UNIQA
osiguranje

Annual Report for 2022

Content

Management Board
Report

Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

Report on the audit of the financial statements

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and information, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company in the period from 1 January 2022 to 31 December 2022.

TPA Audit d.o.o.
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Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

Our audit approach

Materiality	• Overall Company materiality: HRK 6,6 million, which represents 1% of gross written premiums.
Key audit matters	• Estimates used in calculation of insurance provisions and liability adequacy test (LAT)

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

Materiality

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

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

Overall Company materiality	HRK 6,6 million
How we determined it	1% of gross written premium
Rationale for the materiality benchmark applied	We selected gross premium as the benchmark since it is the benchmark against which the performance of the Company is measured.

Independent auditor’s report to the Shareholder of UNIQA osiguranje d.d.

Key audit matters

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

Key audit matter	How we addressed the key audit matter during our audit
Estimates used in calculation of insurance provisions and liability adequacy test (LAT) Refer to note 11 “Insurance provisions”. The Company presented insurance contract provisions of HRK 2.3 billion at 31 December 2022 representing 88% of the Company’s total liabilities. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities, and therefore we considered it a key audit matter in performing our audit. Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contracts provisions. The complexity of the models may give rise to errors as a result of inadequate or incomplete data or the design or application of the models. Economic assumptions such as investment return, interest rates and actuarial assumptions such as mortality, morbidity and cancellation rates are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions. The Company’s IFRS liability adequacy test was performed in order to confirm that insurance contracts provisions were adequate in the context of expected future cash outflows.	We used our actuarial experts to assist us in performing our audit procedures. In particular, our audit focused on the models considered more complex or requiring significant judgement in the setting of assumptions used in calculation of insurance contracts provisions or performing liability adequacy test. We obtained the understanding of the actuarial process of the Company including management’s determination and approval process for setting of economic and actuarial assumptions. Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied along with comparison to applicable industry experiences. We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and the compliance of the models with the applicable accounting standards. Furthermore, by performing our recalculations we have determined whether the models and systems were calculating the insurance contracts provisions accurately and completely. We tested the validity of management’s liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The inputs used were reconciled to the accounting records.Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Company and industry experience and specific product features.We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements.

Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

Reporting on other information including the Management Board Report

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

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

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

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

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

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

If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report to the Shareholder of UNIQA osiguranje d.d.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 9th June 2020. Our appointment is renewed once a year by a decision of the general assembly with the most recent reappointment on August 30, 2022, representing a total uninterrupted period of engagement of three years.

Forms in accordance with regulatory requirements

Based on the rulebook on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 50/19 and 98/20), ("Rulebook"), the Management Board of the Company prepared forms presented on pages 117 to 131, named Statement of financial position as at 31 December 2022, and the Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the period from 1st January to 31st December 2022, together with information on reconciliation of these forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Rulebook. The financial information in the forms is derived from the Company's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union as presented on pages 27 to 116 adjusted for the purposes of the Rulebook.

The engagement partner responsible for this independent auditor's report is Igor Arbutina.

Report based on the requirements of the Accounting Act

The engagement partner responsible for this independent auditor's report is Igor Arbutina. In our opinion which is based on the work performed during the audit, the information in the Annual report of the Management Board for the year ended 31 December 2022 is harmonized with annual audited financial statements of the Company;

In our opinion, based on the work performed during the audit, the Annual report of the Management Board for the year ended 31 December 2022 was prepared in accordance with applicable accounting laws and regulations.

Based on the knowledge and understanding of the Company's operations and its environment acquired during the audit, we did not find any significant misstatements in the Annual report of the Management Board.

April 4th, 2023

TPA Audit d.o.o. za reviziju
Prelog
OIB: 82899666867

Igor Arbutina
Partner, Croatian Certified Auditor, FCCA

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Management Board's Responsibility for the Financial Statements

Based on the Accounting Act, the Management Board is required to prepare financial statements for UNIQA osiguranje d.d. (hereinafter: the 'Company') for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union in order to give a true and fair view of the financial position and operating results of the Company for that period.

After performing enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Management Board continues to adopt the going concern basis in preparing these financial statements.

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

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

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

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

The financial statements of the Company were authorised by the Management Board on 03 April 2023 and submitted to the Supervisory Board for approval.

UNIQA osiguranje d.d.

SVrabec

Sabine Usaty
President of the Management Board

Sandra Vrabec
Member of the Management Board

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Statement of financial position
As of 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	31 December 2022	31 December 2021
Assets			
Property and equipment	4	35,796	33,764
Investment property	5	45,931	44,293
Intangible assets:			
- Deferred acquisition costs	6	123,346	108,583
- Other intangible assets		4,990	4,534
Financial assets:			
- Financial assets held to maturity	7	178,129	262,173
- Available-for-sale financial assets	7	1,727,988	2,051,669
- Financial assets at fair value through profit or loss	7	200,667	222,076
- Loans and receivables	7	54,625	49,009
Reinsurers' share of insurance provisions	8	322,705	328,492
Current tax assets, net	10	24,233	-
Insurance contract and other receivables	9	203,310	188,690
Cash and cash equivalents		106,492	39,512
Total assets		**3,028,212**	**3,332,795**
Liabilities and equity			
Liabilities			
Insurance provisions	11	2,367,970	2,416,749
Insurance liabilities and other payables	12	319,885	306,769
Tax liability		123	3,570
Deferred tax liability	10	-	20,980
Total liabilities		**2,687,979**	**2,748,068**
Capital and reserves			
Share capital	13	62,700	62,700
Legal reserves		2,269	2,269
Other reserves		230,448	230,448
Fair value reserve	13	(105,372)	99,912
Retained earnings		150,189	189,398
Total capital and reserves		**340,233**	**584,727**
Total liabilities and equity		**3,028,212**	**3,332,795**

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

Statement of comprehensive income
For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	2022	2021
Gross insurance premiums	14	665,789	602,500
Premiums transferred to reinsurance	14	(179,067)	(160,199)
Net insurance premiums		**486,722**	**442,301**
Change in provision for unearned premiums	14	(44,889)	(25,057)
Reinsurers' share of change in provision for unearned premiums	14	7,913	4,432
Net earned premium		**449,746**	**421,676**
Investment income	15	81,122	106,484
Investment costs	15	(105,259)	(5,643)
Net investment income		**(24,137)**	**100,841**
Reinsurance commission		48,991	45,131
Other operating income		7,427	4,217
Net income		**482,027**	**571,865**
Claims incurred	16	(337,751)	(342,268)
Reinsurers' share of claims incurred	16	76,424	48,885
Net claims incurred		**(261,327)**	**(293,384)**
Acquisition costs	17	(148,112)	(132,949)
Administration costs	18	(99,906)	(99,285)
Provisions for legal disputes, net	12	(2,675)	95
Other operating expenses		(4,903)	(9,596)
Profit before tax		**(34,896)**	**36,747**
Income tax	19	(4,313)	(6,466)
Profit for the year		**(39,209)**	**30,281**
Other comprehensive income			
Items that can be subsequently recognised in profit or loss			
Changes in fair value of available-for-sale financial assets, net of deferred tax		(205,285)	(54,664)
Comprehensive income		**(244,494)**	**(24,383)**

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

Statement of changes in equity
For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Share capital	Legal reserves	Other reserves	Fair value reserve	Retained earnings	Total
Year ended 31 December 2020						
Balance on 1 January 2021	**62,700**	**2,269**	**230,448**	**154,577**	**159,117**	**609,111**
Profit for the year	-	-	-	-	30,281	**30,281**
Other comprehensive income:						
Gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	(66,664)	-	**(66,664)**
Deferred tax on gains and losses on changes in fair value of available- for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	11,999	-	**11,999**
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**(54,664)**	**30,281**	**(24,383)**
Transactions with owner:						
Dividends paid	-	-	-	-	-	**-**
Balance on 31 December 2021	**62,700**	**2,269**	**230,448**	**99,912**	**189,398**	**584,727**
Year ended 31 December 2021						
Balance on 1 January 2022	**62,700**	**2,269**	**230,448**	**99,912**	**189,398**	**584,727**
Profit for the year	-	-	-	-	(39,209)	**(39,209)**
Other comprehensive income:						
Gains and losses on changes in fair value of available-for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	(250,348)	-	**(250,348)**
Deferred tax on gains and losses on changes in fair value of available- for-sale financial assets, net of realised amounts (Note 13(b))	-	-	-	45,063	-	**45,063**
Total comprehensive income for the year, net of tax	**-**	-	-	**(205,285)**	**(39,209)**	**(244,494)**
Transactions with owner:						
Dividends paid	-	-	-	-	-	**-**
Balance on 31 December 2022	**62,700**	**2,269**	**230,448**	**(105,372)**	**150,189**	**340,233**

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

Statement of cash flows
For the year ended 31 December 2022

(All amounts are expressed in thousands of HRK)

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		**(34,896)**	**36,747**
Adjustments for:			
Depreciation of property and equipment	4	5,499	6,283
Amortisation of other intangible assets		1,839	1,533
Net Investment (income)/expenses	15	24,137	(100,841)
Interest expense		239	185
Other		4,485	8,054
Changes in assets and liabilities:			
Decrease/(increase) in insurance and other receivables		(2,532)	87,839
Decrease in investments in securities and investment Funds		89,384	(11,338)
Decrease in investments in loans and receivables		(5,595)	21,743
(Increase)/decrease in insurance provisions		(48,779)	(117,609)
Increase)/decrease in reinsurers' share of insurance provision		5,787	39,941
Increase in deferred acquisition costs		(14,763)	(9,747)
Decrease in insurance, other payables, and deferred income		82	(79,424)
Cash flow from operating activities		24,887	(116,633)
Interest received		56,354	68,022
Income tax paid		(7,910)	(1,833)
Net cash used in operating activities		**73,331**	**(46,778)**
Cash flows from investing activities			
Proceeds from sale of investment property		591	-
Proceeds from sales of tangible assets		6	3
Investments in intangible assets		(2,295)	(1,746)
Investments in equipment	4	(679)	(1,207)
Net cash from investing activities		**(2,377)**	**(2,950)**
Cash flows from financing activities			
Lease payments		(3,974)	(4,307)
Net cash inflow from financing activities		**(3,974)**	**(4,307)**
Net increase in cash and cash equivalents		**66,980**	**(54,035)**
Cash and cash equivalents at beginning of year		**39,512**	**93,547**
Cash and cash equivalents at end of year		**106,492**	**39,512**

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

1. GENERAL INFORMATION

UNIQA osiguranje d.d. (the 'Company') is a joint stock company incorporated and domiciled in Croatia, Planinska 13a, Zagreb.

The Company is a composite insurer offering life and non-life insurance products in Croatia, regulated by the Croatian Financial Services Supervision Agency ('HANFA'), and provides cross-border insurance services in the Republic of Slovenia.

Sole shareholder of UNIQA osiguranje d.d. is UNIQA Österreich Versicherungen AG, Austria, registered in the court register of the Commercial Court in Vienna under the code FN63197m, PIN: 58413684599.

Ultimate parent company is UNIQA Insurance Group AG, Vienna, a joint stock company established and domiciled in the Republic of Austria.

Management Board on 31 December 2022

Sabine Usaty – President of the Management Board Luka
Luka Matošić – Member of the Management Board

As of March 4, 2022, Mrs. Tatjana Račić Žlibar ceases to hold the position of a member of the Company's Management Board, and from March 5, 2022, the Company's Management Board consists of the President of the Management Board, Mrs. Sabine Usaty and member of the Management Board Mr. Luka Matošić.

Management Board on 1 January 2023

Sabine Usaty – President of the Management Board
Sandra Vrabec – Member of the Management Board

2. BASIS OF PREPARATION

Statement of compliance

UNIQA osiguranje d.d. prepares its financial statements in accordance with the Insurance Act (OG 30/15 ,112/18, 63/20,133/20, 151/22) and the Accounting Act (OG 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22).
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Functional and presentation currency

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

Basis of measurement

These financial statements are prepared on the historical or amortised cost basis, except for financial assets available for sale, at fair value through profit or loss, and investment property which are stated at their fair value. Other financial assets and liabilities, and non-monetary assets and liabilities, are stated at amortised or historical cost, less impairment, where appropriate.

Use of estimates and judgements

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

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

2. BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (Croatian kuna) at the middle exchange rate of the Croatian National Bank prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the middle exchange rate of the Croatian National Bank prevailing at that date. The foreign currency gains or losses from monetary items represent the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising from translation are recognised in profit or loss, except for equity instruments classified as financial asset available for sale.

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between foreign exchange differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Foreign exchange differences on changes in amortised cost are recognised in profit or loss, as part of the investment income or costs. Foreign exchange differences on revaluation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income.

The most significant currency in which the Company holds assets and liabilities is the euro. The EUR exchange rate used for translation as of 31 December 2022 was EUR 1 = HRK 7,53450 (2021: EUR 1 = HRK 7,517174).

New and amended standards adopted by the Company

The following amended standards approved by EU are mandatory for application in the financial year 2022, but did not have any material impact on the Company:

• Annual improvements to IFRS for the 2018-2020 cycle (includes minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.)

Standards and interpretations 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 Company. The following standards entered into force on January 1, 2023. and have a material impact on the Company.

The Company's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2023. In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 17 application for the periods beginning on 1 January 2023. This change was announced in the second quarter of 2020. In 2021, the standard was adopted at European Union level by Commission Regulation (EU) 2021/2036 of 19 November 2021 and published in the Official Journal of the European Union.)

2. BASIS OF PREPARATION (CONTINUED)

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. The Standard requires a current measurement model, where estimates are remeasured in each reporting period. At the same time as IFRS 17 is applied, IFRS 9 Financial instruments is in the effect. During 2022, the Company calculated the position of the balance sheet and statement of comprehensive income according to IFRS 17 and IFRS 9. The same is noted in the Note 23.

The contracts are measured by using the following parameters:

- (probability) weighted discounted cash flows
- explicit risk adjustment and
- contractual service margin - CSM which represents the unearned profit under the contract which is recognised as income over the coverage period.

According to the Standard, one may choose where to present the change in the discount rates - either in profit or loss or directly in other comprehensive income. The final choice is likely to reflect the manner in which insurers disclose their financial assets in accordance with IFRS 9.

An alternative, simplified approach to premium allocation is permitted for the liability for remaining coverage for insurance contracts with short-term coverage, frequently drawn up by non-life insurers.

There is an amendment to the general measurement model called "access to variable fee approach" for certain contracts drawn up by life insurers where the policyholders have a share of returns on the underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the results of the insurers using this model will likely be less unstable than with the general measurement model.

In 2019, the Company embarked on a comprehensive and complex project to introduce IFRS 17 regulation into its operations. The project was divided into six main units (project management, actuarial part, accounting part, IFRS 9, IT and project reporting). Furthermore, the Company completed preparations for the classification of insurance contracts and segmentation for each individual type of insurance and participated in the project of creating the financial impact of the transition (calculation of the initial balances according to IFRS 17 and IFRS 9 on January 1, 2022 and accounting recording thereof) and has started to simultaneously record all positions of the Balance Sheet and Statement of Comprehensive Profit for accounting periods in 2022. Also, very intensive refinements of the information systems for the implementation of the new standard were completed in 2022. In each of these units, the Company and the Group have made significant progress in the preparation and implementation of IFRS 17 regulations. In addition, the Company and the Group have created a risk matrix that is regularly updated and evaluated. Organisational preparations have been made to bring these regulations into effect (SAP implementation, IT solutions, various IT upgrades, implementation of the FPLS system for all IFRS 17 calculations, transfer to general ledger, automation of transfers etc.). Due to the size and complexity of the project, it will continue at full intensity throughout 2021, especially in the part of preparation of accounting and reporting systems, financial and actuarial reporting, and preparation of the transition period.

2. BASIS OF PREPARATION (CONTINUED)

The Company plans to adopt this standard on its effective date.

- IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018). For insurance companies, the adoption of this standard is deferred until 1 January 2023 when the adoption of the new insurance standard is expected. (In March 2020, the International Accounting Standards Board (IASB) decided to defer IFRS 9 application for the periods beginning on 1 January 2023 in order to be applied together with IFRS 17. This change was announced in the second quarter of 2020.)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new model for impairment of financial assets.

- Amendment IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments explain the differences between accounting policies and accounting estimates to allow for the continued consistent application of accounting standards and the comparability of financial statements. These changes will apply from 1 January 2023.

- Amendment IAS 1 Classification of Liabilities as Current or Long-Term (published on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023)

- Amendment IAS 12 Income tax: Deferred tax related to assets and liabilities arising from a single transaction (published on December 9, 2021, and effective for annual periods beginning on or after January 1, 2023)

- Amendments IAS 16 Property, Plant and Equipment: Leaseback obligation (effective after January 1, 2024)

Certain new accounting standards and interpretations have been issued that are not mandatory for the reporting periods of 31 December 2022 and have not been previously adopted. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions, except for IFRS 17 and IFRS 9 whose impact is described in Note 23.

3. ACCOUNTING POLICIES

3.1. Property and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

Depreciation of assets is recognised in profit or loss on a straight-line basis to allocate their cost to their residual values over the estimated useful lives of each item of equipment. Assets not put into use are not depreciated. The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated selling expenses, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements	4 - 10 years
Motor vehicles	3 - 4 years
Computers	3 - 5 years
Furniture and equipment	3 - 10 years

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the related asset and are included in the income statement.

The accounting policies for right-of-use assets disclosed within property and equipment are set out in Note 3.9.

3.2. Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property comprises land and buildings and is carried at fair value denominated in HRK in accordance with the estimate. Fair value estimates are based on valuations performed periodically by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g., due to the inability to access property which is not owned), the fair value stated in the value information provided by the independent valuation expert is also applied for valuation purposes. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. Changes in fair value are recorded in the statement of comprehensive income.

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably.

Investment property is initially carried at cost. An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Investment property is reclassified to property and equipment when the Company begins to use it for its own purposes. The acquisition cost for further accounting purposes is the fair value expressed in HRK in accordance with the latest valuation made by a certified valuation expert.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as revaluation of property and equipment. However, if fair value gains reverse a previous impairment loss, these gains are recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recognised in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

3. ACCOUNTING POLICIES (continued)

3.3. Intangible assets

Deferred acquisition costs – insurance contracts

Acquisition costs comprise direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of existing contracts. Deferred acquisition costs for non-life insurances comprise charged commissions incurred in concluding insurance policies during an accounting period, but which relate to a subsequent accounting period. General selling expenses, other variable underwriting and policy issue costs and line of business costs are not deferred.

For non-life insurance business, the deferred acquisition costs at the reporting date have been calculated individually for each policy active at the reporting date by deferring the total charged commission using the pro-rata temporise method, adjusted, if appropriate, for specific risk distributions over the period covered by the contract.

For life insurance business, deferred acquisition costs are considered in calculating life insurance provisions by means of Zillmerisation. As such, deferred acquisition costs for life insurances are not recognised at the reporting date as a separate item of assets.

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

Other intangible assets

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life of software is 5 - 10 years. Useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

3. ACCOUNTING POLICIES (continued)

3.4. Financial instruments

Classification and recognition

The Company classifies its financial instruments into the following categories: financial assets 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 every date of the statement of financial position.

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

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities which are classified as held for trading, as well as the financial assets and liabilities which the Company initially designated as at fair value through profit or loss. Financial derivatives are classified as held for trading. The Company does not apply hedge accounting. Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

The Company designates financial assets and 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; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivable arise when the Company provides money to a debtor with no intention of trading with the receivable and include deposits with banks and loans based on life policy surrender values.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Any sale or reclassification of a significant amount of held-to-maturity investments, provided that it occurs prior to their maturity, their amounts are not insignificant or the instrument is not close to its maturity or there is a public call for sale of financial assets, would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

3. ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

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 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 comprise all financial liabilities which are not designated at fair value through profit or loss.

Recognition and derecognition

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

The Company 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 Company transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered, or have expired.

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

Initial and subsequent measurement

Financial assets and liabilities are recognised initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

After initial recognition, the Company measures financial assets at fair value through profit or loss and financial assets available for sale at their current fair value without any deduction for costs to sell.

3. ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method realised at each initial individual investment, less impairment losses.

Financial liabilities not designated 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 related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses

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

Gains and losses from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and are disclosed in the statement of changes in equity. 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 on revaluation of non-monetary financial assets (e.g., equity instruments or investment funds) denominated in or linked to foreign currency classified as available for sale are recognised in the statement of financial position.

Dividend income is recognised in profit or loss.

Upon sale or other derecognition of available-for-sale financial assets, any cumulative gains or losses are transferred from the statement of financial position 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 derecognised or when its value is impaired.

Fair value measurement principles

The Company adopts prices from the Bloomberg Generic Network (BGN) and Bloomberg Valuation Service (BVAL) by the SimCorp Dimension accounting software, which is automatically linked to the Bloomberg Information and Financial Service.

The Bloomberg Generic Network (BGN) provides market consensus prices for state and corporate bonds that are determined based on market prices collected from different sources, considering the reliability of each individual source.

The Bloomberg Valuation Service (BVAL) provides estimates of fair prices for debt securities based on market data.

3. ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

The criteria of determining the active and inactive market refer to equity and debt securities, which are categorised as assets at fair value through profit or loss or available-for-sale financial assets.

The market for a particular equity security is regarded as active if its prices are readily and regularly available in a regulated market and those prices represent actual and regularly occurring market transactions on an arm's length basis, within fifteen (15) days from the date of valuation of the financial instrument.

If the price of the security has been available in a regulated market for a period exceeding fifteen (15) days and if it represents an actual and regular transaction on an arm's length basis, the market is considered to be inactive.

The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive.

For debt securities that are actively traded on regulated markets, fair value is defined based on the latest consensus price available at the financial information service for the valuation date of the security. The source of the latest consensus price is the Bloomberg Generic Network (BGN).

Debt securities that are not quoted in an active market are valued according to the following price hierarchy:
a) Bloomberg Valuation Service (BVAL)
b) The price obtained by estimation techniques.

For equity securities that are actively traded on a regulated market, fair value is defined based on the last bid price realised on the stock exchange of the issuer or the stock exchange defined as the primary source of pricing, i.e. source of the security, and the price is officially quoted at the financial information service.

For equity securities whose price is not quoted in an active market the Company establishes fair value by using valuation techniques. Valuation techniques include the use of prices achieved in comparable and recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs, and relying as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimate and the discount rate is a market rate related to the date of the statement of financial position for a financial instrument with similar terms and conditions. Where a pricing model is used, inputs are based on market related measures at the date of the statement of financial position.

