Financial statements
for the year 2023 together with the
Independent Auditor’s Report

Content

Independent Auditor's Report to the Shareholders 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 2023, 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 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, 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.

As part of designing our audit, we have determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we have considered where the management has 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 have also addressed the risk of the 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 be reasonably expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we have 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	EUR 915 thousand
How we determined it	1% of the collected premium
Rationale for the materiality benchmark applied	We have selected the collected premium as the benchmark since it is the benchmark against which

	the performance of the Company is measured.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Company's transition to IFRS 17 On 1 January 2023, the Company transitioned to reporting based on the new accounting standard IFRS 17 "Insurance contracts" that has replaced IFRS 4. The Company has estimated the IFRS 17 requirements in order to develop accounting policies and determine the appropriate methodology in accordance with the standard. Namely, determining the model of measurement (general model or premium allocation approach) to be applied in accordance with the standard, determining risk adjustment and onerous contracts methodology as well as determining the discount rate (restated for the non-liquidity premium that reflects the liquidity characteristics of the insurance contracts) were considered material for the total effect of transition. The new standard has also significantly affected the disclosures in the financial statements.	We have conducted the audit of initial and comparative balances which provided assurance that the Management Board is in control of the transition process. Furthermore, we have gained insight into the transition process and the new actuarial process in the Company including: • risk adjustments • determining the measurement model • determining the discount rate We have reviewed the transition process, the prescribed actuarial standard as well as the new procedures for the closing of accounting records. Our audit included, but was not limited to, the review of the target operating model processes: • Verifying the completeness and accuracy of the data by comparison with the outputs; review of input parameters for used tools; analysis and retroactive testing of non-economic assumptions, • Recalculation of cash flow based on the prescribed policies, • Cross-check of input data for the calculation system, review of received and waived premium, check of actuarial validations, • Checks of the calculation system confirmed by detailed inspection and by detailed testing, • Processing confirmed through testing of journal entries, review of manual postings, reconciliation of system postings. By implementing the procedures, we have covered the understanding of the actuarial process, including the process of management's approval. We have used our own independent actuarial and IT experts to assist us in performing our audit procedures. We have also estimated the completeness of the disclosures in the financial statements.

Independent Auditor’s Report to the Shareholders of UNIQA osiguranje d.d.

Key audit matters (continued)

Key audit matter	How we addressed the key audit matter during our audit

Valuation of insurance contract liability
 	
As at 31 December 2023, the Company presented insurance contract liabilities in the amount of EUR 283,120 thousand representing 93% of the Company’s total liabilities.
We believe the valuation of insurance contracts liabilities to be the key audit matter due to significant judgement necessary for estimating future cash flows, 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.
	We have used our own independent actuarial experts to assist in performing our audit procedures. In particular, our audit focused on the models considered more complex or requiring significant judgement in setting the assumptions used in the calculation of insurance contracts provisions.
	We have audited actuarial process in the Company including the management’s determination and approval process for setting the economic and actuarial assumptions. Our assessments also included, when necessary, challenging specified economic and actuarial assumptions considering the management’s rationale for the actuarial judgements applied along with comparison with the applicable industry experiences. We have 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 calculated the insurance contracts accurately and completely.
	Some of the procedures included (but were not limited to) the following:
	• review of product questionnaires for new products and assessment of valuation models
	• premium received/released confirmed with other indicators
	• reviews of non-economic and economic assumptions and input data for the main tools
	• review of PINC factor settings
	• checking discount factors, risk adjustment with validation tools
	• verification of risk adjustment calculations based on Solvency II calculation risk drivers
	• review of reconciliation of amounts from various tools and accounting records
	  • cross-check of coverage units
	  • review and analysis of dismissal factors
	  • review of the entire accounting process including testing of relevant controls
	  • review and testing of manual postings
	  • we have assessed the adequacy of the disclosures in the financial statements.

Independent Auditor’s Report to the Shareholders of UNIQA osiguranje d.d.

Reporting on other information including the Management Board Report

Management is responsible for other information. The other presented 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 the 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 Board Report, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Board 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 Board Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;
- the Management Board 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 the 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, for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

TPA Audit d.o.o.

Kneza Branimira 28, 40323 Prelog, Hrvatska, Tel.: +385 1 6461 780, E-Mail: office@tpa-group.hr,
Commercial Court in Varaždin, MBS: 070143436, OIB: 82899666867, share capital 3,000.00 EUR
Raiffeisen Bank d.d., IBAN: HR8524840081135296810, SWIFT address: RZBHHR2XXXX

Independent Auditor's Report to the Shareholders of UNIQA osiguranje d.d.

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 the 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 Shareholders 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, 2023, representing a total uninterrupted period of engagement of 4 years.

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 January 1, 2023 to December 31, 2023.

Forms in accordance with regulatory requirements

Based on the rulebook on the form and content of financial statements of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19 and 98/20 "Rulebook"), the Management Board of the Company has prepared the forms presented on pages 137 to 146, named Statement of financial position as at December 31, 2023 and the Statement of comprehensive income, Statement of cash flows (indirect method) and Statement of changes in equity for the period from January 1 to December 31 2023, together with the 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 the International Financial Reporting Standards adopted in the European Union as presented on pages 22 to 136 and 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

In our opinion, which is based on the work performed during the audit, the information in the accompanying Management Board Report for the year ended December 31, 2023 is harmonized with the audited annual financial statements of the Company;

In our opinion, based on the work performed during the audit, the accompanying Management Board Report for the year ended December 31, 2023 was prepared in accordance with applicable Accounting Act.

Based on the knowledge and understanding of the Company's operations and its environment acquired during the audit, we have not found any significant misstatements in the accompanying Management Board Report.

Independent Auditor's Report to the Shareholders of UNIQA osiguranje d.d.

April 4, 2023

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

Igor Arbutina
Partner, Croatian Certified Auditor, FCCA

TPA Audit d.o.o.
Kneza Branimira 28, 40 323 Prelog
Zagreb office: Josipa Marohnića 1/1
10 000 Zagreb, Republic of Croatia

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 the 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 applicable Accounting Act. 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 Board Report. The Management Board Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

The financial statements of the Company were authorised by the Management Board on 2nd April 2023 and submitted to the Supervisory Board for approval.

UNIQA osiguranje d.d.

SVrabec

Lukas Oliver Pavič
President of the Management Board

Sandra Vrabec
Member of the Management Board

102
UNIQA
osiguranje d.d.
ZAGREB

Statement of financial position
As of 31 December 2023

(All amounts are expressed in thousands of EUR)

	Note	31 December 2023	31 December 2022 restated
Property			
Property and equipment	4	4,684	4,781
Investment property	5	6,183	6,096
Intangible assets		645	662
Investment in subsidiaries		-	-
Financial assets:			
Financial assets at amortised cost	6,7	12,373	7,250
Financial assets at fair value through other comprehensive income	6	223,530	192,566
Financial assets at fair value through profit or loss:	6	64,159	87,794
Other assets	7	5,370	3,710
Assets from insurance contracts		-	-
Assets from reinsurance contracts	8, 11	35,340	34,884
Current and deferred tax assets, net	10	4,016	3,659
Cash and cash equivalents		12,984	14,134
Total assets		**369,285**	**355,536**
Liabilities and equity			
Liabilities			
Liabilities from insurance contracts	11	283,120	274,239
Liabilities from reinsurance contracts	8, 11	16	419
Other provisions	13	2,055	3,237
Financial liabilities	13	2,355	2,457
Other liabilities	13	17,668	14,864
Current tax liability	18	128	592
Total financial liabilities		**305,342**	**295,808**
Capital and reserves			
Share capital	14	8,322	8,322
Legal reserves		301	301
Other reserves		30,586	30,586
Investment fair value reserve		(5,908)	(12,645)
Financial reserve from (re)insurance contracts		21,837	30,600
Retained earnings / (accumulated losses)		1,923	1,739
Profit or loss for the period		6,883	826
Total capital and reserves		**63,943**	**59,728**
Total liabilities and equity		**369,285**	**355,536**

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

Statement of comprehensive income
For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

	Note	2023	2022 restated
Insurance revenue	12	76,823	65,774
Insurance service expenses	16	(70,844)	(49,537)
Technical result from reinsurance	11	(1,322)	(5,502)
Result from insurance		**4,657**	**10,735**
Net investment result		11,865	(8,091)
Investment income	15	14,327	14,023
Investment costs	15	(2,462)	(22,114)
Net result from insurance and investment		**16,522**	**2,644**
Net finance income/expenses from insurance contracts		(4,605)	3,708
Net financial income/expenses from (passive) reinsurance contracts		157	30
Financial result	11	**(4,448)**	**3,739**
Other income		1,563	143
Other expenses		(6,507)	(6,394)
Non-technical result		**(4,944)**	**(6,251)**
Profit before tax		**7,130**	**132**
Income tax	18	(248)	694
Profit for the year		**6,883**	**826**
Other comprehensive income			
Net change in fair value of debt securities (OCI)		8,211	(33,603)
Net financial expenses/income from insurance contracts		(11,987)	42,602
Net financial income/expenses from (passive) reinsurance contracts		1,301	(4,490)
Tax		450	(812)
Comprehensive income / (loss)		**4,856**	**4,523**

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 2023

(All amounts are expressed in thousands of EUR)

	Paid-up capital	Fair value reserve	Financial reserve from insurance contracts	Capital reserves	Retained earnings	Total capital and reserves
At 1 January 2022	**8,322**	**13,261**	**-**	**30,887**	**25,137**	**77,607**
Change in accounting policies (IFRS 9 and IFRS17)		1,672	(653)		(25585)	(24566)
At 1 January 2022 (restated)	**8,322**	**14,933**	**(653)**	**30,887**	**(448)**	**53,041**
Comprehensive income or loss	**-**	**(27,578)**	**31,253**	**-**	**826**	**4,501**
Profit for the year					826	826
Other comprehensive income or loss		(27,578)	31,253			3,675
Unrealised gains from financial assets at fair value through other comprehensive income		(33,603)				(33,603)
Net financial income from insurance/passive reinsurance contracts			38,112			38,112
Other non-owner changes in equity	-	6,025	(6,859)	-	-	(834)
Other transactions with owners					**2,187**	**2,187**
At 31 December 2022	**8,322**	**(12,645)**	**30,600**	**30,887**	**2,564**	**59,728**
At 1 January 2023	**8,322**	**(12,645)**	**30,600**	**30,887**	**2,564**	**59,728**
Comprehensive income or loss	**-**	**6,737**	**(8,763)**	**-**	**6,883**	**4,857**
Profit for the year					6,883	6,883
Other comprehensive income or loss		6,737	(8,763)			(2,026)
Unrealised gains from financial assets at fair value through other comprehensive income		8,211				8,211
Net financial expenses from insurance/passive reinsurance contracts			(10,687)			(10,687)
Other non-owner changes in equity		(1.474)	1,923			450
Other transactions with owners	**-**	**-**	**-**	**-**	**(642)**	**(642)**
At 31 December 2023	**8,322**	**(5,908)**	**21,837**	**30,887**	**8,806**	**63,943**

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

Statement of cash flows
For the year ended 31 December 2023

(All amounts are expressed in thousands of EUR)

	Notes	2023	2022 restated
CASH FLOW FROM OPERATING ACTIVITIES		**(331)**	**10,170**
Cash flow before changes in operating assets and liabilities		**2,628**	**8,842**
Profit/loss for the accounting period		6,883	826
Adjustments for:		(4,255)	8,017
Depreciation of property and equipment	4	734	730
Amortisation of intangible assets		253	244
Impairment and gains/losses from fair value adjustments		(4,948)	3,607
Interest expense		37	32
Interest income	15	221	629
Income tax expense		128	592
Gains from the sale of tangible assets (including land and buildings)		(38)	(3)
Other adjustments		(642)	2,186
Increase in operating assets and liabilities		**(9,794)**	**(4,834)**
(Increase)/decrease in financial assets at fair value through other comprehensive income		(30,214)	19,136
Decrease in financial assets at fair value through profit or loss		26,704	3,873
(Increase)/decrease in financial assets at amortised cost		(5,202)	(851)
(Increase)/decrease in assets/liabilities from insurance contracts		117	(32,025)
(Increase)/decrease in assets/liabilities from reinsurance contracts		(858)	6,327
(Increase)/decrease in tax assets/liabilities		(330)	(475)
(Increase)/decrease in receivables		(1,660)	1,016
(Increase)/decrease in other assets		220	(114)
(Increase)/decrease in other provisions		(1,182)	330
(Increase)/decrease in other liabilities		2,611	(2,129)
Income tax paid		**(620)**	**(1,050)**
Interest received		**6,281**	**6,614**
Dividend received		**1,174**	**597**
Cash flow from investing activities		**(444)**	**(394)**
Proceeds from sales of tangible assets		46	1
Expenses for purchase of tangible assets		(255)	(90)
Expenses for purchase of intangible assets		(236)	(305)
CASH FLOW FROM FINANCING ACTIVITIES		**(555)**	**(527)**
Expenses for lease liabilities		(555)	(527)
NET CASH FLOW		**(1,331)**	**9,249**
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		181	(359)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(1,150)**	**8,890**
Cash and cash equivalents at the beginning of the year		14,134	5,244
Cash and cash equivalents at the end of the year		**12,984**	**14,134**

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. with 100% of voting rights is UNIQA Österreich Versicherungen AG, registered in the court register of the Commercial Court in Vienna under the code FN63197m, PIN: 58413684599

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

Management Board as at 31 December 2023

Lukas Oliver Pavić - President of the Management Board
Sandra Vrabec - Member of the Management Board
As of October 16, 2023, Mrs. Sabine Usaty ceases to hold the position of the President of the Company's Management Board, and since October 17, 2023, Mr. Lukas Oliver Pavić becomes the President of the Management Board and the Company's Management Board consists of the President of the Management Board, Mr. Lukas Oliver Pavić and member of the Management Board Mrs. Sandra Vrabec.

Management Board as of 1 January 2024

Lukas Oliver Pavić - 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 (NN 30/15 ,112/18, 63/20,133/20, 151/22) and the Accounting Act (NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 82/23.)

The financial statements have been prepared in accordance with the 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'), euro ('EUR'), rounded to the nearest thousand. .

The items included in the Company's financial statement are expressed in the currency of the primary economic environment in which the Company operates (functional currency). Since the Republic of Croatia introduced the euro as the official currency on January 1, 2023, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the Company changed the presentation currency for the purposes of preparing financial statements for the year ended December 31, 2023. from kuna to euro, and the financial statements for the year ended December 31, 2023 were the first prepared in the euro. Since January 1, 2023, the euro is also the functional currency of the Company (until January 1, 2023 it was Croatian kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with the International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

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 judgements on carrying values of assets and liabilities that are not readily apparent from other sources.

2 BASIS OF PREPARATION (CONTINUED)

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.

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (euro) at the exchange rate of the European Central 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 exchange rate of the European Central 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 the statement of comprehensive income.

Changes in the fair value of monetary securities denominated in or linked to foreign currency classified as available for sale are analysed between 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 are recognised in statement of comprehensive income as profit or loss from foreign exchange differences arising from revaluation of monetary assets and liabilities and are presented within income or expenses from investment.

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.

Standards and interpretations applied for the first time

The following amended standards approved by EU are mandatory for application in the financial year 2023, but did not have any material impact on the Company:

- **Amendments to IAS 12** *Income taxes:* Deferred tax related to assets and liabilities arising from a single transaction, published on May 7th, 2021 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendment to IAS 12** *Income taxes:* International tax reform – Pillar Two Model Rules, published on May 23, 2023 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 1** *Presentation of Financial Statements* and IFRS guidelines 2: Disclosure of accounting policies, published on February 12, 2021 (effective for annual reporting periods beginning on or after 1 January 2023).
- **Amendments to IAS 8** *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates, published on February 12, 2021 (effective for annual reporting periods beginning on or after 1 January 2023)

(All amounts are expressed in thousands of EUR)

2 BASIS OF PREPARATION (CONTINUED)

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 published on July 25, 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.
- IFRS 9 Financial instruments (the standard was adopted at European Union level by Commission Regulation (EU) 2016/2067 of 22 November 2016).

The financial statements for 2023 were prepared in accordance with the new financial reporting standards, and the comparative data (end of December 31, 2021 and 2022) are also presented in restated amounts in accordance with the new standards. Due to the first application of these two financial reporting standards, the values from the comparative period and on the comparative date were retroactively adjusted. The effects on assets and liabilities in the statement of financial position as at January 1, 2022 are described and explained in the Table below:

Assets	**Published**	**Restated**	**Restated**	**Other reclassification adjustments**	**1/1/2022**
	31/12/2021	**IFRS 9**	**IFRS 17**	**Restated**	**Restated**
Property, plant and equipment	4,481				4,481
Deferred acquisition costs	14,411		(14,411)		-
Intangible assets	602				602
Investments	321,285	5,647		27,672	354,604
Investment property	5,879				5,879
Financial assets	315,407	5,647		27,672	348,726
Other investment					
Investments for the account and risk of insurance policyholders	27,672			(27672)	-
Reinsurers' share in technical provisions	43,598		(43,598)		
Assets from insurance contracts					-
Assets from reinsurance contracts			40,792		40,792
Receivables and other assets	26,461		(21,735)		4,726
Current tax assets	360				360
Deferred tax assets	126	(1,016)	6,966		6,076
Cash and cash equivalents	5,244				5,244
Total assets	**444,242**	**4,631**	**(31,987)**	**-**	**416,885**

(All amounts are expressed in thousands of EUR)

2 BASIS OF PREPARATION (CONTINUED)

Equity and liabilities	**Published**	**Restated**	**Restated**	**Other reclassification adjustments**	**1/1/2022**
	31/12/2021	**IFRS 9**	**IFRS 17**	**Restated**	**Restated**
Equity	77,607	4,631	(29,196)	-	53,041
Share capital	8,322				8,322
Legal and other reserves	30,887				30,887
Retained earnings / (losses)	25,137	2,958	(28,544)		(448)
Fair value investment reserve	13,261	1,672			14,933
Financial reserve from re(insurance) contracts			(653)		(653)
Liabilities	366,635	-	(2,791)	-	363,844
Technical provisions	293,086		(293,086)		
Technical provision for insurance where the policyholder bears the investment risk	27,672		(27,672)		
Insurance contract payables			337,517		337,517
Reinsurance contract payables					-
Other provisions	2,907				2,907
Financial liabilities	2,013				2,013
Other liabilities	37,213		(20,106)		17,107
Current tax liability	834				834
Deferred tax liability	2,911		557		3,468
Total capital and reserves	**444,242**	**4,631**	**(31,987)**	**-**	**416,885**

The most significant change occurred in the positions of accrued acquisition costs, receivables from insurance and reinsurance, technical provisions, and financial instruments.

In accordance with IFRS 17, accrued acquisition costs are no longer presented separately, but represent part of the liabilities from insurance contracts. Claims from the insured (if any) and other claims from insurance operations are no longer presented separately but represent part of the liabilities from insurance contracts. Claims from reinsurance operations are presented under assets from reinsurance contracts. Technical provisions for insurance contracts no longer exist and new balance sheet positions were calculated in accordance with IFRS 17 - liabilities from insurance contracts and liabilities for incurred claims as well as the associated reinsurance positions (liabilities from reinsurance contracts).

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.

2 BASIS OF PREPARATION (CONTINUED)

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. For long-term non-life insurance contracts and all life insurance contracts the Company used 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 distribution of the premium 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 transferable premium and accrued acquisition costs).

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

2 BASIS OF PREPARATION (CONTINUED)

Standards and interpretations not yet adopted

Standards and interpretations published by the International Accounting Standards Board that have been approved by the EU, but not yet effective:

- **Amendments to IAS 1** *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current, published on January 23, 2020 and amended on July 15, 2020

  (effective for annual reporting periods beginning on or after 1 January 2024).

- **Amendments to IFRS 16** *Leases:* Lease Liability in a Sale and Leaseback, published on September 22, 2022 (effective for annual reporting periods beginning on or after 1 January 2024).

