35
053		6	Net foreign exchange losses	-7,998,369	-5,611,937	-13,610,306			
054		7	Other investment expenses	-1,837,133	-32,791,141	-34,628,274	-1,497,168	-41,592,186	-43,089,354
055	056+057	XII	Other technical expenses, net of reinsurance	-1,015,246	-37,924,476	-38,939,722	-794,273	-36,399,119	-37,193,392
056		1	Prevention activities expenses						
057		2	Other technical expenses of insurance	-1,015,246	-37,924,476	-38,939,722	-794,273	-36,399,119	-37,193,392
058		XIII	Other expenses, including value adjustments	-10,242	-2,074,797	-2,085,039	-8,858	-63,440,038	-63,448,896
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	10,479,805	382,167,729	392,647,534	68,752,869	299,800,282	368,553,151
060	061+062	XV	Income or loss tax	-1,682,853	-56,851,400	-58,534,253	-11,630,945	-43,939,540	-55,570,485
061		1	Current tax expense	-2,030,911	-60,271,625	-62,302,536	-11,953,451	-45,099,338	-57,052,789
062		2	Deferred tax expense (income)	348,057	3,420,226	3,768,283	322,506	1,159,798	1,482,304
063	059+060	XVI	Profit or loss for the period after tax (+/-)	8,796,952	325,316,329	334,113,281	57,121,924	255,860,743	312,982,666
064		1	Attributable to equity holders of the parent company						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	546,271,610	2,530,981,388	3,077,252,999	418,535,783	2,798,546,797	3,217,082,580
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-537,474,659	-2,205,665,059	-2,743,139,718	-361,413,859	-2,542,686,054	-2,904,099,913
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	-29,064,411	176,771,420	147,707,009	-181,692,088	-304,682,683	-486,374,771
069		1	Gains / losses on translation of financial statements of foreign operations		52,637	52,637		-67,765	-67,765
070		2	Gains / losses on revaluation of financial assets available for sale	-35,444,404	215,535,783	180,091,379	-221,575,718	-370,306,490	-591,882,207
071		3	Gains / losses on revaluation of land and buildings intended for business activities		-25,071	-25,071		-1,175,117	-1,175,117
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income	6,379,993	-38,791,928	-32,411,935	39,883,629	66,866,689	106,750,318
077	078+079	XX	Total comprehensive income	-20,267,460	502,087,750	481,820,290	-124,570,165	-48,821,940	-173,392,105
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
080		XXI	Reclassification adjustments						

STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2022 – 31 December 2022

Position no.	Sum elements	Position code	Position description	Current period	Previous period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-597,415	185,288,704
002	003+004	1	Cash flow before changes in operating assets and liabilities	218,189,269	178,058,443
003		1.1	Profit/loss before tax	368,553,151	392,647,534
004	005+006+007+008+009+010+011+012	1.2	Adjustments:	-150,363,882	-214,589,091
005		1.2.1	Depreciation of property and equipment	36,101,571	34,681,193
006		1.2.2	Amortization	24,784,897	24,334,670
007		1.2.3	Impairment and gains/losses on fair valuation	26,005,476	-46,349,929
008		1.2.4	Interest expense	10,854,092	11,723,763
009		1.2.5	Interest income	-174,449,719	-168,985,773
010		1.2.6	Share in profit of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-3,732,251	-692,959
012		1.2.8	Other adjustments	-69,927,948	-69,300,055
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-143,944,833	51,242,328
014		2.1	Increase/decrease in investments available for sale	-206,775,794	-378,593,480
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	-987,777	7,198,487
016		2.3	Increase/decrease in loans and receivables	38,663,775	336,005,357
017		2.4	Increase/decrease in deposits at insurance business ceded to reinsurance		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholder	161,398,476	44,969,879
019		2.6	Increase/decrease in reinsurance share in technical provisions	-64,864,484	143,525,941
020		2.7	Increase/decrease in tax assets	-386,950	
021		2.8	Increase/decrease in receivables	-21,413,398	-165,499,442
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepaid expenses and accrued income	-28,079,600	42,822,559
024		2.11	Increase/decrease in technical provisions	187,603,613	-48,986,195
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	-161,398,476	-44,969,879
026		2.13	Increase/decrease in tax liabilities	5,538,284	
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	-6,158,078	72,243,806
029		2.16	Increase/decrease in other liabilities	-74,933,574	44,660,762
030		2.17	Increase/decrease in accrued expenses and deferred income	27,849,148	-2,135,468
031		3	Income tax paid	-74,841,851	-44,012,068
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	267,144,439	-107,871,606
033		1	Proceeds from sale of tangible assets	464,811	1,329,198
034		2	Purchases of tangible assets	-18,266,370	-19,473,395
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-51,727,289	-61,189,190
037		5	Proceeds from the sale of land and buildings not used for business activities	19,234,603	6,341,538
038		6	Purchase of land and buildings not used for business activities	-645,549	-2,195,220
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	-4,451,396	-2,001,490
040		8	Proceeds from held-to-maturity investments	385,898,308	134,299,331
041		9	Payments for held-to-maturity investments	-186,333,322	-309,123,536
042		10	Proceeds from sale of financial instruments		
043		11	Payments for investments in financial instruments		
044		12	Proceeds from dividends and share in profit	72,512,141	63,924,492
045		13	Proceeds from repayment of given short-term and long-term loans	115,617,386	112,438,832
046		14	Payments for given long-term and short-term loans	-65,158,884	-32,222,167
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-22,914,150	-24,930,508
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Repayment of short-term and long-term loans	-21,934,150	-22,970,508
051		4	Purchase of treasury shares		
052		5	Payment of shares in profit (dividends)	-980,000	-1,960,000
053	001+032+047		NET CASH FLOW	243,632,874	52,486,590
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-22,755,219	13,610,306
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	220,877,655	66,096,896
056		1	Cash and cash equivalents at beginning of period	579,033,343	512,936,448
057	055+056	2	Cash and cash equivalents at end of period	799,910,999	579,033,343

Note: Positions reducing the cash flow are entered with a minus.

CROATIA osiguranje d.d., Zagreb
Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

STATEMENT OF CHANGES IN EQUITY for the period 1 January 2022 – 31 December 2022

Position no.	Position description	Attributable to owners of the parent company							Attributable to non-controlling interests	Attributable to non-controlling interests
		Paid-up capital (ordinary and preference shares)	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total equity		
I.	Balance at 1 January of previous year	589,325,800	681,482,525	471,124,404	402,038,576	1,160,279,132	229,589,272	3,533,839,709		3,533,839,709
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
II.	Balance at 1 January of previous year (restated)	589,325,800	681,482,525	471,124,404	402,038,576	1,160,279,132	229,589,272	3,533,839,709		3,533,839,709
III.	Comprehensive income or loss of the previous year			147,707,009			334,113,281	481,820,290		481,820,290
1.	Profit or loss for the period						334,113,281	334,113,281		334,113,281
2.	Other comprehensive income or loss of the previous year			147,707,009				147,707,009		147,707,009
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-20,559				-20,559		-20,559
2.2.	Unrealized gains or losses from financial assets available for sale			173,001,041				173,001,041		173,001,041
2.3.	Realized gains or losses from financial assets available for sale			-25,326,111				-25,326,111		-25,326,111
2.4.	Other non-owner changes in equity			52,637				52,637		52,637
IV.	Transactions with owners (previous period)			-638,376		230,367,779	-229,589,272	140,131		140,131
1.	Increase/decrease in share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends									
4.	Other distributions to owners			-638,376		230,367,779	-229,589,272	140,131		140,131
V.	Balance at the last day of the reporting period in the previous year	589,325,800	681,482,525	618,193,036	402,038,576	1,390,646,911	334,113,281	4,015,800,130		4,015,800,130
VI.	Balance at 1 January of current year	589,325,800	681,482,525	618,193,036	402,038,576	1,390,646,911	334,113,281	4,015,800,130		4,015,800,130
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
VII.	Balance at 1 January of current year (restated)	589,325,800	681,482,525	618,193,036	402,038,576	1,390,646,911	334,113,281	4,015,800,130		4,015,800,130
VIII.	Comprehensive income or loss of the current year			-486,374,771			312,982,666	-173,392,105		-173,392,105
1.	Profit or loss for the period						312,982,666	312,982,666		312,982,666
2.	Other comprehensive income or loss of the current year			-486,374,771				-486,374,771		-486,374,771
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-963,596				-963,596		-963,596
2.2.	Unrealized gains or losses from financial assets available for sale			-457,838,908				-457,838,908		-457,838,908
2.3.	Realized gains or losses from financial assets available for sale			-27,504,502				-27,504,502		-27,504,502
2.4.	Other non-owner changes in equity			-67,765				-67,765		-67,765
IX.	Transactions with owners (current period)			-543,645		334,776,263	-334,113,281	119,337		119,337
1.	Increase/decrease of share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends									
4.	Other distributions to owners			-543,645		334,776,263	-334,113,281	119,337		119,337
X.	Balance at the last day of the reporting period in the current year	589,325,800	681,482,525	131,274,620	402,038,576	1,725,423,174	312,982,666	3,842,527,362		3,842,527,362