3. ACCOUNTING POLICIES (continued)

3.4. Financial instruments (continued)

If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially quoted at the financial information service, that is the price published for a particular fund by the management company that manages the particular fund.

The fair value of derivative instruments that are not traded in an active market is estimated based on the value of proceeds or expenditures that the Company would have if it would terminate the contract at the date of the statement of financial position, considering current market assessments and the credit worthiness of the other contracting party.

3.5. Impairment of financial assets

Financial assets carried at amortised cost

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the management's judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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 for loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

3. ACCOUNTING POLICIES (continued)

3.5. Impairment of financial assets (continued)

Available-for-sale financial assets

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between its cost and current fair value – is removed from the statement of financial position and recognised in profit or loss.

Impairment losses on equity instruments recognised in profit or loss are not subsequently reversed in profit or loss.

The impairment loss is reversed through profit or loss, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3.6. Impairment of non-financial assets

The net carrying amounts of the Company's assets, other than deferred acquisition costs, financial assets and deferred tax assets, are reviewed at the date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each date of the statement of financial position. An impairment loss is recognised if the net 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. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each date of the statement of financial position for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

3. ACCOUNTING POLICIES (continued)

3.7. Specific instruments

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate.

All derivatives are carried as assets when their fair value is positive and as liabilities when negative. Changes in the fair value of derivatives are included in the statement of comprehensive income.

The Company does not hold or issue derivative financial instruments for trading purposes.

Debt securities

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

Bank deposits

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

Equity securities

Equity securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

Loans to policyholders

Loans to policyholders are classified as loans and receivables and are carried at amortised cost using the effective interest method net of impairment losses.

Structured securities

Structured securities are classified as available-for-sale financial assets or at fair value through profit or loss and are carried at fair value.

Investments in investment funds

Investments in open and close ended funds are classified as equity instruments in financial assets available for sale or at fair value through profit or loss and are carried at fair value. If at the valuation day the net asset value per share was not published or available, the fair value of the acquired investment fund share is the share price used in the preceding days of valuation that is officially published for a particular fund by the management company that manages the particular fund.

3. ACCOUNTING POLICIES (continued)

3.7. Specific instruments (continued)

Investments in investment funds

Investments in opened and closed investments funds are classified as principal instruments in financial assets accessible for trade or by fair value through profit or loss and are carried at fair value. In case there weren't any publication or the nett value of assets per share or per stock wasn’t available on the day of evaluation, fair value of acquired share of the investment fund is the cost of share based on previous days of evaluations, which is published for the certain fund by the company that manages the associated fund.

Investments held on account and at risk of life insurance policyholders

Investments held on account and at risk of *unit-linked* life insurance policyholders are classified as financial assets at fair value through profit or loss and are carried at fair value; they comprise policyholders’ investments linked to the value of the investment fund share (‘unit-linked’), i.e., structured products (index-linked).

Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method, less impairment.

Trade and other payables

Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest method.

3.8. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.9. Leases

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

The right-of-use assets are presented in the statement of financial position together with property and equipment, except for right-of-use assets that meet the definition of investment property which is presented in the statement of financial position in a separate line item – investment property.

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company's incremental borrowing rate.

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

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

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

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

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

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

- right of use for office building — 5 years
- right of use for vehicles — 4 years

3. ACCOUNTING POLICIES (continued)

3.9. Leases (continued)

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

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

3.10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid instruments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

3.11. Staff costs

Pension obligations and post-employment benefits
The Company pays mandatory pension funds contributions based on contracts. In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Short-term employee benefits
The Company recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company recognises liabilities for accumulated compensated absences based on unused vacation days at the reporting date.

3. ACCOUNTING POLICIES (continued)

3.12. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse or are settled, based on laws that have been enacted or substantively enacted by the date of the statement of financial position.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or non-current liabilities.

3.13. Provisions

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

3.14. Discretionary bonus provision

Policyholders or beneficiaries of endowment policies are entitled to a discretionary share in the profits of the Company realised through the management of life insurance funds. Such entitlements are presented within the discretionary bonus provision and are recorded as part of mathematical provisions.

3. ACCOUNTING POLICIES (continued)

3.15. Capital and reserves

Share capital

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

Dividends

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

Legal and other reserves

Legal and other reserves represent cumulative transfers from retained earnings from previous years and are formed in accordance with the provisions of effective laws. Legal and other reserves can be used for covering prior period losses, if they are not covered by profit in the current period or if other reserves are not available.

Other reserves

Other reserves are formed and used by the decision of the General Assembly and can be used for capital contributions, payment of dividends, covering of losses or for other purposes.

Fair value reserve

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

Retained earnings and accumulated loss

Any profit for the year retained after appropriations is transferred to reserves based on the shareholders' decision or left in retained earnings. Retained earnings are available for distribution to shareholders. Loss for the current year is covered from the Company's reserves or by capital contribution.

3.16. Income

Investment income

Interest income is recognised in profit or loss for all interest-bearing financial instruments measured at amortised cost and for debt securities classified as available for sale, using the effective interest method, i.e. the interest rate that discounts expected future cash flows to the net present value over the period of the related contract or currently effective variable interest rate.

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

Investment income also includes net foreign exchange gains resulting from translation of monetary assets and liabilities using the exchange rate at the reporting date, dividends, net gains from change in fair value of financial assets classified as at fair value through profit or loss and realised net gains at derecognition of available-for-sale financial assets.

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

3. ACCOUNTING POLICIES (continued)

3.16. Income (continued)

Fee and commission income

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

Operating leases

Income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

3.17. Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, commission and other direct costs incurred at the conclusion of insurance contracts.

Non-life commission expenses are recognised on an accrual basis, while life commission expenses are recognised on a cash basis consistent with the related revenue recognition criteria.

Administration costs

Administration costs include personnel expenses, depreciation of equipment and amortisation of other intangible assets, marketing and advertising expenses and other administration costs. Other costs consist mainly of costs of premium collection, policy termination costs and portfolio management costs.

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease benefits are recognised in the statement of comprehensive income as part of the total lease expense.

Investment expenses

Financial expenses include interest expenses recognised using the effective interest rate method and the net foreign exchange losses resulting from translating monetary assets and liabilities using the exchange rate at the reporting date. Financial expenses also include net losses from changes in fair value of financial assets at fair value through profit or loss and net realised losses on derecognition of financial assets available for sale.

3. ACCOUNTING POLICIES (continued)

3.18. Classification of contracts

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

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

As a general guideline, the Company defines as significant insurance risk the possibility of having to pay compensation on the occurrence of an insured event that is at least 5% more than the compensation payable if the insured event did not occur. Contracts where the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Contracts with discretionary participation features

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

- the performance of a specified pool of contracts or a specified type of contract; or
- realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or
- the profit or loss of the insurer.

The discretionary element of those contracts is accounted for as a discretionary bonus provision and is recorded within the mathematical provision.

3.19. Premiums

Gross non-life premiums written comprise the premiums on contracts entered into during the current accounting period with a maturity of up to one year, irrespective of whether they relate in whole or in part to a later accounting period. The limitation of the period to one year does not relate to insurance premiums contracted for a period exceeding one year due to its risk characteristics, for example, insurance of buildings under construction, facilities being assembled, credit insurance, etc. regardless of whether the premium has been fully paid, and to insurance premiums contracted for a period exceeding one year where the premium has been fully paid as a lump sum at the inception of insurance. Premiums include commissions payable to intermediaries and exclude taxes and contributions based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Premiums written include adjustments to reflect write-offs of amounts due from policyholders and the movement in impairment provisions for premiums due from policyholders.

3. ACCOUNTING POLICIES (continued)

3.19. Premiums (continued)

The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. The Company cancels life insurance policies for which premiums from policyholders are not paid 90 days upon maturity and which do not satisfy the criteria for capitalisation. During both mentioned periods, the Company undertakes all available means to collect the respective amounts. Amounts that are not written off and not collected from non-life insurance policyholders with defaults in payment of more than 180 days are wholly impaired (100%). The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of the risk occurrence during the insurance period, based on the assumption of risk patterns. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The reinsurance premium calculation is based on reinsurance contracts.

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

3.20. Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which are expected to be collected in subsequent accounting periods and are calculated using the “pro-rata temporis” method, adjusted if necessary, to reflect any specific distributions of risk during the period covered by the contract.

The unearned premium provision is calculated in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the Croatian Financial Services Supervisory Agency (HANFA). Unearned premiums in respect of life insurance and life riders for which a mathematical provision is calculated is included within the mathematical provision. Unearned premiums of life riders for which a mathematical provision is not calculated are recorded in the provision for unearned premiums and accounted for in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). If, due to the nature of risks, methods from the Minimum standards, methods of calculating and guidelines for calculating the unearned premium provision are not appropriate, the appointed certified actuary defines the calculation method and describes and explains it in the annual Opinion of the appointed certified actuary on the calculation of the technical provision. The reinsurers’ share in the provisions for unearned premiums is calculated according to reinsurance contracts.

3.21. Unexpired risk provision

A provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisition costs and administration costs likely to arise after the end of the accounting period) attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premiums in relation to such policies after the deduction of deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, before taking into account relevant investment returns.

3. ACCOUNTING POLICIES (continued)

3.22. Mathematical provision

The mathematical provision is accounted in the amount of the present value of estimated future liabilities of the insurance company based on concluded life insurance contracts less the present value of future premiums that will be received based on these insurance contracts. The mathematical provision is calculated separately for each policy active at the date of the calculation and each cancelled policy that is eligible for reactivation in accordance with the technical insurance basics and the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). The mathematical provision also takes into account the allocated profit. In basic life insurances, it is allowed to decrease the mathematical provision by unamortised actual acquisition costs of insurance – zillmerisation. The maximum allowed zillmerisation rate in the Republic of Croatia is 3.5%. In tariffs where the actual acquisition costs are higher than 3.5% for zillmerisation, the maximum allowed rate is used. A liability adequacy test (LAT) is performed quarterly by the Company in order to verify whether the established mathematical provision is sufficient for covering corresponding insurance liabilities. In case of a negative test result, the mathematical provision is increased by the indicated amount and recorded in the statement of comprehensive income.

3.23. Claims

Total claims incurred in a financial period consist of claims settled net of recourses, claims handling costs paid during the accounting period together with the movement in the provision for incurred claims.

Settled claims

Settled claims are recorded in the moment of settling the claim and are recognised (determined) as the amount to be paid to settle the claim plus claims handling expenses. Recovered claims recoverable from third parties are deducted from settled claims (recourses).

The reinsurers' share in claims settled for reinsured policies is calculated on the basis of gross claims settled under these policies in accordance with the terms and conditions of the reinsurance contracts.

Claims provision

Claims provisions represent the estimated final cost of settling all claims, including direct and indirect settlement costs, arising from events occurred until the date of the statement of financial position. These provisions include the provision for reported but not settled claims, provision for incurred but not reported claims and the provision for claims handling costs. Claims provisions are formed in accordance with the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA).

Claims provisions are assessed by reviewing individual reported claims and making provisions for claims incurred but not reported, taking into account both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries are disclosed separately. The reinsurers' share in the claims provision is calculated on the basis of gross claims provisions in accordance with the terms and conditions of the reinsurance contracts.

3. ACCOUNTING POLICIES (continued)

3.23. Claims (continued)

Whilst the Management Board of the Company considers that the gross claims provisions and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them and relevant events, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts of provisions.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.

The methods used, and the estimates made, are reviewed regularly.

3.24. Special provision for unit-linked life insurance products

A special provision for unit-linked life insurance products is recorded at fair value of the underlying investment.

3.25. Reinsurance

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

Premiums ceded and recoverable amounts are presented separately in the Company's statement of comprehensive income and the statement of financial position on the gross basis.

Receivables under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Only 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 related claim. Contracts that do not transfer significant insurance risk (i.e., financial reinsurance) are accounted for as deposits.

Reinsurance assets include receivables due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims provisions or provisions for settled claims associated with the reinsured policy.

Reinsurance assets comprise the actual or estimated amounts, which, under reinsurance contracts, are recoverable from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company forms provisions for estimated uncollectible assets from reinsurance, if required.

The cost of reinsurance related to life insurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

The calculation of the reinsurers' share in the mathematical provisions calculated in accordance with terms and conditions of reinsurance contracts.

3. ACCOUNTING POLICIES (continued)

3.25. Reinsurance (continued)

Reinsurance commissions and profit participations

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

3.26. Liability adequacy test

Insurance contracts are tested for liability adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. In case of liability inadequacy, an additional provision is created, and the Company recognises the loss in the statement of comprehensive income. Estimations of future cash flows are based on actuarial presumptions taking into account experience of claims occurrence, latest demographic tables, aspects of mortality, morbidity, return on investments, costs and inflation.

3.27. Comparative information and reclassifications

Where necessary, comparative figures have been reclassified to achieve consistency in presentation with current year figures and other information.

(All amounts are expressed in thousands of HRK)

4. PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and other assets	Right-of-use assets: Land and buildings	Right-of-use assets: Vehicles	Total
As of 1 January 2021	**16,085**	**3,676**	**5,751**	**565**	**26,076**
New lease agreements	-	-	12,657	519	13,177
Termination of agreements	-	-	(6388)	(667)	(391)
Other movements	-	(9)	-	-	(9)
Write-off and impairment	-	(12)	6023	642	(12)
Depreciation	(441)	(1,792)	(3,604)	(447)	(6,283)
Additions	-	1,207	-	-	1,207
As of 31 December 2021	**15,644**	**3,070**	**14,439**	**612**	**33,764**
Cost	24,019	32,656	19,389	1,318	77,381
Accumulated depreciation	(8,375)	(29,586)	(4,950)	(706)	(43,617)
Net book value	**15,644**	**3,070**	**14,439**	**612**	**33,764**

	Land and buildings	Equipment and other assets	Right-of-use assets: Land and buildings	Right-of-use assets: Vehicles	Total
As of 1 January 2022	**15,644**	**3,070**	**14,439**	**612**	**33,764**
New lease agreements	-	-	5,745	1,484	7,228
Termination of agreements	-	-	(1,255)	(614)	(1,869)
Other movements	-	(24)	-	-	(24)
Write-off and impairment	-	-	904	613	1,517
Depreciation	(441)	(1,284)	(3,380)	(394)	(5,499)
Additions	-	679	-	-	679
As of 31 December 2022	**15,203**	**2,440**	**16,453**	**1,700**	**35,796**
Cost	24,019	35,478	23,879	2,188	85,563
Accumulated depreciation	(8,815)	(33,038)	(7,426)	(487)	(49,767)
Net book value	**15,203**	**2,440**	**16,453**	**1,700**	**35,796**

The item land and buildings include land that is not depreciated, with the total value of HRK 279 thousand as of 31 December 2022 (2021: HRK 279 thousand).

As of 31 December 2022 and 2021, the Company did not have land and buildings pledged as collateral for the Company’s liabilities.

The depreciation charge for the period is recognised under “Administration costs” in the statement of comprehensive income (Note 18).

(All amounts are expressed in thousands of HRK)

5. INVESTMENT PROPERTY

	2022	2021
On 1 January	**44,293**	**43,583**
Disposals	(566)	-
Change in fair value (Note 15)	2,204	710
On 31 December	**45,931**	**44,293**

Land and buildings included in this category have been acquired for investment purposes. Any income arising from this investment is primarily the fair value gain expected because of market appreciation in value and is included in net investment income. Fair value losses are included in investment costs. As a rule, land and buildings are annually (at least once every five years) and independently valued and their carrying value is reconciled with the fair value of land and buildings, calculated by certified court valuators using the comparable method and/or income approach as the methods for property valuation. If independent valuation experts are unable to deliver the appraised study in accordance with the Regulations on Property Valuation Methods (e.g., due to the inability to access property which is not owned), the fair value amount stated in the value information provided by the independent valuation expert is also applied for valuation purposes.

Rental income is included in the investment income and amounts to HRK 2,970 thousand (2021: HRK 3,004 thousand). Property management expenses are included in investment costs, and amount to HRK 581 thousand (2021: HRK 630 thousand) (Note 15). Expenses (including repairs and maintenance, security, etc.) arising from investment property that generated income during the period amount to HRK 517 thousand (2021: HRK 571 thousand), and expenses arising from investment property that did not generate income amount to HRK 63 thousand (2021: HRK 59 thousand).

As of 31 December 2022, one of the Company's properties has been pledged as collateral with a carrying value of HRK 209 thousand.

6. DEFERRED ACQUISITION COSTS

As part of the Company's insurance business, certain acquisition costs are deferred. For life insurance business, deferred acquisition costs are taken into account in calculating mathematical provisions by means of Zillmersation. As such, deferred acquisition costs for life insurances are not recognised at the reporting date as a separate item of assets.

	2022	2021
At 1 January	**108,583**	**98,836**
Increase (Note 17)	66,208	57,102
Decrease (Note 17)	(51,445)	(47,355)
As at 31 December	**123,346**	**108,583**

(All amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS

2022	Held to maturity	Available for sale	At fair value through profit or loss	Loans and receivables	Total
Debt securities – fixed interest rate, listed					
Government bonds	173,578	986,668	-	-	1,160,246
Corporate bonds		265,181	-	-	265,181
Accrued interest	4,551	15,324	-	-	19,875
Total debt securities	**178,129**	**1,267,173**	**-**	**-**	**1,445,302**
Debt securities - unlisted					
Corporate bonds	-	49,417	-	-	49,417
Total debt securities - unlisted	**-**	**49,417**	**-**	**-**	**49,417**
Investment funds					
Mixed funds	-	-	6,273	-	6,273
Bond funds	-	128,094	5,447	-	133,541
Equity funds	-	39,550	110,825	-	150,375
Alternative funds	-	234,990	1,567	-	236,557
Total investment funds	**-**	**402,634**	**124,112**	**-**	**526,746**
Other					
Structured products	-	8,764	76,555	-	85,319
Other	**-**	**8,764**	**76,555**	**-**	**85,319**
Deposits					
Bank deposits	-	-	-	44,671	44,671
Accrued interest	-	-	-	902	902
Total deposits	**-**	**-**	**-**	**45,573**	**45,573**
Loans					
Loans based on life insurance policy repurchase value	-	-	-	7,520	7,520
Mortgage loans	-	-	-	132	132
Other loans	-	-	-	1,364	1,364
Accrued interest	-	-	-	35	35
Total loans	**-**	**-**	**-**	**9,052**	**9,052**
Total	**178,129**	**1,727,988**	**200,667**	**54,625**	**2,161,409**

(All amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS (continued)

2021	**Held to maturity**	**Available for sale**	**At fair value through profit or loss**	**Loans and receivables**	**Total**
Debt securities – fixed interest rate, listed					
Government bonds	255,308	1,240,581	-	-	1,495,889
Corporate bonds	-	289,102	-	-	289,102
Accrued interest	6,865	19,531	-	-	26,396
Total debt securities	**262,173**	**1,549,214**	**-**	**-**	**1,811,387**
Debt securities - unlisted					
Corporate bonds	-	41,297	-	-	41,297
Total debt securities - unlisted	**-**	**41,297**	**-**	**-**	**41,297**
Investment funds					
Mixed funds	-	-	6,362	-	6,362
Bond funds	-	161,669	6,184	-	167,853
Equity funds	-	44,494	123,351	-	167,845
Alternative funds	-	239,565	1,724	-	241,289
Total investment funds	**-**	**445,728**	**137,621**	**-**	**583,349**
Other					
Structured products	-	15,430	84,455	-	99,885
Other	**-**	**15,430**	**84,455**	**-**	**99,885**
Deposits					
Bank deposits	-	-	-	40,000	40,000
Accrued interest	-	-	-	576	576
Total deposits	**-**	**-**	**-**	**40,576**	**40,576**
Loans					
Loans based on life insurance policy repurchase value	-	-	-	6,761	6,761
Mortgage loans	-	-	-	136	136
Other loans	-	-	-	1,501	1,501
Accrued interest	-	-	-	35	35
Total loans	**-**	**-**	**-**	**8,433**	**8,433**
Total	**262,173**	**2,051,669**	**222,076**	**49,009**	**2,584,927**

(All amounts are expressed in thousands of HRK)

7. FINANCIAL INVESTMENTS (continued)

The fair value disclosure and information on credit quality is set out in Note 22.

Financial assets at fair value through profit or loss are designated at fair value at initial recognition since they are managed, evaluated, and reported internally on a fair value basis.

Analysis of loans

	2022	2021
Loans based on life insurance policy repurchase value		
- Gross	7,520	6,761
- Impairment provisions	-	-
Total loans based on life insurance policy repurchase value	**7,520**	**6,761**
Loans secured by mortgage or bank guarantee		
- Gross	3,008	3,012
- Impairment provisions	(2,876)	(2,876)
Total loans secured by mortgage or bank guarantee	**132**	**136**
Other loans		
- Gross	1,547	1,683
- Impairment provisions	(183)	(183)
Total other loans	**1,364**	**1,501**
Accrued interest	35	35
Total	**9,052**	**8,433**

Movements in loans impairment

	Loans based on life policy surrender values	Loans secured by mortgage or bank guarantee	Other loans	Total
At 1 January 2021	**(69)**	**(6,028)**	**(279)**	**(6,376)**
Collection of impaired loans	-	-	-	-
Write-off	-	3,151	97	3,317
At 31 December 2021	**(69)**	**(2,876)**	**(183)**	**(3,059)**
At 1 January 2022	**-**	**-**	**-**	**-**
Collection of impaired loans	-	-	-	-
Write-off	-	-	-	-
At 31 December 2022	**0**	**(2,876)**	**(183)**	**(3,059)**

In 2022, the Company did not make final write-off of loans (2021: HRK 3,317 thousand principal and HRK 63 thousand interest).

(All amounts are expressed in thousands of HRK)

8. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	2022	2021
Non-life insurance		
Reinsurers' share in unearned premium	80,307	72,374
Reinsurers' share in provisions for RBNS claims	85,082	87,389
Reinsurers' share in provisions for IBNR claims	72,040	75,788
Reinsurers' share in provision for bonuses and discounts	329	263
	237,758	**235,814**
Life insurance		
Reinsurers' share in unearned premium	127	148
Reinsurers' share in provisions for RBNS claims	426	157
Reinsurers' share in life insurance mathematical provision	84,395	92,373
	84,948	**92,678**
	322,705	**328,492**

The reinsurers' share in technical provisions represents expected future claims that will be charged to the Company's reinsurers and the reinsurers' share in unearned premiums, the mathematical provision and the provision for bonuses and discounts.