Standards and interpretations published by the International Accounting Standards Board not yet adopted in the EU

As of the date of issuance of these financial statements, the following standards, revisions and interpretations issued by the International Accounting Standards Board have not been adopted in the European Union:

- **Amendments to IAS 21** *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability (issued on August 15, 2023).

- **Amendments to IAS 7** *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures* - Supplier Finance Arrangements (published on May 25, 2023).

The Company is currently evaluating the effects of these amendments but does not expect the amendments to have a significant effect on the Company's financial statements.

3. ACCOUNTING POLICIES

3.1 Property and equipment

Recognition and measurement

Property and equipment are initially stated at acquisition cost, which includes the purchase price, including import duties and non-refundable taxes after deduction of trade discounts and rebates, as well as all costs directly attributable to bringing the property to its location and working condition for its intended use. Property and equipment are initially recognised as assets only if it is probable that the future economic benefits embodied within the asset will flow to the Company and if its cost can be reliably determined. After the initial recognition, Items of property and equipment are measured at cost model and stated as acquisition cost less accumulated depreciation and impairment losses.

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 and amortisation

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 profit or loss.

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

3 ACCOUNTING POLICIES (continued)

Impairment

Impairment is reviewed if there is an indicator such as

- the property of the sales office that we have closed or are planning to close,
- damage due to earthquakes, wear and tear, etc.
- An indication in the business plan or a strategic long-term decision to close some sales offices
- Other indications that would lead to a change in the classification of the property or indicate that its value will not be appreciated through use.

The Company assesses fair value at least every 5 years in order to verify real estate impairment. Assessments are made by independent experts, taking into account the market value of properties in similar locations and in similar categories.

Impairment loss is the carrying amount of an asset that exceeds its recoverable amount.

The recoverable amount is the higher amount when comparing fair value less costs to sell the asset and its value in use.

The carrying amount of an asset is adjusted to the recoverable amount if the carrying amount of the asset is greater than its recoverable amount. Gains and losses from sales are determined by comparing the receipts with the carrying amount and are recognised in the statement of comprehensive income.

Derecognition

Carrying amount of property or equipment is derecognised:

- At the moment of disposal
- When future economic benefits are not expected from the use or disposal of these assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the related asset and are included in the statement of comprehensive income.

3.2 Investment property

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 denominated in the euro 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.

3 ACCOUNTING POLICIES (continued)

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 the euro 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 last available fair value of this item stated in the euro in accordance with the assessment 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.

3.3 Intangible assets

Other intangible assets

Other intangible assets (software) that are acquired by the Company, which all have finite useful lives, are measured at acquisition 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.

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. Estimated useful lives are as follows:

- Software 5 years
- Software INAS 10 years
- Licences 4-5 years

Residual values are not considered.
Useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3 ACCOUNTING POLICIES (continued)

3.4 Financial instruments

Financial instruments are recognised and measured in the financial statements in accordance with IFRS 9.

Classification and recognition

Classification of financial assets and subsequent measurements depend on the following two criteria:

- business model for financial assets management - it is determined on the basis of the business objective of financial asset management, i.e. the assessment of whether the financial asset is held for the purpose of collecting contractual cash flows, or both: the collection of contractual cash flows and the sale of financial assets or only for the purpose of sale.
- financial assets' cash flow characteristics – it is determined based on an assessment of whether the contractual cash flows of the financial asset are solely the payment of principal and interest on the outstanding principal amount (SPPI test - solely payments of principal and interest).

By applying these two criteria, financial assets are classified into the following categories:

1. Financial assets at amortised cost (AC)
2. Financial assets at fair value through other comprehensive income (FVOCI)
3. Financial assets at fair value through profit or loss (FVPL)

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 at amortised cost (AC)

Financial assets are measured at amortised cost if both of the following conditions are met:

- financial assets are held within the business model whose purpose is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of financial assets on specified dates give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding - SPPI test is met.

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

- Financial assets are measured at fair value through other comprehensive income when they are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and that are not classified as financial assets at fair value through profit or loss,

Financial assets at fair value through profit or loss (FVTPL)

- Assets that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss and comprise all financial assets not held within the previous two categories. Gains or losses on debt instruments that are subsequently measured at fair value through profit or loss and are not part of hedge accounting are recognised in the income statement in the period in which they are incurred. Interest income from these financial assets is recognised using the effective interest rate method.

3 ACCOUNTING POLICIES (continued)

Business models

In accordance with IFRS 9, the Company uses three business models:

- Business model whose objective is to hold financial assets to collect the contractual cash flows: Financial assets classified under this business model are managed in a way that cash flows from financial assets are realised through collecting the contractual cash flows (principal and interest) during the financial asset's useful life.
- Business model whose objective is to hold financial assets to collect the contractual cash flows and sell the financial assets: Financial assets classified under this business model are managed in a way that cash flows from financial assets are realised through collecting the contractual cash flows (principal and interest) and through the sale of financial assets.
- Other business models (portfolio held for trading and portfolio at fair value through profit or loss) - business model whose objective is to hold financial assets collect the contractual cash flows through the sale of financial assets: Financial assets classified under this business model are managed based on fair value and cash flows from financial assets are realised through sale.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification applies to derivatives, financial liabilities held for trading and other financial liabilities classified in this category at initial recognition. Gains and losses from financial liabilities classified in this category are stated partly in other comprehensive income (the amount of the change in the credit component of the liability's fair value, due to a change in the issuer's credit risk that is not attributable to market changes is stated here) and partly in profit or loss (the remaining part of the change in the fair value of the liability).
- financial liabilities arising from the transfer of financial assets that have not met the conditions for derecognition or when the continuing participation approach was applied. When the transfer of financial assets does not meet the conditions for derecognition, financial liability is recognised in the amount of the consideration received for the transfer.

Solely Payments of Principal and Interest - SPPI test

The Company is required to assess the characteristics of contractual cash flows for each financial asset. The assessment of the characteristics of contractual cash flows is considered to be the assessment of whether the contractual cash flows of the financial asset are only the payment of principal and interest on the outstanding amount of the principal (SPPI test). Based on this assessment and taking into account the business model it applies for the management of these financial assets, the Company makes a decision on the classification of financial assets into a specific measurement category. The SPPI test is carried out at the level of the instrument, that is, the characteristics of the cash flows of the financial assets are assessed at the level of an individual contract.

3 ACCOUNTING POLICIES (continued)

Reclassification

The company reclassifies debt investments only when the business model of managing these assets changes. The reclassification becomes effective from the beginning of the first reporting period following the change period. It is expected that such changes are extremely rare and there were none during the reporting period.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss, investment measured at amortised cost and financial assets at fair value through other comprehensive income 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.

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

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.

3 ACCOUNTING POLICIES (continued)

Gains and losses

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

Gains and losses arising from a change in the fair value of monetary assets at fair value through other comprehensive income are recognised in other comprehensive income and are disclosed in the statement of changes in capital and reserves. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on monetary assets at fair value are recognised in profit or loss. Exchange rate differences from equity securities are part of the fair value of said securities and are recognised in other comprehensive income.
Dividend income is recognised in profit or loss.

Upon sale or other derecognition of debt securities classified at fair value through other comprehensive income, all cumulative gains or losses are transferred to profit or loss. Upon derecognition of equity securities classified as fair value through other comprehensive income, all cumulative gains or losses are transferred to retained earnings.
Gains or losses from financial assets and financial liabilities that are measured at amortised cost are recognised as interest in profit or loss during the amortisation period. Gains or losses can also be recognised in profit or loss when the instrument is derecognised, or in the case of an impaired asset.

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.

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 financial assets at fair value through other comprehensive income.

The market for a particular equity security is regarded as active if its prices are readily and regularly available in a regulated market and if 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.

3 ACCOUNTING POLICIES (continued)

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:

1) Bloomberg Valuation Service (BVAL)
2) 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. 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

Impairment of financial assets is recognised based on the expected credit loss model. The expected credit loss model is an impairment model that requires that the possible loss due to the impairment of the financial instrument is estimated when the financial instrument is acquired, based on available relevant information, and is recognised immediately upon initial recognition of the asset. The basic characteristics of the model are that when measuring the loss, it takes into account all available information, which includes information about losses from past periods, information about the current situation and information related to expectations in future periods and enables the recognition of impairment losses in a more timely appropriate manner, i.e. in a more timely manner. This model is applied to all financial instruments that are subject to impairment requirements, regardless of the type of instrument or the measurement category to which the instrument is assigned.

3 ACCOUNTING POLICIES (continued)

The expected credit loss model is based on the classification of exposure in 3 stages based on the change in credit quality from the moment of initial recognition, financial assets are classified into:

- Stage 1 – if there has been no significant increase in the credit risk of the financial asset, and the 12-month expected credit loss is applied to it.
- Stage 2 – if there has been a significant increase in the credit risk of the financial asset, and the lifetime expected credit loss is applied to it.
- Stage 3 – if there is evidence of financial asset impairment, and lifetime expected credit losses are applied to it. Assets in default status are classified in Stage 3.

Expected credit losses for the twelve-month period refer to the part of expected credit losses throughout the entire period of the instrument, which represent expected credit losses because of the occurrence of default status in the period of 12 months from the reporting period.

Expected credit losses during the lifetime refer to expected credit losses throughout the life of the instrument, which represent expected credit losses because of the occurrence of all possible default statuses during the life of the financial instrument.
For financial instruments to which this impairment model is applied, upon initial recognition, the Company always recognises the amount of expected credit losses for the twelve-month period in the profit and loss account. Expected credit losses during the lifetime of the financial instrument are recognised if there is a significant increase in credit risk compared to initial recognition or the instrument is credit impaired.

Write-off
The company writes off financial assets if there is information indicating that the issuer is in financial difficulties and there is no real possibility of recovery, for example, when the issuer is in liquidation or bankruptcy proceedings have been initiated against it. All subsequent collections are recognised as income in the statement of 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 each 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.

3 ACCOUNTING POLICIES (continued)

Impairment losses are recognised in the statement of comprehensive income. 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 net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect 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.

3.7 Specific instruments

Derivative financial instruments

Derivative financial instruments are used for the purpose of active protection against exposure to currency risk and interest rate risk arising from business, financial and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes. The Company may use futures contracts, options, and other derivative financial instruments if they enable the reduction of the risk of losses due to changes in interest rates, foreign currency exchange rates, or other market risks; or if they enable more efficient management of the insurance portfolio. They must be evaluated based on the principle of prudence, considering the assets underlying the derivative financial instrument. 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.
Derivatives are recorded in off-balance sheet records at the nominal amount of the financial instrument and are valued at fair value. Increases/decreases in fair value are reported as assets if their fair value is positive and as liabilities if their fair value is negative, whereby changes in the fair value of derivatives are included in profit or loss, i.e. in financial income and expenses.

Futures contracts - forwards are valued at fair value in such a way that the prices of the last bid for purchase officially quoted on the financial information service are applied for forward sales, while the officially quoted prices of the last bid for sale are applied for future purchases.

Forward foreign exchange transactions are valued at fair value by applying reference interest rates for a specific currency that are officially available on the financial information service.

The fair value of the *spot transaction* on the valuation date is determined by calculating the difference between the contracted exchange rate and the middle exchange rate of the Croatian National Bank on the asset valuation date to cover the technical or mathematical reserve.

3 ACCOUNTING POLICIES (continued)

Embedded derivatives

Sometimes, derivatives can be part of a hybrid (combined) financial instrument or insurance contract that includes both the derivative and the underlying contract, resulting in some of the hybrid instrument's cash flows varying similarly to such a separate derivative. Such derivatives are sometimes called "embedded derivatives".

Embedded derivatives are separated from the basic contract, they are valued at fair value, and changes in the fair value of embedded derivatives are included in the statement of comprehensive income if they meet the following conditions:

- the economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the basic contract,
- a separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative
- the hybrid instrument is not valued at fair value, and changes in its fair value are recognised in the statement of comprehensive income.

Embedded derivatives that meet the definition of an insurance contract need not be separated from the underlying contract if the underlying contract is an insurance contract. The company can use the exemptions provided by IFRS 4:

- does not separate and value at fair value the policyholder's option to purchase the insurance contract for a fixed amount (or an amount based on a fixed amount and interest rate), even if that price differs from the carrying value of the liability from the underlying insurance contract.
- does not separate and value at fair value the policyholder's option to purchase a contract with features of discretionary participation.

Repurchase agreements and related transactions

The Company engages in the business of buying and selling securities as part of an agreement on the resale or repurchase of essentially identical securities on a certain date in the future at a fixed price. Expenditures based on these contracts are recognised as loans and receivables from banks or clients. These claims are presented as secured by the corresponding security.

Investments sold under repurchase agreements continue to be recognised in the statement of financial position and reported in accordance with the accounting policy for the relevant financial asset at amortised cost or fair value, as appropriate. Receipts from the sale of securities are shown as liabilities to banks or customers.

The difference between the amount paid on sale and the amount paid on repurchase is accrued over the period of the transaction and included in interest income or expense.

3 ACCOUNTING POLICIES (continued)

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 for the account and risk of life insurance policy holders where the policyholder bears the investment risk

Investments for the account and risk of life insurance policy holders where the policyholder assumes the investment risk are classified as financial assets at fair value through profit or loss and are valued at fair value, and include the policyholder's investments related to the value of shares of investment funds ("unit -linked"), i.e. structured securities (index-linked).

Other receivables

Other receivables are stated at amortised cost less impairment.

Investments in subsidiaries and companies under joint control

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to manage financial and operational policies, generally associated with an ownership share of more than half of the voting rights. The existence and effect of potential voting rights that can be exercised or exchanged are considered when assessing whether the Company has control over another entity.

Entities under joint control are those entities in which two or more parties undertake an economic activity that is under joint control.

Joint control is a contractually agreed division of control over a certain economic activity and exists only when strategic financial and business decisions related to the activity require the unanimous consent of the parties who jointly share control (entrepreneurs).

Investments in subsidiaries are recognised at cost, less impairment, if any. An impairment test is performed when events or changes in circumstances indicate that the carrying amount may not be recoverable. Investment property is initially recognised at acquisition cost.

3 ACCOUNTING POLICIES (continued)

Trade and other payables

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

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 financial expenses.. 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.

3 ACCOUNTING POLICIES (continued)

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 subsequently measured at acquisition 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

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.

3 ACCOUNTING POLICIES (continued)

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.

3.12 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 ACCOUNTING POLICIES (continued)

3.14 Capital and reserves

Share capital

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

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. Furthermore, the Company, in accordance with IFRS 17, has decided to recognise the effect of financial income or insurance expenses in other comprehensive income (hereinafter OCI option), less deferred tax. The amount included in OCI is the difference between the total financial income or insurance expense and the amount recognised in profit or loss.

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.

3.15 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.

3 ACCOUNTING POLICIES (continued)

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.

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.

3.16 Expenses

Operating expenses

Operating expenses are classified into four main groups based on the functional area to which they belong:

1. Acquisition costs
2. Operating expenses
3. Claims handling costs
4. Investment expenses

Acquisition costs and other costs consist of fixed and variable costs that can be directly attributed to the fulfilment of obligations from insurance contracts. These costs are allocated to groups of insurance contracts using a systematic and rational approach and are consistently applied to all groups of costs with similar characteristics.

Direct costs of functional areas are posted directly to the following functional areas:

1. Acquisition costs
2. Claims handling costs
3. Investment costs

3 ACCOUNTING POLICIES (continued)

In addition to the division into functional areas, in terms of IFRS 17, a division into costs that can be allocated to insurance contracts and those that cannot be allocated is also necessary, and in this sense the division is as follows:

a) Directly attributable costs:
   - Acquisition costs
   - Claims handling costs
   - investment costs for life insurance and UL/IL insurance
   - directly attributable operating costs (costs of processing contracts in insurance)

b) expenses not directly attributable:
   - operating expenses not directly attributable (one-time costs, strategic initiatives, projects and alike)
   - investment expenses for non-life insurance

c) Indirect operating expenses
   - operating expenses that are not directly attributable or directly non-attributable- this category is allocated to attributable/non-attributable based on the share of attributable or non-attributable costs in directly attributable total costs.

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.

3.17 Classification, recognition and measurement of insurance contracts

The Company concludes insurance contracts as its main activity, in which it assumes a significant insurance risk from the policyholder. A contract on the basis of which one party assumes a significant insurance risk from another party (the policyholder) and agrees to pay the policyholder compensation if the policyholder suffers damage due to a certain uncertain future event (the insured event). In accordance with the above, the Company determines whether the contracts it concludes are insurance contracts according to the criteria of significance and uncertainty. Therefore, when concluding an insurance contract, at least one of the following elements is uncertain:

a) the probability of occurrence of the insured event;
b) the time of occurrence of the insured event or
c) the amount that the subject will have to pay in the event of the occurrence of the insured event.

The insurance risk is significant only if the insured case can lead to the insurer having to pay significant additional amounts in any scenario, except for those without commercial content (that is, which have no visible effect on the economy of the transaction).

3 ACCOUNTING POLICIES (continued)

The company concludes non-life and life insurance contracts. With life insurance, there are also investment components, which are amounts that the Company is obliged to pay to the policyholder based on the insurance contract in all circumstances, regardless of the occurrence of the insured event.

An insurance contract may contain one or more components that would be covered by another standard if they were separate contracts. For example, an insurance contract may include an investment component or a non-insurance service component (or both).
The Company:

a) applies IFRS 9 to determine whether there is an embedded derivative that needs to be separated, and if so, how to account for it and
b) separates the investment component from the underlying insurance contract only if that investment component is different.

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 profit or loss of the insurer.

Separating insurance components of a single contract

An insurance contract may contain one or more components that would be covered by another standard if they were separate contracts. For example, an insurance contract may include a separate investment component or a non-insurance service component (or both).
The Company applies IFRS 9 to determine whether there is an embedded derivative instrument that needs to be separated, and if so, how to account for it. Furthermore, it separates the investment component from the underlying insurance contract only if that investment component is separate The Company applies IFRS 9 to account for the separate investment component, unless it is an investment contract with features of discretionary profit sharing covered by the scope of IFRS 17.

After separating all cash flows related to embedded derivative instruments and separate different investment components, the Company separates from the basic insurance contract any promise regarding the transfer of various goods or services to the policyholder that are not services from the insurance contract and accounts for them in accordance with IFRS 15.
IFRS 17 applies to all remaining components of the basic insurance contract.

3 ACCOUNTING POLICIES (continued)

Level of aggregation of insurance contracts

The Company determines portfolios of insurance contracts. A portfolio contains contracts that are exposed to similar risks and are managed together. Insurance contracts within a particular product line will be exposed to similar risks and, therefore, be in the same portfolio if managed together.

The level of aggregation for the Company is determined first by dividing the concluded insurance contracts into portfolios. Portfolios consist of groups of contracts with similar risks that are managed together. Portfolios are further disaggregated based on expected profitability at initial recognition into three categories: group of contracts that are onerous, if any; a group of contracts for which there is no significant possibility that they will subsequently become onerous, if they exist; and a group of remaining contracts in the portfolio. Also, no group for the purposes of aggregation may contain contracts issued more than a year apart.

The Company has defined portfolios of issued insurance contracts based on its product lines. The expected profitability of these portfolios at initial recognition is determined based on existing actuarial valuation models that take into account existing and new business.

Recognition

The company recognises groups of insurance contracts that it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from the policyholder becomes due or actually received, if there is no due date;
- For the group of onerous contracts, when the group becomes onerous.

Contract boundaries

In the measurement of a group of insurance contracts, the Company includes all future cash flows within the boundaries of each contract in the group. Cash flows are within the boundaries of the insurance contract if they arise from material rights and obligations that exist during the reporting period in which the Company can collect the insurance premium from the policyholder or in which the Company has a material obligation to provide the policyholder with services arising from the insurance contract.

The Company does not recognise as a liability or asset amounts related to expected premiums or expected claims beyond the boundaries of the insurance contract. These amounts refer to future insurance contracts.