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2022

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS	472,132	143,869,010	144,341,142	493,336	133,501,317	133,994,653
002		1	Goodwill						
003		2	Other intangible assets	472,132	143,869,010	144,341,142	493,336	133,501,317	133,994,653
004	005+006+007	II	TANGIBLE ASSETS	17,732,515	799,689,323	817,421,838	17,118,306	818,979,527	836,097,833
005		1	Land and buildings used for business activities	13,689,938	402,155,214	415,845,152	13,523,604	414,016,171	427,539,775
006		2	Equipment	271,955	79,170,914	79,442,869	449,611	85,281,176	85,730,787
007		3	Other tangible assets and inventories	3,770,622	318,363,195	322,133,817	3,145,091	319,682,180	322,827,271
008	009+010+014+033	III	INVESTMENTS	3,814,231,702	6,395,107,932	10,209,339,634	3,559,778,548	6,125,613,746	9,685,392,294
009		A	Investments in land and buildings not used for business activities	1,287,178	1,070,658,666	1,071,945,844	1,243,193	1,041,833,183	1,043,076,376
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures		72,411,760	72,411,760		72,776,066	72,776,066
011		1	Shares and stakes in subsidiaries						
012		2	Shares and stakes in associates		4,778,185	4,778,185		5,288,346	5,288,346
013		3	Shares and stakes in joint ventures		67,633,575	67,633,575		67,487,720	67,487,720
014	015+018+023+029	C	Financial assets	3,812,944,524	5,252,037,506	9,064,982,030	3,558,535,355	5,011,004,497	8,569,539,852
015	016+017	1	Held-to-maturity financial assets	1,279,408,121	1,128,479,246	2,407,887,367	1,199,079,158	1,090,158,086	2,289,237,244
016		1.1	Debt financial instruments	1,279,408,121	1,128,479,246	2,407,887,367	1,199,079,158	1,090,158,086	2,289,237,244
017		1.2	Other				0		
018	019+020+021+022	2	Financial assets available for sale	2,256,877,011	3,564,079,383	5,820,956,394	2,058,240,039	3,413,146,243	5,471,386,282
019		2.1	Equity financial instruments	78,874,762	794,171,621	873,046,383	84,076,070	690,073,375	774,149,445
020		2.2	Debt financial instruments	2,073,289,542	2,449,521,308	4,522,810,850	1,848,187,753	2,456,542,805	4,304,730,558
021		2.3	Shares in investment funds	104,712,707	320,386,454	425,099,161	125,976,216	266,530,063,000	392,506,279
022		2.4	Other						
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss	5,183,476	50,361,276	55,544,752	12,882,876	65,325,467	78,208,343
024		3.1	Equity financial instruments		25,765,552	25,765,552		22,406,215	22,406,215
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments	309,553	2,723,833	3,033,386	2,175,835	11,430,761	13,606,596
027		3.4	Shares in investment funds	4,873,923	21,871,891	26,745,814	10,707,041	31,488,491	42,195,532
028		3.5	Other						
029	030+031+032	4	Loans and receivables	271,475,916	509,117,601	780,593,517	288,333,282	442,374,701	730,707,983
030		4.1	Deposits with credit institutions	223,330,823	324,013,977	547,344,800	255,587,931	290,284,622	545,872,553
031		4.2	Loans	47,426,249	38,601,483	86,027,732	32,745,351	27,739,608	60,484,959
032		4.3	Other	718,844	146,502,141	147,220,985		124,350,471	124,350,471
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	376,481,979		376,481,979	218,768,043		218,768,043
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	164,115	348,954,558	349,118,673	193,678	413,362,270	413,555,948
036		1	Unearned premiums, reinsurance share	143,488	81,788,923	81,932,411	174,143	95,501,131	95,675,274
037		2	Mathematical provisions for insurance, reinsurance share	20,627		20,627	19,535		19,535
038		3	Claims provisions, reinsurance share		267,041,716	267,041,716		317,736,696	317,736,696
039		4	Provisions for bonuses and discounts, reinsurance share		123,919	123,919		124,443	124,443
040		5	Provisions for claims fluctuation, reinsurance share						
041		6	Other technical provisions for insurance, reinsurance share						
042		7	Special provisions for life insurance where the policyholder bears the investment risk, reinsurance share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	2,125,392	82,469,832	84,595,224	2,447,898	88,740,066	91,187,964
044		1	Deferred tax assets	2,125,392	70,777,210	72,902,602	2,447,898	75,259,137	77,707,035
045		2	Current tax assets		11,692,622	11,692,622		13,480,929	13,480,929
046	047+050+051	VII	RECEIVABLES	47,134,307	1,022,187,283	1,069,321,590	32,506,861	1,072,018,638	1,104,525,499
047	048+049	1	Receivables from insurance business	233,896	583,556,745	583,790,641	233,896	732,517,336	732,751,232
048		1.1	From policyholders		583,444,369	583,444,369		732,017,553	732,017,553
049		1.2	From agents or insurance brokers	233,896	112,376	346,272	233,896	499,783	733,679
050		2	Receivables from reinsurance business	128,630	150,534,850	150,663,480		51,579,670	51,579,670
051	052+053+054	3	Other receivables	46,771,781	288,095,688	334,867,469	32,272,965	287,921,632	320,194,597
052		3.1	Receivables from other insurance business		133,942,791	133,942,791		130,519,244	130,519,244
053		3.2	Receivables for returns on investments	386,389	140,639	527,028	138,565	181,591	320,156
054		3.3	Other receivables	46,385,392	154,012,258	200,397,650	32,134,400	157,220,797	189,355,197
055	056+060+061	VIII	OTHER ASSETS	57,404,797	711,958,881	769,363,678	108,094,569	915,381,413	1,023,475,982
056	057+058+059	1	Cash at bank and on hand	57,404,797	703,157,606	760,562,403	108,094,569	906,612,186	1,014,706,755
057		1.1	Funds in the business account	8,255,075	702,705,594	710,960,669	3,742,863	905,884,176	909,627,039
058		1.2	Funds in the account of assets covering mathematical provisions	49,148,673		49,148,673	104,351,349		104,351,349
059		1.3	Cash on hand	1,049	452,012	453,061	357	728,010	728,367
060		2	Non-current assets held for sale and discontinued operations		1,731,115	1,731,115		1,771,716	1,771,716
061		3	Other		7,070,160	7,070,160		6,997,511	6,997,511
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME	1,563,722	269,261,313	270,825,035	1,780,096	295,527,464	297,307,560
063		1	Accrued interest and rent		384,071	384,071		660,338	660,338
064		2	Deferred acquisition costs		236,929,796	236,929,796		230,348,147	230,348,147
065		3	Other prepaid expenses and accrued income	1,563,722	31,947,446	33,511,168	1,780,096	64,518,979	66,299,075
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	4,317,310,661	9,773,498,132	14,090,808,793	3,941,181,335	9,863,124,441	13,804,305,776
067		XI	OFF BALANCE-SHEET ITEMS	298,481,477	3,175,257,358	3,473,738,835	100,684,112	1,538,375,949	1,639,060,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2022