9. INSURANCE CONTRACT AND OTHER RECEIVABLES

	2022	2021
Receivables from policyholders, gross	113,195	113,721
- from impairment	(16,283)	(22,255)
Receivables from policyholders, net	96,912	91,466
Receivables from reinsurance		
- from claims recoveries	50,304	45,416
- from reinsurance commission	23,506	20,634
Receivables from reinsurance for share in profit	12	510
Receivables from reinsurance for participation in impairment and guarantee fund provision	4,590	5,698
Credit card receivables	12,530	10,528
Receivables for service claims	10,316	8,475
Other receivables	5,070	5,581
- from impairment	(3,308)	(3,314)
Prepaid expenses	3,377	3,696
	203,310	**188,690**

(All amounts are expressed in thousands of HRK)

9. INSURANCE CONTRACT AND OTHER RECEIVABLES (continued)

The movement in impairment provisions during the year was as follows:

	Premium	Other	Total
At 1 January 2021	**(24,441)**	**(4,549)**	**(28,990)**
Decrease in impairment provisions	2,186	1,235	3,421
At 31 December 2021	**(22,255)**	**(3,314)**	**(25,569)**
At 1 January 2022	**(22,255)**	**(3,314)**	**(25,569)**
Decrease in impairment provisions	5,972	6	5,978
At 31 December 2022	**(16,283)**	**(3,308)**	**(19,591)**

The analysis of the credit quality of insurance contract receivables at the date of the statement of financial position is as follows:

	2022	2021
Neither past due nor impaired	68,732	65,446
Past due but not impaired	28,179	26,020
Impaired	16,283	22,255
Impairment provision	(16,283)	(22,255)
	96,912	**91,466**

The ageing analysis of receivables past due but not impaired at the reporting date is as follows:

	2022	2021
Less than 30 days	18,476	17,859
30 to 180 days	9,703	8,161
	28,179	**26,020**

Impairment losses from policyholder's receivables are deducted from gross premium. The Company commences forced collection for receivables due from non-life insurance policyholders mainly 90 days from the maturity of the overall receivable. Unpaid premiums from life insurance policyholders overdue more than 90 days which do not satisfy the criteria for capitalisation, are cancelled. During both presented periods, the Company undertakes all available means to collect the respective amounts.

Amounts that are not written off and not collected from non-life insurance policyholders with defaults in payment of more than 180 days, are impaired in full (100%).

(All amounts are expressed in thousands of HRK)

10. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax (liabilities) / assets are as follows:

	2022	2021
Deferred tax (liabilities) / assets		
Available-for-sale financial assets	23,131	(21,932)
Effect of temporarily non-deductible expenses	1,103	952
	24,233	**(20,980)**

Movement in temporary differences and components of deferred tax (liabilities) / assets recognised in the statement of comprehensive income and in equity:

	Available-for- sale financial assets	Temporarily non-deductible expenses	Deferred tax assets / (liabilities)
At 1 January 2021	**(33.932)**	**2.917**	**(31.015)**
(Increase)/decrease in deferred tax liability recognised in other comprehensive income	11.999	-	11.999
Increase/(decrease) in deferred tax assets recognised in profit or loss		(185)	(185)
Effects of deferred tax assets	-	(1,779)	(1,779)
At 31 December 2021	**(21.932)**	**952**	**(20.980)**
(Increase)/decrease in deferred tax liability recognised in other comprehensive income	21,932	-	21,932
Increase/(decrease) in deferred tax assets recognised in profit or loss	23,131	150	23,281
Effects of deferred tax assets	-	-	-
At 31 December 2022	**23,131**	**1,103**	**24,233**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACT PROVISIONS

	2022	2021
Non-life insurance (gross)		
Provision for unearned premiums	413,140	368,008
Provision for reported but not settled claims (RBNS)	176,379	177,039
Provision for incurred but not reported claims (IBNR)	202,023	214,905
Provision for bonuses and discounts	2,365	2,861
	793,907	**762,813**
Life insurance (gross)		
Provision for unearned premiums	2,033	2,276
Mathematical life insurance provision	1,300,265	1,358,680
Provision for reported but not settled claims (RBNS)	79,162	81,190
Provision for incurred but not reported claims (IBNR)	2,614	3,295
Provisions for unit-linked products	189,989	208,495
	1,574,064	**1,653,936**
	2,367,970	**2,416,749**

(a) Principal assumptions that have the significant effect on recognised insurance assets, liabilities, income and expenses

Non-life insurance

A provision is recognised at the date of the statement of financial position for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. The liability for reported claims (RBNS) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss appraisers as well as historical evidence of the amounts of similar claims. Each claim is reviewed regularly, and the relevant provision is regularly updated as and when new information is available. The reinsurers' share is determined by individual calculations based on reinsurance contracts effective at the time when the claim occurred. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than for reported claims. IBNR provisions are assessed by actuaries using statistical techniques.

The key methods are:

- chain ladder methods, which use historical data to estimate the future development of unsolved claims;
- expected claims ratio method;
- Bornhuetter-Ferguson method, which, in estimating IBNR provisions, in addition to expected claims, takes into consideration exposure measures;
- benchmarking methods, which use the experience of comparable, more mature, classes to estimate the cost of claims.

The actual method or combination of methods used varies by the year of the claim considered, the class of business and historical claims development. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

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

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the reinsurers' share.

The assumptions which have the most significant effect on the measurement of non-life insurance provisions are as follows:

Tail factors

For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to their ultimate settlement. These tail factors are estimated prudently based on actuarial judgements and the best fit from a statistical point of view.

Discounting

Except for annuities, non-life claims provisions are not discounted. Provisions for annuities are calculated separately for each annuity, based on the amount of annuity from the claim, in the capitalized amount as the present value of all future annuity liabilities. When calculating provisions for annuity claims the Company uses the 2010-2012 mortality tables of the Republic of Croatia published by the Croatian Bureau of Statistics, at an annual discount rate of 2.5%. Depending on information regarding the claim, the presumption of the increase in annuity amount is taken into account. Annuity claims mainly arise from motor third party liability and liability claims.

Non-life insurance claims

Anticipated recoveries from reinsurance have been disclosed as separate assets and are estimated in accordance with the terms of the reinsurance contracts.

The ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided against. The adjustments to the claims provision established in prior years are reflected in the financial statements in the period of the adjustments and are disclosed separately if material.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Life insurance

The Company forms technical provisions for life insurance contracts for the purpose of meeting all liabilities arising from those contracts.

Claims provision

A provision for reported but not settled claims ("RBNS") is formed to estimate the final cost of settling all incurred liabilities arising from an adverse event for each individual claim, taking into account the corresponding costs of claims processing and deductions for amounts already paid. For incurred but not reported claims ("IBNR") the amount of the provision is estimated using actuarial methods (the chain ladder method and the lump sum method). Based on past experience of the share of indirect costs in claims settlement, these provisions are increased by indirect claims processing costs.

Mathematical provision

The mathematical provision is calculated based on the prospective net method using the statistical data (mortality and morbidity tables) and interest rates adjusted to the provisions of the Rulebook on minimum standards, methods of calculating and guidelines for calculating technical provisions prescribed by the supervisory body (HANFA). Life insurance policies are linked to the EUR. The mathematical provision for life insurance is decreased by the non-amortised acquisition costs (Zillmerisation), where the Zillmerisation rate is not higher than 3.5% of the insured amount, depending on the type of contract and commission paid.

Policyholder discretionary bonuses

Policyholders or beneficiaries of endowment policies are entitled to a share in the profits of the Company realised in the management of life insurance funds. In the event of endowment, the share in profits is paid along with the sum insured. In the event of death, the Company pays the sum insured and the shares in the profits accounted for by that time. The Company provides for discretionary bonuses allocated to policyholders within the mathematical provision.

Unit/Index-linked life insurance

Life insurance where the policyholder takes on the risk of investment combines the risk of life insurance and investment in financial instruments. A special life insurance provision is formed for this type of insurance when the policyholder bears the risk of the investment, and it is carried at fair value of the related investment.

Reinsurers' share in life insurance technical provisions

The reinsurers' share in life insurance technical provisions is calculated in accordance with the reinsurance contracts in force for each individual policy/claim.

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(b) Analysis of movement in provision for unearned premium

	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
Non-life insurance						
At 1 January	368,008	(72,373)	295,635	342,659	(67,916)	274,743
Premiums written during the year	490,605	(175,484)	315,121	431,221	(155,393)	275,828
Movement in provision for unearned premiums	(445,473)	167,551	(277,923)	(405,872)	150,936	(254,936)
At 31 December	**413,140**	**(80,306)**	**332,834**	**368,008**	**(72,373)**	**295,635**
Life insurance						
At 1 January	2,276	(148)	2,127	2,567	(173)	2,393
Premiums written during the year	2,667	(409)	2,258	2,645	(460)	2,186
Movement in provision for unearned premiums	(2,910)	430	(2,480)	(2,936)	485	(2,452)
At 31 December	**2,033**	**(127)**	**1,904**	**2,276**	**(148)**	**2,127**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(c) Analysis of movements in provisions for reported but not settled claims

	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
Non-life insurance						
At 1 January	177,039	(87,389)	89,650	215,076	(116,532)	98,544
Claims reported in current Year	220,675	(79,483)	141,192	197,332	(73,210)	124,121
Change in estimate for previous year claims	(8,352)	6,459	(1,893)	(26,632)	18,476	(8,156)
Claims paid	(212,983)	75,331	(137,651)	(208,737)	83,878	(124,860)
At 31 December	**176,379**	**(85,082)**	**91,297**	**177,039**	**(87,389)**	**89,650**
Life insurance						
At 1 January	81,190	(157)	81,032	75,155	(180)	74,975
Claims incurred in the current year	209,450	(14,922)	194,528	276,797	(9,145)	267,652
Change in claims from the previous year	4,769	(134)	4,635	2,665	(212)	2,453
Claims paid	(216,246)	14,788	(201,459)	(273,428)	9,380	(264,048)
At 31 December	**79,162**	**(426)**	**78,737**	**81,190**	**(157)**	**81,032**

(d) Analysis of movements in provisions for incurred but not reported claims

	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
Non-life insurance						
At 1 January	214,905	(75,788)	139,117	228,584	(87,933)	140,651
Increases recognised during the year	16,265	(9,139)	7,126	16,630	(1,314)	15,316
Less: transfer to claims reported provision	(29,147)	12,888	(16,259)	(30,309)	13,458	(16,851)
At 31 December	**202,023**	**(72,040)**	**129,984**	**214,905**	**(75,788)**	**139,117**
Life insurance						
At 1 January	3,295	-	3,295	3,368	-	3,368
Increases recognised during the year	(452)	-	(452)	(53)	-	(53)
Less: transfer to claims reported provision	(229)	-	(229)	(20)	-	(20)
At 31 December	**2,614**	**-**	**2,614**	**3,295**	**-**	**3,295**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(e) Mathematical life insurance provision

	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
At 1 January	**1,358,680**	**(92,373)**	**1,266,307**	**1,503,087**	**(95,459)**	**1,407,628**
Premium allocation	145,936	(6,531)	139,405	114,797	(6,236)	108,561
Release of liabilities due to benefits paid, repurchase and other terminations	(212,839)	14,772	(198,067)	(269,549)	9,321	(260,228)
Allocation of discretionary bonus	4,678	-	4,678	4,849	-	4,849
Change in IBNR and RBNS	4,054	(242)	3,812	5,787	26	5,813
Change in provision for unearned premiums	(243)	(21)	(264)	(291)	(25)	(316)
At 31 December	**1,300,265**	**(84,395)**	**1,215,871**	**1,358,680**	**(92,373)**	**1,266,307**

(f) Provisions for unit-linked products

	2022 Gross and net	2021 Gross and net
At 1 January	208,495	160,136
Allocation of technical premium	6,452	31,898
Unrealised gains/(losses) of funds from allocated policyholders' investments	(24,958)	16,462
At 31 December	**189,989**	**208,495**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(g) Development of claims provision

For the year ended 31 December 2022

	Prior to 2017	2017	2018	2019	2020	2021	2022	Total
Estimate of cumulative claims at the end of claim occurrence year	2,000,589	613,073	557,078	530,033	474,694	481,709	441,723	441,723
One year later	1,992,077	628,335	586,174	506,057	459,923	483,047	-	483,047
Two years later	1,935,869	629,137	579,688	489,723	448,888	-	-	448,888
Three years later	1,938,872	647,080	578,657	483,237	-	-	-	483,237
Four years later	1,960,207	646,840	578,706	-	-	-	-	578,706
Five years later	1,906,387	644,260	-	-	-	-	-	644,260
Six years later	2,164,123	-	-	-	-	-	-	2,164,123
Total estimate of provisions	**2,164,123**	**644,260**	**578,706**	**483,237**	**448,888**	**483,047**	**441,723**	**5,243,985**
Cumulative payments	(2,012,829)	(616,349)	(549,225)	(454,991)	(402,608)	(437,189)	(332,881)	(4,806,073)
Claims handling costs	4,447	679	761	837	1,429	3,312	10,802	22,266
Claims provision as at 31 December 2022	**155,741**	**28,589**	**30,243**	**29,083**	**47,709**	**49,170**	**119,644**	**460,179**

For the year ended 31 December 2021

	Prior to 2016	2016	2017	2018	2019	2020	2021	Total
Estimate of cumulative claims at the end of claim occurrence year	1,010,431	445,948	544,210	613,073	557,078	530,033	481,709	481,709
One year later	987,835	447,255	556,987	628,335	586,174	459,923	-	459,923
Two years later	936,870	445,175	553,824	629,137	489,723	-	-	489,723
Three years later	940,167	439,846	558,859	578,657	-	-	-	578,657
Four years later	955,920	437,976	646,840	-	-	-	-	646,840
Five years later	890,612	566,819	-	-	-	-	-	566,819
Six years later	1,606,893	-	-	-	-	-	-	1,606,893
Total estimate of provisions	1,010,431	445,948	544,210	613,073	557,078	530,033	481,709	4,182,483
Cumulative payments	(1,462,335)	(540,380)	(615,536)	(547,585)	(450,748)	(390,609)	(373,768)	(4,380,962)
Claims handling costs	5,063	774	1,014	1,178	1,881	5,090	11,827	26,827
Claims provision as at 31 December 2021	**149,621**	**27,212**	**32,317**	**32,250**	**40,856**	**74,403**	**119,768**	**476,428**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(h) Structure of assets used for backing life insurance mathematical provision

	2022	2021
Assets backing mathematical provision		
Government bonds	715,314	977,291
Corporate bonds	264,553	278,545
Investment funds	358,936	393,915
Cash and deposits	39,348	6,118
Mortgages and borrowings	7,463	6,754
Property	39,660	38,036
Total assets used for backing life insurance mathematical provision	**1,425,274**	**1,700,659**
Life insurance mathematical provision, net of reinsurance	1,215,871	1,266,307
Claims provision for risks for which it is necessary to create mathematical provision, net of reinsurance	79,981	81,991
Required coverage of life insurance mathematical provision	**1,295,852**	**1,348,298**
Excess coverage	**129,422**	**352,361**

As at 31 December 2022 and 2021, the Company was in compliance with regulatory requirements relating to the structure and amounts of assets invested for backing mathematical provision.

The table below analyses assets used for backing mathematical provision by remaining maturities and insurance contract liabilities.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2022					
Assets backing mathematical provision	461,950	471,051	254,677	237,597	1,425,274
Life insurance mathematical provision, net of reinsurance	(118,923)	(407,979)	(288,904)	(400,065)	(1,215,871)
Claims provision, net of reinsurance	(75,060)	(4,686)	(235)	-	(79,981)
Maturity gap	**267,967**	**58,386**	**(34,462)**	**(162,468)**	**129,422**
2021					
Assets backing mathematical provision	696,219	432,000	339,287	233,153	1,700,659
Life insurance mathematical provision, net of reinsurance	(135,614)	(419,222)	(298,597)	(412,875)	(1,266,307)
Claims provision, net of reinsurance	(77,117)	(4,676)	(198)	-	(81,991)
Maturity gap	**483,488**	**8,102**	**40,492**	**(179,722)**	**352,361**

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

As at 31 December 2022, the structure of assets to cover the mathematical provision of the Company is as follows: 81,30% is classified as assets available for sale (2021: 81,82%), and 0,28% as financial assets at fair value through profit or loss (2021: 0,27%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 12,36% as assets held to maturity (2021: 14,91%), 0.52% as loans and prepayments (2021: 0,40%), 2,78% as property (2021: 2,24%) and 2,76% as funds on a business account (2021: 0,36%).

In 2022, the Company realised an average return by investing 4,27% of the mathematical provision assets (2021: 4.18%).

The following table analyses the financial assets used for supporting mathematical provision by relevant groupings based on the currency in which it is denominated. The mathematical provision for traditional products is denominated in EUR.

	Euro	Kuna	Total
2022			
Assets supporting mathematical provision	1,340,376	84,898	**1,425,274**
2021			
Assets supporting mathematical provision	1,649,389	51,270	**1,700,659**

The valuation of financial assets is set out in Note 3 - Accounting policies.

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(i) Structure of assets used for backing technical provision other than mathematical provision

	2022	2021
Assets used for backing technical provision other than mathematical provision		
Government bonds	354,055	413,413
Corporate bonds	52,574	54,298
Investment funds	47,690	56,347
Cash and deposits	90,759	60,641
Mortgages and borrowings	132	136
Receivables from insurance operations	94,231	88,553
Total assets used for backing technical provision other than mathematical provision	**639,441**	**673,388**
Provision for unearned premiums, net of reinsurance	334,738	297,762
Claims provision, net of reinsurance	222,650	231,103
Other provisions	2,036	2,599
Required coverage of technical provision other than mathematical provision	**559,424**	**531,464**
Excess coverage	**80,017**	**141,924**

As at 31 December 2022 and 2021, the Company was in compliance with regulatory requests relating to the structure and amounts of assets invested for backing the technical provision. At the beginning of 2020 the Company decided to use receivables from direct insurance operations not older than 90 days for the purposes of calculating assets to cover technical provisions.

(All amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

The table below analyses assets used for backing the technical provision by remaining maturities from the reporting date and the estimated remaining contractual maturities of technical provisions for which coverage is required:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2022					
Assets used for backing technical provisions	304,831	110,839	223,639	132	639,441
Provision for unearned premiums, net of reinsurance	(158,799)	(84,003)	(89,798)	(2,137)	(334,738)
Claims provision and other provisions, net of reinsurance	(60,984)	(69,532)	(45,801)	(48,369)	(224,686)
Maturity gap	**85,048**	**(42,696)**	**88,040**	**(50,374)**	**80,017**
2021					
Assets used for backing technical provisions	171,510	193,908	307,834	136	673,388
Provision for unearned premiums, net of reinsurance	(140,595)	(75,815)	(78,811)	(2,542)	(297,762)
Claims provision and other provisions, net of reinsurance	(61,621)	(71,918)	(47,544)	(52,619)	(233,702)
Maturity gap	**(30,706)**	**46,175**	**181,479**	**(55,025)**	**141,924**

As at 31 December 2022, the structure of assets to cover the technical provision of the Company is as follows: 71,05% is classified as assets available for sale (2021: 77,33%), which both can be relatively easily sold by the Company, if required. The remaining structure is as follows: 0,0% as assets held to maturity (2021: 0,50%), 0.02% as loans and prepayments (2021: 0,02%), deposit 6,39% (2021: 6,02%), 7,80% as funds on a business account (2021: 2,98%) and receivables from direct insurance operations 14,74% (2021: 13,15%).

The following table analyses the financial assets used for backing the technical provision by relevant groupings based on the currency in which it is denominated.

	EUR	Other foreign currencies	HRK	Total
2022				
Assets used for supporting technical provisions	55,914	-	583,527	639,441
Provision for unearned premiums, net of reinsurance	(47,504)	(17)	(287,217)	(334,738)
Claims provision and other provisions, net of reinsurance	(14,248)	-	(210,438)	(224,686)
	(5,837)	**(17)**	**85,872**	**80,017**
2021				
Assets used for supporting technical provisions	71,824	-	601,564	673,388
Provision for unearned premiums, net of reinsurance	(39,185)	(26)	(258,551)	(297,762)
Claims provision and other provisions, net of reinsurance	(16,929)	-	(216,772)	(233,701)
	15,710	**(26)**	**126,240**	**141,924**

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test

Life insurance

The mathematical provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses, and exercise of policyholder options. For this purpose, the Company uses the liability adequacy test for the majority of products in its portfolio. Where reliable market data is available, assumptions are derived from observable market prices. However, in the absence of market transactions in the economy in which the Company operates, significant difficulties remain in calibrating the assumptions used in observable market conditions.

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

Due to the levels of uncertainty in the future development of insurance markets and the Company's portfolio, the Company uses reasonably margins for risk and uncertainty. Input assumptions are updated annually based on recent experience. The methodology of testing considers current estimates of all future cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of correlation between all risk factors.

The principal assumptions used are:

Segmentation

The Company segments the products into several homogeneous groups according to the characteristics of individual products (product type - mixed and savings insurance, UL, IL, risk insurance, annuities, other insurance types, i.e. riders). Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining the additional liability to be established.

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

Mortality and morbidity

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

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

(all amounts are expressed in thousands of HRK)

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test (continued)

Persistency

Future contractual premiums are included without any allowance for premium indexation. Estimates for lapses and surrenders are estimated based on the Company's past experience with insurance policies (split by type, payment method and past policy durations). The Company regularly investigates its actual persistency rates by product type and payment method and amends its assumptions accordingly. The assumptions as derived above are adjusted by a margin for risk and uncertainty.

Expense

Estimates for future renewal and maintenance expenses included in the liability adequacy test are derived from the Company's current experience and increased by assumed inflation.

Expected investment return and discount rate

Future investment returns are calculated using the best estimate of interest rate derived from return on government bonds and other instruments in which Company has investments.

The discount rate used (presented below by years of duration) is equal to expected future investment returns, taking into account credit risk, and duration and currency structure of the Company's investment portfolio.

	2022	**2021**
1 - 5 years	2,66%	2,71%
5 - 10 years	2,59%	2,18%
More than 10 years	2,59%	2,18%

Profit sharing

Whilst, for most life insurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Company, the assessment of liability adequacy takes into account future discretionary bonuses. The percentage applied is consistent with the Company's current business practice for bonus allocation.

