ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2022

EUROHERC

CONTENTS

ANNUAL BUSINESS REPORT
FOR THE YEAR 2022

ZAGREB, April 2023

(1) MAIN COMPANY DATA

EUROHERC osiguranje d.d. (hereinafter: EUROHERC or the Company) was established in 1992 in Makarska, as the first insurance company based on the private capital of Croatian citizens. Since its establishment, the company has recorded high growth rates of premium income, so that in terms of portfolio size, in 1998 it took the second position in the non-life insurance market, which it still holds successfully today. For such a fast and sustainable development of a newly established company, it was necessary to meet a number of assumptions, from the selection of professionals and their motivation, going public and entering the market with a recognizable personality, to opening a network of branches throughout the market. In 2000, EUROHERC changed the headquarters of the Company from Makarska to Zagreb, and the following year, 2001, it moved to a newly built facility at Ulica grada Vukovara 282, where it still operates today.

According to the size of premium income, EUROHERC is currently one of the leading Croatian insurance companies. In 2021, with a premium income of HRK 1,482 million, it took second place in the ranking of companies. In the non-life insurance market, the Company holds a solid second position, while in motor third party liability insurance the Company holds the first place in the Croatian insurance market.

The Company is registered for performing business activities with regard to the following types of non-life insurance:

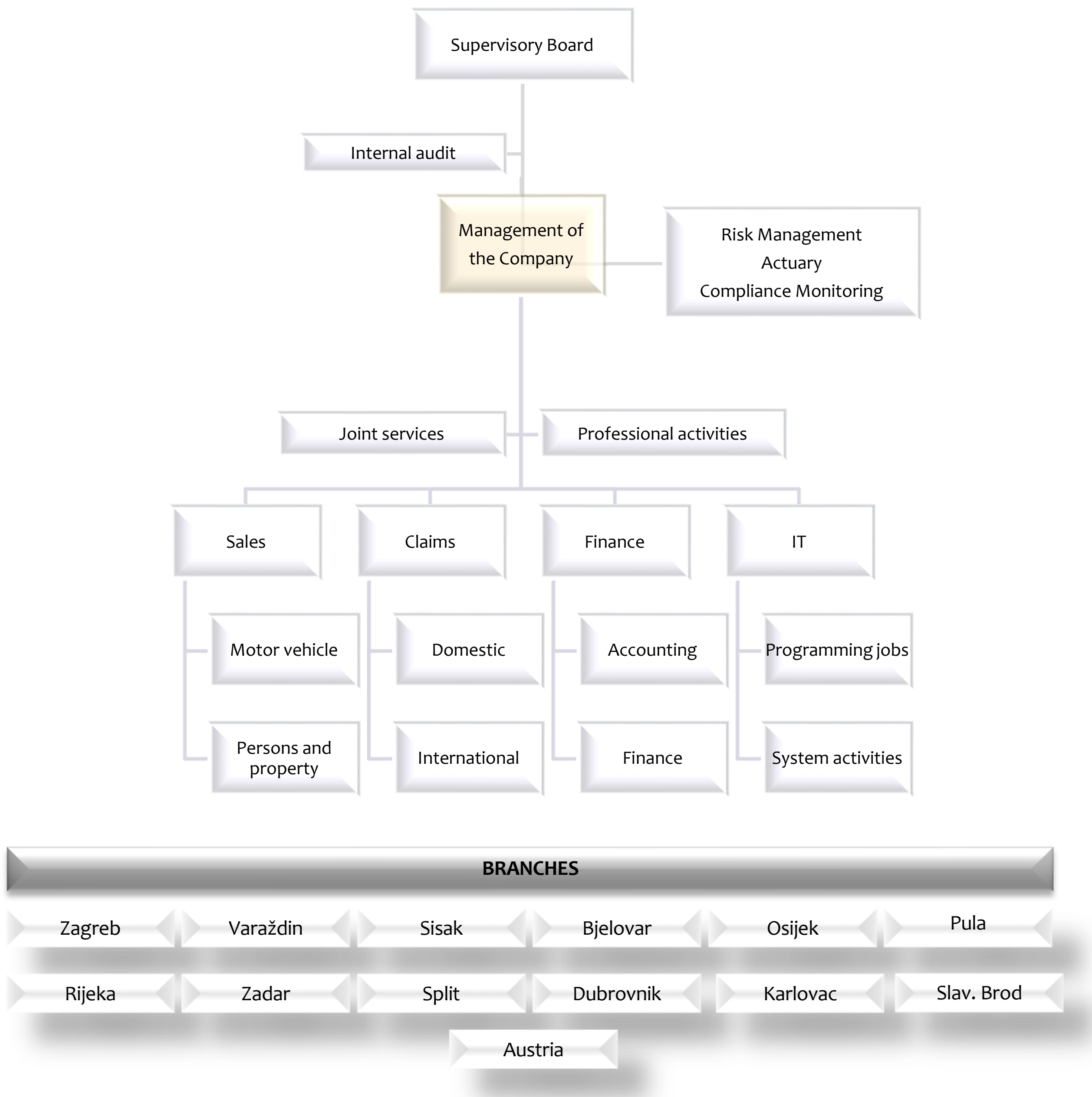
- 01 Accident Insurance
- 02 Health Insurance
- 03 Road Vehicle Insurance
- 04 Railroad Vehicle Insurance
- 05 Aircraft Insurance
- 06 Vessel Insurance
- 07 Goods in Transit Insurance
- 08 Fire and Special Perils Insurance
- 09 Other Property Insurance
- 10 Motor Vehicle Liability Insurance
- 11 Aircraft Liability Insurance
- 12 Vessel Liability Insurance
- 13 Other Liability Insurance
- 14 Loan Insurance
- 15 Guarantee Insurance
- 16 Financial Losses Insurance
- 17 Legal Protection Insurance
- 18 Travel Insurance