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY	542,627,107	4,058,521,258	4,601,148,365	355,696,867	4,051,582,971	4,407,279,838
069	070+071	1	Share capital	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
070		1.1	Paid-up capital - ordinary shares	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
071		1.2	Paid-up capital - preference shares						
072		2	Share premium (capital reserves)		681,482,525	681,482,525		681,482,525	681,482,525
073	074+075+076	3	Revaluation reserves	147,476,155	548,957,110	696,433,265	-105,627,583	234,569,537	128,941,954
074		3.1	Land and buildings		106,333,697	106,333,697		109,315,279	109,315,279
075		3.2	Financial assets available for sale	147,476,155	442,457,823	589,933,978	-105,627,583	125,088,668	19,461,085
076		3.3	Other revaluation reserves		165,590	165,590		165,590	165,590
077	078+079+080	4	Reserves	85,295,937	316,742,638	402,038,575	85,295,937	316,742,638	402,038,575
078		4.1	Legal reserves	2,214,436	27,864,354	30,078,790	2,214,436	27,864,354	30,078,790
079		4.2	Statutory reserves	7,581,501	139,638,499	147,220,000	7,581,501	139,638,499	147,220,000
080		4.3	Other reserves	75,500,000	149,239,785	224,739,785	75,500,000	149,239,785	224,739,785
081	082+083	5	Retained earnings or accumulated loss	252,230,964	1,617,294,890	1,869,525,854	265,956,886	1,961,449,755	2,227,406,641
082		5.1	Retained earnings	252,230,964	1,617,294,890	1,869,525,854	265,956,886	1,961,449,755	2,227,406,641
083		5.2	Accumulated loss (-)						
084	085+086	6	Profit or loss for the period	13,335,331	349,007,015	362,342,346	65,782,907	312,301,436	378,084,343
085		6.1	Profit for the period	13,335,331	349,007,015	362,342,346	65,782,907	312,301,436	378,084,343
086		6.2	Loss for the period (-)						
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)						
088		XIV	MINORITY INTEREST	821,750	9,349,523	10,171,273	926,607	9,328,617	10,255,224
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	3,235,659,788	4,396,227,440	7,631,887,228	3,292,380,035	4,581,494,174	7,873,874,209
090		1	Unearned premiums, gross amount	6,639,516	1,494,855,949	1,501,495,465	6,083,168	1,610,745,893	1,616,829,061
091		2	Mathematical provisions, gross amount	3,126,810,816	6,553,376	3,133,364,192	3,171,699,671	3,614,970	3,175,314,641
092		3	Claims provisions, gross amount	102,209,456	2,847,892,563	2,950,102,019	112,234,482	2,913,041,598	3,025,276,080
093		4	Provisions for bonuses and discounts, gross amount		24,175,940	24,175,940		28,873,082	28,873,082
094		5	Provisions for claims fluctuation, gross amount		7,055,533	7,055,533		7,055,533	7,055,533
095		6	Other technical provisions, gross amount		15,694,079	15,694,079	2,362,714	18,163,098	20,525,812
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	376,481,979		376,481,979	218,768,043		218,768,043
097	098+099	XVII	OTHER PROVISIONS	4,397,636	66,183,483	70,581,119	3,416,656	57,513,261	60,929,917
098		1	Provisions for pensions and similar obligations	3,994,621	63,595,466	67,590,087	3,050,871	54,888,484	57,939,355
099		2	Other provisions	403,015	2,588,017	2,991,032	365,785	2,624,777	2,990,562
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	30,065,787	192,016,345	222,082,132	-17,250,973	113,392,385	96,141,412
101		1	Deferred tax liabilities	28,818,637	154,880,088	183,698,725	-19,047,849	89,326,318	70,278,469
102		2	Current tax liability	1,247,150	37,136,257	38,383,407	1,796,876	24,066,067	25,862,943
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES	24,048,547	394,592,699	418,641,246	3,307,403	403,827,243	407,134,646
105		1	Loan liabilities		2,647,724	2,647,724		1,626,539	1,626,539
106		2	Liabilities for issued financial instruments						
107		3	Other financial liabilities	24,048,547	391,944,975	415,993,522	3,307,403	402,200,704	405,508,107
108	109+110+111+112	XXI	OTHER LIABILITIES	72,602,199	388,044,337	460,646,536	72,943,375	328,497,240	401,440,615
109		1	Liabilities from direct insurance business	2,592,849	101,831,575	104,424,424	2,660,215	90,585,233	93,245,448
110		2	Liabilities from coinsurance and reinsurance	18,567	116,272,399	116,290,966	364,366	65,451,932	65,816,298
111		3	Liabilities for disposal and discontinued operations		11,819	11,819		7,001	7,001
112		4	Other liabilities	69,990,783	169,928,544	239,919,327	69,918,794	172,453,074	242,371,868
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	30,605,868	268,563,047	299,168,915	10,993,322	317,488,550	328,481,872
114		1	Deferred reinsurance commission	8,988,308	8,988,308	8,988,308		13,843,826	13,843,826
115		2	Other accrued expenses and deferred income	30,605,868	259,574,739	290,180,607	10,993,322	303,644,724	314,638,046
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	4,317,310,661	9,773,498,132	14,090,808,793	3,941,181,335	9,863,124,441	13,804,305,776
117		XXIV	OFF-BALANCE-SHEET ITEMS	298,481,477	3,175,257,358	3,473,738,835	100,684,112	1,538,375,949	1,639,060,061

Note: position 088 is completed by companies preparing consolidated financial statements.

CROATIA osiguranje d.d., Zagreb
Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2022 – 31 December 2022