The Company performed a sensitivity test for the following assumptions: decrease in interest rate (1%), decrease in cancellation rate (50%) and increase in expenses (10%).

The results are presented in the table below:

	2022	**2021**
LAT provision	1,405,575	1,500,036
Sensitivity test for changes in assumptions:		
Decrease of interest rates by 1%	1,508,093	1,600,933
Decrease of cancellation rate by 50%	1,403,903	1,659,068
Increase in expenses by 10%	1,590,393	1,688,349

11. INSURANCE CONTRACTS PROVISIONS (continued)

(j) Liability adequacy test (continued)

The assumption that has the most significant impact on the LAT provision amount is interest, reflecting the expected future returns that will be realised by investing the mathematical provision. The Company's calculation of LAT provisions at 31 December 2022 was performed by applying different rates than those that were used in the calculation of LAT provisions at 31 December 2021. If the non-linearity in interest rates is ignored, it can be determined that the LAT provision decreased by approximately HRK 33,10 million due to different interest rates applied in 2021 compared to those applied in 2022. Due to the increase in mortality in 2022, the LAT reserve is approximately HRK 2.05 million higher, and due to the increase in costs, there was an increase in the LAT reserve of approximately HRK 6.58 million. In the world market, there was a significant increase in inflation, and as a result, the LAT reserve increased approximately by HRK 16.80 million.

Non-life insurance

The liability adequacy test for non-life insurance is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract. The test is performed by lines of business managed collectively. The results presented that the liability adequacy requirements are met, therefore, additional provisions for non-life insurance are not required.

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

Gains or losses and insurance liabilities are mainly sensitive to fluctuations in investment and mortality rates, cancellation rate and the cost rate estimated to determine the insurance liability adequacy. The Company estimates the impact of changes in key variables on profit for the year and equity at year end, which have a significant effect on the profit and equity. In non-life insurance, variables with the highest impact on insurance liabilities relate to the occurrence of claims and changes in the costs per insurance policy.

Life insurance

Bonuses

Around 65% of the Company's life insurance contracts include an entitlement to receive a discretionary bonus. Bonuses to policyholders are granted in accordance with rules of the Company reported to HANFA and are recognised as a liability when proposed and approved by the Management Board. Once allocated to policyholder's bonuses are guaranteed.

Premiums

Premiums for the majority of life products are linked to EUR (in addition to premiums in USD and HRK) and may be payable in regular instalments or as a single premium at inception of the policy. Most endowment-type and investment insurance and products contain a premium indexation option which may be exercised annually at the discretion of the policyholder. Where the option is not exercised, premiums are not increased by any index.

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Term life insurance products

Traditional term life insurance products comprise risks of death. Premiums are paid in instalments or as single premium. Policies offer a fixed or decreasing sum insured for death. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment products

These are also traditional life insurance products providing financial protection during the duration of the contract and give the insured the possibility to finance their needs in retirement. Capital life insurance products for regular or single premium offer covering for risks of death, endowment, dread diseases, permanent disability and accident rider. Insurance benefits are usually fully paid as a lump-sum.

Unit- and index-linked insurance

These are types of insurance where the insurance contractor bears the basic investment risk and the value of the payment upon endowment, i.e. the expiration of the insurance policy depends on the fair value of the related asset. The risk assumed by the Company with this type of insurance is the risk of death. When contracting the policy, the Company guarantees the agreed percentage of premiums paid in the event of the insured person's death during the life of the policy, and the fund reserve is added to that amount.

Non-life insurance

The Company offers many types of non-life insurances, mainly vehicle, property, liability, marine, transport, loan insurance, receivables, health and accident insurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at a 3 months' notice (6 months' notice in case of long-term contracts longer than 5 years). A portion of accident insurance policies have a single premium option for long-term duration (the maximum duration in the portfolio is 30 years). These policies are connected with bank loans. The Company is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to reduce and reject fraudulent claims.

Future insurance claims are the main source of uncertainty which influences the amount and timing of future cash flows. The amount of particular claim payments is limited by the sum insured which is established in the insurance policy. Other significant sources of uncertainty related to non-life insurance arise from legislative regulations which entitle the policyholder to report a claim before the statute of limitation, which is effective 3 years from the date when the policyholder becomes aware of the claim but not later than 5 years from the beginning of the year following the year of occurrence. This feature is particularly significant in case of permanent disability arising from accident insurance and personal injuries in motor third party liability insurance because of the difficulty in estimating the period between occurrence and confirmation of permanent effects.

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

11. INSURANCE CONTRACTS PROVISIONS (continued)

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

Motor vehicle insurance

The Company's motor vehicle insurance portfolio comprises both motor third party liability insurance (MTPL) and motor hull insurance. MTPL insurance covers bodily injury claims and property claims in the Republic of Croatia as well as claims caused abroad by insured motorists under the "Green Card" system. Property damage under MTPL and motor hull claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The amount of claims relating to bodily injury and related losses of earnings are influenced by decisions and directives set by the Supreme Court which influence court practice.

MTPL is regulated by the Compulsory Traffic Insurance Act. The minimum sums insured are regulated by law. When paying a premium for continuing insurance, policyholders are entitled to a no-claims bonus under their policy when the conditions are met, i.e., penalty for bad loss experience is charged.

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

Property insurance

This is broadly split into corporate and retail risks that comprise small and medium sized entrepreneurs. For corporate risks, the Company uses risk management techniques to identify risks and analyse losses and cooperates with reinsurers. Retail and private property insurance consists of standard buildings and items insurance. Claims are normally reported promptly and can be settled without delay.

Liability insurance

This covers all types of liability and includes commercial liability, employees and professional indemnity as well as personal liability. The majority of general liability covers are realised on an "occurrence" basis.

Accident insurance

Accident insurance is traditionally and mostly sold as an addition to life insurance products or to MTPL products offered by the Company and as a part of the insurance package of credit and debit card users of Raiffeisenbank Austria d.d. Zagreb and other banks.

(all amounts are expressed in thousands of HRK)

12. INSURANCE LIABILITIES AND OTHER PAYABLES

	2022	2021
Indirect insurance contract payables	218	240
Reinsurance contract payables	90,867	78,972
Deposits retained from business ceded to reinsurance /i/	84,522	92,521
Other liabilities	38,334	37,345
	213,941	209,078
Lease liabilities /ii/	18,307	15,163
Accrued expenses	67,957	65,949
Provisions for liabilities and charges	8,419	7,071
Provisions for legal claims /iii/	11,261	9,508
	319,885	**306,769**

All insurance contract payables, other insurance related liabilities (except deposits held from business ceded to reinsurance and a part of leases) are due within 12 months from the reporting date. The maturity of deposits held, and leases is disclosed in Note 22.3. All payables are expected to be settled within 12 months of the reporting date, except for a part of leases.

/i/ The Company retains deposits from reinsurance business arising from the quota share reinsurance treaty with the parent company. In accordance with the reinsurance treaty, applicable from 1999, the Company does not cede the reinsurers' share in the mathematical provision but retains and invests the funds. Deposits retained from reinsurance business bear a 3% fixed interest rate per annum (2021: 3% p.a.).

/ii/ Lease liabilities

	31 12 2022	31 12 2021
Mature within one year	3,553	3,228
Mature after one year	14,754	11,935
	18,307	**15,163**

During 2022, interest expense on leases in the amount of HRK 239 thousand was recognised in the statement of comprehensive income.

/iii/ As at 31 December 2022, provisions for litigation amount to HRK 11,261 thousand (2021: HRK 9,508 thousand). Based on the estimate made by Management and legal counsel, provisions were made in the total amount of 2,650 thousand for legal claims whose outcome is assessed as unfavourable for the Company. During the year, part of the provision in the amount of HRK 10 thousand was reverse and HRK 888 thousand was paid for litigation. Management believes that the Company will not have any material losses arising from these and other legal claims above the amount of provisions made as at 31 December 2022.

Movement in provision for legal claims

	2022	2021
Opening balance as at 1 January	**9,508**	**10,749**
Increase in provision	2,650	945
Decrease in provision	(898)	(2,186)
Closing balance as at 31 December	**11,261**	**9,508**

(all amounts are expressed in thousands of HRK)

13. CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2022, the Company's share capital amounted to HRK 62,700 thousand (2021: HRK 62,700 thousand). It is divided into 76 ordinary shares with a nominal value of HRK 825 thousand per share (2021: 76 ordinary shares with a nominal value of HRK 825 thousand per share).

The sole shareholder of the Company is UNIAQ Österreich Versicherungen AG.

(b) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of available-for-sale investments.

Movements in the fair value reserve were as follows:

	2022	**2021**
Gross fair value reserve	121,844	188,509
Deferred tax	(21,932)	(33,932)
At 1 January	**99,912**	**154,577**
Changes in fair value	(236,778)	(53,456)
Deferred tax on changes in fair value	42,620	9,622
Net realised gains from available-for-sale financial assets (Note 15)	(13,570)	(13,209)
Deferred tax on net realised gains from available-for-sale financial assets	2,443	2,378
At 31 December	**(105,373)**	**99,912**
Gross fair value reserve	(128,503)	121,844
Deferred tax (Note 10)	23,131	(21,932)
At 31 December	**(105,372)**	**99,912**

(c) Capital management

The Company manages its capital by assessing shortfalls between the reported and required capital levels on a regular basis. During the year there were no changes in respect of share capital, aims, policies and processes of capital management adopted in previous years.

The Company's main objective in managing capital is meeting the requirements prescribed by the Croatian Financial Services Supervisory Agency (HANFA) as the regulator of the insurance market in the Republic of Croatia.

In accordance with the Insurance Act, the Company is obliged to have a minimum share capital of EUR (8 million i.e., EUR 4 million for performing non-life insurance activities and HRK 4 million for performing life insurance activities in kuna equivalent, according to the middle exchange rate of the Croatian National Bank applied on the last day of October of the previous year). As at 31 December 2022, own funds to cover the minimum required capital amounted to HRK 554,92 million, which is significantly above the minimum required capital of HRK 94,15 million.

13. CAPITAL AND RESERVES (continued)

(c) Capital management

As at 31 December 2022 and 2021, the Company's share capital amounted to HRK 62.7 million (HRK 28.875 million for life insurance and HRK 33.825 million for non-life insurance) and the Company meets the stated criteria.

Capital requirements are determined according to the Solvency II regulation. Calculations of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) are conducted quarterly. Throughout 2022, the Company has been meeting regulatory capital requirements, reporting quarterly quantitative information to the Croatian Financial Services Supervisory Agency.

The Company's solvency capital is determined by applying the standard formula.

The Company’s solvency quota as at 31 December 2022 was 167% (2021: 178%), while the minimum required capital quota amounts to 589% (2021: 577%). The relevant information related to 2022 will be published on the Company's web site as part of the Report on Solvency and Financial Position for 2022 on April 7, 2023.

The continued monitoring of regulatory capital adequacy and capital management are an integral part of the process of own risk assessment and solvency. The key elements of own risk and solvency assessment are the projection of solvency capital requirement, minimum capital requirement and equity to cover capital requirements throughout the business plan period, an estimation of the deviation between the Company's risk profile and the assumptions on which the standard formula is based and the preparation of sensitivity analyses and stress testing, through which the Company's capital adequacy is continuously re-examined.

(all amounts are expressed in thousands of HRK)

14. PREMIUMS

	2022	2021
Non-life insurance		
Gross insurance premiums	490,605	431,221
Insurance premiums ceded to reinsurance, net of reinsurers' share in impairment	(174,506)	(154,978)
Change in gross provisions for unearned premiums	(45,132)	(25,348)
Change in provision for unearned premiums, reinsurers' share	7,934	4,457
Total premiums earned from non-life insurance, net of reinsurance	**278,901**	**255,352**
Life insurance		
Gross insurance premiums	175,184	171,279
Premiums ceded to reinsurance	(4,561)	(5,221)
Change in gross provisions for unearned premiums	243	291
Change in provision for unearned premiums, reinsurers' share	(21)	(25)
Total premiums earned from life insurance, net of reinsurance	**170,845**	**166,324**
Net earned premium	**449,746**	**421,676**
Total life and non-life insurance		
Gross insurance premiums	665,789	602,500
Premiums ceded to reinsurance	(179,067)	(160,199)
Change in gross provisions for unearned premiums	(44,889)	(25,057)
Change in provision for unearned premiums, reinsurers' share	7,913	4,432
Net earned premiums	**449,746**	**421,676**

(all amounts are expressed in thousands of HRK)

14. PREMIUMS (continued)

Premiums ceded to reinsurance do not relieve the Company from its direct obligations to its policyholders. Therefore, there is credit risk exposure to the extent that the reinsurer would not be able to settle their liabilities assumed under reinsurance contracts.

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

For the year 2022	**Gross premiums written**	**Gross premiums earned**	**Gross claims incurred**	**Acquisition and administration costs**	**Reinsurance balance**
Non-life insurance					
Motor (third party liability)	79,128	76,003	(51,236)	(12,370)	(6,077)
Motor (other classes)	76,038	69,767	(51,730)	(23,191)	3,377
Property	91,802	88,222	(23,487)	(39,361)	27,275
Private insurance	108,509	102,804	(50,498)	(42,627)	3,658
Other	135,128	108,678	(24,182)	53,935	16,062
Total non-life insurance	**490,605**	**445,473**	**(201,134)**	**(63,613)**	**44,295**
Life insurance					
Individual premiums	175,184	175,427	(136,617)	(62,364)	(114)
Premiums settled in instalments	152,749	152,988	(132,773)	(54,378)	(99)
Single instalment premiums	22,435	22,439	(3,844)	(7,987)	(15)
Total life insurance	**175,184**	**175,427**	**(136,617)**	**(62,364)**	**(114)**
Total	**665,789**	**620,900**	**(337,751)**	**(125,978)**	**44,181**

For the year 2021	**Gross premiums written**	**Gross premiums earned**	**Gross claims incurred**	**Acquisition and administration costs**	**Reinsurance balance**
Non-life insurance					
Motor (third party liability)	76,761	76,162	(41,447)	(11,784)	885
Motor (other classes)	64,800	63,318	(43,076)	(20,343)	4,280
Property	86,181	81,498	(16,888)	(37,195)	27,228
Private insurance	94,138	92,308	(45,651)	(42,533)	3,615
Other	109,340	92,587	(11,864)	48,938	24,288
Total non-life insurance	**431,221**	**405,873**	**(158,926)**	**(62,917)**	**60,297**
Life insurance					
Individual premiums	171,279	171,570	(183,343)	(61,571)	(1,239)
Premiums settled in instalments	154,335	154,689	(150,288)	(55,480)	(1,117)
Single instalment premiums	16,944	16,881	(33,055)	(6,091)	(123)
Total life insurance	**171,279**	**171,570**	**(183,343)**	**(61,571)**	**(1,239)**
Total	**602,500**	**577,442**	**(342,268)**	**(124,488)**	**59,057**

(all amounts are expressed in thousands of HRK)

15. NET INVESTMENT INCOME

	2022	2021
Investment income		
Interest income:	9,411	11,627
- Held-to-maturity investments	34,869	45,110
- Available-for-sale financial assets	813	903
- Loans and receivables		
Net realised gains:	-	470
- Financial assets at fair value through profit or loss	13,570	13,209
- Available-for-sale financial assets	25	-
- Sale of property		
Net unrealised gains:	-	22,452
- Change in fair value of financial assets through profit or loss	2,204	710
- Change in fair value of available-for-sale financial assets		
Income from collection of impaired loans and receivables	-	2,251
Dividend income	4,501	3,368
Net foreign exchange gains	8,027	2,405
Rental income	2,970	3,004
Net foreign exchange gains	3,399	-
Rental income	3,399	3,004
Other	1,333	975
	81,122	**106,484**
Investment expenses		
Net realised losses:		
Net unrealised losses on change in fair value of financial assets through profit or loss	(2,461)	-
Net realised losses:		
Net unrealised losses on change in fair value of investment property	(29,381)	-
Impairment of bonds	(67,990)	-
Custodian expenses	(836)	(915)
Investment property expense	(581)	(630)
Other	(4,010)	(4,098)
	(105,259)	**(5,643)**
Net investment income	**(24,137)**	**100,841**

	2022 Non-life insurance	2022 Life insurance	2022 Total	2021 Non-life insurance	2021 Life insurance	2021 Total
Investment income						
Income from invested capital	159	542	701	760	4,059	4,819
Income from invested mathematical provision	-	61,306	61,306	-	64,031	64,031
Income from invested special provision for unit-linked products	-	6,417	6,417	-	28,385	28,385
Income from invested other technical provisions	12,601	97	12,698	9,076	173	9,249
Total investment income	**12,760**	**68,362**	**81,122**	**9,836**	**96,648**	**106,484**
Investment expenses						
Costs from invested capital	(19)	(1,401)	(1,420)	(20)	(497)	(517)
Costs from invested mathematical provision	-	(62,681)	(62,681)	-	(4,242)	(4,242)
Costs from invested special provision for unit-linked products	-	(30,404)	(30,404)	-	(14)	(14)
Costs from invested other technical provisions	(10,754)	-	(10,754)	(870)	-	(870)
Total investment expenses	**(10,773)**	**(94,486)**	**(105,259)**	**(890)**	**(4,753)**	**(5,643)**
Net investment income	**1,987**	**(26,124)**	**(24,137)**	**8,946**	**91,895**	**100,841**

(all amounts are expressed in thousands of HRK)

16. CLAIMS INCURRED, NET

	2022	2021
Non-life insurance		
Settled claims		
Gross amount	(212,983)	(208,737)
Reinsurers' share	75,331	83,878
Change in provisions for reported but not settled claims		
Gross amount	659	38,038
Reinsurers' share	(2,307)	(29,143)
Change in provisions for incurred but not reported claims		
Gross amount	12,882	13,679
Reinsurers' share	(3,748)	(12,144)
Changes in provision for bonuses and discounts		
Gross amount	(1,693)	(1,905)
Reinsurers' share	71	23
Total non-life insurance claims	**(201,134)**	**(158,926)**
Total reinsurers' share in total non-life insurance claims	**69,347**	**42,614**
Total non-life insurance claims, net of reinsurance	**(131,788)**	**(116,312)**
Life insurance		
Settled claims		
Gross amount	(216,246)	(273,428)
Reinsurers' share	14,788	9,380
Change in life insurance mathematical provision		
Gross amount	58,415	144,407
Reinsurers' share	(7,979)	(3,086)
Change in provisions for reported but not settled claims		
Gross amount	2,027	(6,035)
Reinsurers' share	268	(23)
Change in provisions for incurred but not reported claims		
Gross amount	681	73
Reinsurers' share	-	-
Change in provision for unit-linked products	18,506	(48,360)
Total life insurance claims	(136,617)	**(183,343)**
Total reinsurers' share in life insurance claims	7,078	**6,271**
Total life insurance claims, net of reinsurance	**(129,540)**	**(177,072)**
Total claims incurred	**(337,751)**	**(342,268)**
Total reinsurers' share in life insurance claims	**76,424**	**48,885**
Total life insurance claims, net of reinsurance	**(261,327)**	**(293,384)**

As at 31 December 2022, the Company was involved in 510 (2021: 513) court cases for which HRK 99,901 thousand (2021: HRK 98,768 thousand) was provided as part of the provision for reported but not settled claims. The Management Board believes that the related provisions are sufficient.

(all amounts are expressed in thousands of HRK)

16. CLAIMS INCURRED, NET (continued)

Analysis of claims ratio, cost ratio and combined ratio

The table below presents the claims ratio, cost ratio and combined ratio by line of business calculated in accordance with HANFA's Rulebook on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies.

2022	**Claims ratio**	**Cost ratio**	**Combined ratio**
Accident insurance	16,82%	53,36%	70,18%
Health insurance	68,59%	31,68%	100,27%
Insurance of motor vehicles	74,15%	32,05%	106,19%
Vessel insurance	50,09%	43,93%	94,01%
Insurance of goods in transit	66,33%	25,06%	91,39%
Insurance against fire and natural disasters	18,19%	41,45%	59,64%
Other property insurance	37,59%	51,37%	88,96%
Motor third-party liability insurance	67,41%	26,96%	94,38%
Vessel third-party liability insurance	16,84%	40,14%	56,98%
Other third-party liability insurance	4,96%	37,52%	42,48%
Loan insurance	4,79%	74,49%	79,27%
Warranty insurance	-8,09%	35,73%	27,64%
Financial loss insurance	49,90%	37,88%	87,78%
Insurance of legal protection costs	-2,79%	47,63%	44,85%
Travel insurance	30,00%	34,39%	64,39%
Total non-life insurance	**44,77%**	**40,35%**	**85,12%**
2021			
Accident insurance	17,95%	55,43%	73,38%
Health insurance	67,67%	40,96%	108,63%
Insurance of motor vehicles	68,03%	32,31%	100,34%
Vessel insurance	47,00%	45,94%	92,94%
Insurance of goods in transit	-265,75%	25,63%	-240,12%
Insurance against fire and natural disasters	5,64%	42,70%	48,34%
Other property insurance	39,51%	45,38%	84,88%
Motor third-party liability insurance	54,42%	31,57%	85,99%
Vessel third-party liability insurance	23,11%	43,46%	66,56%
Other third-party liability insurance	-12,88%	39,02%	26,14%
Loan insurance	6,42%	74,68%	81,10%
Warranty insurance	39,47%	39,62%	79,09%
Financial loss insurance	53,47%	37,62%	91,09%
Insurance of legal protection costs	-12,07%	46,91%	34,84%
Travel insurance	41,43%	39,06%	80,49%
Total non-life insurance	**38,69%**	**42,34%**	**81,02%**

The above ratios have been calculated in accordance with the Instructions for Completing Financial Statements and Additional Reports of Insurance and Reinsurance Companies, which was issued by HANFA at the Board meeting held on 10 June 2016: Claims ratio = (settled claims, gross amount + change in provisions for claims, gross amount + change in other technical provisions, gross amount) / (gross insurance premium + impairment and collected premium impairment + change in gross provisions of unearned premium).

Cost ratio = (operating expenses (business-related expenses), net + other insurance and technical income, net of reinsurance + other technical costs, net of reinsurance) / (gross premium written + impairment and collected impaired premium + change in gross provisions of unearned premium)

Combined ratio = claims ratio + cost ratio.