Discount rates

The methodology used for determining the discount interest curve according to the IFRS 17 standard is similar to the methodology for determining reference rates in Solvency II, and the Technical Documentation of EIOPA was used. The Company uses the "bottom up" method to determine the discount interest rate curve. The "bottom up" method implies that the risk-free interest curve is used as the base value for which the Company has decided to use the risk-free interest curve of the EIOPA yield according to Solvency II for liquid years, and further extrapolation.

3 ACCOUNTING POLICIES (continued)

The premium for the illiquidity of the insurance contract is added to the base value, which depends on the liquidity characteristics of the cash flows for the obligations from the insurance contract. The company uses the approach prescribed in accordance with the EIOPA methodology for volatility adjustment to calculate the premium for illiquidity (volatility adjustment).

Measurement

The Company applies the general measurement model for all groups of insurance contracts covered by the scope of IFRS 17, with the following exceptions: for groups of insurance contracts that meet any of the required criteria, the Company uses group measurement by applying premium allocation approach based on the distribution of premiums for groups of contracts on insurance with features of direct participation, the Company applies a variable fee approach.

General Measurement Model

Initial recognition

The general measurement model measures a group of insurance contracts as the sum of:

- fulfilment cash flows
- contractual service margin (CSM), represents the unearned profit the Company will recognise during the period in which it provides services from the insurance contract in that group.

Fulfilment cash flows (FFCF) include probability-weighted unbiased estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment (risk adjustment) for non-financial risk.

The Company estimates future cash flows with respect to a number of scenarios that have commercial (real business) content and provide a good representation of possible outcomes. Cash flows from each scenario are weighted by probability and discounted according to current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the limits of the contract, including:

- Premiums and related cash flows
- Claims and benefits from insurance, including reported but unpaid claims, incurred but not reported claims and expected future claims
- Payments to policyholders resulting from embedded options of insurance contracts
- Insurance acquisition costs attributable to the portfolio to which the insurance contract belongs
- Costs related to the settlement of claims
- Insurance contract administration costs, including commissions expected to be paid to insurance distributors
- Distribution of fixed and variable administrative costs directly attributable to the execution of the insurance contract.

The company does not attribute interest on the cash flows of insurance acquisition.

3 ACCOUNTING POLICIES (continued)

Subsequent measurement

CSM at the end of the reporting period represents a profit in a group of insurance contracts that has not yet been recognised in the income statement because it relates to a future service that will be provided on the basis of contracts in that group.
For groups of insurance contracts, the carrying amount of CSM in the group of contracts at the end of the reporting period is equal to the carrying amount at the beginning of the reporting period adjusted for:

- the effect of all new contracts added to the group;
- interest accreted to CSM during the reporting period, measured at discount rates at initial recognition;
- changes in cash flows from the fulfilment of contracts related to future service, except:
    - if these increases in cash flows from the fulfilment of the contract exceed the carrying amount of CSM, resulting in a loss; or
    - if these reductions in cash flows from the fulfilment of the contract are allocated to the loss component of the remaining coverage obligation.
- the effect of any exchange differences on CSM; and
- the amount recognised as insurance income due to the transfer of services from the insurance contract in that period, determined by the release of the CSM remaining at the end of the reporting period (before distribution) to the period of current and remaining coverage.

The locked in discount rate is the weighted average of the rates applied on the date of initial recognition of contracts that joined the group of contracts during a 12-month period. The discount rate used to accrue CSM is determined by a bottom-up approach at the outset.
Changes in insurance contract fulfilment cash flows related to future service are adjusted by CSM. Those changes include:

- adjustments to experience arising from the difference between premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and estimates, at the beginning of the period, of expected amounts. Differences related to premiums received related to current or past services are recognised immediately in profit or loss while differences related to premiums received for future services are adjusted to CSM (shown as either an increase or decrease in CSM)
- changes in estimates of the present value of future cash flows in the residual coverage obligation, except those related to the time value of money and changes in financial risk (recognised in the statement of profit and loss and other comprehensive income instead of CSM adjustment)
- the difference between the component of the investment that is expected to become payable in a given period and the actual component of the investment that becomes payable in the given period. These differences are determined by comparing (i.) the actual investment component payable in the period with (ii.) the payment in the period expected at the beginning of the period plus finance income or insurance expense associated with that expected payment before it becomes payable
- changes in the risk adjustment for non-financial risk relating to future services.

3 ACCOUNTING POLICIES (continued)

In addition to changes in the risk adjustment, the aforementioned CSM adjustments are measured at discount rates that reflect the cash flow characteristics of the group of insurance contracts at initial recognition.

If during the coverage period a group of insurance contracts becomes onerous, the Company recognises a loss in the profit or loss account for the net amount, resulting in the carrying amount of the liability for the group equal to the settlement cash flows. The Company determines a loss component for the residual coverage obligation for an onerous group of contracts that reflects recognised losses.
The carrying amount of the group of insurance contracts of the Company at the end of each reporting period is the sum of:

- residual coverage liabilities that include cash flows from the fulfilment of contracts relating to future service allocated to that group at the reporting date and the CSM for that group; and
- liabilities for incurred claims, which include cash flows from contract fulfilment related to past service allocated to that group on the reporting date.

Measurement model based on the premium allocation approach (PAA)

The Company can simplify the measurement of a group of insurance contracts by applying an approach based on the allocation of the premium if, when forming the group:

- The Company can expect that this simplification will lead to the measurement of the residual coverage liability for that group so that it does not differ materially from the measurement that would be applied in accordance with the general measurement model or
- the coverage period of each contract in the group (including services from the insurance contract resulting from all received premiums within the limits of the contract) lasts a maximum of one year.

If, when forming the group, the Company expects significant variability of cash flows from the fulfilment of the contract, which would affect the measurement of the liability for the remaining coverage during the period before the occurrence of claims, the criterion for the applicability of the PAA is not met.

Upon initial recognition, the Company calculates the liability for remaining coverage as follows:

1. premiums received at initial recognition, if any;
2. minus any insurance acquisition cash flows at that date and
3. plus or minus any amount arising from the derecognition at that date of::

- any assets for insurance acquisition cash flows; and
- any other assets or liabilities previously recognised for the cash flows associated with the group of contracts.

3 ACCOUNTING POLICIES (continued)

At the end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the beginning of the reporting period:
- increased by the premiums received in that period;
- reduced by insurance acquisition cash flows;
- for cash flows from the acquisition of insurance; and
- increased by all amounts related to amortisation of acquisition cash flows that are recognised as an expense in that reporting period, unless the Company decides to recognise insurance acquisition cash flows as expenses;
- increased for all adjustments of the financing component;
- by the amount recognised as insurance income for services provided in that period and
- reduced by the investment component paid or transferred to liability for incurred claims.

If the insurance contracts in the group have a significant financing component, the Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk by applying discount rates determined as determined at initial recognition. The Company may decide not to adjust the carrying amount of the residual liability for the remaining coverage to reflect the time value of money and the effect of financial risk if, upon initial recognition, the Company expects that no more than a year will elapse between the provision of each portion of services and the due date of the associated premium.

If at any time during the coverage period facts and circumstances indicate that the insurance contract has become onerous, the Company calculates the difference between:

- carrying amounts of the liability for remaining coverage and
- cash flows from the fulfilment of contracts related to the remaining coverage of the group.

If the cash flows from the fulfilment of the contract exceed the carrying amount, the Company recognises a loss in the profit and loss account and increases the liability for the remaining coverage (the so-called loss component).

Variable fee approach (VFA)

The Company applies VFA to contracts with direct participation in profit (investment result).

The features of the insurance contract with direct participation are as follows:

- in the insurance conditions, it is defined that the policyholder participates in a share of a clearly identified pool of investments in the underlying item (the so-called underlying item) where the connection with the investments in the underlying must be enforceable,
- The insurance company expects to pay the policyholder a significant amount of investment return participation and
- The insurance company expects that a significant portion of any change in the amounts payable to the policyholder will vary with the change in the fair value of the underlying investments.

3 ACCOUNTING POLICIES (continued)

Insurance contracts with direct participation are defined as insurance contracts if they meet all three of the above criteria. These criteria are assessed at the beginning, without subsequent reassessment.
An example of this type of insurance is life insurance with participation in the profit from interest and insurance where the policyholder assumes the investment risk. For traditional insurance with profit participation, it is important that this participation should be significant. If it is not significant or absent then a general measurement model can be applied.

The Company's liability to the policyholder is the sum of:

- liabilities to pay the policyholder an amount equal to the fair value of the underlying investment and
- variable fees that the Company will deduct from the above in exchange for the future service provided on the basis of the insurance contract, which includes the amount of the Company's share in the carrying amount of the underlying investment less the future cash flows of contract execution that do not change depending on the return on investment in the substrate.

Based on the investment position in the fund, it determines part of the amount payable to the policyholder. Investments in the underlying may contain any type of investment, for example, investments for the account and risk of the policyholder (unit linked, index linked), a reference portfolio of assets, the Company's net assets or a specific subset of the Company's net assets.
In contracts with direct participation, the Company may have discretion in deciding which amounts to pay to the policyholder, however, the connection with investments in the underlying must be enforceable.
A pool of underlying item can contain any item, for example a reference asset portfolio, the Company's net assets or a specific subset of the Company's net assets, as long as they are clearly defined in the contract. The Company does not have to keep a defined set of investments in the fund. However, there is no clearly defined set of investments in the base:

- if the Company can change the investment in the fund on the basis of which the amount of the Company's liability is determined with retroactive effect; or
- if there is no established investment in the underlying, even if the policyholder could receive a return that generally reflects the overall performance and expectations of the Company or the performance and expectations for a subset of the assets held by the Company. An example of such is the annual rate of return or dividend payment determined at the end of the period to which it relates. In this case, the obligation to the policyholder does not reflect the determined set of investments in the fund, but the rate of return or the amount of the dividend determined by the Company.

The Company expects that a significant portion of the return of the fair value of the underlying investment will be paid to the policyholder and that a significant portion of any changes in the amount payable to the policyholder will change depending on the change in the fair value of the underlying investment.

3 ACCOUNTING POLICIES (continued)

CSM adjustments

As stated for insurance contracts with direct profit participation, the Company's obligation to the policyholder is equal to:

X – (Y – Z)

where

X = the liability to pay the policyholder the fair value of the underlying investment

Y = the amount of the Company's share in the fair value of the underlying investment

Z = future contract fulfilment cash flows (FFCF) that do not change depending on the return on investment in the underlying.

The amount (Y – Z) represents a variable fee deducted from X in exchange for future service provided under the contract.

Changes in X do not apply to future service and thus do not adjust CSM, while changes in Y apply to future service and thus adjust CSM. For Z:

- changes in the effect of the time value of money and changes in financial assumptions relate to future service and thus adjust the CSM; and
- for other changes in FFCF, the same CSM adjustment rules apply as for "Changes in FFCF relating to future service" under the GMM.

For groups of insurance contracts, the carrying amount of CSM in the group of contracts at the end of the reporting period is equal to the carrying amount at the beginning of the reporting period adjusted for:

- + the effect of all new contracts added to the group
- + the amount of the Company's share in the fair value of the underlying investment
- changes in future contract fulfilment cash flows related to future service that do not depend on the return on investment in the underlying
- + the effect of any exchange differences on CSM
- - the amount recognised as insurance income due to the performance of services from the insurance contract in that period.

"CSM release" is determined by the distribution of CSM remaining at the end of the reporting period (before any release) over the current and remaining coverage periods of the insurance contract group. The basis for the release is determined by the coverage units that represent the service provided in the current period as part of the total service provided.

Basis for determining coverage units:

Life insurance	
Mixed insurance	Sum insured
Risk insurance	Sum insured
Insurance when the policyholder bears the risk of the investment	Sum insured
Reinsurance	RE premium
Non-life insurance	Earned premium

3 ACCOUNTING POLICIES (continued)

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 in the Company's statement of comprehensive income and the statement of financial position in accordance with this note.
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 commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Commissions for reinsurance of non-life insurance are calculated in accordance with the provisions of the reinsurance conditions, in a manner consistent with acquisition costs in non-life insurance (the percentage defined in the reinsurance contract is applied to the reinsurance premium).
The company applies IFRS 17 to the reinsurance contracts it concludes with the purpose of managing and minimizing the assumed insurance risks. A reinsurance contract is a contract that the Company enters into with a reinsurer (reinsurance contract held) in order to receive compensation for paid claims resulting from the consequences of one or more concluded insurance contracts (underlying contracts). The Company does not enter into active insurance contracts, but only passive ones (reinsurance contracts it holds).

Recognition

The group of reinsurance contracts held consists of contracts concluded in a maximum of one year. For the classification of reinsurance contracts held, it is important whether they provide proportional coverage or not. Therefore, reinsurance contracts held are divided into proportional and all other reinsurance contracts held. Proportional reinsurance contracts held meet the following conditions:

(a) The Company can compensate a percentage of all incurred claims in the group of insurance contracts that are the basis of the reinsurance contract and furthermore
(b) In the case of non-surplus reinsurance contracts, this percentage is fixed for each individual group of underlying insurance contracts
(c) In the case of a surplus contract, this percentage is different for each underlying insurance contract.

All other reinsurance contracts held are considered non-proportional contracts. The difference between proportional and non-proportional reinsurance contracts held has an impact only on the date of initial recognition of the reinsurance contract. The measurement principles (initial recognition and subsequent measurement) do not differ.

3 ACCOUNTING POLICIES (continued)

The Company recognises a group of reinsurance contracts held from the earliest of the following events:
(a) the beginning of the coverage period of the group of reinsurance contracts held. and
(b) the date on which the Company recognises the group of related insurance contracts as onerous, if it entered into a related reinsurance contract held in the group of reinsurance contracts held on or before that date.
For proportional reinsurance contracts held, the Company defers recognition of a group of reinsurance contracts held until the date any related insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

Measurement

When applying the measurement requirements for insurance contracts to the reinsurance contracts held, the Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and the estimates of the present value of future cash flows for the group or groups of related insurance contracts. In addition, the Company includes in its estimates of the present value of future cash flows for the group of reinsurance contracts held, the effect of all risks of default of the issuer of the reinsurance contract, including the effects of insurance of payments and losses from disputes.
Furthermore, the Company determines the value adjustment for non-financial risk so that it reflects the amount of risk that the contractor of the group of reinsurance contracts transfers to the issuer of those contracts.

For the group of reinsurance contracts that are held, there is no unearned profit (contractual service margin), but net loss or net profit from reinsurance, and they cannot be unprofitable. In other words, the reinsurance contracts held are divided into the following three groups:

(a) A group of contracts for which there is a net profit at initial recognition,
(b) A group of contracts for which, upon initial recognition, there is no significant possibility of net profit
(c) A group of all remaining contracts in the portfolio.

Upon initial recognition, the Company recognises all net losses or net gains from entering into reinsurance contracts held as a margin for the contracted service measured at the level of an amount equal to the sum of:
(a) cash flows of contract execution;
(b) the amount derecognised at that date for an asset or liability previously recognised for cash flows relating to a group of reinsurance contracts held;
(c) all cash flows arising on that date; and
(d) revenues recognised in the profit and loss account.
If the net cost from reinsurance contracts relates to events that occurred before the conclusion of reinsurance contracts that are held, the Company immediately recognises that cost in the income statement as an expense.

3 ACCOUNTING POLICIES (continued)

Furthermore, the Company measures the contractual service margin at the end of the reporting period for a group of reinsurance contracts held as the book value determined at the beginning of the reporting period, adjusted for:
(a) the effect of all new contracts added to the group;;
(b) interest added to the carrying amount of the contractual service margin, measured at discount rates;
(c) income recognised in the profit and loss account in the reporting period;
(d) reversals of the loss recovery component to the extent that these reversals are not changes in cash flows from contract fulfilment of the group of reinsurance contracts held;
(e) changes in cash flows from the fulfilment of contracts, measured by discount rates to the extent that this change relates to future service, unless this change results from a change in cash flows from the fulfilment of contracts and allocated to a group of related insurance contracts, in which the does not harmonize the service for the group of relevant insurance contracts; or the change results from unprofitable contracts, i.e. if the Company measures a group of relevant insurance contracts in accordance with the approach based on premium distribution.
(f) the effect of any exchange differences on the contractual service margin; and
(g) the amount recognised in the profit and loss account for services received in that period, determined by the distribution of the contractual service margin remaining at the end of the reporting period (before distribution) into the period of current and remaining coverage for the group of reinsurance contracts.

The Company adjusts the contractual service margin of the group of reinsurance contracts held, and as a result recognises income, if the Company recognises a loss upon initial recognition of an onerous group of related insurance contracts or when adding onerous related insurance contracts to the group.
The Company determines (or adjusts) the property loss recovery component of the residual coverage for the group of reinsurance contracts held by presenting the recovery. The loss recovery component determines the amounts that are shown in the income statement as cancellations of loss recovery from reinsurance contracts that are held and, therefore, are excluded from the distribution of premiums paid to the reinsurer.
Changes in cash flows from the fulfilment of the contract resulting from changes in the risk of non-fulfilment of the issuer of the reinsurance contract held do not apply to the future service and therefore the contractual service margin is not adjusted
Reinsurance contracts held cannot be onerous. Accordingly, no loss component is formed, as is the case with onerous insurance contracts.

Measurement model based on premium allocation for reinsurance contracts held
The Company can and does apply a model based on premium allocation. The model is adjusted to reflect features of reinsurance contracts held that are different from written insurance contracts (for example, creating expenses or reducing expenses instead of income) to simplify the measurement of a group of reinsurance contracts held if at founding of the group:
(a) The Company reasonably expects that the resulting measurement will not differ significantly from the results of applying the requirements; or

3 ACCOUNTING POLICIES (continued)

(b) the period of coverage of each contract in the group of reinsurance contracts held (including the insurance coverage arising from all premiums within the limits of the contracts determined on that date) lasts for a maximum of one year.

If, upon recognition of the group, the Company expects significant variability of cash flows from the fulfilment of the contract, which would affect the measurement of the assets for the remaining coverage during the period before the occurrence of the claim, it cannot apply the measurement model based on the allocation of the premium. The volatility of the cash flows from the fulfilment of the contract increases, for example:
(a) with the scope of future cash flows related to all embedded derivative instruments in the contracts; and
(b) with the length of the coverage period of the group of reinsurance contracts held.

Derecognition

The Company shall derecognise an insurance contract only in the following situations:

- when it ceases to be valid, i.e. when the obligation specified in the insurance contract expires or when it is fulfilled or cancelled;
- the contract is amended such that the amendment results in a change in the measurement model or the applicable standard for measuring the component of the contract. In such cases, the Company ceases to recognise the initial contract and recognises the amended contract as a new contract.

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling insurance, taking risks and forming a group of insurance contracts (issued or expected to be issued) that can be directly attributed to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows directly attributable to individual contracts or groups of insurance contracts from that portfolio.
If the insurance acquisition cash flows are paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for the insurance acquired cash flows is recognised for each related group.
The Company will not recognise all acquisition cash flows as expenses, but will recognise them as part of the obligation for the remaining coverage as stated below.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method:

- Insurance acquisition cash flows that can be directly attributed to the group of insurance contracts
    - to that group of insurance contracts
    - to groups of contracts that include insurance contracts that are expected to result from the renewal of insurance contracts in that group
    -

3 ACCOUNTING POLICIES (continued)

- Insurance acquisition cash flows that can be directly attributed to the portfolio of insurance contracts, except for those from the point mentioned above, to groups of contracts in the portfolio.

Acquisition cash flows paid (or those for which a liability is recognised by applying another IFRS) are recognised as assets for related groups of insurance contracts. Assets are derecognised when the acquisition cash flows are included in the measurement of related groups of insurance contracts. At the end of each reporting period, the Company assesses the recoverability of assets for the insurance acquisition cash flows if facts and circumstances indicate that assets should be impaired. If the Company determines an impairment loss, the carrying amount of the asset is adjusted, and the impairment loss is recognised in the income statement.
Insurance acquisition cash flows are derecognised when they are included in the initial recognition of the CSM of the related group of insurance contracts.