Position no.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	539,958,480	2,551,488,124	3,091,446,604	405,391,779	2,845,717,394	3,251,109,173
002		1	Gross written premiums	540,832,945	2,895,385,130	3,436,218,075	405,219,446	3,315,906,199	3,721,125,645
003		2	Value adjustment and charged premium value adjustment		15,652,975	15,652,975		6,194,922	6,194,922
004		3	Premiums ceded to reinsurance (-)	-361,868	-310,371,494	-310,733,362	-421,083	-375,276,880	-375,697,963
005		4	Change in gross provisions for unearned premiums (+/-)	-544,448	-66,395,685	-66,940,133	563,472	-114,798,822	-114,235,350
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	31,851	17,217,198	17,249,049	29,944	13,691,975	13,721,919
007	008+009+010+011+012+013+014	II	Investment income	120,236,134	360,324,473	480,560,607	130,030,061	390,512,258	520,542,319
008		1	Income from subsidiaries, associates and participation in joint ventures	3,583,367	40,626,932	44,210,299	5,674,729	55,462,578	61,137,307
009		2	Income from investments in land and buildings	184,737	131,306,984	131,491,721	80,865	136,637,156	136,718,021
010		3	Interest income	103,264,193	83,722,424	186,986,617	100,574,277	93,142,568	193,716,845
011		4	Unrealized gains on investments	4,575,231	19,179,511	23,754,742	2,340,244	10,330,214	12,670,458
012		5	Realised gains on investments	8,142,096	57,109,981	65,252,077	16,011,371	63,393,842	79,405,213
013		6	Net foreign exchange gains				5,332,577	16,500,582	21,833,159
014		7	Other investment income	486,510	28,378,641	28,865,151	15,998	15,045,318	15,061,316
015		III	Income from fees and commissions	1,874,557	38,199,868	40,074,425	1,565,540	56,206,465	57,772,005
016		IV	Other insurance - technical income, net of reinsurance	944,245	43,745,211	44,689,456	768,720	41,790,453	42,559,173
017		V	Other income	341,992	171,046,236	171,388,228	333,844	174,098,011	174,431,855
018	019+022	VI	Claims incurred, net	-471,854,443	-1,334,610,702	-1,806,465,145	-483,071,147	-1,461,787,545	-1,944,858,692
019	020+021	1	Settled claims	-470,949,859	-1,368,879,159	-1,839,829,018	-473,067,544	-1,448,315,090	-1,921,382,634
020		1.1	Gross amount (-)	-470,949,859	-1,601,432,166	-2,072,382,025	-473,067,544	-1,611,567,694	-2,084,635,238
021		1.2	Reinsurance share (+)		232,553,007	232,553,007		163,252,604	163,252,604
022	023+024	2	Change in claims provisions (+/-)	-904,584	34,268,457	33,363,873	-10,003,603	-13,472,455	-23,476,058
023		2.1	Gross amount (-)	-904,584	190,744,145	189,839,561	-10,003,603	-64,163,510	-74,167,113
024		2.2	Reinsurance share (+)		-156,475,688	-156,475,688		50,691,055	50,691,055
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	-116,675,846	-16,202,806	-132,878,652	-45,270,448	-4,180,788	-49,451,236
026	027+028	1	Change in mathematical provisions (+/-)	-116,675,846	4,755,518	-111,920,328	-45,022,249	2,938,407	-42,083,842
027		1.1	Gross amount (-)	-116,684,210	4,755,518	-111,928,692	-45,021,157	2,938,407	-42,082,750
028		1.2	Reinsurance share (+)	8,364		8,364	-1,092		-1,092
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)		-20,958,324	-20,958,324	-248,199	-7,119,195	-7,367,394
030		2.1	Gross amount (-)		-21,082,168	-21,082,168	-248,199	-7,119,185	-7,367,384
031		2.2	Reinsurance share (+)		123,844	123,844		-10	-10
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	35,422,414		35,422,414	144,977,792		144,977,792
033		1	Gross amount (-)	35,422,414		35,422,414	144,977,792		144,977,792
034		2	Reinsurance share (+)						
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-8,709,129	-8,709,129		-14,197,491	-14,197,491
036		1	Depending on the result (bonuses)		-5,630,739	-5,630,739		-10,344,501	-10,344,501
037		2	Irrespective of result (discounts)		-3,078,390	-3,078,390		-3,852,990	-3,852,990
038	039+043	X	Operating expenses (business expenditures), net	-75,586,528	-1,193,919,868	-1,269,506,396	-57,674,286	-1,397,105,842	-1,454,780,128
039	040+041+042	1	Acquisition costs	-36,296,183	-623,382,443	-659,678,626	-26,729,846	-740,990,594	-767,720,440
040		1.1	Commission	-12,795,166	-305,109,397	-317,904,563	-12,742,002	-369,450,313	-382,192,315
041		1.2	Other acquisition costs	-23,501,017	-307,965,679	-331,466,696	-13,987,844	-371,540,281	-385,528,125
042		1.3	Change in deferred acquisition costs (+/-)		-10,307,367	-10,307,367		-6,699,646	-6,699,646
043	044+045+046	2	Administration costs (administrative expenses)	-39,290,345	-570,537,425	-609,827,770	-30,944,440	-656,115,248	-687,059,688
044		2.1	Depreciation	-3,793,150	-80,688,980	-84,482,130	-2,624,360	-90,192,054	-92,816,414
045		2.2	Salaries, taxes and contributions from and on salaries	-15,386,431	-194,381,457	-209,767,888	-12,546,587	-229,763,194	-242,309,781
046		2.3	Other administrative expenses	-20,110,764	-295,466,988	-315,577,752	-15,773,493	-336,160,000	-351,933,493
047	048+049+050+051+052+053+054	XI	Investment expenses	-16,625,735	-126,054,094	-142,679,829	-16,309,195	-134,694,301	-151,003,496
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest	-1,219,100	-12,297,162	-13,516,262	-610,513	-12,369,564	-12,980,077
050		3	Impairment of investments	-24,181	-2,425,582	-2,449,763	-1,032,515	-2,209,408	-3,241,923
051		4	Realised losses on investments	-3,766,324	-14,049,330	-17,815,654	-11,820,561	-50,605,463	-62,426,024
052		5	Unrealised losses on investments	-1,233,800	-10,560,983	-11,794,783	-942,772	-5,431,044	-6,373,816
053		6	Net foreign exchange losses	-8,404,454	-5,624,503	-14,028,957			
054		7	Other investment expenses	-1,977,876	-81,096,534	-83,074,410	-1,902,834	-64,078,822	-65,981,656
055	056+057	XII	Other technical expenses, net of reinsurance	-1,828,013	-60,748,579	-62,576,592	-1,434,405	-61,554,982	-62,989,387
056		1	Prevention activities expenses		933,420	933,420		1,121,057	1,121,057
057		2	Other technical expenses of insurance	-1,828,013	-59,815,159	-61,643,172	-1,434,405	-60,433,925	-61,868,330
058		XIII	Other expenses, including value adjustments	-10,816	-2,701,386	-2,712,202	-11,389	-64,691,016	-64,702,405
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	16,196,441	421,857,348	438,053,789	79,296,866	370,112,616	449,409,482
060	061+062	XV	Income or loss tax	-2,930,137	-72,366,379	-75,296,516	-13,424,421	-57,545,630	-70,970,051
061		1	Current tax expense	-3,278,194	-76,244,353	-79,522,547	-13,746,927	-58,346,680	-72,093,607
062		2	Deferred tax expense (income)	348,057	3,877,974	4,226,031	322,506	801,050	1,123,556
063	059+060	XVI	Profit or loss for the period after tax (+/-)	13,266,304	349,490,969	362,757,273	65,872,445	312,566,986	378,439,431
064		1	Attributable to equity holders of the parent company	13,335,331	349,007,015	362,342,346	65,782,907	312,301,436	378,084,343
065		2	Attributable to non-controlling interest	-69,027	483,954	414,927	89,538	265,550	355,088
066	001+007+015+016+017+062	XVII	TOTAL INCOME	663,703,465	3,168,681,886	3,832,385,351	538,412,450	3,509,125,631	4,047,538,081
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-650,437,161	-2,819,190,917	-3,469,628,078	-472,540,005	-3,196,558,645	-3,669,098,650
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	-34,476,421	164,491,176	130,014,755	-253,101,859	-317,737,618	-570,839,477
069		1	Gains / losses on translation of financial statements of foreign operations	-219,496	-455,052	-674,548	416,921	571,264	988,185
070		2	Gains / losses on revaluation of financial assets available for sale	-41,213,864	207,625,838	166,411,974	-301,383,153	-388,021,226	-689,404,379
071		3	Gains / losses on revaluation of land and buildings intended for business activities		-4,914,032	-4,914,032		-658,122	-658,122
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income	6,956,939	-37,765,578	-30,808,639	47,864,373	70,370,466	118,234,839
077	078+079	XX	Total comprehensive income	-21,210,117	513,982,145	492,772,028	-187,229,414	-5,170,632	-192,400,046
078		1	Attributable to equity holders of the parent company	-21,141,978	513,496,650	492,354,672	-187,320,831	-5,427,400	-192,748,231
079		2	Attributable to non-controlling interest	-68,139	485,495	417,356	91,417	256,768	348,185
080		XXI	Reclassification adjustments						

Note: positions 064, 065, 078 and 079 are completed by companies preparing consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2022 – 31 December 2022