(all amounts are expressed in thousands of HRK)

17. ACQUISITION COSTS

	2022	2021
Non-life insurance		
Commission expenses	105,838	90,440
Other acquisition costs	30,969	27,068
Change in deferred acquisition costs	(14,763)	(9,747)
Total acquisition costs, non-life	**122,044**	**107,761**
Life insurance		
Commission expenses	18,980	18,544
Other acquisition costs	7,087	6,644
Total acquisition costs, life	**26,067**	**25,188**
Total	**148,112**	**132,949**

Internal sales staff commissions in amount of HRK 25,5 million (2021: HRK 23,2 million) are included within acquisition costs.

The following table presents acquisition costs by type of insurance:

	2022	2021
Non-life insurance		
Accident insurance	15,120	13,217
Health insurance	15,803	13,305
Insurance of motor vehicles	14,898	13,178
Vessel insurance	5,399	4,574
Insurance of goods in transit	153	136
Insurance against fire and natural disasters	13,170	12,113
Other property insurance	11,639	10,719
Motor third-party liability insurance	14,625	13,830
Vessel third-party liability insurance	1,005	892
Other third-party liability insurance	6,056	6,182
Loan insurance	18,542	16,034
Warranty insurance	108	49
Financial loss insurance	3,478	2,398
Insurance of legal protection costs	538	446
Travel insurance	1,510	688
Total non-life	**122,044**	**107,761**
Life insurance		
Life insurance	14,924	18,283
Annuity insurance	55	78
Additional insurance with life insurance	2,182	2,317
Marriage and birth insurance	130	126
Life or annuity insurance where the policyholder bears the investment risk	8,775	4,384
Total life insurance	**26,067**	**25,188**
Total non-life and life insurance	**148,112**	**132,949**

(all amounts are expressed in thousands of HRK)

18. ADMINISTRATION COSTS

	2022	2021
Depreciation and amortisation	7,338	7,816
Staff costs	41,662	37,782
Cost of materials and services	11,104	11,005
Rental costs	7,032	6,933
Marketing and promotion	2,761	6,143
Maintenance costs	5,364	4,307
Audit costs	817	543
Other costs	23,829	24,756
Total	**99,906**	**99,285**

As at 31 December 2022, the Company had 532 employees (2021: 538).

During 2022, the Company paid HRK 17,6 million (2021: HRK 16,3 million) of pension contributions into obligatory defined contribution pension funds in respect of its employees.

The following table presents administration costs by type of insurance:

	2022	2021
Non-life insurance		
Accident insurance	5,750	5,507
Health insurance	5,954	10,504
Insurance of motor vehicles	8,294	7,165
Vessel insurance	2,801	2,286
Insurance of goods in transit	200	191
Insurance against fire and natural disasters	7,351	7,109
Other property insurance	5,745	5,538
Motor third-party liability insurance	11,365	10,892
Vessel third-party liability insurance	578	523
Other third-party liability insurance	3,606	3,553
Loan insurance	8,625	7,351
Warranty insurance	94	76
Financial loss insurance	1,802	1,317
Insurance of legal protection costs	249	223
Travel insurance	1,201	683
Total non-life	**63,613**	**62,917**
Life insurance		
Life insurance	24,360	25,055
Annuity insurance	43	73
Additional insurance with life insurance	1,184	1,387
Marriage and birth insurance	188	202
Life or annuity insurance where the policyholder bears the investment risk	10,518	9,651
Total life insurance	**36,293**	**36,368**
Total non-life and life insurance	**99,906**	**99,285**

(all amounts are expressed in thousands of HRK)

19. INCOME TAX

	2022	2021
Current tax expense		
Current period	(4,463)	(6,281)
Deferred tax (expense)/income		
Recognition of deferred tax asset (Note 10)	150	(185)
	(4,313)	**(6,466)**

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

	2022	2021
Accounting result before income tax	**(34,896)**	**36,746**
Income tax at 18%	6,281	(6,615)
Effect of non-deductible expenses	(14,459)	(2,677)
Effect of non-taxable income	3,864	2,826
Income tax	**(4,313)**	**(6,466)**

As at 31 December 2022 and 31 December 2021, there were no tax losses carried forward.

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 was 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.

(all amounts are expressed in thousands of HRK)

20. RELATED PARTY TRANSACTIONS

The sole shareholder of the Company is UNIQA Österreich Versicherungen AG. The ultimate parent and controlling company is UNIQA Insurance Group AG. The Company considers that the person is directly related to its owner, ultimate parent company, subsidiaries, members of the UNIQA Group, members of the Supervisory Board and the Management Board and other executive management (together “key management”), close family members of key management and jointly controlled companies or companies under significant influence of key management and members of their immediate families, in accordance with International Accounting Standard 24 - Related Party Disclosures (IAS 24).

Raiffeisenbank Austria d,d, Zagreb and its subsidiaries and associates are considered other related parties. The ultimate parent company of Raiffeisenbank Austria d.d. Zagreb is Raiffeisen Zentralbank Oesterreich AG (RZB), and UNIQA Österreich Versicherungen AG, Vienna is an associated company of RZB.

Assets, liabilities, income and expenses as at and for the years ended 31 December 2022 and 2021 arising from related party transactions were as follows:

2022:	**Assets**	**Liabilities**	**Income**	**Expenses**
Parent company	185	8,740	1,103	10,023
Other related companies within UNIQA Group	70,077	170,407	150,847	196,721
Other related companies within RZB Group	200,524	-	107,651	-
Key management personnel	-	1,045	-	13,757
	270,786	**180,295**	**259,601**	**220,501**
2021:				
Parent company	7,081	102,956	11,101	19,155
Other related companies within UNIQA Group	57,954	69,001	132,597	200,939
Other related companies within RZB Group	241,275	2,249	94,957	28,963
Key management personnel	-	989	-	14,245
	306,310	**175,194**	**238,655**	**263,302**

(all amounts are expressed in thousands of HRK)

20. RELATED PARTY TRANSACTIONS (continued)

(a) Reinsurance business

The parent company and one of the related companies provide reinsurance to the Company. The result of these transactions are receivables and liabilities at year-end as follows:

	2022	**2021**
Premiums ceded to reinsurance:		
Reinsurance premiums payable at beginning of year	75,504	141,495
Premiums ceded to reinsurance during the year	170,543	151,830
Reinsurance premiums paid during the year	(160,163)	(217,821)
Reinsurance premiums payable at end of year	**85,885**	**75,504**
Deposits retained from business ceded to reinsurance	84,522	92,521
Reinsurance recoveries:		
At beginning of year	44,192	94,736
Invoiced during the year	88,164	88,031
Received during the year	(84,220)	(138,575)
Outstanding at end of year	**48,136**	**44,192**
Reinsurance commission:		
At beginning of year	20,403	43,316
Invoiced during the year	46,176	44,667
Received during the year	(44,183)	(67,580)
Outstanding at end of year	**22,396**	**20,403**

20. RELATED PARTY TRANSACTIONS (continued)

(b) Other activities

During 2022, the gross insurance premium in respect of insurance policies sold through distribution channels of related parties amounted to HRK 107,6 million (2021: HRK 94,9 million).

Related parties have property, motor, life and private insurance policies with the Company. Gross insurance premium for these policies in 2022 amounted to HRK 3,9 million (2021: HRK 3,3 million).

As at 31 December 2022, the funds on the Company's bank account with related parties amounted to HRK 41,8 million (2021: HRK 31,6 million).

As at 31 December 2022, the Company invested HRK 174,7 million in open-ended investment funds in assets managed by a related party (2021: HRK 214,1 million) and HRK 4,1 million in the structured product (2021: HRK 4,2 million), and HRK 21,7 million in bonds (2021: HRK 22,7 million) and HRK 40,9 million in deposits, (2021: HRK 40,6 million).

(c) Relationship with key management personnel

The gross remuneration paid or payable by the Company to the key management personnel for 2022 amounted to HRK 13,757 thousand including fixed salary (2021: HRK 14,245 thousand including fixed salary and bonuses for 2021,).

In 2022, the Company paid pension contributions for key management personnel in the amount of HRK 2,060 thousand (2021: HRK 1,910 thousand) into obligatory defined contribution pension funds.

In 2022, the Company paid the variable bonus for 2021. in the amount of HRK 1,481 thousand (2021: HRK 0 thousand).

21. INSURANCE RISK MANAGEMENT

The Company is exposed to actuarial and underwriting risk arising from a wide range of life and non-life insurance products.

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

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

Non-life underwriting risk includes also catastrophe risk, which streams from irregular events that are not sufficiently covered by premium and provisions, Life underwriting risk includes biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk, Lapse risk relates to unanticipated higher or lower rate of policy cancellations, terminations, changes to capitalisation status (cessation of premium payment) and insurance repurchase.

Risk management

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance. The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years which reduces the variability of the outcome. Non-life contracts are generally annual in nature and the Company has the right to refuse the renewal or change the terms and conditions of the contract at renewal.

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance contracts for non-life insurance policies in order to reduce the net exposure for individual insurance contracts, whereas in terms of life insurance, long-term reinsurance contracts are effective on a proportionate basis.

Ceded reinsurance contains credit risk, and such insurance receivables are reported after deductions for known uncollectible items. The Company monitors the financial position of reinsurers (credit rating) and carefully enters into reinsurance contracts. The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of liabilities for life business.

Concentration of insurance risk

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

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

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

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

	Gross claims incurred	**Reinsurance balance**	**Net claims incurred**
For the year 2022			
Non-life insurance			
Motor (third party liability)	(51,236)	28,787	(22,450)
Motor (other classes)	(51,730)	23,761	(27,969)
Property	(23,487)	4,386	(19,101)
Private insurance	(50,498)	3,575	(46,923)
Other	(24,182)	8,838	(15,344)
Total non-life insurance	**(201,134)**	**69,347**	**(131,788)**
Life insurance			
Individual premiums	(136,617)	7,078	(129,540)
Premiums settled in instalments	(132,773)	6,878	(125,894)
Single instalment premiums	(3,844)	199	(3,645)
Total life insurance	**(136,617)**	**7,078**	**(129,540)**
Total	**(337,751)**	**76,424**	**(261,327)**

	Gross claims incurred	**Reinsurance balance**	**Net claims incurred**
For the year 2021			
Non-life insurance			
Motor (third party liability)	(41,447)	22,751	(18,695)
Motor (other classes)	(43,076)	20,662	(22,414)
Property	(16,888)	(793)	(17,681)
Private insurance	(45,651)	2,457	(43,193)
Other	(11,864)	(2,464)	(14,328)
Total non-life insurance	**(158,926)**	**42,614**	**(116,312)**
Life insurance			
Individual premiums	(183,343)	6,271	(177,072)
Premiums settled in instalments	(150,288)	5,140	(145,147)
Single instalment premiums	(33,055)	1,131	(31,925)
Total life insurance	**(183,343)**	**6,271**	**(177,072)**
Total	**(342,268)**	**48,885**	**(293,384)**

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

Non-life insurance

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

The most significant likelihood of significant losses to the Company arises from catastrophes, such as floods, storms or earthquake damages. The techniques and assumptions that the Company uses to calculate these risks include measurement of geographical accumulations, assessment of probable maximum losses, and excess loss reinsurance.

The table below presents the Company's reinsurance coverage and retention amounts by type of insured event as at 31 December:

	2022 Reinsurance coverage	**2022** Retention	**2021** Reinsurance coverage	**2021** Retention
Motor – third party liability	Unlimited	1.250	Unlimited	1,250
Fire	1,050,000	1,500	1,000,000	1,500
Motor hull insurance	3,500	360	3,500	360
Machinery breakage	364,000	1,100	364,000	1,100
Construction/assembly	364,000	1,100	364,000	1,100
Theft	1,050,000	1,500	1,000,000	1,500
Vessels	73,000	1,000	73,000	1,000
Liability	146,000	900	146,000	900
Earthquake	675,000	7,500	800,000	7,500
Flood	675,000	7,500	800,000	7,500

Life insurance

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:

	Amounts at risk			
	2022		**2021**	
Insurance product		**%**		**%**
Life insurance – traditional products	1,920,490	89,93%	2,134,547	91,87%
Unit-linked life insurance products	215,161	10,07%	188,858	8,13%
At 31 December	**2,135,651**	**100,00%**	**2,323,405**	**100,00%**

(all amounts are expressed in thousands of HRK)

21. INSURANCE RISK MANAGEMENT (continued)

The 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.

Insured amount per policy as at 31 December 2022 **in HRK**	**Total insured amount prior to reinsurance**	**%**
< 40,000	452,653	10,8
40,001-60,000	311,238	7,4
60,001-80,000	450,002	10,7
80,001-100,000	411,555	9,8
100,001-125,000	523,106	12,5
125,001-150,000	300,143	7,1
150,001-250,000	1,220,827	29,1
250,001-500,000	422,266	10,1
> 500,001	107,001	2,5
At 31 December 2022	**4,198,791**	**100,0**

Insured amount per policy as at 31 December 2021 **in HRK**	**Total insured amount prior to reinsurance**	**%**
< 40,000	476,779	10,6
40,001-60,000	317,492	7,1
60,001-80,000	506,232	11,3
80,001-100,000	458,222	10,2
100,001-125,000	621,550	13,8
125,001-150,000	321,591	7,2
150,001-250,000	1,282,788	28,6
250,001-500,000	400,185	8,9
> 500,001	104,482	2,3
At 31 December 2021	**4,489,321**	**100,0**

22. FINANCIAL RISK MANAGEMENT

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

22.1 Market risk

Market risk includes three types of risk:

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

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

Asset and liability matching

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

The Company establishes target portfolios for each significant insurance product, which represents the investment strategies which are used to finance profitably liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, sector-based asset concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly revaluated.

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

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1 Market risk (continued)

Currency risk

The Company is exposed to currency risk through foreign currency transactions. This risk entails that the value of the financial instrument will change because of changes in foreign exchange rates, The Company is exposed to foreign currency risk through its lending, deposit and investment activities, as well as its premium income, the calculation of technical provisions and settled claims under insurance policies with a currency clause. The prevailing currency in which the risk arises is the euro. The Company manages its foreign exchange risk exposure by seeking to reduce the gap between the assets and liabilities denominated in foreign currencies or those under currency clause. Investments for the purpose of backing the mathematical provision are mainly EUR denominated, since most of the mathematical provision funds are also EUR denominated,

Considering historical movements of the exchange rate between HRK and EUR, the analysis was made based on the presumptions of possible movements in key variables, The effect of exchange rate risk was analysed for EUR and HRK. The Management Board assessed that an increase/decrease in the EUR exchange rate by 1% (2021: 1%), with other variables held constant, would result in higher/lower profit for the period of HRK 13,515 thousand (2021: HRK 15,077 thousand), not taking into account the effect of exchange rate movement on the mathematical provision denominated in EUR.

The Company’s financial assets and liabilities within the scope of IAS 39 as at 31 December 2022 and 31 December 2021 are denominated in the following currencies:

2022	EUR	HRK	Other foreign currencies	Total
Financial assets				
Held-to-maturity investments				
- Debt securities	178,129	-	-	178,129
Available-for-sale financial assets				
- Debt securities	895,264	421,326	-	1,316,590
- Bond funds	128,094	-	-	128,094
- Equity funds	39,550	-	-	39,550
- Alternative funds	234,990	-	-	234,990
- Structured product	1,532	-	7,232	8,764
Financial assets at fair value through profit or loss				
- Mixed funds	6,273	-	-	6,273
- Bond funds	5,447	-	-	5,447
- Equity funds	110,825	-	-	110,825
- Alternative funds	1,567	-	-	1,567
- Structured product	-	4,120	72,435	76,555
Loans and receivables				
- Bank deposits	4,677	40,896	-	45,573
- Loans	8,804	248	-	9,052
Other receivables	16,628	183,301	3	199,932
Cash and cash equivalents	9,667	95,236	1,589	106,492
Total financial assets	**1,641,448**	**745,126**	**81,259**	**2,467,833**
Financial liabilities				
Insurance and other liabilities	98,029	115,888	24	213,941
Lease liabilities	4,678	13,630	-	18,307
Total financial liabilities	**102,706**	**129,518**	**24**	**232,248**
Currency gap between financial assets and liabilities	**1,538,741**	**615,609**	**81,235**	**2,235,585**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Currency risk (continued)

2021	**EUR**	**HRK**	**Other foreign currencies**	**Total**
Financial assets				
Held-to-maturity investments				
- Debt securities	262,173	-	-	262,173
Available-for-sale financial assets				
- Debt securities	1,111,399	479,112	-	1,590,511
- Bond funds	161,669	-	-	161,669
- Equity funds	44,494	-	-	44,494
- Alternative funds	239,565	-	-	239,565
- Structured product	1,528	-	13,902	15,430
Financial assets at fair value through profit or loss				
- Mixed funds	6,362	-	-	6,362
- Bond funds	6,184	-	-	6,184
- Equity funds	123,351	-	-	123,351
- Alternative funds	1,724	-	-	1,724
- Structured product	-	4,214	80,241	84,455
Loans and receivables				
- Bank deposits	-	40,576	-	40,576
- Loans	7,794	639	-	8,433
Other receivables	17,235	167,759	-	184,994
Cash and cash equivalents	9,465	29,412	636	39,512
Total financial assets	**1,992,942**	**721,712**	**94,779**	**2,809,433**
Financial liabilities				
Insurance and other liabilities	105,866	103,212	-	209,078
Total financial liabilities	2,425	12,739	-	15,164
Currency gap between financial assets and liabilities	**108,291**	**115,951**	**-**	**224,242**
Financial assets	**1,884,651**	**605,761**	**94,779**	**2,585,190**

Interest rate risk

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. The Company is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk is, however, limited considering that most of the Company's interest-bearing investments at the reporting date bear fixed interest rates.

The Company does not have significant debt liabilities and interest rate changes also do not influence the level of non-life provisions. The life insurance provision is discounted using equal or the lower of the technical interest rate or regulatory prescribed rate. The prescribed discount rate to some extent reflects expected movement in interest yields over longer periods of time, Therefore, changes in investment values attributable to interest rate changes will not be mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

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

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

The Company is contractually committed to accrue interest at rates of 0,5%, 2,25%, 2,75%, 3%, 3,5% and 4,5% per annum on premiums paid under life insurance policies for distribution to policyholders upon maturity of such policies and is currently not able to fully hedge the future interest rate on assets invested to meet those future liabilities. By reducing the technical interest rate in the calculation of the mathematical provision (1,85% in 2021, 1,75% in 2022) the Company reduces exposure to future interest rate risk.

The sensitivity analysis for interest risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Debt securities held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

For liabilities under long-term insurance contracts, changes in interest rates will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

For debt securities classified as fair value through profit or loss and available for sale, an increase in interest rates will result in a changed fair value of these assets, which will be recorded in other comprehensive income for assets classified as available-for-sale and in profit or loss for assets classified as at fair value through profit or loss.

The tables below present the Company's financial assets and liabilities within the scope of IAS 39 analysed according to the periods of changes in interest rates, which are determined based on the lower of the remaining contractual maturity and the contractual period of interest rate changes.

The tables below present the Management Board's estimate on the Company's interest rate risk exposure as at 31 December 2022 and 2021, which are not necessarily indicative of the position in another period. However, considering the interest rate assumptions, which are the basis for the mathematical provision calculation, these estimates present a certain sensitivity of the Company's profit to changes in interest rates. Profit will also be affected by currency structure of assets, liabilities and capital, The Company has significant interest-bearing assets and liabilities on which interest is paid in foreign currency.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

2022	**Effective interest rate**	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Financial assets							
Held-to-maturity investments							
- Debt securities	3,81%	-	-	108,046	70,083	-	178,129
Available-for-sale financial assets							
- Debt securities	2,31%	10,133 -	126,073	453,802	726,582	-	1,316,590
- Bond funds			-	-	-	128,094	128,094
- Equity funds		-	-	-	-	39,550	39,550
- Alternative funds		-	-	-	-	234,990	234,990
- Structured product		-	5,733 -	1,461	1,570	-	8,764
Financial assets at fair value through profit or loss							
- Mixed funds		-	-	-	-	6,273	6,273
- Bond funds		-	-	-	-	5,447	5,447
- Equity funds		-	-	-	-	110,825	110,825
- Alternative funds		-	-	-	-	1,567	1,567
- Structured product		-	46,321	22,622	7,612	-	76,555
Loans and receivables							
- Bank deposits	0,83%	-	4,677	40,896	-	-	45,573
- Loans	5,62%	510	372	5,992	2,142	36	9,052
Other receivables	n/p	-	-	-	-	199,932	199,932
Cash and cash equivalents		106,492	-	-	-	-	106,492
Total financial assets		**117,135**	**183,176**	**632,819**	**807,989**	**726,714**	**2,467,833**
Financial liabilities							
Insurance and other liabilities		95,025	6,939	31,474	41,952	38,552	213,941
Lease liabilities	1,42%	1,792	1,761	13,938	816	-	18,307
Total financial liabilities		**96,817**	**8,700**	**45,412**	**42,768**	**38,552**	**232,248**
Interest rate gap between financial assets and liabilities		**20,318**	**174,476**	**587,407**	**765,221**	**688,162**	**2,235,585**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Interest rate risk (continued)

2021	**Effective interest rate**	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 6 years**	**Non-interest bearing**	**Total**
Financial assets							
Held-to-maturity investments							
- Debt securities	4,53%	-	83,747	90,880	87,546	-	262,173
Available-for-sale financial assets							
- Debt securities	2,67%	-	185,441	555,890	849,180	-	1,590,511
- Bond funds			-	-	-	161,669	161,669
- Equity funds		-	-	-	-	44,494	44,494
- Alternative funds		-	-	-	-	239,565	239,565
- Structured product		-	-	2,547	12,883	-	15,430
Financial assets at fair value through profit or loss							
- Mixed funds		-	-	-	-	6,362	6,362
- Bond funds		-	-	-	-	6,184	6,184
- Equity funds		-	-	-	-	123,351	123,351
- Alternative funds		-	-	-	-	1,724	1,724
- Structured product		-	-	78,221	6,234	-	84,455
Loans and receivables							
- Bank deposits	0,80%	-	-	-	40,576	-	40,576
- Loans	5,66%	503	373	5,116	2,407	35	8,433
Other receivables	n/p	-	-	-	-	184,994	184,994
Cash and cash equivalents		39,512	-	-	-	-	39,512
Total financial assets		**40,015**	**269,561**	**732,654**	**998,826**	**768,378**	**2,809,433**
Financial liabilities							
Insurance and other liabilities		82,983	6,873	32,446	49,191	37,585	209,078
Lease liabilities	1,42%	1,485	1,743	9,230	2,706	-	15,163
Total financial liabilities		**84,468**	**8,616**	**41,676**	**51,896**	**37,585**	**224,242**
Interest rate gap between financial assets and liabilities		**(44,452)**	**260,944**	**690,977**	**946,929**	**730,792**	**2,585,191**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1. Market risk (continued)

Equity price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company assessed that an increase/decrease in the fair value of investments in investment funds classified as available-for-sale assets by 10% (2021: 10%), in comparison to the one reported, with all other variables held constant, would result in a loss/gain recognised in other comprehensive income in the amount of HRK 40,263 thousand (2021: HRK 44,573 thousand) and in a loss/gain recognised in profit or loss in the amount of HRK 12,411 thousand (2021: HRK 13,762 thousand).