Presentation

In the statement on financial position, the Company separately presents the carrying amount of the portfolio of:
- issued insurance contracts that are assets;
- issued insurance contracts that are liabilities;
- reinsurance contracts held that are assets;
- reinsurance contracts that are liabilities.

The Company includes all assets for recognised Insurance acquisition cash flows in the carrying amount of the related portfolios of insurance contracts issued and all assets or liabilities for cash flows related to the portfolios of reinsurance contracts held in the carrying amount of the portfolios of reinsurance contracts held.
The company breaks down the amounts recognised in the profit and loss statements and other statements of comprehensive income into:
- the Insurance service result, which consists of income from the insurance contract and expenses from the insurance contract; and
- financial income/expenses from insurance contracts.

The Company does not break down the change in value for non-financial risk between results from insurance contracts and financial income or expenses from insurance contracts.

Income and expenses from insurance contracts

In the income statement, the Company presents Insurance revenue arising from the group of issued insurance contracts. Insurance revenue represents the provision of services arising from a group of insurance contracts in an amount that reflects the compensation the Company expects in exchange for those services.

3. ACCOUNTING POLICIES (continued)

Total Insurance revenue for a group of insurance contracts is equal to the compensation expected to be paid for those contracts, i.e. the amount of premiums payable to the Company, adjusted for financial performance (time value of money) and excluding the investment component.

The total amount of Insurance revenue recognised in the period shows the expected services in the amount that reflects the compensation to which the Company expects to be entitled in exchange for these services. The total fee for the contract group includes the following amounts:

- amounts related to the provision of services that include:
  - expenses for insurance contracts, excluding any amounts related to the allowance for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage;
  - tax-related amounts that can be charged separately to the policyholder;
  - value adjustment for non-financial risk, excluding any amounts allocated to the loss component of the remaining coverage obligation and
  - CSM.
- amounts related to insurance acquisition cash flows.

In the profit and loss account, the Company presents Insurance service expenses arising from a group of issued insurance contracts, which include incurred claims (excluding payments of investment components), other incurred expenses for insurance contracts, amortisation of insurance acquisition cash flows, changes in relation to past service, i.e. changes in cash flows from the fulfilment of contracts related to liabilities for incurred claims and changes in relation to future service, i.e. losses from groups of insurance contracts that are unprofitable and cancellation of these losses. Income and Insurance service expenses presented in the income statement exclude all investment components.

Financial income or expenses from insurance contracts

Financial income or expenses from insurance include a change in the carrying amount of a group of insurance contracts resulting from:

- effects of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk; but excluding such changes for groups of insurance contracts with direct profit participation features for which the CSM is adjusted, except in the case where the group of contracts is onerous. They are then included in the expenses of the insurance contract.

When the Company reduces the effect of financial risk by using derivative instruments or non-derivative financial instruments measured at fair value through the income statement, financial income or insurance expenses resulting from the purpose of risk reduction are included in the income statement.

Furthermore, in accordance with IFRS (items 88 and 89), the accounting policy of breaking down financial income or insurance expenses for the period is applied to all other financial income or insurance expenses in order for the profit and loss account be included the amount determined by the systematic distribution of the expected total financial income or insurance expenses during the validity of the group of contracts.

3 ACCOUNTING POLICIES (continued)

The profit and loss account included the amount determined by the systematic distribution of the expected total financial income or insurance expenses during the validity of the group of contracts.

For insurance contracts with features of direct participation, which are life insurance contracts in which the policyholder bears the investment risk and in which the Company holds investments in the underlying, the Company has decided to include financial income or insurance expenses for the period in the profit and loss account.
For other insurance contracts with the features of direct participation, breakdown of financial income or insurance expenses for the period to include in the profit and loss account the amount that removes accounting mismatches with income or expenses included in the profit and loss account from the investment in the underlying. In accordance with the above, the Company includes the difference between financial income or insurance expenses based on the discount curve used at initial recognition and the current discount curve and total financial income or insurance expenses for that period.

Loss component

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition may also subsequently become onerous if assumptions and experience change. The Company has established a loss component of the residual coverage liability for any onerous group that shows future recognised losses.
The loss component represents the notional record of losses attributable to each group of onerous insurance contracts (or initially profitable contracts that have become unprofitable).

The loss component is released based on the systematic distribution of subsequent changes that relate to the future service in the fulfilment cash flows to: i. the loss component; and ii. liability for remaining coverage, excluding the loss component.
The loss component is also updated for future service-related subsequent changes in fulfilment cash flow estimates and risk adjustments for non-financial risk. The systematic distribution of subsequent changes in the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the contract group's coverage period (since the loss component will be realized in the form of accrued claims).

The Company uses the share at initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the residual coverage obligation without the loss component.

Loss- recovery component

As described in the aforementioned notes, when the Company recognises a loss from the initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to the group,

3 ACCOUNTING POLICIES (continued)

The Company establishes a loss recovery and asset recovery component for residual coverage for a group of entered into reinsurance contracts that show loss recovery.

If a loss component is established after the initial recognition of a group of underlying insurance contracts, the portion of income recognised from the related reinsurance contracts held is disclosed as a loss-recovery component.

If the loss-recovery component is established upon initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of the onerous group of underlying insurance contracts.
The carrying amount of the loss-recovery component must not exceed part of the carrying amount of the loss component of the onerous group of basic insurance contracts for which the Company expects a return from the group of concluded reinsurance contracts. Based on this, the loss recovery-component recognised at initial recognition is reduced to zero in accordance with the reduction in the demanding group of basic insurance contracts and the basic insurance contracts is zero when the loss component of the onerous group of basic insurance contracts is zero.

Incurred claims

Total claims incurred in a financial period consist of claims settled net of recourses, claims handling costs paid during the accounting period paid bonuses and discounts. 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 and are increased for claims handling costs. Recovered claims recoverable from third parties and 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.

Liabilities for claims incurred
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 liabilities include a provision for reported but unpaid claims, a provision for incurred but not reported claims, a provision for the cost of claims processing, a provision for bonuses and discounts, and a non-financial risk adjustment component.

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.

3. ACCOUNTING POLICIES (continued)

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.

Risk adjustment for non-financial risk

The Company adjusts the estimate of the present value of future cash flows to reflect an allowance for uncertainties about the amount and timing of cash flows arising from non-financial risk.
General criteria that the adjustment fulfils:

- related to the diversification that the company assumes when calculating the price of the insurance risk it assumes,
- related to positive and negative scenarios that correspond to Company's risk aversion,
- related to the risks arising from the insurance contract (e.g. not reflecting the operational risk).

The adjustment also fulfils the following analytical properties:

- if we compare risks with low frequency and high intensity with risks with high frequency and low intensity, then the former should have a higher RA,
- if we consider similar risks and different contract durations, longer durations should result in higher RAs,
- if we compare risks with a "wider" probability distribution and risks with a "narrower" probability distribution, the former should have a higher RA,
- the less is known about the current valuation and its trend, the higher the RA should be,
- if new experience reduces or increases uncertainty about the amount and timing of cash flows, RA should decrease or increase, respectively.
-

3.18 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 EUR)

4. PROPERTY AND EQUIPMENT

			Right-of-use assets		
	Land and buildings	**Equipment and other assets**	**Land and buildings**	**Vehicles**	**Total**
At 1 January 2022	**2,076**	**407**	**1,916**	**81**	**4,481**
New lease agreements	-	-	762	197	959
Termination of agreements	-	-	(167)	(81)	(248)
Other movements	-	(3)	-	-	(3)
Write-off and impairment	-	-	120	81	201
Depreciation and amortisation	(59)	(170)	(449)	(52)	(730)
Additions	-	90	-	-	**90**
Effect of transition to euro	-	-	30	-	30
At 31 December 2022	**2,018**	**324**	**2,213**	**226**	**4,781**
Cost	3,188	4,709	2,649	272	10,817
Accumulated depreciation	(1,170)	(4,385)	(435)	(46)	(6,036)
Net book value	**2,018**	**324**	**2,213**	**226**	**4,781**
At 1 January 2023	**2,018**	**324**	**2,213**	**226**	**4,781**
New lease agreements	-	-	433	16	449
Termination of agreements	-	-	(62)	(10)	(72)
Other movements	-	(8)	-	-	(8)
Write-off and impairment	-	-	29	10	40
Depreciation and amortisation	(59)	(145)	(469)	(60)	(734)
Additions	-	227	-	-	227
At 31 December 2023	**1,959**	**398**	**2,145**	**181**	**4,683**
Cost	3,188	4,805	3,020	277	11,290
Accumulated depreciation	(1,228)	(4,407)	(875)	(96)	(6,607)
Net book value	**1,959**	**398**	**2,145**	**181**	**4,684**

The land and buildings item includes land that is not depreciated, with the total value EUR 279 thousand as of 31 December 2023 (2022: 279 thousand eur0).

As of 31 December 2023, and 2022, 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 16).

(All amounts are expressed in thousands of EUR)

5. INVESTMENT PROPERTY

	2023	2022
At 1 January	**6,096**	**5,879**
Disposals	(-)	(75)
Change in fair value (Note 2)	87	292
At 31 December	**6,183**	**6,096**

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 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 EUR 414 thousand (2022: 394 thousand euro). Property management expenses are included in investment costs, and amount to EUR 60 thousand (2020:. 77 thousand euro) (note 2). Expenses (including repairs and maintenance, security, etc.) arising from investment property that generated income during the period amount to EUR 52 thousand (2022: EUR 69 thousand), and expenses arising from investment property that did not generate income amount to HRK 8 thousand (2022: EUR 8 thousand).

As of December 31, 2023, there is a lien on the Company's real estate The registered right of lease on the property amounts to 28 thousand euro.

(All amounts are expressed in thousands of EUR)

6. FINANCIAL INVESTMENTS

	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount according to IAS 39 as at December 12. 2021	Carrying amount according to IFRS 9 as at December 12. 2021
Debt financial instruments				
Government bonds	Held-to-maturity investments	Fair value through OCI	34,796	40,443
Government bonds	Available-for- sale financial assets	Fair value through OCI	166,921	166,921
Corporate bonds	Available-for- sale financial assets	Fair value through OCI	38,695	38,695
Corporate bonds	Available-for- sale financial assets	fair value through profit or loss	5,481	5,481
Deposits	Loans	Amortised cost	5,385	5,385
Loans	Loans and receivables	Amortised cost	1,119	1,119
Other (structured products)	Available-for- sale financial assets	Fair value through profit or loss	2,048	2,048
Other (structured products)	Financial assets at fair value through profit or loss	Fair value through profit or loss	20	20
Equity financial instruments and shares in funds				
Shares in investment funds	Available-for-sale financial assets	Fair value through profit or loss	59,158	59,158
Shares in investment funds	Financial assets at fair value through profit or loss	Fair value through profit or loss	1,783	1,783
Assets held for index-linked contracts and units of mutual funds				
Unit-linked	Financial assets at fair value through profit or loss	Fair value through profit or loss	27,672	27,672
Total			**343,079**	**348,726**

Financial assets at fair value through profit or loss	Carrying amount according to IAS 39 as at December 12, 2021	Reclassification	Revaluation	Carrying amount according to IFRS 9 as at December 12, 2021
Financial assets at fair value through profit or loss according to IAS 39	1,803			
Reclassification				
Financial assets at fair value through profit or loss according to IAS 39				1,803
Available-for- sale financial assets according to IAS 39	66,687			
Reclassification		(66,687)		
Financial assets at fair value through profit or loss according to IFRS 39				66,687
Total	68,490	(66,687)		68,490

(All amounts are expressed in thousands of EUR)

6. FINANCIAL INVESTMENTS (continued)

Financial assets at fair value through OCI	**Carrying amount according to IAS 39 as at December 12, 2021**	**Reclassification**	**Revaluation**	**Carrying amount according to IFRS 9 as at January 1, 2022**
Financial assets held to maturity according to IAS 39	34,796			
Reclassification		(34,796)	5,647	
Financial assets at fair value through OCI according to IFRS 9				40,443
Available-for- sale financial assets according to IAS 39	272,303			
Reclassification		(66,687)		
Financial assets at fair value through OCI according to IFRS 9				205,616
Total	**307,099**	**(101,483)**	**5,647**	**246,059**

Financial assets carried at amortised cost	**Carrying amount according to IAS 39 as at December 12, 2021**	**Reclassification**	**Revaluation**	**Carrying amount according to IFRS 9 as at January 1, 2022**
Financial assets held to maturity according to IAS 39	41,301			
Reclassification		(34,796)		
Financial assets at fair value through OCI according to IFRS 9				6,505
Total	**41,301**	**(34,796)**		**6,505**

Financial assets when the policyholder bears the risk of the investment	**Carrying amount according to IAS 39 as at December 12, 2021**	**Reclassification**	**Revaluation**	**Carrying amount according to IFRS 9 as at January 1, 2022**
Financial assets at fair value through profit or loss according to IAS 39	27,672			
Reclassification				
Financial assets at fair value through OCI according to IFRS 9				27,672
Total	**27,672**			**27,672**

(All amounts are expressed in thousands of EUR)

6. FINANCIAL INVESTMENTS (continued)

2023	**Financial assets at amortised cost**	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Debt securities - unlisted				
Government bonds		175,564		175,564
Corporate bonds		44,735	1,431	46,166
Accrued interest		3,231		3,231
Total debt securities	**(-)**	**223,530**	**1,431**	**224,961**
Debt securities - unlisted				
Corporate bonds			8,475	8,475
Total debt securities	**(-)**	**(-)**	**8,475**	**8,475**
Investment funds				
Mixed funds			906	906
Bond funds			25,333	25,333
Equity funds			23,392	23,392
Alternative funds				(-)
Total investment funds	**(-)**	**(-)**	**49,631**	**49,631**
Other				
Structured products			4,622	4,622
Other	**(-)**	**(-)**	**4,622**	**4,622**
Deposits				
Deposits with credit institutions	10,150			10,150
Accrued interest	12			12
Total deposits	**10,162**	**(-)**	**(-)**	**10,162**
Loans				
Loans based on life insurance policy repurchase value	897			897
Loans secured by mortgage	17			17
Other loans	132			132
Accrued interest	5			5
Total loans	**1,051**	**(-)**	**(-)**	**1,051**
Cash				
Cash on bank account	1,160			1,160
Total cash	**1,160**	**(-)**	**(-)**	**1,160**
Total	**12,373**	**223,530**	**64,159**	**300,062**

(All amounts are expressed in thousands of EUR)

6 FINANCIAL INVESTMENTS (continued)

2022 restated	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Debt securities - unlisted				
Government bonds		154,732		154,732
Corporate bonds		35,196		35,196
Accrued interest		2,638		2,638
Total debt securities	**(-)**	**192,566**	**(-)**	**192,566**
Debt securities - unlisted				
Corporate bonds			6,559	6,559
Total debt securities	**(-)**	**(-)**	**6,559**	**6,559**
Investment funds				
Mixed funds			833	833
Bond funds			17,724	17,724
Equity funds			19,958	19,958
Alternative funds			31,396	31,396
Total investment funds	**(-)**	**(-)**	**69,911**	**69,911**
Other				
Structured products			11,324	11,324
Other	**(-)**	**(-)**	**11,324**	**11,324**
Deposits				
Deposits with credit institutions	5,929			5,929
Accrued interest	120			120
Total deposits	**6,049**	**(-)**	**(-)**	**6,049**
Loans				
Loans based on life insurance policy repurchase value	998			998
Loans secured by mortgage	18			18
Other loans	181			181
Accrued interest	4			4
Total loans	**1,201**	**(-)**	**(-)**	**1,201**
Cash				
Cash on bank account				(-)
Total cash	**(-)**	**(-)**	**(-)**	**(-)**
Total	**7,250**	**192,566**	**87,794**	**287,610**

(All amounts are expressed in thousands of EUR)

6 FINANCIAL INVESTMENTS (continued)

The fair value disclosure and information on credit quality is set out in Note 21.
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.

7 LOANS AND RECEIVABLES

	2023	2022
Loans based on life insurance policy repurchase value		
- Gross	897	998
- Impairment provisions	(-)	(-)
Total loans based on life insurance policy repurchase value	**897**	**998**
Loans secured by mortgage or bank guarantee		
- Gross	399	399
- Impairment provisions	(382)	(381)
Total loans secured by mortgage or bank guarantee	**17**	**18**
Other loans		
- Gross	211	205
- Impairment provisions	(79)	(24)
Total other loans	**132**	**181**
Accrued interest	5	4
Total	**1,051**	**1,201**

(All amounts are expressed in thousands of EUR)

7. LOANS AND RECEIVABLES (continued)

	Loans based on life insurance policy repurchase value	Loans secured by mortgage or bank guarantee	Other loans	Total
At 1 January 2022	(-)	(-)	(-)	(-)
Increase in impairment provisions	(-)	(-)	(-)	(-)
Collection of impaired loans	(-)	(-)	(-)	(-)
Write-off	(-)	(-)	(-)	(-)
At 31 December 2022	**(-)**	**(382)**	**(24)**	**(406)**
At 1 January 2023	**(-)**	**(382)**	**(24)**	**(406)**
Increase in impairment provisions	(-)	(-)	(55)	(55)
Collection of impaired loans	(-)	(-)	(-)	(-)
Write-off	(-)	(-)	(-)	(-)
At 31 December 2023	**(-)**	**(382)**	**(79)**	**(461)**

In 2023, the Company carried out a correction of the value of loans in the amount of EUR 55 thousand of principal.

(All amounts are expressed in thousands of EUR)

8 ASSETS FOR REMAINING COVERAGE AND ASSETS FOR INCURRED CLAIMS

	2023	2022 restated
Non-life insurance		
Reinsurance - assets for remaining coverage	**4,221**	**7,920**
Reinsurance - CSM	-	-
Reinsurance - premiums	4,205	7,920
Reinsurance - claims	-	-
Reinsurance - loss recovery component	16	0
Reinsurance- counterparty default adjustment	-	-
Reinsurance - assets for incurred claims	**20,615**	**15,693**
	24,837	**23,614**
Life insurance		
Reinsurance - assets for remaining coverage	**10,491**	**11,214**
Reinsurance - CSM	704	941
Reinsurance - premium	(2,127)	(2445)
Reinsurance - claims	11,918	12,722
Reinsurance – loss recovery component	-	-
Reinsurance - counterparty default adjustment	(3)	(3)
Reinsurance - assets for incurred claims	**12**	**56**
	10,503	**11,271**
Total assets from reinsurance contracts	**35,340**	**34,884**
Non-life insurance		
Reinsurance - liabilities for remaining coverage	**-**	**(964)**
Reinsurance - CSM	-	-
Reinsurance - premium	-	(964)
Reinsurance - loss recovery component	-	-
Reinsurance - counterparty default adjustment	-	-
Reinsurance - Liabilities for incurred claims	**-**	**545**
	-	**(419)**
Life insurance		
Reinsurance - liabilities for remaining coverage	**(17)**	**-**
Reinsurance - CSM	-	-
Reinsurance - premium	(17)	-
Reinsurance – loss recovery component	-	-
Reinsurance - counterparty default adjustment	-	-
Reinsurance - Liabilities for incurred claims	**1**	**-**
	(16)	**-**
Total reinsurance contract liabilities	**(16)**	**(419)**

Assets for the remaining coverage represent the share of reinsurance in the liabilities from the insurance contract, and assets for incurred claims are the expected future claims that will be collected from the Company's reinsurer.