Position no.	Sum elements	Position code	Position description	Current period	Previous period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	95,792,163	282,918,754
002	003+004	1	Cash flow before changes in operating assets and liabilities	330,616,431	275,799,863
003		1.1	Profit/loss before tax	449,409,482	438,053,789
004	005+006+007+008+009+010+011+012	1.2	Adjustments:	-118,793,051	-162,253,926
005		1.2.1	Depreciation of property and equipment	65,815,669	57,850,644
006		1.2.2	Amortization	27,000,745	26,631,486
007		1.2.3	Impairment and gains/losses on fair valuation	31,970,531	-22,066,412
008		1.2.4	Interest expense	12,980,077	13,516,262
009		1.2.5	Interest income	-193,716,845	-186,986,617
010		1.2.6	Share in profit of associates	-10,512,904	-11,111,066
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-3,804,864	-1,057,399
012		1.2.8	Other adjustments	-48,525,460	-39,030,824
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-146,531,446	62,031,560
014		2.1	Increase/decrease in investments available for sale	-220,504,420	-439,775,192
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	-17,537,390	8,741,623
016		2.3	Increase/decrease in loans and receivables	3,577,391	372,103,288
017		2.4	Increase/decrease in deposits at insurance business ceded to reinsurance		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholder	157,713,936	35,602,522
019		2.6	Increase/decrease in reinsurance share in technical provisions	-64,437,275	139,146,078
020		2.7	Increase/decrease in tax assets	-5,469,184	-3,613,532
021		2.8	Increase/decrease in receivables	-20,618,616	-181,059,714
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepaid expenses and accrued income	-26,482,526	40,404,248
024		2.11	Increase/decrease in technical provisions	241,986,982	7,952,462
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	-157,713,936	-35,602,522
026		2.13	Increase/decrease in tax liabilities	7,373,854	-5,314,726
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	-4,292,838	68,844,728
029		2.16	Increase/decrease in other liabilities	-69,440,388	54,902,585
030		2.17	Increase/decrease in accrued expenses and deferred income	29,312,964	-300,288
031		3	Income tax paid	-88,292,822	-54,912,669
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	215,347,579	-160,160,224
033		1	Proceeds from sale of tangible assets	993,401	3,845,283
034		2	Purchases of tangible assets	-52,918,613	-34,398,884
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-61,165,356	-63,109,026
037		5	Proceeds from the sale of land and buildings not used for business activities	19,994,455	6,205,819
038		6	Purchase of land and buildings not used for business activities	-1,651,638	-3,000,581
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	10,482,557	7,765,392
040		8	Proceeds from held-to-maturity investments	392,113,653	157,760,116
041		9	Payments for held-to-maturity investments	-199,522,629	-324,236,380
042		10	Proceeds from sale of financial instruments		
043		11	Payments for investments in financial instruments		
044		12	Proceeds from dividends and share in profit	49,918,454	30,670,712
045		13	Proceeds from repayment of given short-term and long-term loans	75,679,079	84,569,348
046		14	Payments for given long-term and short-term loans	-18,575,784	-26,232,023
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-35,194,279	-29,872,793
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		3,074,766
050		3	Repayment of short-term and long-term loans	-33,966,640	-30,852,589
051		4	Purchase of treasury shares		
052		5	Payment of shares in profit (dividends)	-1,227,639	-2,094,970
053	001+032+047		NET CASH FLOW	275,945,463	92,885,737
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-21,833,159	14,028,957
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	254,112,304	106,914,694
056		1	Cash and cash equivalents at beginning of period	769,363,678	662,448,984
057	055+056	2	Cash and cash equivalents at end of period	1,023,475,982	769,363,678

Note: Positions reducing the cash flow are entered with a minus.

CROATIA osiguranje d.d., Zagreb
Statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period 1 January 2022 – 31 December 2022

Position no.	Position description	Attributable to owners of the parent company						Total equity	Attributable to non-controlling interests	Attributable to non-controlling interests
		Paid-up capital (ordinary and preference shares)	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year			
I.	Balance at 1 January of previous year	589,325,800	681,482,525	568,449,623	402,038,575	1,538,153,217	327,902,069	4,107,351,809	12,654,441	4,120,006,250
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
II.	Balance at 1 January of previous year (restated)	589,325,800	681,482,525	568,449,623	402,038,575	1,538,153,217	327,902,069	4,107,351,809	12,654,441	4,120,006,250
III.	Comprehensive income or loss of the previous year			130,012,326			362,342,346	492,354,672	417,356	492,772,028
1.	Profit or loss for the period						362,342,346	362,342,346	414,927	362,757,273
2.	Other comprehensive income or loss of the previous year			130,012,326				130,012,326	2,429	130,014,755
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-3,889,180				-3,889,180	6,012	-3,883,168
2.2.	Unrealized gains or losses from financial assets available for sale			160,194,552				160,194,552	-6,985	160,187,567
2.3.	Realized gains or losses from financial assets available for sale			-25,615,096				-25,615,096		-25,615,096
2.4.	Other non-owner changes in equity			-677,950				-677,950	3,402	-674,548
IV.	Transactions with owners (previous period)			-2,028,684		331,372,637	-327,902,069	1,441,884	-2,900,524	-1,458,640
1.	Increase/decrease in share capital									
2.	Other payments by owners					1,131,514		1,131,514	-2,785,495	-1,653,981
3.	Payment of shares in profit/dividends								-134,972	-134,972
4.	Other distributions to owners			-2,028,684		330,241,123	-327,902,069	310,370	19,943	330,313
V.	Balance at the last day of the reporting period in the previous year	589,325,800	681,482,525	696,433,265	402,038,575	1,869,525,854	362,342,346	4,601,148,365	10,171,273	4,611,319,638
VI.	Balance at 1 January of current year	589,325,800	681,482,525	696,433,265	402,038,575	1,869,525,854	362,342,346	4,601,148,365	10,171,273	4,611,319,638
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
VII.	Balance at 1 January of current year (restated)	589,325,800	681,482,525	696,433,265	402,038,575	1,869,525,854	362,342,346	4,601,148,365	10,171,273	4,611,319,638
VIII.	Comprehensive income or loss of the current year			-570,832,574			378,084,343	-192,748,231	348,185	-192,400,046
1.	Profit or loss for the period						378,084,343	378,084,343	355,088	378,439,431
2.	Other comprehensive income or loss of the current year			-570,832,574				-570,832,574	-6,903	-570,839,477
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-408,128				-408,128	8,081	-400,047
2.2.	Unrealized gains or losses from financial assets available for sale			-543,889,661				-543,889,661	-22,126	-543,911,787
2.3.	Realized gains or losses from financial assets available for sale			-27,515,828				-27,515,828		-27,515,828
2.4.	Other non-owner changes in equity			981,043				981,043	7,142	988,185
IX.	Transactions with owners (current period)			3,341,263		357,880,787	-362,342,346	-1,120,296	-264,234	-1,384,530
1.	Increase/decrease of share capital									
2.	Other payments by owners								-17,443	-17,443
3.	Payment of shares in profit/dividends								-247,639	-247,639
4.	Other distributions to owners			3,341,263		357,880,787	-362,342,346	-1,120,296	848	-1,119,448
X.	Balance at the last day of the reporting period in the current year	589,325,800	681,482,525	128,941,954	402,038,575	2,227,406,641	378,084,343	4,407,279,838	10,255,224	4,417,535,062

Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

The reconciliation between the financial statements as prescribed by the Ordinance on the structure and content of financial statements of insurance and reinsurance companies, and the annual financial statements prepared in accordance with the IFRS reporting framework is presented below.

CROATIA osiguranje d.d., Zagreb
Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

1. Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of the financial statements prepared in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK '000						HRK '000	HRK '000
Earned premiums (recognised in revenue)	2,673,712						2,673,712	Net earned premiums
Gross written premiums	3,099,026							
Impairment and collected premium impairment	7,051							
Premiums ceded to reinsurance (-)	(343,841)							
Change in gross provisions for unearned premiums (+/-)	(102,305)							
Change in provision for unearned premiums, reinsurance share (+/-)	13,781							
Investment income	436,668	(20,413)	15,986	-	-	-	432,241	Finance income
Income from subsidiaries, associates and joint ventures	73,035							
Income from investments in land and buildings	55,192	(15,585)						
Interest income	174,450							
Unrealised gain on investments	12,327							
Realised gain on investments	79,216							
Net foreign exchange gains	22,755		15,986					
Other investment income	19,692	(4,828)						
Income from commissions and fees	55,677						55,677	Income from commissions and fees
Other insurance-technical income, net of reinsurance	26,521			(26,521)				
Other income	23,022			26,106	878		50,006	Other operating income
Net claims incurred	(1,654,369)					112,333	(1,542,037)	Claims incurred, net of reinsurance and coinsurance
Settled claims	(1,650,742)							
Gross amount (-)	(1,804,564)							
Reinsurer's share (+)	153,821							
Change in claims provisions (+/-)	(3,626)							
Gross amount (-)	(54,711)							
Reinsurer's share (+)	51,084							
Change in mathematical provision and other technical provisions, net of reinsurance	(30,589)					30,589	-	
Change in mathematical provision (+/-)	(23,901)					23,901	-	
Gross amount (-)	(23,900)					23,900	-	
Reinsurer's share (+)	(1)					1	-	
Change in other technical provisions, net of reinsurance (+/-)	(6,688)					6,688	-	
Gross amount (-)	(6,688)					6,688	-	
Reinsurer's share (+)	-					-	-	
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	151,000					(151,000)	-	
Gross amount (-)	151,000					(151,000)	-	
Reinsurer's share (+)	-					-	-	
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(8,078)					8,078	-	
Depending on the result (bonuses)	(8,078)					8,078	-	
Not depending on the result (rebates)	-					-	-	
Operating expenditures (for business operations), net	(1,074,464)				(878)		(1,075,342)	
Acquisition costs	(636,821)						(636,821)	Acquisition costs
Commission	(328,239)							
Other acquisition costs	(300,520)							
Change in deferred acquisition costs (+/-)	(8,061)							
Administration costs (administrative expenses)	(437,644)				(878)		(438,522)	Administration costs
Depreciation charge	(60,886)							
Salaries, taxes and contributions from and on salaries	(146,701)							
Other administrative expenses	(230,057)				(878)			
Investment charges	(129,905)	20,412	(15,985)	-	-	-	(125,478)	Finance costs
Depreciation of land and buildings not intended for business operations of the company	-							
Interest expense	(10,854)							
Impairment of investments	(8,604)							
Realised losses on investments	(62,426)							
Unrealised losses on investments	(4,932)							
Net foreign exchange losses	-		(15,985)					
Other investment costs	(43,089)	20,412						
Other technical expenses, net of reinsurance	(37,193)			37,193				
Expenses for preventive operations	-							
Other technical expenses of insurance	(37,193)			37,193				
Other expenses, including value adjustments	(63,449)			(36,777)			(100,226)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	368,553	-	-	-	-	-	368,553	Profit/(loss) before tax
Income tax or loss	(55,570)						(55,570)	Income tax
Current tax expense	(57,053)							
Deferred tax expense (income)	1,482							
Profit or loss for the accounting period after tax (+/-)	312,983						312,983	Profit/(loss) for the period

Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements (continued)

1. Income and expenses from the sale of land and buildings and income from reversal of impairment of investments are recorded on a net basis
2. Foreign exchange differences are recorded on a net basis.
3. Reclassification of other insurance and technical income, net of reinsurance to other operating income and reclassification of other technical costs, net of reinsurance to other operating expenses and netting of income from sale of tangible assets.
4. Reclassification of other income and other administrative expenses are presented at net basis in position other operating income/administrative costs.
5. The change in mathematical provision, special provision for life insurance policies where the policyholder bears the risk of insurance and expenditure for return of premium (bonuses and rebates) are recorded within claims incurred, net of reinsurance and coinsurance.

CROATIA osiguranje d.d., Zagreb
Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

2. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the financial statements in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK'000						HRK'000	Position description
INTANGIBLE ASSETS	116,164						116,164	Intangible assets
Goodwill								
Other intangible assets	116,164							
TANGIBLE ASSETS	483,839					(334)	483,505	Property and equipment
Land and buildings intended for company business operations	189,540							
Equipment	25,150							
Other tangible assets and inventories	269,148					(334)		
INVESTMENTS	8,596,414	193,882	-					
Investments in land and buildings not intended for company business operations	522,851						522,851	Investment property
Investments in subsidiaries, associates and joint ventures	388,115						388,115	Investments in subsidiaries associates and joint ventures
Shares and stakes in subsidiaries	360,115							
Shares and stakes in associates								
Shares and stakes in joint ventures	28,000							
Financial assets	7,685,448	193,882						
Held-to-maturity financial assets	2,197,270						2,197,270	Held-to-maturity investments
Debt financial instruments	2,197,270							
Other								
Available-for-sale financial assets	4,881,860						4,881,860	Available-for-sale financial assets
Equity financial instruments	774,149							
Debt financial instruments	3,715,205							
Shares in investment funds	392,506							
Other								
Financial assets at fair value through profit or loss	36,013	193,882					229,895	Financial assets at fair value through profit or loss
Equity financial instruments	22,406							
Debt financial instruments								
Derivative financial instruments	13,607							
Shares in investment funds		193,882						
Other								
Loans and receivables	570,305		(63,457)				506,848	Loans and receivables
Deposits with credit institutions	131,620		(63,457)					
Loans	314,334							
Other	124,350							
Deposits with cedent								
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	193,882	(193,882)						
REINSURER'S SHARE IN TECHNICAL PROVISIONS	396,207						396,207	Reinsurance share in insurance contract provisions
Provision for unearned premiums, reinsurance share	89,145							
Mathematical provisions, reinsurance share	20							
Claims provisions, reinsurance share	307,043							
Provisions for bonuses and discounts, reinsurance share								
Equalisation provisions, reinsurance share								
Other technical provisions, reinsurance share								
Special provision for unit-linked life insurance group, reinsurance share								
DEFERRED AND CURRENT TAX ASSETS	73,106		-	(28,851)		(387)		
Deferred tax assets	72,719			(28,851)			43,868	Deferred tax assets
Current tax assets	387					(387)		
RECEIVABLES	940,024			-	(24,415)	57,794	973,403	Insurance contracts and other receivables
Receivables from insurance business	676,049							
From policyholders	675,315							
From insurance agents, or insurance brokers	734							
Reinsurance receivables	49,177							
Other receivables	214,798			-	(24,415)	57,794		
Receivables from other insurance business	125,818							
Receivables for income from investments	795							
Other receivables	88,185				(24,415)	57,794		
Other receivables	799,911		63,457			(1)		
Cash at bank and in hand	799,910		63,457				863,367	Cash and cash equivalents
Funds in the business account	696,278		63,457					
Funds in the account of assets backing mathematical provision	103,632							
Cash on hand								
Non-current assets held for sale and discontinued operation							-	
Other	1					(1)		
PREPAID EXPENSES AND ACCRUED INCOME	246,008					(57,073)		
Deferred interest and rent								
Deferred acquisition costs	188,935						188,935	Deferred acquisition costs
Other prepayments and accrued income	57,073					(57,073)		
TOTAL ASSETS	11,845,554		-	(28,850)	(24,416)	0	11,792,288	Total assets
OFF-BALANCE-SHEET ITEMS	1,588,604							

Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of the financial statements prepared in accordance with the IFRS reporting framework (continued)

1. Investments held on account and at risk of unit-linked life insurance policyholders are recorded together with financial assets at fair value through profit or loss.
2. Deposits with original maturity up to three months are recorded in the Cash and cash equivalents position.
3. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements.
4. Internal liabilities are offset with corresponding receivables in the Basic financial statements.
5. Inventories, other assets and prepaid expenses and accrued income are recorded together with insurance receivables and other receivables.