22.2. Credit risk

The Company's portfolios of fixed income securities, to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt. The Company manages this risk by up-front, stringent underwriting analysis, reviews by the Management Board and regular meetings to review credit risk developments.

Not taking into account the existing collection and other loan security instruments, the maximum exposure to credit risk at the date of the statement of financial position is as follows:

	2022	**2021**
Debt securities:		
- Held-to-maturity investments	178,129	262,173
- Financial assets at fair value through profit or loss	1,316,590	1,590,511
Loans and receivables:		
Bank deposits	45,573	40,576
Loans	9,052	8,433
Reinsurers' share in insurance contract provisions	322,705	328,492
Other receivables and reinsurance receivables	199,932	184,994
Cash and cash equivalents	106,492	39,512
	2,178,474	**2,454,691**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

Exposure to state

At the reporting date, the Company had a significant concentration of amounts due from the Republic of Croatia, whose credit rating is BBB (S&P):

	2022	2021
Government bonds	583,433	929,124
Accrued interest on government bonds	8,506	15,799
Total	**591,939**	**944,923**

The total exposure to the republic of Croatia credit risk represents 28% of the Company's total assets (2021: 28%).

Exposure to large corporate entities and banks

At 31 December 2022, the exposure to large domestic corporate entities comprising debt securities and accrued interest on debt securities amounted to HRK 317,127 thousand (2021: HRK 332,843 thousand) and it consists of debt securities and accrued interest for those securities. The credit rating of the issuer of debt securities comprising 84% (2021: 88%) of the total exposure to corporate entities is AA-, A-, A+, B, BBB (S&P).

As at 31 December 2022, the exposure to financial institutions comprising deposits with banks amounts to HRK 45,573 thousand (2021: HRK 40,576 thousand). Out of that amount, HRK 40,896 thousand (67%) relates to financial institutions with a credit rating of Baa2 (Moody's), and HRK 4,677 thousand to a financial institution with a BBB credit rating (Fitch Ratings).

Exposure to reinsurance companies

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

The exposure to reinsurers according to S&P ratings, where available, are as follows:

S&P rating	**2022**	**2021**
A and AA	153,892	160,525
BBB	42	37
Other or without rating	3,188	2,616
	157,122	**163,178**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

Analysis by credit quality at the date of the statement of financial position

	Debt securities	**Loans**	**Bank deposits**	**Other receivables and reinsurance receivables**	**Reinsurers' share in insurance contract provisions**	**Cash and cash equivalents**	**Total**
2022							
Neither past due nor impaired	1,494,719	8,774	45,573	199,932	322,705	106,492	2,178,195
Past due but not impaired	-	278	-	-	-	-	278
Impaired	-	3,059	-	3,377	-	-	6,437
Impairment provision	-	(3,059)	-	(3,377)	-	-	(6,437)
	1,494,719	**9,052**	**45,573**	**199,932**	**322,705**	**106,492**	**2,178,473**
2021							
Neither past due nor impaired	1,852,684	8,112	40,576	184,994	328,492	39,512	2,454,369
Past due but not impaired	-	321	-	-	-	-	321
Impaired	-	3,059	-	3,696	-	-	6,756
Impairment provision	-	(3,059)	-	(3,696)	-	-	(6,756)
	1,852,684	**8,433**	**40,576**	**184,994**	**328,492**	**39,512**	**2,454,691**

The loan analysis is presented in Note 7. Loan exposures are covered with collateral, mortgages, or the surrender value of life insurance policies. Management believes the estimated value of assets taken as collateral amounting to HRK 19,180 thousand (2021: HRK 19,324 thousand) does not differ significantly from their fair values, as valuations were performed by independent valuation experts.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2. Credit risk (continued)

The ageing analysis of past due but not impaired balances is presented in the table below:

	2022	2021
Less than 30 days	74	69
31 - 180 days	171	135
181 - 365 days	27	99
Over 365 days	7	18
	278	**321**

Credit risk arising from loans relates to debtors without credit rating. Credit risk relating from other receivables (other than accrued interests, reinsurance receivables and credit card receivables) relates to domestic debtors without credit rating.

22.3. Liquidity risk

Liquidity risk arises as a result of the Company's financial activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and compliance with legal requirements with respect to the value of liquidity ratios.

The Company’s liquidity position is good and all statutory requirements for claims settlement were met in time.

The tables below present the Company's financial assets and liabilities within the scope of IAS 39 as at 31 December 2022 and 31 December 2021 by groups based on the remaining contractual maturity and the estimated remaining contractual maturities of insurance provisions.

The financial liabilities are recorded in the amount of contractual future undiscounted cash flows, whereas financial assets are stated at carrying amount. Equity securities and investments in funds are included in the maturity group 'Up to 6 months', based on their classification.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2022	**Up to 6 months**	**6-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial assets					
Held-to-maturity investments					
- Debt securities	-	-	108,046	70,083	178,129
Available-for-sale financial assets					
- Debt securities	10,133	126,073	453,802	726,582	1,316,590
- Bond funds	128,094	-	-	-	128,094
- Equity funds	39,550	-	-	-	39,550
- Alternative funds	234,990	-	-	-	234,990
- Structured product	-	5,733	1,461	1,570	8,764
Financial assets at fair value through profit or loss					
- Mixed funds	6,273	-	-	-	6,273
- Bond funds	5,447	-	-	-	5,447
- Equity funds	110,825	-	-	-	110,825
- Alternative funds	1,567	-	-	-	1,567
- Structured product	-	46,321	22,622	7,612	76,555
Loans and receivables					
- Bank deposits	-	4,677	40,896	-	45,573
- Loans	546	372	5,992	2,142	9,052
Other receivables	199,932	-	-	-	199,932
Cash and cash equivalents	106,492	-	-	-	106,492
Total financial assets	**843,849**	**183,176**	**632,819**	**807,989**	**2,467,833**
Financial liabilities					
Insurance contract and other payables	133,577	6,939	31,474	41,952	213,941
Lease liabilities	1,792	1,761	13,938	816	18,307
Total financial liabilities	**135,369**	**8,700**	**45,412**	**42,768**	**232,248**
Maturity gap between financial assets and liabilities	**708,481**	**174,476**	**587,407**	**765,221**	**2,235,585**

Remaining expected maturities of insurance liabilities

2022	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
UPR	197,238	104,127	111,308	1,761	586	152	415,172
RBNS, IBNR and other provisions	226,494	163,365	106,047	65,064	40,631	50,930	652,533
Mathematical provisions	132,339	438,404	311,097	269,787	93,906	54,733	1,300,265
Total technical provision	**556,070**	**705,897**	**528,452**	**336,612**	**135,124**	**105,816**	**2,367,970**
Reinsurers' share	93,130	101,477	76,043	32,415	14,006	5,635	322,705
Net technical provision	**462,940**	**604,420**	**452,409**	**304,197**	**121,117**	**100,181**	**2,045,265**
Deposits retained from business ceded to reinsurance	**13,436**	**30,471**	**22,227**	**13,420**	**4,856**	**112**	**84,522**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

Deposits retained from business ceded to reinsurance are recorded within insurance contract and other payables (Note 12).

Future undiscounted cash flows from lease agreements are as follows:

2022	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
Lease liabilities	3,804	14,415	995	-	-	-	19,214

Net debt reconciliation:

2022	**Cash and cash equivalents**	**Lease liabilities**	**Net debt**
1 January 2022	39,512	(15,163)	24,349
Cash flow	66,980	-	66,980
Expenses arising from lease liabilities	-	3,974	3,974
Increases arising from new agreements	-	(7,377)	(7,377)
Termination of agreements	-	498	498
Interest expense	-	(239)	(239)
31 December 2022	**106,492**	**(18,307)**	**88,185**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

2021	**Up to 6 months**	**6-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial assets					
Held-to-maturity investments					
- Debt securities	-	83,747	90,880	87,546	262,173
Available-for-sale financial assets					
- Debt securities	-	185,441	555,890	849,180	1,590,511
- Bond funds	161,669	-	-	-	161,669
- Equity funds	44,494	-	-	-	44,494
- Alternative funds	239,565	-	-	-	239,565
- Structured product	-	-	2,547	12,883	15,430
Financial assets at fair value through profit or loss					
- Mixed funds	6,362	-	-	-	6,362
- Bond funds	6,184	-	-	-	6,184
- Equity funds	123,351	-	-	-	123,351
- Alternative funds	1,724	-	-	-	1,724
- Structured product	-	-	78,221	6,234	84,455
Loans and receivables					
- Bank deposits	-	-	-	40,576	40,576
- Loans	538	373	5,116	2,406	8,433
Other receivables	184,994	-	-	-	184,994
Cash and cash equivalents	39,512	-	-	-	39,512
Total financial assets	**808,393**	**269,561**	**732,654**	**998,825**	**2,809,433**
Financial liabilities					
Insurance contract and other payables	120,568	6,873	32,446	49,191	209,078
Lease liabilities	1,485	1,743	9,230	2,706	15,164
Total financial liabilities	**122,053**	**8,616**	**41,676**	**51,897**	**224,242**
Maturity gap between financial assets and liabilities	**686,339**	**260,945**	**690,978**	**946,928**	**2,585,191**

Remaining expected maturities of insurance liabilities

2021	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**Between 10 and 15 years**	**Between 15 and 20 years**	**Over 20 years**	**Total**
UPR	175,161	94,207	97,927	1,614	1,179	195	370,284
RBNS, IBNR and other provisions	182,613	226,451	112,268	69,931	46,558	49,963	687,785
Mathematical provision	148,925	450,644	323,523	254,046	125,771	55,769	1,358,680
Total technical provision	**506,699**	**771,303**	**533,719**	**325,592**	**173,508**	**105,928**	**2,416,749**
Reinsurers' share	89,961	103,514	77,013	37,293	14,253	6,459	328,492
Net technical provision	**416,739**	**667,789**	**456,706**	**288,299**	**159,255**	**99,469**	**2,088,257**
Deposits retained from business ceded to reinsurance	**13,333**	**31,473**	**24,966**	**17,412**	**4,318**	**1,018**	**92,521**

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.3. Liquidity risk (continued)

Future undiscounted cash flows from lease agreements are as follows:

2021	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	Over 20 years	Total
Lease liabilities	3,763	9,627	2,734	-	-	-	16,124

Net debt reconciliation

2021	Cash and cash equivalents	Lease liabilities	Net debt
1 January 2021	93,547	(6,455)	87,092
Cash flow	(54,035)	-	(54,035)
Expenses arising from lease liabilities	-	4,307	4,307
Increases arising from new agreements	-	(13,177)	(13,177)
Termination of agreements	-	346	346
Interest expense	-	(185)	(185)
31 December 2021	**39,512**	**(15,163)**	**24,349**

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value. Held-to-maturity investments, loans and receivables, other receivables and all financial liabilities are measured at amortised cost less impairment.

	Carrying amount		Fair value	
	2022	**2021**	**2022**	**2021**
In thousands of HRK				
Held-to-maturity investments – debt securities	178,129	262,173	183,719	297,855

The Management Board believes that the carrying value of loans and receivables is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses. Loans and receivables include deposits with other banks. Cash and cash equivalents comprise cash at current accounts with banks. The fair value of these fixed-rate deposits and current accounts with banks approximates their carrying amount. The Management Board believes that the fair value of other receivables and other liabilities approximates their carrying amount due to their short-term maturity.

Fair value measurement

In accordance with the amendment to IFRS 13 for financial instruments that are measured in the statement of financial position at fair value, the Company discloses fair value measurements by level of the following fair value measurement hierarchy:

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

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The following table presents the Company's assets and liabilities that are measured at fair value as at 31 December 2022 and 2021 according to the hierarchical levels:

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	6,357	-	-	**6,357**
- Mixed funds	4,576	-	-	**4,576**
- Equity funds	90,490	-	-	**90,490**
- Alternative funds	1,620	-	-	**1,620**
- Structured product	67,036	-	-	**67,036**
Available-for-sale financial assets				
- Debt securities	1,266,900	49,690	-	**1,316,590**
- Bond funds	128,094	-	-	**128,094**
- Equity funds	39,550	-	-	**39,550**
- Alternative funds	234,990	-	-	**234,990**
- Structured product	7,232	-	1,532	**8,764**
Investment property	-	-	45,931	**45,931**
Total assets	**1,846,845**	**49,690**	**47,463**	**1,943,998**

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
- Bond funds	6,184	-	-	**6,184**
- Mixed funds	6,362	-	-	**6,362**
- Equity funds	123,351	-	-	**123,351**
- Alternative funds	1,724	-	-	**1,724**
- Structured product	84,455	-	-	**84,455**
Available-for-sale financial assets				
- Debt securities	1,539,154	51,357	-	**1,590,511**
- Bond funds	161,669	-	-	**161,669**
- Equity funds	44,494	-	-	**44,494**
- Alternative funds	239,565	-	-	**239,565**
- Structured product	13,902	-	1,528	**15,430**
Investment property	-	-	44,293	**44,293**
Total assets	**2,220,860**	**51,357**	**45,821**	**2,318,038**

The Company has financial assets classified in level 3 referring to investment property and structured product relating to Fortenova CB&DR.

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The fair value of investments held to maturity is determined on the basis of market prices and is classified in level 1 in accordance with IFRS 13.

The fair value of debt securities is determined on the basis of the consensus closing price (which is determined on the basis of market prices obtained from different sources taking into account the reliability of each source), which is available on the financial information service at the date of the securities valuation. The market for an individual debt security is considered active if a consensus price from the Bloomberg Generic Network (BGN) is available at the valuation date, otherwise it is considered inactive. These instruments included in level 1 comprise primarily government bonds classified as available-for-sale financial assets.

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.

In 2022, level 2 assets amounted to HRK 49,690 thousand (2021: HRK 51,357 thousand) and relate to corporate bonds. No consensus price was available for them from Bloomberg Generic Network (BGN) at the valuation date, so the market is considered inactive. The discounted cash flow valuation technique was used to calculate fair value.

Investment property is property which is held either to earn rental income, capital appreciation or both. Investment property comprises land and buildings and is carried at fair value. Fair value estimates are based on valuations and value information performed and obtained by independent valuation experts, who hold a recognised and relevant professional qualification and who have recent experience in the valuation of property at similar locations and of a similar category. Fair value is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Fortenova CB&DR structured product is not quoted on the active market and there is no market price for the specified product, and the inputs for determining the price are not based on market data. Accordingly, these assets are included in fair value level 3.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. An independent valuation and information of the value of the Company's investment property was conducted and obtained by external valuers in order to determine the fair value as at 31 December 2022 and 31 December 2021. The fair value of investment property was derived using the income and sales comparison approaches, as appropriate depending on the particular asset.

(all amounts are expressed in thousands of HRK)

22. FINANCIAL RISK MANAGEMENT (continued)

22.4. Fair values (continued)

The most significant inputs in this valuation approach were rental income and price per square meter generated based on comparable properties in close proximity, which were then adjusted by differences in key attributes.

Information about fair value measurements of investment property using significant unobservable inputs:

Fair value		Valuation technique	Unobservable inputs	Range of unobservable inputs in 2022	Range of unobservable inputs in 2021
2022	2021				
45,913	44,293	Income approach	Discount rate	6,0% - 9,0%	7,5 – 8,0%
			Average rent price per m^2	45,21 - 94,18 HRK/m2	43,98 - 90,36 HRK/m^2
		Comparison approach	Average sales price per m^2	2.145,51 - 7.453,65 HRK/m2	2,265,02 - 7,254,59 HRK/m^2
		Cost method	Construction cost per m^2	-	-

A significant increase/(decrease) in the average price per m^2, 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.

23. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS 9 AND 17

23.1. IFRS 9 FINANCIAL INSTRUMENTS

The application of the IFRS9 accounting standard for the Company is mandatory from January 1, 2023, and the classification and measurement of financial assets according to the new standard starts from that date.

When choosing a business model for a certain financial asset, the Company focuses in particular on strategic investment management, and the Company mainly holds financial assets for financing obligations from insurance contracts.

The new standard also considers the SPPI criterion (Solely Payments of Principal and Interest), which analyses the cash flows of securities. For the analysis of cash flows, the Company uses securities issue prospectuses and the IT system used for the administration of securities.

In the future, the company will value fixed income securities that meet the SPPI criteria at fair value through other comprehensive income. Securities with variable income, e.g., investment funds, will in the future be measured at fair value through the profit and loss account because they usually do not meet the SPPI criteria.

All life insurance investments where the contractor bears the investment risk will continue to be classified and measured at fair value through the profit and loss account, unchanged from the current accounting according to IAS 39.

Impairment of value

The new standard introduces a change in the calculation of impairment, which is calculated according to expected credit losses in the 3-level model and is applied exclusively to assets that are valued at amortized cost or at fair value through other comprehensive income.

The model used by the Company to determine expected credit losses considers the time value of money as well as data on current economic conditions and their future forecasts available at the reporting date. Expected credit losses are determined at each reporting date.

At each reporting date, all financial assets within the scope of the impairment model are assigned to one of three impairment levels. The company allocates instruments with a low risk of non-payment to Level 1, and if a significant increase in credit risk is determined on the reporting date, allocation is made to Level 2. Allocation to Level 3 (financial assets with credit impairment) of the impairment model is made if one occurs or more events with a negative effect on the expected future cash flows of financial assets.

To present adjusted comparative information for the period before the initial application of IFRS 9, the Company will apply IFRS 9 using the so-called overlay approach. Accordingly, IFRS 9 will also be applied to those financial assets that are available during 2022. Impairments for financial assets will be determined based on the IFRS 9 impairment model for expected credit losses.

23.2. IFRS 17 INSURANCE CONTRACTS

On June 25, 2020, the IASB (International Accounting Standards Board) published the final accounting standard for insurance contracts - IFRS 17. The effective date of IFRS 17 is set for January 1, 2023. For insurance companies, the effective date of IFRS 9 is related to the date of IFRS 17. IFRS 17 was transposed into EU law by the adoption of Regulation (EU) no. 2021/2036 from 19.11.2021.

IFRS 17 establishes principles related to recognition, measurement and presentation, as well as disclosures related to insurance contracts - this includes insurance and reinsurance contracts concluded by the Company, as well as insurance contracts with savings components with discretionary features of participation in get. The general measurement model is applied for long-term business in non-life insurance, as well as for life insurance contracts with a discretionary feature of profit sharing, for example mixed insurance, and without profit sharing, for example risk insurance. For short-term insurance contracts, which are mainly non-life and health insurance contracts, the Company uses a measurement model based on premium distribution. The variable compensation model is applied to life insurance contracts where the policyholder bears the investment risk (unit linked and index linked).

Throughout 2022, the company calculated parallel items in the balance sheet and profit and loss account. It also calculated the opening balances on 01.01.2022. according to new standards (the so-called transition).

As at the date of transition to IFRS 17, a large part of the Company's insurance portfolio consists of contracts in which the commencement of insurance sometimes dates back as much as twenty years. IFRS 17 basically stipulates that the standard must be applied fully retroactively. This means that the items in the financial statements should be presented as if the standard had always been applied.

Full retroactive application of IFRS 17 is not feasible for the Company for the following reasons:

- The necessary master data on the contract and data on transactions related to the contracts are not available retroactively with the necessary granularity required by IFRS 17,
- Determining expected future cash flows and their adjustment in case of non-economic changes in assumptions (e.g., mortality assumptions) are not possible retroactively,
- The same applies to determining the necessary allocation of costs that can be attributed to the insurance portfolio.
- For insurance contracts with direct profit participation, economic assumptions and historical IFRS 17 specifics such as the investment component are not available for stochastic modelling prior to initial application.
- In long-term non-life insurance, historical parameters for determining technical reserves can only be determined with disproportionate effort.

If full retrospective application of IFRS 17 is not feasible, which is the case with the Company, two alternatives are available:

- modified retrospective approach
- fair value approach.

The goal of the modified retrospective approach is to achieve the best possible approximation to the full retrospective application. In accordance with the fair value approach, the contractual service margin (CSM) of the group of insurance contracts at the transition date is determined as the difference between the fair value in accordance with IFRS 13 and the corresponding cash flows for the performance of contracts determined by IFRS 17. The Company for long-term non-life insurance contracts and all life insurance contracts use the fair value approach (contracts measured by the general measurement model and the variable compensation model). For contracts for which the measurement model based on the premium allocation approach is used, the Company uses a full retrospective approach, since these are short-term contracts for which the Company has all relevant data, and the valuation method itself is simplified (it is based on the unearned premium and accrued acquisition costs).

(all amounts are expressed in thousands of HRK)

The selection of the appropriate approach for determining the opening balance according to IFRS 17 is made at the level of the portfolio of insurance contracts. All groups in the portfolio are assumed to be either profitable with a substantial probability of not becoming onerous or onerous at initial recognition.

The division of the historical portfolio into annual cohorts was also not done considering the previously stated reasons.

The central parameters regarding the selected fair value principle are, on the one hand, the requirement for the necessary solvent capital and, on the other hand, the selection of the appropriate interest rate for capitalization. The requirement for the required solvency capital corresponds to the regulatory capital requirements according to Solvency II. The interest rates on capitalization correspond to the interest rates for the goodwill impairment test on 12/31/2021.

23.3. IFRS 9 and IFRS 17 effects

Regardless of the measurement technique, receivables from direct insurance business and deferred acquisition costs are no longer reported separately in the statement of financial position but are reported as part of liabilities from insurance contracts.

The presentation in the income statement will also fundamentally change with the introduction of both standards. Accordingly, IFRS 17 distinguishes between the result from insurance services, which consists of insurance income and insurance service costs, and insurance financial income and expenses.