(All amounts are expressed in thousands of EUR)

9 OTHER RECEIVABLES

	2023	2022. restated
Credit card receivables	1,946	1,663
Receivables for service claims	1,829	1,371
Other receivables	1,175	381
- from impairment	(153)	(153)
Prepaid expenses	573	448
	5,370	**3,710**

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

At 1 January 2022	(153)
(Increase)/decrease in impairment provisions	-
At 31 December 2022	**(153)**
At 1 January 2023	(153)
(Increase)/decrease in impairment provisions	-
At 31 December 2023	**(153)**

10 DEFERRED TAX ASSETS AND LIABILITIES

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

	2023	2022 restated
Deferred tax (liabilities) / assets		
Available-for-sale financial assets	1,297	2,771
Financial reserve from insurance contracts	(4,793)	(6,717)
Effect of temporarily non-deductible expenses	27	146
Restated IFRS 9/17	6,883	6,883
	3,413	**3,083**

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

(All amounts are expressed in thousands of EUR)

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Financial assets at fair value through other comprehensive income	**Temporarily non-deductible expenses**	**Financial reserve from insurance contracts**	**Effect of IFRS 9/17 transition**	**Deferred tax assets / (liabilities)**
At 1 January 2022	**(3,278)**	**126**	**143**	**5,616**	**2,608**
(Increase)/decrease in deferred tax liability recognised in other comprehensive income	6,049	-	(6,860)		(812)
Increase/(decrease) in deferred tax assets recognised through profit or loss	-	20	-	1,266	1,286
At 31 December 2022 restated	**2,771**	**146**	**(6,717)**	**6,883**	**3,083**
(Increase)/decrease in deferred tax liability recognised in other comprehensive income	(1,474)	-	1,923		450
Increase/(decrease) in deferred tax assets recognised in profit or loss	-	(119)	-		(119)
At 31 December 2023	**1,297**	**27**	**(4,793)**	**6,883**	**3,413**

11 INSURANCE AND REINSURANCE CONTRACTS LIABILITIES

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

On the date of the statement of financial position, the Company forms liabilities from insurance contracts (liabilities for remaining coverage and liabilities for incurred claims) as described in Note 17 (IFRS 17), which form a significant part of the Company's total liabilities.

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES

(a) Analysis of the movement of the liability for remaining coverage and the liability for the claims incurred from insurance contracts

Non-life insurance 2023	Liability for remaining coverage-excluding the loss component	Liability for remaining coverage-loss component	Liabilities for incurred claims - insurance contracts not measured by premium alloc. approach	Liabilities for incurred claims - insurance contracts measured by premium alloc. approach	Liabilities for claims incurred - insurance contracts measured by the premium alloc. approach - risk adjustment	Total
Net opening balance	**28,033**	**744**	**363**	**38,641**	**914**	**68,696**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	28,033	744	363	38,641	914	68,696
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(45,368)**	**(690)**	**290**	**44,216**	**220**	**(1,332)**
Insurance service result	(45,688)	(690)	285	42,483	220	(3,391)
Insurance revenue	(68,337)	-	-	-	-	(68,337)
contracts measured at the modified retrospective approach	-	-	-	-	-	-
contracts measured at the fair value approach	(1,722)	-	-	-	-	(1,722)
Other contracts	(65,128)	-	-	-	-	(65,128)
contracts measured at the full retrospective approach	(1,487)	-	-	-	-	(1,487)
Insurance service expenses	22,649	(690)	285	42,483	220	64,947
Incurred claims and other Insurance service expenses	6,762	-	236	28,101	511	50,135
Amortisation of insurance acquisition cash flows	15,887	-	-	-	-	15,887
changes that relate to future service (losses on onerous contracts)	-	(690)	-	-	-	(690)
changes that relate to past service (adjustment of liability for incurred claims)	-	-	49	14,382	(291)	(385)
Investment component	-	-	-	-	-	-
Net finance income/expenses from insurance contracts	320	-	5	1,733	-	2,059
Effects of movements in foreign exchange rates	0	-	(0)	0	(0)	0
Total cash flows	**48,929**	**-**	**(475)**	**(36,288)**	**-**	**12,167**
Received premium	74,611	-	-	-	-	74,611
Claims and other Insurance service expenses, including investment component	(6,762)	-	(475)	(36,288)	-	(43525)
Insurance acquisition cash flows	(18,919)	-	-	-	-	(18919)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**31,595**	**54**	**178**	**46,570**	**1,134**	**79,530**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(a) Analysis of the movement of the liability for remaining coverage and the liability for the claims incurred from insurance contracts (continued)

Life insurance 2023	Liability for remaining coverage-excluding the loss component	Liability for remaining coverage-loss component	Liabilities for claims incurred - insurance contracts not measured by the premium alloc. approach	Liabilities for claims incurred - insurance contracts measured by the premium alloc. approach	Liabilities for claims incurred - insurance contracts measured by the premium alloc. approach - risk adjustment	Total
Net opening balance	**194,690**	**-**	**10,853**	**-**	**-**	**205,543**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	194,690	-	10,853	-	-	205,543
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(17860)**	**3**	**29,802**	**-**	**-**	**11,945**
Insurance service result	(32398)	3	29,806	-	-	(2,589)
Insurance revenue	(8486)	-	-	-	-	(8,486)
contracts measured at the modified retrospective approach	-	-	-	-	-	-
contracts measured at the fair value approach	(7,218)	-	-	-	-	(7,218)
Other contracts	(1268)	-	-	-	-	(1,268)
contracts measured at the full retrospective approach	-	-	-	-	-	-
Insurance service expenses	4,276	3	1,619	-	-	5,897
Incurred claims and other Insurance service expenses	3,973	-	1,461	-	-	5,434
Amortisation of insurance acquisition cash flows	303	-	-	-	-	303
changes that relate to future service (losses on onerous contracts)	-	3	-	-	-	3
changes that relate to past service (adjustment of liability for incurred claims)	-	-	157	-	-	157
Investment component	(28,187)	-	28,187	-	-	0
Net finance income/expenses from insurance contracts	14,777	-	-	-	-	14,777
Effects of movements in foreign exchange rates	(239)	(0)	(4)	-	-	(243)
Total cash flows	**17,698**	**-**	**(31,597)**	**-**	**-**	**(13,899)**
Received premium	23,909	-	-	-	-	23,909
Claims and other Insurance service expenses, including investment component	(3,973)	-	(31,597)	-	-	(35,570)
Insurance acquisition cash flows	(2,238)	-	-	-	-	(2,238)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**194,529**	**3**	**9,058**	**-**	**-**	**203,589**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(a) Analysis of the movement of the liability for remaining coverage and the liability for the claims incurred from insurance contracts (continued)

Non-life insurance 2022 restated	Liability for remaining coverage-excluding the loss component	Liability for remaining coverage-loss component	Liabilities for claims incurred - insurance contracts not measured by the premium allocation approach	Liabilities for claims incurred - insurance contracts measured by the premium allocation approach	Liabilities for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment	Total
Net opening balance	**27,439**	**504**	**416**	**46,554**	**1,051**	**75,965**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	27,439	504	416	46,554	1,051	75,965
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(39,556)**	**239**	**467**	**20,787**	**(137)**	**(18,199)**
Insurance service result	(39,257)	239	474	26,057	(137)	(12,624)
Insurance revenue	(56,105)	-	-	-	-	(56,105)
contracts measured at the modified retrospective approach	-	-	-	-	-	-
contracts measured at the fair value approach	(1,505)	-	-	-	-	(1,505)
Other contracts	(28,843)	-	-	-	-	(28,843)
contracts measured at the full retrospective approach	(25,758)	-	-	-	-	(25,758)
Insurance service expenses	16,849	239	474	26,057	(137)	43,482
Incurred claims and other Insurance service expenses	5,686	-	470	30,915	332	37,404
Amortisation of insurance acquisition cash flows	11,163	-	-	-	-	11,163
changes that relate to future service (losses on onerous contracts)	-	239	-	-	-	239
changes that relate to past service (adjustment of liability for incurred claims)	-	-	3	(4,859)	(469)	(5,324)
Investment component	-	-	-	-	-	-
Net finance income/expenses from insurance contracts	(299)	-	(7)	(5,270)	-	(5,576)
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**40,149**	**-**	**(520)**	**(28,700)**	**-**	**10,930**
Received premium	62,828	-	-	-	-	62,828
Claims and other Insurance service expenses, including investment component	(6,736)	-	(520)	(28,700)	-	(35,955)
Insurance acquisition cash flows	(15,943)	-	-	-	-	(15,943)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**28,033**	**744**	**363**	**38,641**	**914**	**68,696**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(a) Analysis of the movement of the liability for remaining coverage and the liability for the claims incurred from insurance contracts (continued)

Life insurance 2022 restated	**Liability for remaining coverage-excluding the loss component**	**Liability for remaining coverage-loss component**	**Liabilities for claims incurred - insurance contracts not measured by the premium allocation approach**	**Liabilities for claims incurred - insurance contracts measured by the premium allocation approach**	**Liabilities for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment**	**Total**
Net opening balance	**250,392**	**-**	**11,159**	**-**	**-**	**261,552**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	250,392	-	11,159	-	-	261,552
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(73,171)**	**-**	**28,824**	**-**	**-**	**(44,347)**
Insurance service result	(32409)	-	28,796	-	-	(3,613)
Insurance revenue	(9,668)	-	-	-	-	(9,668)
contracts measured at the modified retrospective approach	-	-	-	-	-	-
contracts measured at the fair value approach	(9,303)	-	-	-	-	(9,303)
Other contracts	(365)	-	-	-	-	(365)
contracts measured at the full retrospective approach	-	-	-	-	-	-
Insurance service expenses	4,308	-	1,747	-	-	6,055
Incurred claims and other Insurance service expenses	4,217	(1)	1,668	-	-	5,884
Amortisation of insurance acquisition cash flows	91	-	-	-	-	91
changes that relate to future service (losses on onerous contracts)	-	1	-	-	-	1
changes that relate to past service (adjustment of liability for incurred claims)	-	-	79	-	-	79
Investment component	(27,049)	-	27,049	-	-	-
Net finance income/expenses from insurance contracts	(42,038)	-	-	-	-	(42,038)
Effects of movements in foreign exchange rates	1,276	-	28	-	-	1,304
Total cash flows	**17,469**	**(-)**	**(29,130)**	**-**	**-**	**(11,662)**
Received premium	23,138	-	-	-	-	23,138
Claims and other Insurance service expenses, including investment component	(4,217)	(-)	(29,130)	-	-	(33,348)
Insurance acquisition cash flows	(1,452)	-	-	-	-	(1,452)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**194,690**	**-**	**10,853**	**-**	**-**	**205,543**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(b) Analysis of movements in net assets for remaining coverage and net assets for incurred claims - reinsurance

Non-life insurance 2023	**Assets for remaining coverage**	**Loss compensation component**	**Assets for claims incurred - insurance contracts not measured by the premium allocation approach**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach (estimate of the present value of future cash flows)**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment**	**Total**
Net opening balance	**6,956**	**-**	**-**	**15,840**	**398**	**23,194**
Assets opening balance	7,920	-	-	15,315	379	23,614
Liabilities opening balance	964	-	-	(525)	(19)	419
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(18178)**	**16**	**-**	**17,462**	**132**	**(568)**
Net expenses from reinsurance contracts	(18,178)	16	-	16,815	132	(1,214)
Investment component	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	665	-	665
Effects of changes in the risk of reinsurer's default	-	-	-	(18)	-	(18)
Effects of movements in foreign exchange rates	-	-	-	(0)	-	-
Total cash flows	**15,427**	**-**	**-**	**(13,216)**	**-**	**2,210**
Paid premiums	15,965	-	-	-	-	15,965
Claims and other insurance service expenses recovered, including the investment component	(539)	-	-	(13,216)	-	(13,755)
Assets closing balance	**4,205**	**16**	**-**	**20,085**	**530**	**24,837**
Liabilities closing balance	-	-	-	-	-	-

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(b) Analysis of movements in net assets for remaining coverage and net assets for incurred claims – reinsurance (continued)

Life insurance 2023	**Assets for remaining coverage**	**Loss compensation component**	**Assets for claims incurred - insurance contracts not measured by the premium allocation approach**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach (estimate of the present value of future cash flows)**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment**	**Total**
Net opening balance	**11,214**	**-**	**37**	**19**	**-**	**11,271**
Assets opening balance	11,214	-	37	19	-	11,271
Liabilities opening balance	-	-	-	-	-	-
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(1,210)**	**-**	**1,797**	**117**	**-**	**704**
Net expenses from reinsurance contracts	(2,004)	-	1,797	117	-	(90)
Investment component	-	-	-	-	-	-
Net finance income from reinsurance contracts	794	-	-	-	-	794
Effects of changes in the risk of reinsurer's default	-	-	-	-	-	-
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**468**	**-**	**(1,834)**	**(123)**	**-**	**(1,488)**
Paid premiums	485	-	-	-	-	485
Claims and other insurance service expenses recovered, including the investment component	(17)	-	(1,834)	(123)	-	(1,973)
Assets closing balance	**10,491**	**-**	**-**	**12**	**-**	**10,503**
Liabilities closing balance	**17**	**-**	**-**	**(1)**	**-**	**16**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(b) Analysis of movements in net assets for remaining coverage and net assets for incurred claims – reinsurance (continued)

Non-life insurance 2022 restated	**Assets for remaining coverage**	**Loss compensation component**	**Assets for claims incurred - insurance contracts not measured by the premium allocation approach**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach (estimate of the present value of future cash flows)**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment**	**Total**
Net opening balance	6,164	-	-	19,142	464	25,769
Assets opening balance	6,164	-	-	19,142	464	25,769
Liabilities opening balance	-	-	-	-	-	-
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(14,149)**	**-**	**-**	**6,697**	**(66)**	**(7,517)**
Net expenses from reinsurance contracts	(14,149)	-	-	8,827	(66)	(5,387)
Investment component	-	-	-	-	-	-
Net finance income from reinsurance contracts	-	-	-	(2,129)	-	(2,129)
Effects of changes in the risk of reinsurer's default	-	-	-	-	-	-
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**14,941**	**-**	**-**	**(9,999)**	**-**	**4,942**
Paid premiums	15,193	-	-	-	-	15,193
Claims and other insurance service expenses recovered, including the investment component	(252)	-	-	(9,999)	-	(10,251)
Assets closing balance	**7,920**	**-**	**-**	**15,315**	**379**	**23,614**
Liabilities closing balance	**964**	**-**	**-**	**(525)**	**(19)**	**419**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(b) Analysis of movements in net assets for remaining coverage and net assets for incurred claims – reinsurance (continued)

Life insurance 2022 restated	**Assets for remaining coverage**	**Loss compensation component**	**Assets for claims incurred - insurance contracts not measured by the premium allocation approach**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach (estimate of the present value of future cash flows)**	**Assets for claims incurred - insurance contracts measured by the premium allocation approach - risk adjustment**	**Total**
Net opening balance	15,002	-	-	21	-	15,023
Assets opening balance	15,002	-	-	21	-	15,023
Liabilities opening balance	-	-	-	-	-	-
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(4,442)**	**-**	**1,960**	**39**	**-**	**(2,444)**
Net expenses from reinsurance contracts	(2,111)	-	1,959	39	-	(113)
Investment component	-	-	-	-	-	-
Net finance income from reinsurance contracts	(2,368)	-	-	-	-	(2368)
Effects of changes in the risk of reinsurer's default	1	-	-	-	-	1
Effects of movements in foreign exchange rates	36	-	-	-	-	37
Total cash flows	**655**	**-**	**(1,923)**	**(40)**	**-**	**(1,308)**
Paid premiums	671	-	-	-	-	671
Claims and other insurance service expenses recovered, including the investment component	(16)	-	(1,923)	(40)	-	(1,979)
Assets closing balance	**11,214**	**-**	**37**	**19**	**-**	**11,271**
Liabilities closing balance	-	-	-	-	-	-

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(c) Analysis of the movement of the remaining coverage liability by measurement components - insurance contracts not measured by the premium allocation approach

Non-life insurance 2023	Estimate of the present value of future cash flows	Risk adjustment	CSM - contracts measured at the modified retrospective approach	CSM - contracts measured at the fair value approach	CSM - other contracts	Total
Net opening balance	**4,486**	**396**	**-**	**4,283**	**1,714**	**10,879**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	4,486	396	-	4,283	1,714	10,879
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(3,797)**	**(6)**	**-**	**(789)**	**1,854**	**(2,739)**
Insurance service result	(4,020)	(6)	-	(792)	1,754	(3,064)
changes that relate to current services	(1,285)	(109)	-	(995)	(725)	(3,113)
CSM recognised in insurance revenue (current services)	-	-	-	(995)	(725)	(1,720)
Change in risk adjustment	-	(109)	-	-	-	(109)
Experience adjustment	(1,285)	-	-	-	-	(1,285)
changes that relate to future services	(2,795)	113	-	203	2,479	-
Contracts initially recognised in the year	(3,294)	91	-	-	3,204	-
Changes in assumptions that do not adjust CSM	-	-	-	-	-	-
Changes in assumptions that adjust CSM	499	22	-	203	(725)	-
Changes that relate to future services	60	(10)	-	-	-	49
Adjustments of liabilities for incurred claims	60	(10)	-	-	-	49
Net finance income/expenses from insurance contracts	223	-	-	2	100	325
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**2,708**	**-**	**-**	**-**	**-**	**2,708**
Received premium	7,701	-	-	-	-	7,701
Claims and other Insurance service expenses, including investment component	(1,010)	-	-	-	-	(1,010)
Insurance acquisition cash flows	(3,983)	-	-	-	-	(3,983)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**3,398**	**390**	**-**	**3,493**	**3,568**	**10.849**

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(c) Analysis of the movement of the remaining coverage liability by measurement components - insurance contracts not measured by the premium allocation approach (continued)

Life insurance 2023	**Estimate of the present value of future cash flows**	**Risk adjustment**	**CSM - contracts measured under the modified retrospective approach**	**CSM - contracts measured under the fair value approach**	**CSM - other contracts**	**Total**
Net opening balance	**174,218**	**1,793**	**-**	**28,265**	**1,268**	**205,543**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	174,218	1,793	-	28,265	1,268	205,543
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**15,894**	**106**	**-**	**(5,095)**	**1,040**	**11,945**
Insurance service result	1,345	106	-	(5,053)	1,013	(2,589)
changes that relate to current services	855	(213)	-	(3,183)	(208)	(2,749)
CSM recognised in insurance revenue (current services)	-	-	-	(3,183)	(208)	(3,391)
Change in risk adjustment	-	(213)	-	-	-	(213)
Experience adjustment	855	-	-	-	-	855
Changes that relate to future services	332	319	-	(1,870)	1,221	3
Contracts initially recognised in the year	(1,767)	234	-	-	1,533	-
Changes in assumptions that do not adjust CSM	2	0	-	-	-	3
Changes in assumptions that adjust CSM	2,097	85	-	(1,870)	(312)	-
Changes that relate to future services	157	-	-	-	-	157
Adjustments of liabilities for incurred claims	157	-	-	-	-	157
Net finance income/expenses from insurance contracts	14,789	-	-	(41)	29	14,777
Effects of movements in foreign exchange rates	(240)	-	-	(1)	(2)	(243)
Total cash flows	**(13,899)**	**-**	**-**	**-**	**-**	**(13,899)**
Received premium	23,909	-	-	-	-	23,909
Claims and other Insurance service expenses, including investment component	(35,570)	-	-	-	-	(35,570)
Insurance acquisition cash flows	(2,238)	-	-	-	-	(2,238)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**176,213**	**1,899**	**-**	**23,170**	**2,308**	**203,589**

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(c) Analysis of the movement of the liability for the remaining coverage by measurement components - insurance contracts not measured by the premium allocation approach (continued)