Report for the Croatian Financial Services Supervisory Agency						Basic financial statements		
Position description	HRK'000	1	2	3	4	5	HRK'000	Position description
CAPITAL AND RESERVES	3,842,527	-	-	-	-	-	-	
Subscribed share capital	589,326	-	-	-	-	-	589,326	Share capital
<i>Paid-up capital - ordinary shares</i>	589,326							
<i>Paid-up capital - preference shares</i>								
Issued shares premiums (capital reserves)	681,483						681,483	Issued shares premiums
Revaluation reserves	131,275	-	-	-	-	-	131,275	Revaluation reserves
<i>Land and buildings</i>	47,007							
<i>Financial assets available-for-sale</i>	84,267							
<i>Other revaluation reserves</i>		-	-	-	-	-		
Reserves	402,038	-	-	-	-	-	402,038	Reserves
<i>Legal reserves</i>	30,079							
<i>Statutory reserves</i>	147,220							
<i>Other reserves</i>	224,740							
Retained profit or transferred loss	1,725,423	-	312,982	-	-	-	2,038,405	Retained profit
<i>Retained profit</i>	1,725,423	-	312,982	-	-	-		
<i>Accumulated loss (-)</i>		-	-	-	-	-		
Profit or loss for the current accounting period	312,983	-	(312,983)	-	-	-		
<i>Profit for the current accounting period</i>	312,983		(312,983)					
<i>Loss for the current accounting period (-)</i>								
SUBORDINATED LIABILITIES								
NON-CONTROLLING INTEREST								
TECHNICAL PROVISIONS	6,773,624	193,881	-				6,967,505	Insurance contract provisions
<i>Provisions for unearned premiums, gross amount</i>	1,301,320							
<i>Mathematical provisions, gross amount</i>	2,680,185							
<i>Claims provisions, gross amount</i>	2,750,066							
<i>Provisions for bonuses and discounts, gross amount</i>	25,605							
<i>Equalisation provisions, gross amount</i>	7,056							
<i>Other technical provisions, gross amount</i>	9,392							
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	193,881	(193,881)						
OTHER PROVISIONS	51,878			-		(2,625)		
<i>Provisions for pensions and similar liabilities</i>	49,253						49,253	Provisions
<i>Other provisions</i>	2,625					(2,625)		
DEFERRED AND CURRENT TAX LIABILITY	39,234		-	(28,850)				
<i>Deferred tax liability</i>	28,850			(28,850)				Deferred tax liability
<i>Current tax liability</i>	10,384						10,384	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE								
FINANCIAL LIABILITIES	363,152						363,152	Financial liabilities
		362,532					362,532	Financial liabilities at amortized cost
		620					620	Financial liabilities at fair value through profit or loss
<i>Borrowings</i>								
<i>Issued financial instruments payable</i>								
<i>Other financial liabilities</i>	363,152	(363,152)						
OTHER LIABILITIES	269,039	-		-	(24,416)	314,844	559,467	Insurance contracts and other payables and deferred income
<i>Liabilities from direct insurance business</i>	74,490							
<i>Liabilities from co-insurance and reinsurance business</i>	61,375							
<i>Liabilities for sale and discontinued operation</i>								
<i>Other liabilities</i>	133,174				(24,416)	314,844		
ACCRUED EXPENSES AND DEFERRED INCOME	312,219					(312,219)		
<i>Deferred reinsurance commission</i>	13,844					(13,844)		
<i>Other accrued expenses and deferred income</i>	298,375					(298,375)		
TOTAL EQUITY AND LIABILITIES	11,845,554		-	(28,850)	(24,416)		11,792,288	Total equity and liabilities
OFF-BALANCE-SHEET ITEMS	1,588,604							

1. A special provision for unit-linked life insurance group is recorded within Technical provision while other financial liabilities are shown as Financial liabilities at amortized cost and at fair value through profit or loss
2. Profit or loss for the current accounting period is presented together with retained earnings in the financial statements prepared in accordance with the IFRS reporting framework.
3. Deferred tax assets and liabilities are offset in the Basic financial statements.
4. Internal liabilities are offset with corresponding receivables in the Basic financial statements.
5. Other provisions, other accrued expenses and deferred income and deferred reinsurance commission are recorded in the financial statements prepared in accordance with the IFRS reporting framework within Insurance and other liabilities, provisions and deferred income.

3. Reconciliation of the consolidated statement of comprehensive income prepared in accordance with the HANFA format and the format of the financial statements prepared in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK '000						HRK '000	Position description
Earned premiums (recognised in revenue)	3,251,110						3,251,110	Net earned premiums
Gross written premiums	3,721,126							
Impairment and collected premium impairment	6,195							
Premiums ceded to reinsurance (-)	(375,698)							
Change in gross provisions for unearned premiums (+/-)	(114,235)							
Change in provision for unearned premiums, reinsurance share (+/-)	13,722							
Investment income	520,542	(15,638)	8,736	-	-	-	513,640	Finance income
Income from subsidiaries, associates and joint ventures	61,137		(10,513)					
Income from investments in land and buildings	136,718	(15,638)						
Interest income	193,717							
Unrealised gain on investments	12,670							
Realised gain on investments	79,405							
Net foreign exchange gains	21,833		19,249					
Other investment income	15,061	-						
			10,513				10,513	Share in profit of associates and joint ventures
Income from commissions and fees	57,772						57,772	Income from commissions and fees
Other insurance-technical income, net of reinsurance	42,559			(42,559)				
Other income	174,432			42,040	2,624		219,096	Other operating income
Net claims incurred	(1,944,859)					81,330	(1,863,529)	Claims incurred, net of reinsurance and coinsurance
Settled claims	(1,921,383)							
Gross amount (-)	(2,084,635)							
Reinsurer's share (+)	163,253							
Change in claims provisions (+/-)	(23,476)							
Gross amount (-)	(74,167)							
Reinsurer's share (+)	50,691							
Change in mathematical provision and other technical provisions, net of reinsurance	(49,451)					49,451	-	
Change in mathematical provision (+/-)	(42,084)					42,084	-	
Gross amount (-)	(42,083)					42,083	-	
Reinsurer's share (+)	(1)					1	-	
Change in other technical provisions, net of reinsurance (+/-)	(7,367)					7,367	-	
Gross amount (-)	(7,367)					7,367	-	
Reinsurer's share (+)	(0)					0	-	
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	144,978					(144,978)	-	
Gross amount (-)	144,978					(144,978)	-	
Reinsurer's share (+)	-					-	-	
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(14,197)					14,197	-	
Depending on the result (bonuses)	(10,345)					10,345	-	
Not depending on the result (rebates)	(3,853)					3,853	-	
Operating expenditures (for business operations), net	(1,454,780)				(2,623)		(1,457,404)	
Acquisition costs	(767,720)						(767,720)	Acquisition costs
Commission	(382,192)							
Other acquisition costs	(378,828)							
Change in deferred acquisition costs (+/-)	(6,700)							
Administration costs (administrative expenses)	(687,060)				(2,623)		(689,683)	Administration costs
Depreciation charge	(92,816)							
Salaries, taxes and contributions from and on salaries	(242,310)							
Other administrative expenses	(351,933)				(2,623)			
Investment charges	(151,003)	15,638	(19,249)	-	-	-	(154,614)	Finance costs
Depreciation of land and buildings not intended for business operations of the company	-							
Interest expense	(12,980)							
Impairment of investments	(3,242)							
Realised losses on investments	(62,426)							
Unrealised losses on investments	(6,374)							
Net foreign exchange losses	-		(19,249)					
Other investment costs	(65,982)	15,638						
Other technical expenses, net of reinsurance	(62,989)			62,989				
Expenses for preventive operations	(1,121)			1,121				
Other technical expenses of insurance	(61,868)			61,868				
Other expenses, including value adjustments	(64,702)			(62,474)			(127,176)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	449,409	-	-	-	-	-	449,409	Profit/(loss) before tax
Income tax or loss	(70,970)						(70,970)	Income tax
Current tax expense	(72,094)							
Deferred tax expense (income)	1,124							
Profit or loss for the accounting period after tax (+/-)	378,439						378,439	Profit/(loss) for the period

Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements (continued)

1. Income and expenses from the sale of land and buildings are recorded on a net basis.
2. Foreign exchange differences are recorded on a gross basis and share in profit of associates is presented as a separate line in the Basic financial statements.
3. Reclassification of other insurance and technical income, net of reinsurance to other operating income and reclassification of other technical costs, net of reinsurance to other operating expenses and netting of income from the sale of tangible assets.
4. Reclassification of other revenues and other administrative expenses are presented at net basis in position other operating income/administrative costs.
5. The change in mathematical provision, special provision for life insurance policies where the policyholder bears the risk of insurance and expenditure for return of premium (bonuses and rebates) are recorded within claims incurred, net of reinsurance and coinsurance.