The following Table shows the estimated effects of the transition to IFRS 9 and 17. The initial effects of the application of the new classification and measurement rules mainly lead to a direct reclassification within equity. A significant part of the increase in the amount of insurance contract liabilities was generated by the formation of the contractual margin for the service (the so-called CSM, which represents the Company's future profits). This includes a reclassification from the revaluation reserve to retained earnings from the initial effects of application.

INFLUENCE OF TRANSITION ON CAPITAL AND RESERVES	**01/01/2022**
Total Capital and reserves according to IAS 39 and IFRS 4	**584,727**
Impact of transition on investments according to IFRS 9	42,547
Impact of transition on receivables and liabilities	(39,609)
Technical reserves according to IFRS 4	1,997,198
Technical reserves according to IFRS 17	(2,225,858)
Deferred taxes (18%)	40,630
Impact of transition on total Capital and reserves	**(185,092)**
Total Capital and Reserves according to IFRS 9 and IFRS 17	**399,635**

(all amounts are expressed in thousands of HRK)

24. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there was a change in the Company's Management Board, which is described in more detail in chapter 1 General information.

On January 1, 2023 The Republic of Croatia introduced the euro as the official currency and it will also affect the Company's solvency position, mostly through the growth of technical reserves due to discounting with the risk-free interest rate curve for the euro and through a significant drop in currency risk.

The company performed the calculation on 31 December 2022assuming that EUR is already the official currency of the Republic of Croatia.

The table shows the comparative results as of 31 December 2022from the regulatory calculation and from the scenario of switching to the euro.

In HRK thousand	**2022 the scenario of transition to the euro**	**2022 regulatory calculation**
Eligible own funds to cover solvency capital requirement	516,942	554,915
Solvency Capital Requirement, SCR	303,619	331,958
Ratio of acceptable own funds and required solvent capital	170,3%	167,2%
Eligible own funds to cover minimum capital requirement	516,942	554,915
Minimum capital requirement, MCR	100,083	94,154
The ratio of acceptable own funds and the minimum required capital	516,5%	589,4%

The results show that in the scenario of transition to the euro, the Company maintained a solid and stable solvency position considering that:

- Ratio of acceptable own funds and required solvent capital**,** solvency ratio is 170,3%, which means that the Company estimates that own funds are more than 70% higher than legally prescribed by law, with the estimated eligible own funds amounting to HRK 516.942 thousand and the estimated solvency capital requirement of HRK 303.619 thousand
- The ratio of acceptable own funds and the minimum required capital is 516,5% with the estimated eligible own fund amounting to HRK 516.942 thousand and the estimated minimum capital requirement amounting to HRK 100.083 thousand.

The positive effect of the introduction of the euro on the solvency position, compared to the regulatory calculation on December 31, 2022, is mostly the result of a significant reduction in currency risk.

The Company's financial statements in accordance with the format prescribed by the Croatian Financial Services Supervisory Agency (HANFA)

The financial statements on the operations of the company UNIQA osiguranje d,d, prepared in accordance with the Ordinance on the Form and Content of Financial Statements and Additional Reports of Insurance and Reinsurance Companies (OG 37/16, 96/18, 50/19, 98/20) are presented below.

1. Statement of financial position
   1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements
2. Statement of comprehensive income
   2.1. Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements
3. Statement of cash flows
4. Statement of changes in equity
5. Notes to the financial statements – see notes 1 to 24 to the financial statements.

STATEMENT OF FINANCIAL POSITION

as at: 31.12.2022,.

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	**I**	**INTANGIBLE ASSETS**	**2.101.126**	**2.432.384**	**4.533.510**	**2.167.892**	**2.822.274**	**4.990.166**
002		1	Goodwill						
003		2	Other intangible assets	2.101.126	2.432.384	**4.533.510**	2.167.892	2.822.274	**4.990.166**
004	05+006+00	**II**	**TANGIBLE ASSETS**	**11.776.589**	**21.987.269**	**33.763.858**	**11.764.168**	**24.031.851**	**35.796.019**
005		1	Land and buildings intended for company business	10.031.431	20.051.068	**30.082.499**	10.165.634	21.489.776	**31.655.410**
006		2	Equipment	1.602.140	1.781.498	**3.383.638**	1.414.417	2.325.572	**3.739.989**
007		3	Other tangible assets and inventories	143.018	154.703	**297.721**	184.117	216.504	**400.620**
008	009+010+ 014+033	**III**	**INVESTMENTS**	**1.852.794.094**	**567.931.005**	**2.420.725.100**	**1.510.920.984**	**506.429.081**	**2.017.350.065**
009		**A**	**Investments in land and buildings not intended for company business**	**40.821.918**	**3.471.048**	**44.292.966**	**42.425.107**	**3.505.486**	**45.930.593**
010	011+012+ 013	**B**	**Investments in subsidiaries, associates and joint ventures**						
011		1	Shares and stakes in subsidiaries						
012		2	Shares and stakes in associates						
013		3	Shares and stakes in joint ventures						
014	015+018+ 023+029	**C**	**Financial assets**	**1.811.972.176**	**564.459.958**	**2.376.432.134**	**1.468.495.877**	**502.923.595**	**1.971.419.472**
015	016+017	**1**	**Financial assets held to maturity**	**262.172.699**		**262.172.699**	**178.129.200**		**178.129.200**
016		*1.1*	Debt financial instruments	262.172.699		**262.172.698,98**	178.129.200		**178.129.200**
017		*1.2*	*Other*						
018	019+020+ 021+022	**2**	**Available-for-sale financial assets**	**1.529.425.515**	**522.243.155**	**2.051.668.669**	**1.272.136.959**	**455.850.622**	**1.727.987.581**
019		*2.1*	Equity financial instruments						
020		*2.2*	Debt financial instruments	1.126.142.073	464.368.139	**1.590.510.212**	909.961.452	406.628.754	**1.316.590.206**
021		*2.3*	Shares in investment funds	389.381.384	56.346.811	**445.728.195**	354.943.126	47.690.141	**402.633.268**
022		*2.4*	Other	13.902.058	1.528.204	**15.430.262**	7.232.381	1.531.726	**8.764.107**
023	024+025+ 026+027+ 028	**3**	**Financial assets at fair value through profit or loss**	**13.581.631**		**13.581.631**	**10.677.696**		**10.677.696**
024		*3.1*	Equity financial instruments						
025		*3.2*	Debt financial instruments						
026		*3.3*	Derivative financial instruments						
027		*3.4*	Shares in investment funds	13.432.841		**13.432.841**	10.194.490		**10.194.490**
028		*3.5*	Other	148.790		**148.790**	483.206		**483.206**
029	030+031+ 032	**4**	**Loans and receivables**	**6.792.331**	**42.216.803**	**49.009.134**	**7.552.023**	**47.072.973**	**54.624.995**
030		*4.1*	*Deposits with credit institutions*		40.576.172	**40.576.172**		45.573.194	**45.573.194**
031		*4.2*	*Loans*	6.735.355	1.640.631	**8.375.986**	7.552.023	1.499.779	**9.051.801**
032		*4.3*	*Other*	56.976		**56.976**			
033		**D**	**Deposits with cedent**						
034		**IV**	**INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE**	**208.495.304**		**208.495.304**	**189.989.421**		**189.989.421**

Position No.	Sum elements	Position code	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
035	036+037+ 038+039+ 040+041+	**V**	**REINSURER'S SHARE IN TECHNICAL PROVISIONS**	**92.678.352**	**235.813.639**	**328.491.991**	**84.947.514**	**237.757.981**	**322.705.496**
036		1	Provision for unearned premiums, reinsurance share	148.137	72.373.568	**72.521.705**	127.437	80.307.215	**80.434.652**
037		2	Mathematical provisions, reinsurance share	92.373.047		**92.373.047**	84.394.501		**84.394.501**
038		3	Claims provisions, reinsurer's share	157.168	163.177.570	**163.334.738**	425.576	157.121.922	**157.547.498**
039		4	Provisions for bonuses and discounts, reinsurer's share		262.501	**262.501**		328.845	**328.845**
040		5	Equalisation provisions, reinsurer's share						
041		6	Other technical provisions, reinsurance share						
042		7	Special provision for unit-linked life insurance group, reinsurer's share						
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSETS**	**-77.937**	**3.740.781**	**3.662.844**	**20.586.463**	**7.986.687**	**28.573.150**
044		1	Deferred tax assets	798.375	154.164	**952.539**	18.924.537	5.308.549	**24.233.086**
045		2	Current tax assets	-876.312	3.586.617	**2.710.305**	1.661.925	2.678.138	**4.340.064**
046	047+050+ 051	**VII**	**RECEIVABLES**	**6.988.126**	**182.988.739**	**189.976.865**	**3.881.817**	**204.430.721**	**208.312.539**
047	048+049	**1**	**Receivables from insurance business**		**91.589.614**	**91.589.614**		**96.979.827**	**96.979.827**
048		*1.1*	*From policyholders*		91.466.363	**91.466.363**		96.911.827	**96.911.827**
049		*1.2*	*From insurance agents, or insurance brokers*		123.251	**123.251**		68.000	**68.000**
050		**2**	**Reinsurance receivables**	**6.849.441**	**59.710.702**	**66.560.143**	**3.742.458**	**70.079.457**	**73.821.915**
051	052+053+ 054	**3**	**Other receivables**	**138.684**	**31.688.424**	**31.827.108**	**139.359**	**37.371.438**	**37.510.797**
052		*3.1*	*Receivables from other insurance business*		19.004.300	**19.004.300**		22.856.670	**22.856.670**
053		*3.2*	*Receivables for income from investments*	29.512	646.798	**676.310**	43.875	349.791	**393.666**
054		*3.3*	*Other receivables*	109.172	12.037.326	**12.146.498**	95.484	14.164.977	**14.260.461**
055	056-060+061	**VIII**	**OTHER ASSETS**	**19.319.619**	**20.192.302**	**39.511.921**	**56.497.672**	**49.994.137**	**106.491.809**
056	57+058+05	**1**	**Cash at bank and in hand**	**19.319.619**	**20.192.302**	**39.511.921**	**56.497.672**	**49.994.137**	**106.491.809**
057		*1.1*	*Funds in the business account*	13.197.654	20.187.365	**33.385.019**	17.147.367	49.985.966	**67.133.333**
058		*1.2*	*Funds in the account of assets backing mathematical provision*	6.117.796		**6.117.796**	39.348.415		**39.348.415**
059		*1.3*	*Cash on hand*	4.169	4.937	**9.107**	1.890	8.171	**10.061**
060		**2**	**Non-current assets held for sale and discontinued operation**						
061		**3**	**Other**						
062	063+064+ 065	**IX**	**PREPAID EXPENSES AND ACCRUED INCOME**	**2.651.339**	**115.325.986**	**117.977.325**	**2.305.947**	**129.007.293**	**131.313.240**
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs		108.583.256	**108.583.256**		123.345.770	**123.345.770**
065		3	Other prepaid expenses and accrued income	2.651.339	6.742.730	**9.394.069**	2.305.947	5.661.522	**7.967.469**
066	001+004+ 008+034+ 035+043+	**X**	**TOTAL ASSETS**	**2.196.726.612**	**1.150.412.107**	**3.347.138.719**	**1.883.061.879**	**1.162.460.025**	**3.045.521.904**
067		**XI**	**OFF-BALANCE-SHEET ITEMS**						

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**	**CAPITAL AND RESERVES**	**384.166.144**	**200.561.217**	**584.727.361**	**174.337.963**	**165.894.921**	**340.232.884**
069	070+071	**1**	**Subscribed share capital**	**28.875.000**	**33.825.000**	**62.700.000**	**28.875.000**	**33.825.000**	**62.700.000**
070		*1.1*	*Paid-up capital - ordinary shares*	28.875.000	33.825.000	**62.700.000**	28.875.000	33.825.000	**62.700.000**
071		*1.2*	*Paid-up capital - preference shares*						
072		**2**	**Issued shares premiums (capital**						
073	074+075+ 076	**3**	**Revaluation reserves**	**76.553.654**	**23.359.341**	**99.912.995**	**-82.001.827**	**-23.370.456**	**-105.372.283**
074		*3.1*	*Land and buildings*	2.120.258		**2.120.258**	2.120.258		**2.120.258**
075		*3.2*	*Financial assets available-for-sale*	74.433.396	23.359.341	**97.792.737**	-84.122.085	-23.370.456	**-107.492.541**
076		*3.3*	*Other revaluation reserves*						
077	078+079+ 080	**4**	**Reserves**	**153.650.277**	**79.066.290**	**232.716.567**	**153.650.277**	**79.066.290**	**232.716.567**
078		*4.1*	*Legal reserves*	1.134.375	1.134.375	**2.268.750**	1.134.375	1.134.375	**2.268.750**
079		*4.2*	*Statutory reserves*						
080		*4.3.*	*Other reserves*	152.515.902	77.931.915	**230.447.817**	152.515.902	77.931.915	**230.447.817**
081	082+083	**5**	**Retained earnings or accumulated loss**	**111.343.901**	**47.773.134**	**159.117.036**	**125.087.213**	**64.310.586**	**189.397.799**
082		*5.1*	*Retained earnings*	111.343.901	47.773.134	**159.117.036**	125.087.213	64.310.586	**189.397.799**
083		*5.2*	*Accumulated loss (-)*						
084	085+086	**6**	**Profit or loss for the current accounting period**	**13.743.311**	**16.537.452**	**30.280.763**	**-51.272.700**	**12.063.501**	**-39.209.199**
085		*6.1*	*Profit for the current accounting period*	13.743.311	16.537.452	**30.280.763**		12.063.501	**12.063.501**
086		*6.2*	*Loss for the current accounting period (-)*				-51.272.700		**-51.272.700**
087		**XIII**	**SUBORDINATED LIABILITIES**						
088		**XIV**	**NON-CONTROLLING INTEREST**						
089	090+091+ 092+093+ 094+095	**XV**	**TECHNICAL PROVISIONS**	**1.445.440.723**	**762.812.712**	**2.208.253.435**	**1.384.074.350**	**793.906.617**	**2.177.980.967**
090		1	Provisions for unearned premiums, gross	2.275.996	368.007.783	**370.283.779**	2.032.892	413.139.545	**415.172.438**
091		2	Mathematical provisions, gross amount	1.358.680.064		**1.358.680.064**	1.300.265.374		**1.300.265.374**
092		3	Claims provisions, gross amount	84.484.663	391.943.826	**476.428.489**	81.776.084	378.402.555	**460.178.639**
093		4	Provisions for bonuses and discounts, gross amount		2.861.103	**2.861.103**		2.364.517	**2.364.517**
094		5	Equalisation provisions, gross amount						
095		6	Other technical provisions, gross amount						
096		**XVI**	**SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount**	**208.495.308**		**208.495.308**	**189.989.422**		**189.989.422**
097	098+099	**XVII**	**OTHER PROVISIONS**	**12.052.799**	**9.849.073**	**21.901.872**	**13.732.115**	**10.658.431**	**24.390.546**
098		1	Provisions for pensions and similar liabilities						
099		2	Other provisions	12.052.799	9.849.073	**21.901.872**	13.732.115	10.658.431	**24.390.546**
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX**	**19.297.349**	**8.915.580**	**28.212.929**		**4.462.879**	**4.462.879**
101		1	Deferred tax liability	16.804.461	5.127.660	**21.932.121**			
102		2	Current tax liability	2.492.888	3.787.920	**6.280.808**		4.462.879	**4.462.879**
103		**XIX**	**DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE**	**92.521.184**		**92.521.184**	**84.521.938**		**84.521.938**
104	105+106+ 107	**XX**	**FINANCIAL LIABILITIES**	**5.551.708**	**9.611.607**	**15.163.316**	**6.036.856**	**12.270.298**	**18.307.155**
105		1	Loan liabilities						
106		2	Issued financial instruments payable						
107		3	Other financial liabilities	5.551.708	9.611.607	**15.163.316**	6.036.856	12.270.298	**18.307.155**
108	109+110+ 111+112	**XXI**	**OTHER LIABILITIES**	**25.838.134**	**101.399.575**	**127.237.709**	**25.150.906**	**117.238.758**	**142.389.663**
109		1	Liabilities from direct insurance business	3.792.699	19.075.704	**22.868.403**	3.749.940	18.746.038	**22.495.978**
110		2	Liabilities from co-insurance and reinsurance business	7.725.891	71.205.838	**78.931.729**	4.075.554	86.756.483	**90.832.037**
111		3	Liabilities for sale and discontinued operation						
112		4	Other liabilities	14.319.544	11.118.032	**25.437.577**	17.325.411	11.736.237	**29.061.648**
113	114+115	**XXII**	**ACCRUED EXPENSES AND DEFERRED INCOME**	**3.363.262**	**57.262.343**	**60.625.605**	**5.218.328**	**58.028.122**	**63.246.450**
114		1	Deferred reinsurance commission		23.221.929	**23.221.929**		25.933.878	**25.933.878**
115		2	Other accrued expenses and deferred	3.363.262	34.040.414	**37.403.676**	5.218.328	32.094.244	**37.312.572**
116	068+087+ 088+089+ 096+097+	**XXIII**	**TOTAL EQUITY AND LIABILITIES**	**2.196.726.612**	**1.150.412.107**	**3.347.138.719**	**1.883.061.879**	**1.162.460.025**	**3.045.521.904**
117		**XXIV**	**OFF-BALANCE-SHEET ITEMS**						

1.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statements

Report for the Croatian Financial Services Supervisory Agency		1	2	3	Basic financial statements	
Position description	HRK'000				HRK'000	
INTANGIBLE ASSETS	4.990				4.990	Other intangible assets
Goodwill	0					
Other intangible assets	4.990					
TANGIBLE ASSETS	35.796				35.796	Property and equipment
Land and buildings intended for company business operations	31.655					
Equipment	3.740					
Other tangible assets and inventories	401					
INVESTMENTS	2.017.350					
Investments in land and buildings not intended for	45.931				45.931	Investment property
Investments in subsidiaries, associates and joint	0				0	Investment in subsidiary
Shares and stakes in subsidiaries	0					
Shares and stakes in associates	0					
Shares and stakes in joint ventures	0					
Financial assets	1.971.419					
Held-to-maturity financial assets	178.129				178.129	Held-to-maturity investments
Debt financial instruments	178.129					
Other	0					
Available-for-sale financial assets	1.727.988				1.727.988	Available-for-sale financial assets
Equity financial instruments	0					
Debt financial instruments	1.316.590					
Shares in investment funds	402.633					
Other	8.764					
Financial assets at fair value through profit or loss	10.678	189.989			200.667	Financial assets at fair value througth profit or
Equity financial instruments	0					
Debt financial instruments	0					
Derivative financial instruments	0					
Shares in investment funds	10.194					
Other	483					
Loans and receivables	54.625				54.625	Loans and receivables
Deposits with credit institutions	45.573					
Loans	9.052					
Other	0					
Deposits with cedent	0					
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	189.989	(189.989)				
REINSURER'S SHARE IN TECHNICAL PROVISIONS	322.705				322.705	Reinsurers' share in insurance contract provisions
Provision for unearned premiums, reinsurer's share	80.435					
Mathematical provisions, reinsurer's share	84.395					
Claims provisions, reinsurer's share	157.547					
Provisions for bonuses and discounts, reinsurer's share	329					
Equalisation provisions, reinsurer's share	0					
Other technical provisions	0					
Special provision for unit-linked life insurance group, reinsurer's share	0					
DEFERRED AND CURRENT TAX ASSETS	28.573					
Deferred tax assets	24.233				24.233	
Current tax assets	4.340			(4.340)		Current tax assets
RECEIVABLES	208.313		7.967	(12.970)	203.310	Insurance contracts and other receivables
Receivables from insurance business	96.980					
From policyholders	96.912					
From insurance agents or insurance brokers	68					
Reinsurance receivables	73.822					
Other receivables	37.511					
Receivables from other insurance business	22.857					
Receivables for income from investments	394					
Other receivables	14.260					
OTHER ASSETS	106.492					
Cash at bank and in hand	106.492				106.492	Cash and cash equivalents
Funds in the business account	67.133					
Funds in the account of assets backing mathematical provision	39.348					
Cash on hand	10					
Non-current assets held for sale and discontinued operations	0					
Other	0					
PREPAID EXPENSES AND ACCRUED INCOME	131.313					
Deferred interest and rent	0					
Deferred acquisition costs	123.346				123.346	Deferred acquisition costs
Other prepayments and accrued income	7.967		(7.967)			
TOTAL ASSETS	3.045.522	-	-	(17.310)	3.028.212	

1. Investments for the account and risk of life insurance policyholders are presented together with Financial assets at fair value through profit or loss,
2. Other prepaid expenses and accrued income are presented within insurance contracts and other receivables,
3. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while internal receivables in the amount of HRK 12,970 thousand are offset with corresponding liabilities

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	Basic financial statements	
Position description	**HRK'000**					**HRK'000**	
CAPITAL AND RESERVES	340.233						
Subscribed share capital	62.700					62.700	Share capital
Paid-up capital - ordinary shares	62.700						
Paid-up capital - preference shares	-						
Issued shares premiums (capital reserves)	-						
Revaluation reserves	(105.372)					(105.372)	Fair value reserves
Land and buildings	2.120						
Financial assets available-for-sale	(107.493)						
Other revaluation reserves	-						
Reserves	232.717					232.717	Legal reserves
Legal reserves	2.269						
Statutory reserves	-						
Other reserves	230.448						
Retained profit or transferred loss	189.398						
Retained profit	189.398	(39.209)				150.189	Retained earnings
Accumulated loss (-)	-						
Profit or loss for the current accounting period	(39.209)						
Profit for the current accounting period	12.064	(12.064)					
Loss for the current accounting period (-)	(51.273)	51.273					
SUBORDINATED LIABILITIES	-						
NON-CONTROLLING INTEREST	-						
TECHNICAL PROVISIONS	2.177.981		189.989			2.367.970	Insurance contract provisions
Provisions for unearned premiums, gross amount	415.172						
Mathematical provisions, gross amount	1.300.265						
Claims provisions, gross amount	460.179						
Provisions for bonuses and discounts, gross amount	2.365						
Equalisation provisions, gross amount	-						
Other technical provisions, gross amount	-						
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	189.989		(189.989)				
OTHER PROVISIONS	24.391			(24.391)			
Provisions for pensions and similar liabilities	-						
Other provisions	24.391						
DEFERRED AND CURRENT TAX LIABILITY	4.463						
Deferred tax liability	-					-	Deferred tax liability
Current tax liability	4.463				(4.340)	123	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	84.522			(84.522)			
FINANCIAL LIABILITIES	18.307			(18.307)			
Borrowings	-						
Issued financial instruments payable	-						
Other financial liabilities	18.307						
OTHER LIABILITIES	142.390			190.466	(12.970)	319.885	Insurance contracts and other payables
Liabilities from direct insurance business	22.496						
Liabilities from co-insurance and reinsurance business	90.832						
Liabilities for sale and discontinued operation	-						
Other liabilities	29.062						
ACCRUED EXPENSES AND DEFERRED INCOME	63.246			(63.246)			
Deferred reinsurance commission	25.934						
Other accrued expenses and deferred income	37.313						
TOTAL EQUITY AND LIABILITIES	**3.045.522**	**-**	**-**	**-**	**(17.310)**	**3.028.212**	