Non-life insurance 2022 restated	Estimate of the present value of future cash flows	Risk adjustment	CSM - contracts measured under the modified retrospective approach	CSM - contracts measured under the fair value approach	CSM - other contracts	Total
Net opening balance	**3,741**	**371**	**-**	**5,352**	**-**	**9,464**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	3,741	371	-	5,352	-	9,464
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(2,940)**	**25**	**-**	**(1,069)**	**1,714**	**(2,271)**
Insurance service result	(2,634)	25	-	(1,059)	1,704	(1,965)
changes that relate to current services	(338)	(85)	-	(1,289)	(256)	(1,968)
CSM recognised in insurance revenue (current services)	-	-	-	(1,289)	(256)	(1,545)
Change in risk adjustment	-	(85)	-	-	-	(85)
Experience adjustment	(338)	-	-	-	-	(338)
Changes that relate to future services	(2,313)	123	-	230	1,960	-
Contracts initially recognised in the year	(4,207)	153	-	-	4,054	-
Changes in assumptions that do not adjust CSM	-	-	-	-	-	-
Changes in assumptions that adjust CSM	1,894	(29)	-	230	(2,095)	-
Changes that relate to future services	16	(13)	-	-	-	3
Adjustments of liabilities for incurred claims	16	(13)	-	-	-	3
Net finance income/expenses from insurance contracts	(306)	-	-	(10)	10	(306)
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**3,686**	**-**	**-**	**-**	**-**	**3,686**
Received premium	8,216	-	-	-	-	8,216
Claims and other Insurance service expenses, including investment component	(745)	-	-	-	-	(745)
Insurance acquisition cash flows	(3,785)	-	-	-	-	(3,785)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**4,486**	**396**	**-**	**4,283**	**1,714**	**10,879**

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(a) Analysis of the movement of the liability for the remaining coverage by measurement components - insurance contracts not measured by the premium allocation approach (continued)

Life insurance 2022 restated	Estimate of the present value of future cash flows	Risk adjustment	CSM - contracts measured under the modified retrospective approach	CSM - contracts measured under the fair value approach	CSM - other contracts	Total
Net opening balance	**228,326**	**1,694**	**-**	**31,532**	**-**	**261,552**
Assets opening balance	-	-	-	-	-	-
Liabilities opening balance	228,326	1,694	-	31,532	-	261,552
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(42,447)**	**99**	**-**	**(3,267)**	**1,268**	**(44,347)**
Insurance service result	(1,753)	95	-	(3,220)	1,266	(3,613)
changes that relate to current services	714	(215)	-	(4,108)	(84)	(3,693)
CSM recognised in insurance revenue (current services)	-	-	-	(4,108)	(84)	(4,192)
Change in risk adjustment	-	(215)	-	-	-	(215)
Experience adjustment	714	-	-	-	-	714
Changes that relate to future services	(2,546)	309	-	888	1,350	1
Contracts initially recognised in the year	(1,340)	285	-	-	1,056	-
Changes in assumptions that do not adjust CSM	28	(26)	-	-	-	1
Changes in assumptions that adjust CSM	(1,234)	51	-	888	294	-
Changes that relate to future services	79	-	-	-	-	79
Adjustments of liabilities for incurred claims	79	-	-	-	-	79
Net finance income/expenses from insurance contracts	(41,910)	-	-	(129)	1	(42,038)
Effects of movements in foreign exchange rates	1,217	4	-	82	-	1,304
Total cash flows	**(11,662)**	**-**	**-**	**-**	**-**	**(11,662)**
Received premium	23,138	-	-	-	-	23,138
Claims and other Insurance service expenses, including investment component	(33,348)	-	-	-	-	(33,348)
Insurance acquisition cash flows	(1,452)	-	-	-	-	(1,452)
Net closing balance - assets	-	-	-	-	-	-
Net closing balance - liabilities	**174,218**	**1,793**	**-**	**28,265**	**1,268**	**205,543**

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(b) Analysis by measurement components of reinsurance contracts - contracts not measured under the premium allocation approach

Life insurance 2023	**Estimate of the present value of future cash flows**	**Risk adjustment**	**CSM - contracts measured under the modified retrospective approach**	**CSM - contracts measured under the fair value approach**	**CSM - other contracts**	**Total**
Net opening balance	**9,966**	**-**	**-**	**941**	**-**	**10,907**
Assets opening balance	9,966	-	-	941	-	10,907
Liabilities opening balance	-	-	-	-	-	-
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**906**	**-**	**-**	**(237)**	**-**	**668**
Result from reinsurance contracts	108	-	-	(234)	-	(126)
Changes that relate to current services	16	-	-	(142)	-	(126)
CSM recognised from reinsurance (current services)	-	-	-	(142)	-	(142)
Change in risk adjustment	-	-	-	-	-	-
Experience adjustment	16	-	-	-	-	16
Changes that relate to future services	92	-	-	(92)	-	-
Contracts initially recognised in the year	-	-	-	-	-	-
Changes in assumptions that do not adjust CSM	-	-	-	-	-	-
Changes in assumptions that adjust CSM	92	-	-	(92)	-	-
Changes that relate to future services	-	-	-	-	-	-
Adjustments of liability for incurred claims	-	-	-	-	-	-
Effects of changes in the risk of reinsurer's default	-	-	-	-	-	-
Net financial income/expenses from reinsurance contracts	798	-	-	(4)	-	794
Effects of movements in foreign exchange rates	-	-	-	-	-	-
Total cash flows	**(1,084)**	**-**	**-**	**-**	**-**	**(1,084)**
Received premium	765	-	-	-	-	765
Claims and other expenses from reinsurance contracts, including investment component	(1,850)	-	-	-	-	(1,850)
Net closing balance - assets	**9,787**	**-**	**-**	**704**	**-**	**10,491**
Net closing balance - liabilities	-	-	-	-	-	-

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(d) Analysis by measurement components of reinsurance contracts - contracts not measured under the premium allocation approach

Life insurance 2022 restated	Estimate of the present value of future cash flows	Risk adjustment	CSM - contracts measured under the modified retrospective approach	CSM - contracts measured under the fair value approach	CSM - other contracts	Total
Net opening balance	**13,870**	**-**	**-**	**1,132**	**-**	**15,002**
Assets opening balance	13,870	-	-	1,132	-	15,002
Liabilities opening balance	-	-	-	-	-	-
Total changes in the statement of comprehensive income (profit/loss and other comprehensive income)	**(2,213)**	**-**	**-**	**(191)**	**-**	**(2,404)**
Result from reinsurance contracts	113	-	-	(186)	-	(73)
Changes that relate to current services	122	-	-	(195)	-	(73)
CSM recognised from reinsurance (current services)	-	-	-	(195)	-	(195)
Change in risk adjustment	-	-	-	-	-	-
Experience adjustment	122	-	-	-	-	122
Changes that relate to future services	(9)	-	-	9	-	-
Contracts initially recognised in the year	-	-	-	-	-	-
Changes in assumptions that do not adjust CSM	-	-	-	-	-	-
Changes in assumptions that adjust CSM	(9)	-	-	9	-	-
Changes that relate to future services	-	-	-	-	-	-
Adjustments of liability for incurred claims	-	-	-	-	-	-
Effects of changes in the risk of reinsurer's default	-	-	-	-	-	0
Net financial income/expenses from reinsurance contracts	(2,363)	-	-	(5)	-	(2,368)
Effects of movements in foreign exchange rates	37	-	-	-	-	37
Total cash flows	**(1,691)**	**-**	**-**	**-**	**-**	**(1,691)**
Received premium	247	-	-	-	-	247
Claims and other expenses from reinsurance contracts, including investment component	(1,938)	-	-	-	-	(1,938)
Net closing balance - assets	**9,966**	**-**	**-**	**941**	**-**	**10,907**
Net closing balance - liabilities	-	-	-	-	-	-

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(e) Effects of insurance contracts recognised for the first time in the accounting period

The following table presents the effects on contract measurement components that are recognised for the first time in the accounting period and are not measured using the premium allocation approach:

	2023		
non-life insurance	**Profitable insurance contracts**	**Onerous insurance contracts**	**Total**
Losses recognised upon initial recognition	-	-	-
Present value of cash outflows	3,659	-	3,659
Insurance acquisition cash flows	2,372	-	2,372
Claims and other expenses	1,288	-	1,288
Present value of cash inflows	(6,954)	-	(6,954)
Risk adjustment	91	-	91
CSM	3,204	-	3,204

	2023		
life insurance	**Profitable insurance contracts**	**Onerous insurance contracts**	**Total**
Losses recognised upon initial recognition	-	-	-
Present value of cash outflows	23,722	-	23,722
Insurance acquisition cash flows	2,243	-	2,243
Claims and other expenses	21,479	-	21,479
Present value of cash inflows	(25,489)	-	(25,489)
Risk adjustment	234	-	234
CSM	1,533	-	1,533

	2022 restated		
non-life insurance	**Profitable insurance contracts**	**Onerous insurance contracts**	**Total**
Losses recognised upon initial recognition	-	-	-
Present value of cash outflows	4,767	-	4,767
Insurance acquisition cash flows	2,646	-	2,646
Claims and other expenses	2,121	-	2,121
Present value of cash inflows	(8,974)	-	(8,974)
Risk adjustment	153	-	153
CSM	4,054	-	4,054

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(e) Effects of insurance contracts recognised for the first time in the accounting period (continued)

Life insurance	2022 restated		
	Profitable insurance contracts	Onerous insurance contracts	Total
Losses recognised upon initial recognition	-	-	-
Present value of cash outflows	22,405	-	22,405
Insurance acquisition cash flows	1,846	-	1,846
Claims and other expenses	20,558	-	20,558
Present value of cash inflows	(23,825)	-	(23,825)
Risk adjustment	285	-	285
CSM	1,136	-	1,136

(f) Contractual Service Margin (CSM)

The following table shows the expected CSM release in the statement of comprehensive income. Only contracts that already exist on the calculation date are recognised, and therefore it is not possible to conclude how much of CSM will be released in future financial statements from the presentation below.

	As at 31 December 2023						
	+1 year	+2 years	+3 years	+4 years	Between +5 and +9 years	+9 years	Total
Total insurance contracts	**4,932**	**4,224**	**3,617**	**3,083**	**9,312**	**7,371**	**32,538**
Non-life insurance	1,802	1,479	1,189	930	1,644	16	7,061
Life insurance	3,130	2,744	2,427	2,153	7,668	7,354	25,477
Total reinsurance contracts	**(127)**	**(112)**	**(95)**	**(76)**	**(230)**	**(64)**	**(704)**
Non-life insurance	-	-	-	-	-	-	-
Life insurance	(127)	(112)	(95)	(76)	(230)	(64)	(704)

	As at 31 December 2022 restated						
	+1 year	+2 years	+3 years	+4 years	Between +5 and +9 years	+9 years	Total
Total insurance contracts	**5,333**	**4,573**	**3,870**	**3,264**	**10,193**	**8,296**	**35,529**
Non-life insurance	1,552	1,269	994	749	1,422	11	5,997
Life insurance	3,781	3,304	2,876	2,514	8,772	8,285	29,532
Total reinsurance contracts	**(164)**	**(144)**	**(125)**	**(105)**	**(301)**	**(102)**	**(941)**
Non-life insurance	-	-	-	-	-	-	-
Life insurance	(164)	(144)	(125)	(105)	(301)	(102)	(941)

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(g) Financial result from insurance contracts including amounts recognised in other comprehensive income

	2023		
	Non-life insurance	**Life insurance**	**Total**
Return on investments without contracts where the policyholder bears the investment risk	**3,607**	**13,561**	**17,168**
Income from interest on financial assets not measured at fair value through profit or loss	1,160	4,130	5,290
Other investment income	(193)	1,858	1,665
Net loss from impairment of financial assets	440	1,562	2,002
Amounts recognised in other comprehensive income	2,201	6,010	8,211
Return on investments in contracts where the policyholder bears the investment risk	**-**	**2,908**	**2,908**
Interest income	-	-	-
Other investment income	-	2,908	2,908
Total return on investment	**3,607**	**16,469**	**20,076**
Total net finance expenses from insurance contracts	**2,059**	**14,534**	**16,593**
Net finance expenses from insurance contracts without UL contracts	**2,059**	**11,567**	**13,626**
Changes in the fair value of investments underlying contracts with direct participation	-	-	-
Effects of risk reduction options	-	-	-
Effect of interest	549	1,090	1,639
Effects of changes in interest rates and other financial assumptions	1,510	10,477	11,987
Net exchange rate losses	0	(0)	(0)
Net finance expenses from UL insurance contracts	**-**	**2,966**	**2,966**
Changes in the fair value of investments underlying contracts with direct participation	-	3,210	3,210
Effects of UL risk reduction options	-	-	-
Effects of changes in interest rates and other financial assumptions UL	-	-	-
Net exchange rate losses UL	-	(243)	(243)
Total net finance expenses from reinsurance contracts in profit and loss, that is other comprehensive income	**(664)**	**(794)**	**(1458)**
Effect of interest	(186)	28	(158)
Other	(479)	(822)	(1,301)
Net exchange rate effects	0	0	0
Effects of changes in the risk of reinsurer's default	0	0	1
Total return on investment	**3,607**	**16,469**	**20,076**
Amount recognised in profit and loss	1,407	10,459	11,865
Amount recognised in other comprehensive income	2,201	6,010	8,211
Net finance expenses from insurance contracts - distribution in profit and loss and other comprehensive income	**2,059**	**14,534**	**16,593**
Amount recognised in profit and loss	549	4,056	4,605
Amount recognised in other comprehensive income	1,510	10,477	11,987
Net finance income from reinsurance contracts - distribution in profit and loss and other comprehensive income	**(664)**	**(794)**	**(1458)**
Amount recognised in profit and loss	(186)	28	(157)
Amount recognised in other comprehensive income	(478)	(822)	(1,301)

(All amounts are expressed in thousands of EUR)

11. INSURANCE AND REINSURANCE LIABILITIES (continued)

(g) Financial result from insurance contracts including amounts recognised in other comprehensive income

	2022 restated		
	Non-life insurance	**Life insurance**	**Total**
Return on investments without contracts where the policyholder bears the investment risk	**(7,333)**	**(31177)**	**(38510)**
Income from interest on financial assets not measured at fair value through profit or loss	978	4,310	5,288
Other investment income	(18)	1,093	1,075
Net loss from impairment of financial assets	(1,309)	(9,961)	(11,270)
Amounts recognised in other comprehensive income	(6,984)	(26,619)	(33,603)
Return on investments in contracts where the policyholder bears the investment risk	**-**	**(3,184)**	**(3,184)**
Interest income	-	-	-
Other investment income	-	(3,184)	(3,184)
Total return on investment	**(7,333)**	**(34,360)**	**(41,694)**
Total net finance expenses from insurance contracts	**5,576**	**40,734**	**46,310**
Net finance expenses from insurance contracts without UL contracts	**5,576**	**37,573**	**43,148**
Changes in the fair value of investments underlying contracts with direct participation	-	-	-
Effects of risk reduction options	-	-	-
Effect of interest	(156)	1,236	1,080
Effects of changes in interest rates and other financial assumptions	5,732	36,888	42,620
Net exchange rate losses	(0)	(551)	(551)
Net finance expenses from UL insurance contracts	**-**	**3,162**	**3,162**
Changes in the fair value of investments underlying contracts with direct participation	-	3,914	3,914
Effects of UL risk reduction options	-	-	-
Effects of changes in interest rates and other financial assumptions UL	-	-	-
Net exchange rate losses UL	-	(753)	(753)
Total net finance expenses from reinsurance contracts in profit and loss, that is other comprehensive income	**(2,128)**	**(2,331)**	**(4,459)**
Effect of interest	80	(85)	(5)
Other	(2,209)	(2,284)	(4,493)
Net exchange rate effects	-	37	37
Effects of changes in the risk of reinsurer's default	1	1	2
Total return on investment	**(7,333)**	**(34,360)**	**(41,694)**
Amount recognised in profit and loss	(349)	(7742)	(8091)
Amount recognised in other comprehensive income	(6984)	(26619)	(33603)
Net finance expenses from insurance contracts - distribution in profit and loss and other comprehensive income	**5,576**	**40,734**	**46,310**
Amount recognised in profit and loss	(156)	3,864	3,708
Amount recognised in other comprehensive income	5,732	36,870	42,602
Net finance income from reinsurance contracts - distribution in profit and loss and other comprehensive income	**(2,128)**	**(2,331)**	**(4,459)**
Amount recognised in profit and loss	80	(49)	30
Amount recognised in other comprehensive income	(2,208)	(2,282)	(4,490)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(All amounts are expressed in thousands of EUR)

(h) Maturity analysis (undiscounted cash flows)

2023	Type	1 year and less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Maturity analysis - insurance contracts	non-life insurance	18,969	6,188	4,566	3,686	3,117	19,547	56,073
	life insurance	18,843	12,017	10,272	8,710	9,140	179,142	238,124
		37,811	**18,205**	**14,838**	**12,396**	**12,257**	**198,690**	**294,197**
Maturity analysis - reinsurance contracts	non-life insurance	-	-	-	-	-	-	-
	life insurance	(1)	-	-	-	-	-	(1)
		(1)	**-**	**-**	**-**	**-**	**-**	**(1)**
Total		**37,810**	**18,205**	**14,838**	**12,396**	**12,257**	**198,690**	**294,196**

2022 restated	Type	1 year and less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Maturity analysis - insurance contracts	non-life insurance	13,876	6,057	4,606	3,737	3,224	20,801	52,301
	life insurance	23,798	11,645	12,330	10,930	9,287	176,836	244,825
		37,673	**17,702**	**16,936**	**14,667**	**12,511**	**197,637**	**297,126**
Maturity analysis - reinsurance contracts	non-life insurance	(460)	-	-	(8)	(7)	(39)	(514)
	life insurance	-	-	-	-	-	-	-
		(460)	**-**	**-**	**(8)**	**(7)**	**(39)**	**(514)**
Total		**37,213**	**17,702**	**16,936**	**14,659**	**12,504**	**197,598**	**296,612**

(i) Underlying assets f or contracts with direct participation

2023	Traditional life insurance	Insurance when the policyholder bears the risk of the investment	Total
Underlying investment (assets)	-	**26,342**	**26,342**
Fixed income funds	-	45	45
Derivative financial instruments	-	-	-
Government bonds	-	-	-
Corporate bonds	-	1,431	1,431
Equity financial instruments (shares, equity funds)	-	19,714	19,714
Participation	-	-	-
Property	-	-	-
Other (loans)	-	-	-
Cash and cash equivalents	-	1,160	1,160
Total financial liabilities	-	-	-
Structured products	-	3,992	3,992

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(g) Underlying assets for contracts with direct participation (continued)

2022 restated	**Traditional life insurance**	**Insurance when the policyholder bears the risk of the investment**	**Total**
Underlying investment (assets)	-	**25,216**	**25,216**
Fixed income funds	-	48	48
Derivative financial instruments	-	-	-
Government bonds	-	-	-
Corporate bonds	-	-	-
Equity financial instruments (shares, equity funds)	-	15,071	15,071
Participation	-	-	-
Property	-	-	-
Other (loans)	-	-	-
Cash and cash equivalents	-		
Derivative financial liabilities	-	-	-
Structured products	-	10,097	10,097

(h) Claims development

For the year ended 31 December 2023

	Prior to 2018	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of cumulative claims at the end of claim occurrence year	354,880	73,937	70,348	63,003	63,934	58,627	69,450	69,450
One year later	352,689	77,799	67,165	61,042	64,111	59,640	-	59,640
Two years later	351,537	76,938	64,997	59,578	63,459	-	-	63,459
Three years later	377,190	76,801	64,137	59,364	-	-	-	59,364
Four years later	374,352	76,808	63,542	-	-	-	-	63,542
Five years later	372,736	76,383	-	-	-	-	-	76,383
Six years later	370,587	-	-	-	-	-	-	370,587
Total estimate of provisions	**370,587**	**76,383**	**63,542**	**59,364**	**63,459**	**59,640**	**69,450**	**762,427**
Cumulative payments	(350,970)	(73,022)	(60,639)	(54,781)	(59,754)	(54,324)	(49,763)	(70,3253)
Claims handling costs	416	56	47	98	86	385	1,295	2,381
Claims provision as at 31 December 2023	**20,033**	**3,417**	**2,950**	**4,682**	**3,791**	**5,701**	**20,981**	**61,555**

(All amounts are expressed in thousands of EUR)

12 INSURANCE AND REINSURANCE LIABILITIES (continued)

(h) Claims development (continued)

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	265,524	81,369	73,937	70,347	63,003	63,934	58,627	58,627
One year later	264,394	83,394	77,799	67,165	61,042	64,111	-	64,111
Two years later	256,934	83,501	76,938	64,997	59,578	-	-	59,578
Three years later	257,333	85,882	76,801	64,137	-	-	-	64,137
Four years later	260,164	85,850	76,807	-	-	-	-	76,807
Five years later	253,021	85,508	-	-	-	-	-	85,508
Six years later	287,228	-	-	-	-	-	-	287,228
Total estimate of provisions	**287,228**	**85,508**	**76,807**	**64,137**	**59,578**	**64,111**	**58,627**	**695,996**
Cumulative payments	(267,148)	(81,804)	(72,895)	(60,388)	(53,435)	(58,025)	(44,181)	(637,876)
Claims handling costs	590	90	101	111	190	440	1,434	2,955
Claims provision as at 31 December 2022	**20,670**	**3,795**	**4,014**	**3,860**	**6,332**	**6,526**	**15,879**	**61,076**

13 Structure of investments used for statutory technical provisions of life insurance (liabilities for remaining coverage)

	2023	2022 restated
Assets used for statutory technical provisions coverage		
Government bonds	110,800	95,669
Corporate bonds	40,711	35,112
Investment funds	43,445	62,759
Structured products	3,992	10,096
Cash and deposits	9,062	5,222
Mortgages and borrowings	899	990
Property	5,325	5,264
Other investment	1,160	(-)
Total assets used for life insurance technical provisions coverage	**215,394**	**215,112**
Provision for incurred but not reported claims (LIC)	9,045	10,797
Liability for remaining coverage (LRC)	159,284	154,884
Required coverage of statutory technical provision	**168,329**	**165,681**
Excess/lack of assets used for technical provisions coverage	**47,065**	**49,431**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(k) Structure of assets investments used for statutory technical provisions of life insurance (liabilities for remaining coverage)

As at 31 December 2023 and 2022, the Company was in compliance with regulatory requirements relating to the structure and amounts of assets used for the technical provision coverage.