4. Reconciliation of the consolidated statement of financial position prepared in accordance with the HANFA format and the financial statements in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK'000						HRK'000	Position description
INTANGIBLE ASSETS	133,995						133,995	Intangible assets
Goodwill								
Other intangible assets	133,995							
TANGIBLE ASSETS	836,098				-	(2,354)	833,744	Property and equipment
Land and buildings intended for company business operations	427,540							
Equipment	85,731							
Other tangible assets and inventories	322,827					(2,353)		
INVESTMENTS	9,685,392	218,768	(63,457)					
Investments in land and buildings not intended for company business operations	1,043,076						1,043,076	Investment property
Investments in subsidiaries, associates and joint ventures	72,776						72,776	Investments in subsidiaries associates and joint ventures
Shares and stakes in subsidiaries								
Shares and stakes in associates	5,288							
Shares and stakes in joint ventures	67,488							
Financial assets	8,569,540	218,768	(63,457)					
Held-to-maturity financial assets	2,289,237						2,289,237	Held-to-maturity investments
Debt financial instruments	2,289,237							
Other								
Available-for-sale financial assets	5,471,386						5,471,386	Available-for-sale financial assets
Equity financial instruments	774,149							
Debt financial instruments	4,304,731							
Shares in investment funds	392,506							
Other								
Financial assets at fair value through profit or loss	78,208	218,768					296,976	Financial assets at fair value through profit or loss
Equity financial instruments	22,406							
Debt financial instruments								
Derivative financial instruments	13,607							
Shares in investment funds	42,196	218,768						
Other								
Loans and receivables	730,708		(63,457)				667,251	Loans and receivables
Deposits with credit institutions	545,873		(63,457)					
Loans	60,485							
Other	124,350							
Deposits with cedent								
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	218,768	(218,768)						
REINSURER'S SHARE IN TECHNICAL PROVISIONS	413,556						413,556	Reinsurance share in insurance contract provisions
Provision for unearned premiums, reinsurance share	95,675							
Mathematical provisions, reinsurance share	20							
Claims provisions, reinsurance share	317,737							
Provisions for bonuses and discounts, reinsurance share	124							
Equalisation provisions, reinsurance share								
Other technical provisions, reinsurance share								
Special provision for unit-linked life insurance group, reinsurance share								
DEFERRED AND CURRENT TAX ASSETS	91,188		-	(24,378)	-	(13,481)		
Deferred tax assets	77,707			(24,378)			53,329	Deferred tax assets
Current tax assets	13,481					(13,481)		
RECEIVABLES	1,104,525			-	(90,775)	91,565	1,105,315	Insurance contract and other receivables
Receivables from insurance business	732,751							
From policyholders	732,018							
From insurance agents, or insurance brokers	734							
Reinsurance receivables	51,580							
Other receivables	320,195			-	(90,775)			
Receivables from other insurance business	130,519							
Receivables for income from investments	320							
Other receivables	189,355				(90,775)	91,563		
Other receivables	1,023,476		63,457		-	(8,770)		
Cash at bank and in hand	1,014,707		63,457				1,078,164	Cash and cash equivalents
Funds in the business account	909,627		63,457					
Funds in the account of assets backing mathematical provision	104,351							
Cash on hand	728							
Non-current assets held for sale and discontinued operation	1,772					(1,772)		
Other	6,998					(6,998)		
PREPAID EXPENSES AND ACCRUED INCOME	297,308				-	(66,959)		
Deferred interest and rent	660					(660)		
Deferred acquisition costs	230,348						230,348	Deferred acquisition costs
Other prepayments and accrued income	66,299					(66,299)		
TOTAL ASSETS	13,804,306			(24,378)	(90,775)	-	13,689,153	Total assets
OFF-BALANCE-SHEET ITEMS	3,473,739							

Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of the financial statements prepared in accordance with the IFRS reporting framework (continued)

1. Investments held on account and at risk of unit-linked life insurance policyholders is recorded together with financial assets at fair value through profit or loss.
2. Deposits with contractual maturity up to 3 months are recorded together with cash and cash equivalents.
3. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements.
4. Internal receivables are offset with corresponding liabilities in the Basic financial statements.
5. Inventories, other assets, current tax assets and prepaid expenses and accrued income are recorded together with insurance contract and other receivables.

Report for the Croatian Financial Services Supervisory Agency							Basic financial statements	
Position description	HRK'000	1	2	3	4	5	HRK'000	Position description
CAPITAL AND RESERVES	4,407,280	-	-	-	-	-	-	
Subscribed share capital	589,326	-	-	-	-	-	589,326	Share capital
Paid-up capital - ordinary shares	589,326							
Paid-up capital - preference shares								
Issued shares premiums (capital reserves)	681,483						681,483	Issued shares premiums
Revaluation reserves	128,943	-	-	-	-	-	128,943	Revaluation reserves
Land and buildings	109,315							
Financial assets available-for-sale	19,461							
Other revaluation reserves	166	-	-	-	-	-		
Reserves	402,038	-	-	-	-	-	402,038	Reserves
Legal reserves	30,079							
Statutory reserves	147,220							
Other reserves	224,740							
Retained profit or transferred loss	2,227,407	-	378,084	-	-	-	2,605,491	Retained profit
Retained profit	2,227,407	-	378,084	-	-	-		
Accumulated loss (-)		-		-	-	-		
Profit or loss for the current accounting period	378,084	-	(378,084)	-	-	-		
Profit for the current accounting period	378,084		(378,084)					
Loss for the current accounting period (-)								
SUBORDINATED LIABILITIES								
NON-CONTROLLING INTEREST	10,255						10,255	
TECHNICAL PROVISIONS	7,873,874	218,768	-				8,092,642	Technical provisions
Provisions for unearned premiums, gross amount	1,616,829							
Mathematical provisions, gross amount	3,175,315							
Claims provisions, gross amount	3,025,276							
Provisions for bonuses and discounts, gross amount	28,873							
Equalisation provisions, gross amount	7,056							
Other technical provisions, gross amount	20,526							
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	218,768	(218,768)						
OTHER PROVISIONS	60,930			-	-	(2,991)		
Provisions for pensions and similar liabilities	57,939						57,939	Provisions
Other provisions	2,991					(2,991)		
DEFERRED AND CURRENT TAX LIABILITY	96,141		-	(24,378)				
Deferred tax liability	70,278			(24,378)			45,900	Deferred tax liability
Current tax liability	25,861						25,861	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE								
FINANCIAL LIABILITIES	407,135	-					407,135	Financial liabilities
		406,515					406,515	Financial liabilities at amortized cost
		620					620	Financial liabilities at fair value through profit or loss
Borrowings	1,627	(1,627)						
Issued financial instruments payable								
Other financial liabilities	405,508	(405,508)						
OTHER LIABILITIES	401,441	-	-	-	(90,775)	331,473	642,139	Insurance contract and other payables and deferred income
Liabilities from direct insurance business	93,245							
Liabilities from co-insurance and reinsurance business	65,816							
Liabilities for sale and discontinued operation	7							
Other liabilities	242,372				(90,775)	331,473		
ACCRUED EXPENSES AND DEFERRED INCOME	328,482				-	(328,482)		
Deferred reinsurance commission	13,844					(13,844)		
Other accrued expenses and deferred income	314,638					(314,638)		
TOTAL EQUITY AND LIABILITIES	13,804,306	-	-	(24,378)	(90,775)		13,689,153	Total equity and liabilities
OFF-BALANCE-SHEET ITEMS	1,639,060							

1. A special provision for unit-linked life insurance group is recorded within Technical provision while other financial liabilities are shown as Financial liabilities at amortized cost and at fair value through profit or loss
2. Profit or loss for the current accounting period is presented together with retained earnings in the financial statements prepared in accordance with the IFRS reporting framework.
3. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements.
4. Internal receivables are offset with corresponding liabilities in the Basic financial statements.
5. Other provisions, other accrued expenses and deferred income and deferred reinsurance commission are recorded in the financial statements prepared in accordance with the IFRS reporting framework within Insurance and other liabilities, provisions and deferred income.

Statement of cash flow

The statement of cash flows has been prepared in accordance with the Ordinance on the structure and content of financial statements of insurance and reinsurance companies ("the Ordinance"), and its preparation is described in detail in the Instructions for completing financial statements of insurance and reinsurance companies, but its presentation differs from the statement of cash flows in the financial statements.

The main differences in presentation are described below:

1. Differences in the positions of increase or decrease in assets and liabilities in the statement of cash flows in the financial statements prepared in accordance with the IFRS reporting framework and the statement of cash flows under the Ordinance arise due to differences in the relevant positions of assets and liabilities due to the different presentation in the financial statements compared to the Ordinance. These differences are presented in the adjustments of the statement of financial position (balance sheet).
2. Cash and cash equivalents at the beginning and end of the period presented in the basic financial statements include deposits with contractual maturity up to 3 months as opposed to cash and cash equivalents at the beginning and end of the period presented in the statement of cash flows under the Ordinance.

Statement of changes in equity

In the statements under the Ordinance, profit/loss for the current year is presented in the eponymous column and in the subsequent period, upon adoption of the Decision of the General Assembly and the Supervisory Board, profit/loss is transferred through Other non-owner changes in equity to Retained earnings, while in the basic financial statements it is presented under Retained earnings.