1. Profit or loss for the current accounting period is presented together with retained earnings in the Basic financial statements,
2. A special provision for unit-linked life insurance group, the gross amount is recorded in the Provisions for insurance contracts in the Basic financial statements,
3. Accrued expenses and deferred income, Deposits retained from business ceded to reinsurance, Other provisions and Financial liabilities are recorded in the Basic financial statements within Insurance contracts and other payables,
4. Deferred and current tax assets and liabilities are recorded on a net basis in the Basic financial statements, while Internal receivables in the amount of HRK 12,970 thousand are offset with corresponding liabilities,

STATEMENT OF COMPREHENSIVE INCOME

For the period: 01.01.2022.-31.12.2022.

in HRK

Position No.	Sum element	Position code	Position description	Previous business period			Current business period		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003 +004+00	**I**	**Earned premiums (recognised in revenue)**	**166.323.994**	**255.351.776**	**421.675.770**	**170.845.483**	**278.900.865**	**449.746.348**
002		1	Gross written premiums	171.278.697	431.039.968	**602.318.665**	175.183.893	490.271.556	**665.455.449**
003		2	Impairment and collected premium impairment		180.847	**180.847**		333.697	**333.697**
004		3	Premiums ceded to reinsurance (-)	-5.220.487	-154.978.267	**-160.198.754**	-4.560.813	-174.506.273	**-179.067.086**
005		4	Change in gross provisions for unearned premiums	290.950	-25.348.008	**-25.057.058**	243.103	-45.131.762	**-44.888.659**
006		5	Change in provisions fo unearned premiums,	-25.166	4.457.236	**4.432.071**	-20.700	7.933.647	**7.912.947**
007	008+009 +010+01	**II**	**Investment income**	**102.407.459**	**9.923.834**	**112.331.293**	**71.426.592**	**12.893.025**	**84.319.617**
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings	3.664.535	635.576	4.300.112	5.200.455	87.730	5.288.186
010		3	Interest income	50.203.859	7.436.319	57.640.178	37.664.488	7.428.849	45.093.336
011		4	Unrealised gain on investments	22.946.208		22.946.208			
012		5	Realised gain on investments	12.438.439	1.262.739	13.701.178	13.741.151	1.197.855	14.939.006
013		6	Net foreign exchange gains	6.988.740	160.377	7.149.117	9.707.211	59.031	9.766.242
014		7	Other investment income	6.165.678	428.822	6.594.499	5.113.287	4.119.560	9.232.847
015		**III**	**Commission and fee income**	**547.834**	**44.583.446**	**45.131.281**	**54.162**	**48.936.459**	**48.990.621**
016		**IV**	**Other insurance-technical income, net of reinsurance**	**386.836**	**2.022.034**	**2.408.869**	**420.992**	**6.313.185**	**6.734.177**
017		**V**	**Other income**	**609.959**	**2.173.640**	**2.783.599**	**530.637**	**550.783**	**1.081.420**
018	019+022	**VI**	**Net claims incurred**	**-270.033.369**	**-114.430.259**	**-384.463.627**	**-198.481.655**	**-130.165.653**	**-328.647.308**
019	020+021	1	Claims paid	-264.048.564	-124.859.570	-388.908.134	-201.458.643	-137.651.276	-339.109.919
020		*1.1*	*Gross amount (-)*	-273.428.383	-208.737.404	-482.165.787	-216.246.306	-212.982.529	-429.228.835
021		*1.2*	*Reinsurer's share (+)*	9.379.819	83.877.833	93.257.653	14.787.663	75.331.253	90.118.916
022	023+024	2	Change in claims provisions (+/-)	-5.984.804	10.429.311	4.444.507	2.976.988	7.485.623	10.462.611
023		*2.1*	*Gross amount (-)*	-5.961.581	51.716.568	45.754.986	2.708.579	13.541.271	16.249.851
024		*2.2*	*Reinsurer's share (+)*	-23.223	-41.287.256	-41.310.479	268.409	-6.055.648	-5.787.240
025	026+029	**VII**	**Change in mathematical provision and other technical provisions, net of reinsurance**	**141.321.129**		**141.321.129**	**50.436.144**		**50.436.144**
026	027+028	1	Chage in mathematical provision (+/-)	141.321.129		141.321.129	50.436.144		50.436.144
027		*1.1*	*Gross amount (-)*	144.406.853		144.406.853	58.414.690		58.414.690
028		*1.2*	*Reinsurer's share (+)*	-3.085.724		-3.085.724	-7.978.546		-7.978.546
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)						
030		*2.1*	*Gross amount (-)*						
031		*2.2*	*Reinsurer's share (+)*						
032	033+034	**VIII**	**Special provisions for unit-linked life insurance**	**-48.359.629**		**-48.359.629**	**18.505.887**		**18.505.887**
033		1	*Gross amount (-)*	-48.359.629		-48.359.629	18.505.887		18.505.887
034		2	*Reinsurer's share (+)*						
035	036+037	**IX**	**Expenditures for return of premium (bonuses and rebates), net of reinsurance**		**-1.881.419**	**-1.881.419**		**-1.621.949**	**-1.621.949**
036		1	Depending on the result (bonuses)		-1.881.419	-1.881.419		-1.621.949	-1.621.949
037		2	Not depening on the result (rebates)						
038	039+043	**X**	**Operating expenditures (for business operations), net**	**-61.570.869**	**-170.679.362**	**-232.250.231**	**-62.364.339**	**-185.658.281**	**-248.022.619**
039	040+041 +042	1	Acquisition costs	-25.187.392	-107.761.732	-132.949.124	-26.067.305	-122.044.428	-148.111.733
040		*1.1*	*Commission*	-18.543.604	-90.440.435	-108.984.039	-18.979.956	-105.837.573	-124.817.529
041		*1.2*	*Other acquisition costs*	-6.643.788	-27.068.652	-33.712.440	-7.087.349	-30.969.369	-38.056.718
042		*1.3*	*Change in deferred acquisition costs (+/-)*		9.747.355	9.747.355		14.762.514	14.762.514
043	044+045 +046	2	Administration costs (administrative expenses)	-36.383.477	-62.917.630	-99.301.107	-36.297.033	-63.613.853	-99.910.886
044		*2.1*	*Depreciation and amortisation*	-3.247.709	-4.568.645	-7.816.354	-2.814.812	-4.523.432	-7.338.244
045		*2.2*	*Sales, taxes and contributions from and on salaries*	-13.509.889	-21.521.523	-35.031.412	-14.339.208	-24.006.874	-38.346.082
046		*2.3*	*Other administration costs*	-19.625.878	-36.827.462	-56.453.341	-19.143.013	-35.083.547	-54.226.560

Position No.	Sum element	Position code	Position description	Previous business period Life	Previous business period Non-life	Previous business period Total	Current business period Life	Current business period Non-life	Current business period Total
047	048+049 +050+05	**XI**	**Investment charges**	**-10.512.225**	**-978.274**	**-11.490.498**	**-97.550.060**	**-10.906.925**	**-108.456.985**
048		1	Depreciation of land and buildings not intended for business operations of the company						
049		2	Interests						
050		3	Impairment of investments	-583.406	-2.306	-585.713	-58.143.031	-9.936.305	-68.079.336
051		4	Realised losses on investments	-22.116		-22.116	-3.829.753		-3.829.753
052		5	Unrealised losses on investments	-494.644		-494.644	-29.381.067		-29.381.067
053		6	Net foreign exchange losses	-4.658.948	-85.515	-4.744.463	-1.659.640	-79.850	-1.739.490
054		7	Other investment costs	-4.753.110	-890.452	-5.643.562	-4.536.569	-890.770	-5.427.339
055	056+057	**XII**	**Other technical expenses, net of reinsurance**	**-3.256.857**	**-3.179.871**	**-6.436.728**	**-3.744.883**	**-392.375**	**-4.137.257**
056		1	Expenses for preventive operations		-317.571	-317.571		-317.174	-317.174
057		2	Other technical insurance expenses	-3.256.857	-2.862.300	-6.119.157	-3.744.883	-75.201	-3.820.083
058		**XIII**	**Other expenses including value adjustments**	**-1.502.827**	**-2.520.551**	**-4.023.378**	**-1.709.777**	**-2.114.683**	**-3.824.460**
059	001+007 +015+01 6+017+0	**XIV**	**Profit or loss for the acocunting period before loss (+/-)**	**16.361.436**	**20.384.995**	**36.746.431**	**-51.630.816**	**16.734.450**	**-34.896.366**
060	061+062	**XV**	**Income tax or loss**	**-2.618.125**	**-3.847.543**	**-6.465.668**	**358.116**	**-4.670.949**	**-4.312.832**
061		1	Current tax expense	-2.492.888	-3.787.920	-6.280.808	232.355	-4.695.233	-4.462.879
062		2	Deferred tax expense (income)	-125.237	-59.623	-184.860	125.762	24.285	150.046
063	059+060	**XVI**	**Profit or loss for the accounting period after tax**	**13.743.311**	**16.537.452**	**30.280.763**	**-51.272.700**	**12.063.501**	**-39.209.199**
064		1	Attributable to equity holders of the parent						
065		2	Attributable to non-controlling interest						
066	001+007 +015+01	**XVII**	**TOTAL INCOME**	270.150.845	313.995.107	584.145.951	243.403.628	347.618.601	591.022.229
067	018+025 +032+03	**XVIII**	**TOTAL EXPENSES**	-256.407.534	-297.457.655	-553.865.189	-294.676.328	-335.555.100	-630.231.427
068	069+070 +071+07	**XIX**	**Other comprehensive income**	**-51.775.264**	**-2.889.011**	**-54.664.275**	**-158.555.481**	**-46.729.797**	**-205.285.278**
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	-63.140.566	-3.523.184	**-66.663.750**	-193.360.343	-56.987.557	**-250.347.900**
071		3	Profits/losses on revaluation of land and buildings intedned for business activities of the company						
072		4	Profits/losses on revaluation of other tangible (except for land and property) and intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associates						
076		8	Profit tax on other comprehensive income	11.365.302	634.173	**11.999.475**	34.804.862	10.257.760	**45.062.622**
077	078+079	**XX**	**Total comprehensive income**	**-38.031.953**	**13.648.441**	**-24.383.512**	**-209.828.181**	**-34.666.296**	**-244.494.477**
078		1	Attributable to equity holders of the parent						
079		2	Attributable to non-controlling interest						
080		**XXI**	**Reclassification adjustments**						

2.1. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of these financial statement

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	**HRK'000**						**HRK'000**	
Earned premiums (recognised in revenue)	449.746						449.746	Net earned premiums
Gross written premiums	665.455							
Impairment and collected premium impairment	334							
Premiums ceded to reinsurance (-)	(179.067)							
Change in gross provisions for unearned premiums (+/-)	(44.889)							
Change in provision for unearned premiums, reinsurance share (+/-	7.913							
Investment income	84.320	(108.457)					(24.137)	Net income from investments
Income from subsidiaries, associates and joint ventures	-							
Income from investments in land and buildings	5.288							
Interest income	45.093							
Unrealised gain on investments	-							
Realised gain on investments	14.939							
Net foreign exchange gains	9.766							
Other investment income	9.233							
Income from commissions and fees	48.991						48.991	Income from commissions and fees
Other insurance-technical income, net of reinsurance	6.734			(6.734)				
Other income	1.081			6.734		(389)	7.427	Other operating income
Net claims incurred	(328.647)		67.320				(261.327)	Claims incurred, net
Settled claims	(339.110)							
Gross amount (-)	(429.229)							
Reinsurer's share (+)	90.119							
Change in claims provisions (+/-)	10.463							
Gross amount (-)	16.250							
Reinsurer's share (+)	(5.787)							
Change in mathematical provision and other technical provisions, net of reinsurance	50.436		(50.436)					
Change in mathematical provision (+/-)	50.436							
Gross amount (-)	58.415							
Reinsurer's share (+)	(7.979)							
Change in other technical provisions, net of reinsurance (+/-)	-							
Gross amount (-)	-							
Reinsurer's share (+)	-							
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	18.506		(18.506)					
Gross amount (-)	18.506							
Reinsurer's share (+)	-							
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(1.622)		1.622					
Depending on the result (bonuses)	(1.622)							
Not depending on the result (rebates)	-							
Operating expenditures (for business operations), net	(248.023)				5		(248.018)	Acquisition and administration costs
Acquisition costs	(148.112)							
Commission	(124.818)							
Other acquisition costs	(38.057)							
Change in deferred acquisition costs (+/-)	14.763							
Administration costs (administrative expenses)	(99.911)							
Depreciation charge	(7.338)							
Salaries, taxes and contributions from and on salaries	(38.346)							
Other administrative expenses	(54.227)							
Investment charges	(108.457)	108.457						
Depreciation of land and buildings not intended for business operations of the company	-							
Interest	-							
Impairment of investments	(68.079)							
Realised losses on investments	(3.830)							
Unrealised losses on investments	(29.381)							
Net foreign exchange losses	(1.739)							
Other investment costs	(5.427)							
Other technical expenses, net of reinsurance	(4.137)				4.137			
Expenses for preventive operations	(317)							
Other technical expenses of insurance	(3.820)							
Other expenses, including value adjustments	(3.824)				(4.142)	389	(7.578)	Provisions for legal disputes,net Other operating expenses
Profit or loss for the accounting period before tax (+/-)	(34.896)							
Income tax or loss	(4.313)						(4.313)	Income tax
Current tax expense	(4.463)							
Deferred tax expense (income)	150							
Profit or loss for the accounting period after tax (+/-)	(39.209)	-	-	-	-	-	(39.209)	

1. Investment income and costs are presented on a net basis in the Basic financial statements,
2. Change in mathematical provision, special provision for life assurance policies where the policyholder bears the risk of insurance and other technical provisions is recorded within claims incurred,
3. Reclassification of other insurance and technical income to other operating income and other operating expenses,
4. Reclassification of other technical expenses to other operating expenses and administration costs,
5. Reclassification of income and expenses from legal disputes to Provisions for legal disputes, net,

STATEMENT OF CASH FLOWS (INDIRECT METHOD)
For the period: 01.01.2022.-31.12.2022.

in HRK

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**-3.653.844**	**-48.557.502**
002	003+004	**1**	**Cash flow before changes in operating assets and liabilities**	**-45.090.977**	**-36.167.388**
003		1.1	Profit/loss before tax	-34.896.366	36.746.431
004	005+006+007	1.2	Adjustments for:	-10.194.611	-72.913.819
005		*1.2.1*	*Depreciation of property and equipment*	5.498.866	6.283.647
006		*1.2.2*	*Amortisation of intangible assets*	1.839.378	1.532.708
007		*1.2.3*	*Impairment and fair value gains/losses*	27.177.387	-23.161.749
008		*1.2.4*	*Interest expense*	238.928	185.147
009		*1.2.5*	*Interest income*	-45.093.336	-57.622.137
010		*1.2.6*	*Share in profit of associates*		
011		*1.2.7*	*Gains/losses on sale of tangible assets (including land and buildings)*	-25.155	
012		*1.2.8*	*Other adjustments*	169.321	-131.435
013	014+015+...+030	**2**	**Increase/decrease in operating assets and liabilities**	**49.347.699**	**-10.507.206**
014		2.1	Increase/decrease in available-for-sale financial assets	112.694.675	16.564.172
015		2.2	Increase/decrease in financial assets at fair value through profit or loss	1.949.937	-3.550.736
016		2.3	Increase/decrease in loans and receivables	-5.275.331	21.752.728
017		2.4	Increase/decrease in deposits with cedent		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholders	-4.461.975	-20.932.753
019		2.6	Increase/decrease in reinsurer's share in technical provisions	5.786.495	39.940.815
020		2.7	Increase/decrease in tax assets	-23.280.548	1.964.140
021		2.8	Increase/decrease in receivables	-18.335.674	79.493.257
022		2.9	Increase/decrease in other assets	1.559	9.380
023		2.10	Increase/decrease in prepaid expenses and accrued income	42.691.038	53.979.318
024		2.11	Increase/decrease in technical provisions	-30.272.468	-165.969.306
025		2.12	Increase/decrease in special provisions for unit-linked life insurance group	-18.505.887	48.359.629
026		2.13	Increase/decrease in tax liabilities	-21.932.121	-11.999.475
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance	-7.999.246	-3.110.889
028		2.15	Increase/decrease in financial liabilities	-3.974.229	-4.307.431
029		2.16	Increase/decrease in other liabilities	15.151.955	-61.385.361
030		2.17	Increase/decrease in accrued expenses and deferred income	5.109.518	-1.314.691
031		**3**	**Income tax paid**	**-7.910.566**	**-1.882.909**

Position No.	Sum elements	Position code	Position description	Current business period	Same period of the previous year
032	033+034+…+046	**II**	**CASH FLOW FROM INVESTING ACTIVITIES**	**78.768.382**	**-2.949.832**
033		1	Proceeds on sale of tangible assets	6.552	2.850
034		2	Expenses for purchase of tangible assets	-679.273	-1.207.148
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-2.296.033	-1.745.534
037		5	Proceeds from sale of land and buildings not intended for business operations of the company	591.208	
038		6	Expenses for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Proceeds from held-to-maturity financial assets	81.145.928	
041		9	Expenses for held-to-maturity financial assets		
042		10	Proceeds from sale of financial instruments		
043		11	Expenses for investments in financial instruments		
044		12	Proceeds from dividends and share in profit		
045		13	Proceeds from payment of short-term and long-term loans given		
046		14	Expenses for short-term and long-term loans given		
047	048+049+050+051+052	**III**	**CASH FLOW FROM FINANCING ACTIVITIES**		
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenses for repayment of received short-term and long-term loans		
051		4	Expenses for purchase of treasury shares		
052		5	Expenses for payment of dividends		
053	001+032+047		**NET CASH FLOW**	**75.114.538**	**-51.507.334**
054		**IV**	**EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH**	**-8.134.651**	**-2.527.721**
055	053+054	**V**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**66.979.887**	**-54.035.055**
056		1	Cash and cash equivalents at beginning of period	39.511.921	93.546.976
057	**055+056**	**2**	**Cash and cash equivalents at end of period**	**106.491.809**	**39.511.921**

STATEMENT OF CHANGES IN EQUITY

For the period: 01.01.2022.-31.12.2022. *in HRK*

Position No.	Position description	Attributable to owners of parent							Attributable to non-controlling interests*	Total capital and reserves
		Paid- up capital (ordinary and preference shares)	Issued shares premium	Revaluation reserves	Reserves (legal, statutary, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total capital and reserves		
I.	**Balance at 1 January of previous year**	**62.700.000**	**0**	**154.577.270**	**232.716.567**	**134.765.032**	**24.352.004**	**609.110.873**		**609.110.873**
1.	Changes in accounting policies									
2.	Correction of prior period erroes									
II.	**Balance at 1 January of previous year (restated)**	**62.700.000**		**154.577.270**	**232.716.567**	**134.765.032**	**24.352.004**	**609.110.873**		**609.110.873**
III.	**Comprehensive income or loss for the previous year**			**-54.664.275**			**30.280.763**	**-24.383.512**		**-24.383.512**
1.	Profit or loss for the period						30.280.763	30.280.763		30.280.763
2.	**Other comprehensive income or loss for the previous year**			**-54.664.275**				**-54.664.275**		**-54.664.275**
2.1.	Unrealised gains or losses from tangable assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-65.495.793				-65.495.793		-65.495.793
2.3.	Realised gains or losses from financial assets available for sale			10.831.518				10.831.518		10.831.518
2.4.	Other non-owner changes in equity									
IV.	**Transactions with owners (previous period)**					**24.352.004**	**-24.352.004**			
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payments of shares in profit / dividends						0			
4.	Other distributions to owners					24.352.004	-24.352.004			
V.	**Balance at the last day of the reporting period in the previous year**	**62.700.000**		**99.912.995**	**232.716.567**	**159.117.036**	**30.280.763**	**584.727.361**		**584.727.361**
VI.	**Balance at 1 January of the current year**	**62.700.000**		**99.912.995**	**232.716.567**	**159.117.036**	**30.280.763**	**584.727.361**		**584.727.361**
1.	Changes in accounting policies									
2.	Correction of prior period errors									
VII.	**Balance at 1 January of the current year (restated)**	**62.700.000**		**99.912.995**	**232.716.567**	**159.117.036**	**30.280.763**	**584.727.361**		**584.727.361**
VIII.	**Comprehensive income or loss for the current year**			**-205.285.278**			**-39.209.199**	**-244.494.477**		**-244.494.477**
1.	Profit or loss for the period						-39.209.199	**-39.209.199**		**-39.209.199**
2.	**Other comprehensive income or loss for the current year**			**-205.285.278**				**-205.285.278**		**-205.285.278**
2.1.	Unrealised gains or losses from tangable assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			-216.412.970				-216.412.970		-216.412.970
2.3.	Realised gains or losses from financial assets available for sale			11.127.692				11.127.692		11.127.692
2.4.	Other non-owner changes in equity									
IX.	**Transactions with owners (current period)**					**30.280.763**	**-30.280.763**			
1.	Increase/decrease in registered capital									
2.	Other payments by owners									
3.	Payments of shares in profit / dividends						0			
4.	Other transactions with owners					30.280.763	-30.280.763			
X.	**Balance as at the last day of the reporting period in the current year**	**62.700.000**		**-105.372.283**	**232.716.567**	**189.397.799**	**-39.209.199**	**340.232.884**		**340.232.884**