The following table shows the analysis of the reconciliation of assets used for statutory technical provisions coverage for life insurance with liabilities for incurred claims and liabilities for remaining coverage, according to remaining maturity:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2023					
Assets used for statutory technical provisions coverage for life insurance	87,970	42,942	39,971	44,511	215,394
Liability for incurred claims (LIC)	9,045	(-)	(-)	(-)	9,045
Liability for remaining coverage (LRC)	9,216	33,874	31,355	84,839	159,284
Maturity gap	**69,709**	**9,068**	**8,616**	**(40,328)**	**47,065**
2022 restated					
Assets used for statutory technical provisions coverage for life insurance	82,579	65,716	34,493	32,324	215,112
Liability for incurred claims (LIC)	10,797	(-)	(-)	(-)	10,797
Liability for remaining coverage (LRC)	11,499	37,064	29,444	76,878	154,884
Maturity gap	**60,283**	**28,652**	**5,049**	**(44,554)**	**49,431**

As at 31 December 2023, the structure of assets used for statutory technical provisions coverage for life insurance of the Company is as follows: 65.74% is classified as assets at fair value through other comprehensive income (2022: 60.79%), and 26.62% as assets at fair value through profit or loss(2022: 33.87%), which enables the Company to sell these assets relatively easily if necessary. The rest of the structure consists of: 0.42% loans and prepayments (2022: 0.46%), 3.26% deposits (2022: 0%), 2.47% property (2022: 2.45%) and 1.49% cash at bank (2022: 2.43%).The following table analyses financial assets used for backing the technical provisions of life insurance by relevant groupings based on the currency in which it is denominated.

	EUR	Other foreign currencies	HRK	Total
2023				
Assets used for statutory technical provisions coverage for life insurance	210,704	4,690	-	**215,394**
2022 restated				
Assets used for statutory technical provisions coverage for life insurance	193,749	9,613	11,750	**215,112**

The valuation of financial assets is set out in Note 4 – Accounting policies.

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

(I) Structure of assets investments used for statutory technical provisions coverage for non-life insurance (liabilities for remaining coverage)

	2023	2022 restated
Assets used for statutory technical provisions for non-life insurance coverage		
Government bonds	52,375	46,991
Corporate bonds	14,445	6,978
Investment funds	5,180	6,329
Cash and deposits	10,253	12,046
Mortgages and borrowings	17	17
Receivables from insurance operations	(-)	12,507
Total assets used for statutory technical provisions coverage for non-life insurance	**82,270**	**84,868**
Liability for incurred but not reported claims (LIC)	27,266	23,681
Liability for remaining coverage (LRC)	20,367	15,824
Required coverage of statutory technical provision	**47,633**	**39,505**
Excess/(deficit) of assets used for statutory technical provisions coverage	**34,637**	**45,363**

As at 31 December 2023 and 2022, the Company was in compliance with regulatory requirements relating to the structure and amounts of assets used for statutory provisions coverage for non-life insurance.

The table below analyses financial assets used for the statutory technical provision coverage by remaining maturities from the reporting date and the estimated remaining contractual maturities of statutory 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
2023					
Assets used for statutory technical provisions coverage for non-life insurance	19,393	31,631	29,514	1,732	82,270
Liability for incurred but not reported claims (LIC)	10,360	8,348	4,724	3,834	27,266
Liability for remaining coverage (LRC)	17,568	2,237	558	4	20,367
Maturity gap	**(8,535)**	**21,046**	**24,232**	**(2106)**	**34,637**
2022 restated					
Assets used for statutory technical provisions coverage for non-life insurance	40,458	14,711	29,682	17	84,868
Liability for incurred but not reported claims (LIC)	7,768	8,229	4,573	3,111	23,681
Liability for remaining coverage (LRC)	12,556	2,593	669	6	15,824
Maturity gap	**20,133**	**3,890**	**24,440**	**(3,100)**	**45,363**

(All amounts are expressed in thousands of EUR)

11 INSURANCE AND REINSURANCE LIABILITIES (continued)

As at 31 December 2023, the structure of assets used for statutory technical provisions coverage for non-life insurance of the Company is as follows: 81.22% is classified as assets at fair value through other comprehensive income (2022: 1.05%), 6.30% as assets at fair value through profit or loss (2022: 0%), which enables the Company to sell these assets relatively easily if necessary. The rest of the structure consists of: 0.02% loans and prepayments (2022: 0.02%), deposits 3.04% (2022: 6.39%) and 9.42% cash at bank (2022: 7.80%), receivables from direct insurance operations 0% (2022: 14.74%).

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

	EUR	Other foreign currencies	HRK	Total
2023				
Assets used for statutory technical provisions coverage for non-life insurance	82,270	(-)	(-)	82,270
Liability for incurred but not reported claims (LIC)	27,266	(-)	(-)	27,266
Liability for remaining coverage (LRC)	20,367	(-)	(-)	20,367
	34,637	**-**	**-**	**34,637**
2022 restated				
Assets used for statutory technical provisions coverage for non-life insurance	7,421	(-)	77,447	84,868
Liability for incurred but not reported claims (LIC)	23,681	(-)	(-)	23,681
Liability for remaining coverage (LRC)	15,824	(-)	(-)	15,824
	(32,084)	**(-)**	**77,447**	**45,363**

12 INSURANCE REVENUE

	2023		
	Non-life insurance	**Life insurance**	**Total**
Total Insurance revenue	**68,337**	**8,486**	**76,823**
Contracts not measured under the premium allocation approach	**5,111**	**8,486**	**13,597**
Amounts that relate to changes in liabilities for remaining coverage	3,863	8,183	12,046
CSM recognised in insurance revenue (current services)	1,915	3,391	5,306
Change in risk adjustment	115	213	327
Expected incurred claims and other Insurance service expenses	1,584	4,631	6,215
Experience adjustment	249	(52)	197
Release of insurance acquisition costs	1,248	303	1,551
Contracts measured under the premium allocation approach	**63,226**	**-**	**63,226**

(All amounts are expressed in thousands of EUR)

12 INSURANCE REVENUE (continued)

	2022 restated		
	Non-life insurance	**Life insurance**	**Total**
Total Insurance revenue	**56,105**	**9,668**	**65,774**
Contracts not measured under the premium allocation approach	**3,155**	**9,668**	**12,824**
Amounts that relate to changes in liabilities for remaining coverage	2,664	9,577	12,241
CSM recognised in insurance revenue (current services)	1,545	4,192	5,737
Change in risk adjustment	104	215	319
Expected incurred claims and other Insurance service expenses	1,815	5,160	6,976
Experience adjustment	(800)	10	(790)
Release of insurance acquisition costs	492	91	583
Contracts measured under the premium allocation approach	**52,950**	**-**	**52,950**

13 OTHER LIABILITIES

	2023	**2022 restated**
Other provisions		
Provisions for legal claims /iii/	312	1,495
Provisions for costs that relate to employees compensations	1,078	1,117
Other provisions	665	625
	2,055	**3,237**
Lease liabilities /ii/	**2,355**	**2,457**
Other liabilities		
Deposits retained from business ceded to reinsurance /i/	10,149	11,218
Other liabilities	6,223	2,542
Accrued expenses	1,297	1,104
	17,668	**14,864**

Al liabilities except deposits retained 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 21.3. 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 ceded to reinsurance bear a 3% fixed interest rate per annum (2022: 3% per annum).

(All amounts are expressed in thousands of EUR)

13 OTHER LIABILITIES (continued)

/ii/ Lease liabilities

	2023	2022
Mature within one year	493	499
Mature after one year	1,862	1,958
	2,355	**2,457**

During 2023, interest expense on leases in the amount of EUR 37 thousand was recognised in the statement of comprehensive income.

/iii/ As at 31 December 2023, provisions for litigation amount to EUR 312 thousand (2022: 1,495 thousand euro). Based on the estimate made by the Management Board and legal counsel, provisions were made in the total amount of EUR 78 thousand for legal claims whose outcome is assessed as unfavourable for the Company. During the year, part of the provision in the amount of EUR 1,194 thousand was reversed and EUR 67 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 2023.

Movement in provision for legal claims

	2023	2022
Opening balance as at 1 January	**1,495**	**1,262**
Increase in provision	78	352
Decrease in provision	(1,261)	(119)
Closing balance as at 31 December	**312**	**1,495**

14 CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2023, the Company's share capital amounted to EUR 8,322 thousand (2022: 8,322 thousand euro). It is divided into 76 ordinary shares with a nominal value of EUR 109 thousand per share (2022: 76 ordinary shares with a nominal value of EUR109 thousand per share).

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

(b) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of investments through other comprehensive income..

Movements in the fair value reserve were as follows:

(All amounts are expressed in thousands of EUR)

14 CAPITAL AND RESERVES (continued)

	2023	**2022 restated**
Gross fair value reserve	21,902	17,415
Deferred tax	(3,946)	(3,135)
At 1 January	**17,955**	**14,280**
Changes in fair value	8,198	(33,353)
Deferred tax on changes in fair value	(1,471)	6,004
Net realised gains from financial assets at fair value through OCI (Note 15).	13	(250)
Deferred tax on net realised gains from financial assets at fair value through OCI	(2)	45
Change in financial reserve from (re)insurance contracts	(8,763)	31,253
Effect of transition to euro		(24)
At 31 December	**15,929**	**17,955**
Gross fair value reserve	19,426	21,902
Deferred tax (Note 10)	(3,497)	(3,946)
At 31 December	**15,929**	**17,955**

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. Own funds, i.e. equity to cover the required solvency capital and the minimum required capital should be above the absolute threshold of the minimum required capital (8,000 thousand euro, or 4,000 thousand euro for insurance operations from the life insurance group and 4,000 thousand euro for insurance operations from the non-life insurance group). Own funds to cover the minimum required capital on December 31, 2023 amount to EUR 73,923, which is significantly above the minimum required capital of EUR 14,203 thousand euro.

14 CAPITAL AND RESERVES (continued)

As at 31 December 2023 and 2022, the Company's share capital amounted to EUR 8,321 thousand (EUR 3,832 thousand for life insurance and EUR 4,489 thousand for non-life insurance), and the Company meets this criterion. 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 2023, 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 2023 was 169% (2022: 167%), while the minimum required capital quota amounts to 512% (2022: 589%). The relevant information related to 2023 will be published on the Company's web site as part of the Report on Solvency and Financial Position for 2023 on April 8, 2024.

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 EUR)

15 NET INVESTMENT INCOME

	2023	2022 restated
Net result of investment in land and buildings	**501**	**689**
Gains/losses (net) from lease	414	394
Realised gains/losses (net) from property not used for own use	(-)	3
Unrealised gains/losses (net) from property not used for own use	87	292
Depreciation of land and buildings that not intended for company operations	(-)	(-)
Interest income calculated by using the effective interest rate method	**5,727**	**5,601**
- Financial assets at fair value through OCI	*5,544*	*5,549*
- Financial assets at fair value through profit or loss	*437*	*313*
- Deposits	*(320)*	*(326)*
- Loans and receivables	*66*	*65*
Other investment income	**(-)**	**(-)**
Dividend income	**1,174**	**599**
Unrealised gains/losses (net) from financial assets at fair value through profit or loss	**4,861**	**(16,375)**
- Structured securities	*239*	*(85)*
- Structured products	*1,177*	*(1,469)*
- joint investment entities	*3,445*	*(14,821)*
Realised gains/losses	**433**	**455**
Realised gains/losses (net) from financial assets at fair value through profit or loss	**446**	**205**
- Structured products	*240*	*(102)*
- entities for joint investment	*206*	*307*
Realised gains/losses (net) from financial assets at fair value through OCI	**(13)**	**250**
- Structured securities	*(13)*	*250*
Other realised gains/losses (net)	(-)	(-)
Net impairment/release of impairment of the investment	**(29)**	**159**
- Structured securities	*17*	*149*
- Loans and receivables	*(46)*	*10*
Net exchange rate differences	(184)	1,326
Other investment income	**43**	**165**
- Refund of fees from funds	*43*	*164*
- Loans and receivables	(-)	*1*
Other investment expenses	**(661)**	**(710)**
- Custodian expenses	*(102)*	*(111)*
- Programme and licence expenses	*(204)*	*(532)*
- Investment property expense	*(60)*	*(77)*
Loans expense	(-)	(-)
Other expenses	*(295)*	*10*
NET INVESTMENT RESULT	**11,865**	**(8091)**

The position Net impairment/release of impairment of investment value shows the Expected Credit Loss (ECL), i.e. the estimate of the loss on financial instruments arising from credit risk. This assessment takes into account the expected losses until the maturity of the financial instrument, taking into account the current and future economic conditions, as well as the specific characteristics of the issuer. The importance of this assessment is in properly valuing financial instruments and providing transparency regarding the risk being taken.

(All amounts are expressed in thousands of EUR)

16 INSURANCE SERVICE EXPENSES - CLAIMS

	2023	2022 restated
Insurance service expenses - claims		
Return of the premium that relates to participation in the result	(215)	(291)
Settled claims	(34,657)	(27,472)
Claims handling costs	(3,490)	(3,390)
	(38,362)	**(31,153)**
Insurance service expenses - change in liabilities for claims incurred		
Return of the premium that relates to participation in the result	160	68
Change in liability for incurred but not reported claims	(6,431)	2,224
Risk adjustment	(215)	131
Claims handling indirect costs	242	589
	(6,244)	**3,012**
Insurance service expenses - claims		
Return of the premium that relates to participation in the result	-	-
Settled claims	15,173	11,961
	15,173	**11,961**
Insurance service expenses - change in liability for claims incurred		
Change in liability for incurred but not reported claims	3,531	(1144)
Return of the premium that relates to participation in the result	25	8
Risk adjustment	132	(66)
The risk of the reinsurer's default	(18)	(2)
	3,670	**(1,203)**

As at 31 December 2023, the Company was involved in 509 (2022: 510) court cases for which EUR 12,209 thousand (2022: EUR 13,259 thousand) was provided as part of the provision for incurred claims. The Management Board believes that the related provisions are sufficient.

(All amounts are expressed in thousands of EUR)

17 ADMINISTRATION COSTS

	2023	2022 restated
Depreciation and amortisation	398	415
Staff costs	12,001	11,594
Cost of materials and services	5,604	4,119
Rental costs	1,305	1,402
Marketing and promotion	377	366
Maintenance costs	498	664
Audit costs	147	108
Other costs	1,028	1,021
Total	**21,358**	**19,689**

As at 31 December 2023, the Company had 509 employees (2022: 532).

During 2023, the Company paid EUR 2,466 thousand (2022: EUR 2,342 thousand) of pension contributions into obligatory defined contribution pension funds in respect of its employees.

18 INCOME TAX

	2023	2022 restated
Current tax expense		
Current period	(128)	(592)
Deferred tax (expense)/income		
Recognition of deferred tax assets (Note 10)	(119)	20
Restated IFRS 9/17		1,266
	(248)	**(572)**

(All amounts are expressed in thousands of EUR)

18 INCOME TAX (continued)

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

	2023	2022 restated
Accounting result before income tax	**7,131**	**(4,631)**
Income tax at 18%	(1,284)	834
Effect of non-deductible expenses	(114)	(1,918)
Effect of non-taxable income	1,269	513
Effect of deferred taxes / Restated IFRS 17	(119)	1,266
Income tax	**(248)**	**695**

As at 31 December 2023 and 31 December 2022, 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.

19 RELATED PARTY TRANSACTIONS

Sole shareholder of UNIQA osiguranje d.d. with 100% of voting rights is UNIQA Österreich Versicherungen AG, registered in the court register of the Commercial Court in Vienna under the code FN63197m, PIN:FN63197 58413684599, and based on the approval of the Croatian Financial Services Supervisory Agency for the acquisition of a qualified share in the Company from October 8, 2020 in the subject CLASS: UP/I 974-02/20-01/09. 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).

(All amounts are expressed in thousands of EUR)

19 RELATED PARTY TRANSACTIONS (continued)

Assets, liabilities, income and expenses as at and for the years ended 31 December 2023 and 2022 arising from related party transactions were as follows:

2023:	**Property**	**Liabilities**	**Income**	**Expenses**
Parent company	-	270	237	460
Other related companies within UNIQA Group	12,968	14,889	24,981	28,245
Other related companies within RZB Group	19,474	-	15,006	-
Key management personnel	-	112	-	1,610
	32,442	**15,271**	**40,224**	**30,315**
2022:				
Parent company	25	1,174	146	1,330
Other related companies within UNIQA Group	9,301	22,617	20,021	26,109
Other related companies within RZB Group	26,614	-	14,288	-
Key management personnel	-	139	-	1,826
	35,939	**23,929**	**34,455**	**29,266**

(All amounts are expressed in thousands of EUR)

19 RELATED PARTY TRANSACTIONS (continued)

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:

	2023	2022 restated
Reinsurance - assets for remaining coverage		
Reinsurance - CSM	704	941
Reinsurance - premium	2,499	3,857
Reinsurance - claims	30,522	26,727
Reinsurance – loss recovery component	16	-
Reinsurance - adjustment for counterparty default risk	(3)	(3)
Reinsurance - assets for incurred claims	**33,739**	**31,522**
Deposits retained from business ceded to reinsurance	10,149	11,218
Reinsurance - liabilities for remaining coverage		
Reinsurance - premium	-	964
Reinsurance - claims	-	(545)
Reinsurance - liabilities for incurred claims	**-**	**419**

19 RELATED PARTY TRANSACTIONS (continued)

(b) Other activities

During 2023, the collected premium in respect of insurance policies sold through distribution channels of related parties amounted to EUR 14,985 thousand). (2022: 13,942 thousand euro)

Related parties have property, motor, life and private insurance policies with the Company. The collected premium in respect of those policies amounted to 643 thousand euro. (2022:510 thousand euro)

As at 31 December 2023, the funds on the Company's bank account with related parties amounted to 9,195 thousand euro (2022: 5,548 thousand euro).

As at December 31, 2023, the Company invested 16,012 thousand euro in assets managed by a related company in open investment funds (2022: 23,181 thousand euro), 543 thousand euro in the structured product (2022: 547 thousand euro), 2,919 thousand euro in bonds (2022: 2,886 thousand euro), 653 thousand euro in deposits (2022: 5,428 thousand euro).

Relationship with key management personnel

The gross remuneration paid or payable by the Company to the key management personnel for 2023 amounted EUR 1,610 thousand including fixed salary and bonuses for 2023 (2022: 1,826 thousand euro including fixed salary and bonuses for 2022).

In 2023, the Company paid pension contributions for key management personnel in the amount of EUR 246 thousand (2022: EUR 254 thousand) into obligatory contribution pension funds.

In 2023, the Company paid the variable bonus for 2022 in the amount of EUR 145 thousand (2022: EUR 197 thousand).

20 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 refers to the uncertainty of insurance operations. The most important components of insurance risk are premium risk and provision 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 also includes catastrophe risk, which arises 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

(All amounts are expressed in thousands of EUR)

20 INSURANCE RISK MANAGEMENT (continued)

number of contract. An important aspect of the concentration of insurance risk is that it could arise from the accumulation of risks within a number of different insurance classes. Concentrations of risk can arise 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.

Insurance service expenses – claims

	2023	2022 restated
Insurance service expenses - claims		
Return of the premium that relates to participation in the result	(332)	(291)
Settled claims	(27,539)	(27,472)
Claims handling indirect costs	(2,438)	(3,390)
	(30,309)	**(31,153)**
Insurance service expenses - change in liabilities for claims incurred		
Return of the premium that relates to participation in the result	277	68
Change in liability for incurred but not reported claims	(14,063)	2,224
Risk adjustment	298	131
Claims handling indirect costs	(810)	589
	(14,297)	**3,012**
Insurance service expenses - claims		
Return of the premium that relates to participation in the result	-	-
Settled claims	15,173	11,961
	15,173	**11,961**
Insurance service expenses - change in liability for claims incurred		
Change in liability for incurred but not reported claims	3,531	(1,144)
Return of the premium that relates to participation in the result	25	8
Risk adjustment	132	(66)
The risk of the reinsurer's default	(18)	(2)
	3,670	**(1,203)**

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.

(All amounts are expressed in thousands of EUR)

20 INSURANCE RISK MANAGEMENT (continued)

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

	2023 Reinsurance coverage	**2023** Retention	**2022** Reinsurance coverage	**2022** Retention
Motor – third party liability	Unlimited	200	Unlimited	166
Fire	140,000	200	139,359	199
Motor hull insurance	500	50	465	48
Machinery breakage	50,000	200	48,311	146
Construction/assembly	50,000	200	48,311	146
Theft	140,000	200	139,359	199
Vessels	10,000	150	9,689	133
Liability	20,000	200	19,378	119
Earthquake	90,000	1,000	89,588	995
Flood	90,000	1,000	89,588	995

Life insurance

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

		Sum at risk		
Insurance product	**2023**	**%**	**2022**	**%**
Life insurance – traditional products	232,699	87.88%	254,893	89.93%
Unit-linked life insurance products	32,082	12.12%	28,557	10.07%
At 31 December	**264,781**	**100%**	**283,450**	**100%**

20 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 2023	**Total insured amount (in thousands of euro)**	
	Prior to reinsurance	
in euro		**%**
< 40,000	58,508	11.4
40,001-60,000	39,188	7.6
60,001-80,000	53,795	10.5
80,001-100,000	47,492	9.2
100,001-125,000	55,814	10.9
125,001-150,000	37,264	7.3
150,001-250,000	150,180	29.2
250,001-500,000	57,427	11.2
> 500,001	13,753	2.7
At 31 December 2023	**513,421**	**100**

Insured amount per policy as at 31 December 2022	**Total insured amount (in thousands of euro)**	
	prior to reinsurance	
in euro		**%**
< 40,000	60,077	10.8
40,001-60,000	41,308	7.4
60,001-80,000	59,726	10.7
80,001-100,000	54,623	9.8
100,001-125,000	69,428	12.5
125,001-150,000	39,836	7.1
150,001-250,000	162,032	29.1
250,001-500,000	56,044	10.1
> 500,001	14,201	2.5
At 31 December 2022	**557,275**	**100**

21 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,

21.1 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 EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Market risk (continued)

Currency risk

The Company is exposed to currency risk through foreign currency transactions. This is the risk that the value of a financial instrument will change due to changes in the exchange rate of foreign currencies. 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. Investments for the purpose of backing the technical provision are mainly EUR denominated, since the provision is also EUR denominated,

The Company's financial assets and liabilities within the scope of IFRS 9 as at 31 December 2023 and 31 December 2022 are denominated in the following currencies:

2023	EUR	Other foreign currencies	Total
Financial assets			
Financial assets at amortised cost			
Deposits with credit institutions	10,162		10,162
Loans	1,051		1,051
Other	3	1,157	1,160
Financial assets at fair value through other comprehensive income			
Debt securities	223,530		223,530
Financial assets at fair value through profit or loss			
Debt securities	9,906		9,906
Mixed funds	906		906
Bond funds	25,333		25,333
Equity funds	23,392		23,392
Alternative funds			-
Structured products	717	3,905	4,622
Other assets			-
Other receivables	5,355	15	5,370
Cash and cash equivalents	12,984		12,984
Total financial assets	**313,339**	**5,077**	**318,416**
Financial liabilities			
Liabilities from financial lease	2,355		2,355
Other liabilities	17,668	15	17,683
Total financial liabilities	**20,023**	**15**	**20,038**
Currency gap between financial assets and liabilities	**293,316**	**5,062**	**298,378**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Market risk (continued)

2022 restated	**EUR**	**HRK**	**Other foreign currencies**	**Total**
Financial assets				
Financial assets at amortised cost				
Deposits with credit institutions	621	5,428		6,049
Loans	1,168	33		1,201
Other				-
Financial assets at fair value through other comprehensive income				
Debt securities	136,646	55,920		192,566
Financial assets at fair value through profit or loss				
Debt securities	6,559			6,559
Mixed funds	833			833
Bond funds	17,724			17,724
Equity funds	19,958			19,958
Alternative funds	31,396			31,396
Structured products	203	547	10,574	11,324
Other assets				
Other receivables	1,889	1,820		3,710
Cash and cash equivalents	1,283	12,639	211	14,133
Total financial assets	**218,281**	**76,387**	**10,785**	**305,453**
Financial liabilities				
Liabilities from financial lease	621	1,809		2,457
Other liabilities	12,092	2,772		14,864
Total financial liabilities	**12,713**	**4,581**	**-**	**17,321**
Currency gap between financial assets and liabilities	**205,568**	**71,806**	**10,785**	**288,132**

21.2 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.

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 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.

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.

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 or as fair value through other comprehensive income, 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 fair value through other comprehensive income, that is in profit or loss for assets classified as fair value through profit or loss.

The tables below present the Company's financial assets and liabilities within the scope of IFRS 9 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 2023 and 2022, which are not necessarily indicative of the position in another period. However, considering the interest rate assumptions, which are the basis for the statutory technical provision calculation, these estimates present a certain sensitivity of the Company's profit to changes in interest rates. Profit will also be affected by the currency structure of assets, liabilities and capital.

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 Interest rate risk (continued)

2023	Effective interest rate	Up to 6 months	6-12 months	1-5 years	More than 5 years	Interest-free	Total
Financial assets							
Financial assets at amortised cost							
Deposits with credit institutions	3.57%	9,509	653				10,162
Loans	5.66%	44	99	675	228	5	1,051
Other		1,160					1,160
Financial assets at fair value through other comprehensive income							-
Debt securities	2.81%	5,098	27,505	77,898	113,029		223,530
Financial assets at fair value through profit or loss							-
Debt securities	2.74%				9,906		9,906
Mixed funds						906	906
Bond funds						25,333	25,333
Equity funds						23,392	23,392
Alternative funds							-
Structured products			542	2,818	1,262		4,622
Other assets							-
Other receivables						5,370	5,370
Cash and cash equivalents		12,984					12,984
Total financial assets		**28,795**	**28,799**	**81,391**	**124,425**	**55,006**	**318,416**
Financial liabilities							
Liabilities from financial lease	1.42%	247	246	1,862	-		**2,355**
Other liabilities		318	482	4,731	4,618	7,534	**17,683**
Total financial liabilities		**564**	**728**	**6,594**	**4,618**	**7,534**	**20,038**
Interest rate gap between financial assets and liabilities		**28,230**	**28,071**	**74,797**	**119,807**	**47,472**	**298,378**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 Interest rate risk (continued)

2022 restated	**Effective interest rate**	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Interest-free**	**Total**
Financial assets							
Financial assets at amortised cost							
Deposits with credit institutions	0.83%		621	5,428			6,049
Loans	5.62%	68	50	795	284	4	1,201
Other							
Financial assets at fair value through other comprehensive income							
Debt securities	2.50%	1,345	16,733	74,841	99,647		192,566
Financial assets at fair value through profit or loss							
Debt securities					6,559		6,559
Mixed funds						833	833
Bond funds						17,724	17,724
Equity funds						19,958	19,958
Alternative funds						31,396	31,396
Structured products		6,909		3,196	1,219		11,324
Other assets							
Other receivables						3,710	3,710
Cash and cash equivalents		14,133					14,133
Total financial assets		**22,455**	**17,404**	**84,260**	**107,709**	**73,625**	**305,453**
Financial liabilities							
Liabilities from financial lease	1.42%	238	234	1,850	108		2,457
Other liabilities		892	892	4,044	5,391	3,646	14,864
Total financial liabilities		**1,129**	**1,125**	**5,894**	**5,499**	**3,646**	**17,321**
Interest rate gap between financial assets and liabilities		**21,325**	**16,279**	**78,366**	**102,210**	**69,979**	**288,132**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.2 Interest rate 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 estimates that an increase/decrease in the fair value of investments in investment funds classified as assets at fair value through profit or loss by 10% (2022: 10%), in comparison to the one reported, with all other variables held constant, would result in a loss/gain recognised in profit or loss in the amount of EUR 4,963 thousand (2022: EUR 6,991 thousand).

21.3 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.

The movement of expected credit losses (Expected Credit Loss, ECL) on financial instruments arising from credit risk is shown below:

Expected credit losses (ECL)	**Stage 1**	**Stage 2**
At 1 January 2022	(195)	(5)
Change in the stage in 2022	144	5
Transfer to Stage 1 in 2022	(0.1)	(-)
At 31 December 2022	(51)	(-)
Change in the stage in 2023	17	(-)
At 31 December 2023	(34)	(-)

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:

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

Exposure to state

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

	2023	2022 restated
Government bonds of the Republic of Croatia	67,897	77,672
Accrued interest on government bonds	1,120	1,129
Total	**69,017**	**78,801**

The total exposure to the Republic of Croatia credit risk represents 18.5% of the Company's total assets (2022:. 19.5%).

Exposure to large corporate entities and banks

At 31 December 2023, the exposure to large corporate entities comprising debt securities and accrued interest on debt securities amounted to EUR 55,184 thousand (2022: EUR 42,090 thousand). The credit rating of the issuer of debt securities comprising 82% (2022: 84%) of the total exposure to corporate entities is A, A-, A+, AA, BBB, BBB-, BBB+ (S&P).

As at 31 December 2023, the exposure to financial institutions comprising deposits with banks amounts to EUR 11,322 thousand (2022: EUR 6,050 thousand). The credit rating of financial institutions that make 56% (2022: 100%) of the total exposure to financial institutions is A- and BBB (Fitch), and Baa2 (Moodys).

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	**2023**	**2022**
A and AA	21,269	20,425
BBB	5	6
Other or without rating	1,293	423
	22,567	**20,854**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

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

	Debt securities	Loans	Bank deposits	Other financial assets	Other receivables	Cash and cash equivalents	Total
2023							
Neither past due nor impaired	233,436	1,013	10,162	1,160	5,370	12,984	264,125
Past due but not impaired		38					38
Not past due but impaired		29					29
Past due but impaired		432			153		585
Impairment provision		(461)			(153)		(614)
	233,436	**1,051**	**10,162**	**1,160**	**5,370**	**12,984**	**264,163**
2022 restated							
Neither past due nor impaired	199,125	1,164	6,049		3,710	14,133	224,181
Past due but not impaired		37					37
Not past due but impaired		-					-
Past due but impaired		406			153		559
Impairment provision		(406)			(153)		(559)
	199,125	**1,201**	**6,049**	**-**	**3,710**	**14,133**	**224,218**

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 EUR 2,404 thousand (2022: EUR 2,546 thousand) does not differ significantly from their fair values, as valuations were performed by independent valuation experts.

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.3 Credit risk (continued)

The ageing analysis of past due but not impaired balances on loans is presented as follows:

	2023	2022
Less than 30 year	10	10
31 - 180 days	17	23
181 - 365 days	7	3
Over 365 days	4	1
	38	**37**

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.

21.4 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 IFRS 9 as at 31 December 2023 and 31 December 2022 by groups based on the remaining contractual maturity and the estimated remaining contractual maturities of insurance provisions(statutory technical 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 EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Liquidity risk (continued)

2023	Up to 6 months	6-12 months	1-5 years	More than 5 years	Total
Financial assets					
Financial assets at amortised cost					
Deposits with credit institutions	9,509	653			10,162
Loans	49	99	675	228	1,051
Other	1,160				1,160
Financial assets at fair value through other comprehensive income					
Debt securities	5,098	27,505	77,898	113,029	223,530
Financial assets at fair value through profit or loss					
Debt securities				9,906	9,906
Mixed funds	906				906
Bond funds	25,333				25,333
Equity funds	23,392				23,392
Alternative funds					(-)
Structured products		542	2,818	1,262	4,622
Other assets					(-)
Other receivables	5,370				5,370
Cash and cash equivalents	12,984				12,984
Total financial assets	**83,801**	**28,799**	**81,391**	**124,425**	**318,416**
Financial liabilities					
Liabilities from financial lease	247	246	1,862		2,355
Other liabilities	7,852	482	4,731	4,618	17,683
Total financial liabilities	**8,099**	**728**	**6,594**	**4,618**	**20,038**
Maturity gap between financial assets and liabilities	**75,702**	**28,071**	**74,797**	**119,807**	**298,378**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 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:

2023	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 5 years**	**Total**
Lease liabilities	556	1,972	-	-	**2,528**

Financial liabilities are stated in the amount of contracted future discounted cash flows:

2023	**Up to 1 year**	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 5 years**	**Total**
Lease liabilities	247	246	1,862	-	**2,355**

Net debt reconciliation:

2023	**Cash and cash equivalents**	**Lease liabilities**	**Net debt**
1.1. 2023.	14,134	(2,457)	11,677
Cash flow	(1,150)		(1,150)
Expenses arising from lease liabilities		555	555
Increases arising from new agreements		(472)	(472)
Termination of agreements		55	55
Interest expense		(37)	(37)
31 December 2023	**12,984**	**(2,355)**	**10,629**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Liquidity risk (continued)

2022 restated	**Up to 6 months**	**6-12 months**	**1-5 years**	**More than 5 years**	**Total**
Financial assets					
Financial assets at amortised cost					
Deposits with credit institutions		621	5,428		6,049
Loans	72	50	795	284	1,201
Other					(-)
Financial assets at fair value through other comprehensive income					
Debt securities	1,345	16,733	74,841	99,647	192,566
Financial assets at fair value through profit or loss					
Debt securities				6,559	6,559
Mixed funds	833				833
Bond funds	17,724				17,724
Equity funds	19,958				19,958
Alternative funds	31,396				31,396
Structured products	6,909		3,196	1,219	11,324
Other assets					(-)
Other receivables	3,710				3,710
Cash and cash equivalents	14,133				14,133
Total financial assets	**96,080**	**17,404**	**84,260**	**107,709**	**305,453**
Financial liabilities					
Liabilities from financial lease	238	234	1,850	108	2,457
Other liabilities	4,538	892	4,044	5,391	14,864
Total financial liabilities	**4,776**	**1,125**	**5,894**	**5,499**	**17,321**
Maturity gap between financial assets and liabilities	**91,304**	**16,279**	**78,366**	**102,210**	**288,132**

(All amounts are expressed in thousands of EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Liquidity risk (continued)

Future undiscounted cash flows from lease agreements are as follows:

2022 restated	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 5 years	Total
Lease liabilities	505	1,913	132	-	**2,550**

Financial liabilities are stated in the amount of contracted future discounted cash flows

2022 restated	Up to 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 5 years	Total
Lease liabilities	265	234	1,850	108	**2,457**

Net debt reconciliation:

2022 restated	Cash and cash equivalents	Lease liabilities	Net debt
1 January 2022	**5,244**	**(2013)**	**3,232**
Cash flow	8,890		8,890
Expenses arising from lease liabilities		527	527
Increases arising from new agreements		(1,006)	(1,006)
Termination of agreements		66	66
Interest expense		(32)	(32)
31 December 2022	**14,134**	**(2,457)**	**11,677**

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Fair value

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 financial assets at fair value through other comprehensive income are measured at fair value. Loans and receivables, other receivables and all financial liabilities are measured at amortised cost less impairment. 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 EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Fair value (continued)

The following table presents the Company's assets and liabilities that are measured at fair value as at 31 December 2023 and 2022 according to the hierarchical levels:

2023

	Level 1	Level 2	Level 3	Total
Property				**(-)**
Investments of land and buildings not intended for company operations			6,183	**6,183**
Financial assets at fair value through other comprehensive income				**(-)**
Debt securities	220,611	2,919		**223,530**
Financial assets at fair value through profit or loss				**(-)**
Debt securities	9,906			**9,906**
Mixed funds	906			**906**
Bond funds	25,333			**25,333**
Equity funds	23,392			**23,392**
Alternative funds	(-)			**(-)**
Structured products	4,448		174	**4,622**
Total assets	**284,596**	**2,919**	**6,357**	**293,872**

2022 restated

	Level 1	Level 2	Level 3	Total
Property				**(-)**
Investments of land and buildings not intended for company operations			6,096	**6,096**
Financial assets at fair value through other comprehensive income				**(-)**
Debt securities	185,971	6,595		**192,566**
Financial assets at fair value through profit or loss				**(-)**
Debt securities	6,559			**6,559**
Mixed funds	833			**833**
Bond funds	17,724			**17,724**
Equity funds	19,958			**19,958**
Alternative funds	31,396			**31,396**
Structured products	11,121		203	**11,324**
Total assets	**273,562**	**6,595**	**6,299**	**286,456**

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

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Fair value (continued)

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 at fair value through other comprehensive income.

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 2023, level 2 assets amounted to EUR 2,919 thousand (2022: EUR 6,595 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 2023 and 31 December 2022. 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 EUR)

21 FINANCIAL RISK MANAGEMENT (continued)

21.4 Fair value (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 2023	Range of unobservable inputs in 2022
2023	2022				
6,183	6,096	Income approach	Discount rate	6.0% - 9.0%	6.0% - 9.0%
			Average rent price per m2	6.20 - 12.70 EUR/m2	6.00 – 12.50 EUR/m2
		Comparison approach	Average sales price per m2	284.62 – 1,020.11 EUR/m2	284.76 – 989.27 EUR/m2
		Cost method	Construction cost per m2	(-)	(-)

A significant increase/(decrease) in the average price per 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.

22 EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia ("Official Gazette" no. 57/22, 88/22), the Company carried out an adjustment of the Company's share capital. By decision of the General Assembly dated November 23, 2023, the Company's share capital was recalculated from the amount of HRK 62,700,000.00 to the amount of EUR 8,321,696.00 and divided into 76 shares with a nominal amount of EUR 109,496.00. The conversion of share capital was registered in the court register on February 20, 2024 due to the large number of requests for registration of capital change.