The equity of the Company amounts to HRK 61,002,000 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total. The share structure of EUROHERC is dispersed into several smaller shares, which, along with other shareholders, are held by the middle and senior management of the Company, thus achieving a high level of work motivation of management and professional staff.

(2) ORGANISATION STRUCTURE

EUROHERC osiguranje d.d. has a mixed organisation structure which is a combination of production, functional, territorial and project organisation units. The Company's organisation structure is a combination of the aforementioned components, and all of them, due to the complexity of the Company's business activity, work together to achieve the desired results.

The Company operates through branches, which are established in a certain area, i.e. within a local market. At the same time, they operate as profit centres.



In addition to the geographical division, the Company is vertically subdivided into four sectors, based on basic functions or groups of business activities: Sales, Claims, Finance and IT.

Each of the sectors is headed by the director of the sector, and for certain professional groups of affairs in the sector, the directors are subordinated to the executive directors of the sector. The structure of each sector along the organizational vertical extends through all levels of the Company from the level of the Directorate to each of the branches of the Company. In territorial terms, EUROHERC is organized into 15 branches run by branch directors. Because the branches are organized according to the same, sectoral division, each branch has an appropriate sector director or head of department. The branches are economic and profit centers, and the headquarters of the branches are located in: Zagreb, Split, Rijeka, Osijek, Varaždin, Čakovec, Sisak, Karlovac, Zadar, Bjelovar, Dubrovnik, Pula, Slavonski Brod, Velika Gorica and Vienna - Republic of Austria. The branch network is complemented by dealerships and sales outlets that spread throughout Croatia and the Republic of Austria. In this way, fast and efficient communication with the users of our services and the presence of EUROHERC on the entire Croatian and Austrian market is ensured. At the end of the summer of 2020, the Company expanded its operations to the territory of the Italian Republic.

As at 31 December 2022, the Company had 1,183 employees, of which 1,074 were employed in the Republic of Croatia and 109 in the Republic of Austria.

MANAGEMENT AND SUPERVISORY BOARD OF THE COMPANY (April 2023)

The Management Board:

President:	ŽELJKO KORDIĆ
Members:	DARINKO IVKOVIĆ, TOMISLAV ČIZMIĆ, TOMISLAV ABRAMOVIĆ

THE SUPERVISORY BOARD of the Company:

President:	DR. SC. MLADENKA GRGIĆ
Members:	ZLATKO LEROTA, RADOSLAV PAVLOVIĆ, GRGO DODIG, PROF. DR. SC. ZVONIMIR SLAKOPER

(3) FINANCIAL RESULTS

Characteristics od reporting periods: (I) significant growth of premium income and expansion into the market of the Italian Republic, (II) increase in capital by making a profit in the business year, (III) connection of companies in AGRAM Group according to the HANFA Decision.

In 2022, the Company generated HRK 1,599 million of revenue, of which HRK 1,537 million relates to gross written premium (96%). The Company's expenses amounted to HRK 1,468 of which 49,6% relates to expenses for insured cases. The Company's profit amounts to HRK 131 million.

Table 1. – Income Statement				*thousands*
DESCRIPTION	**2021.**	**2022.**	**Difference**	**Indeks**
	Non life	**Non life**	**2022. – 2021.**	
Earned premium (income)	1.377.057	1.454.110	77.053	105,60
Investment income	90.016	98.893	8.877	109,86
All other income	44.586	45.141	555	101,24
Claims incurred, net	-654.792	-727.902	-73.110	111,17
Premium refunds - bonuses and discounts	-2.192	1.857	4.049	-84,72
Operating expenses	-545.085	-558.837	-13.752	102,52
Investments costs	-63.072	-63.477	-405	100,64
All other costs	-94.666	-89.613	5.053	94,66
Profit before tax	154.045	158.314	4.269	102,77
Profit after tax	127.123	130.946	3.823	103,01
TOTAL REVENUE	*1.512.877*	*1.598.792*	85.915	105,68
TOTAL EXPENDITURE	*-1.385.754*	*-1.467.846*	-82.092	105,92
Source: EUROHERC				

As of 31 December 2022, a total premium (direct insurance premium and co-insurance premium) in the amount of HRK 1,537 million was contracted, which is HRK 54,5 million or 3,7% more than in the previous business year.

In mid-2017, the company expanded its operations to the territory of the Republic of Austria, where in 2022 it achieved a gross written premium in the amount of EUR 27,6 million. During 2020, the Company started operating in the market of the Italian Republic and contracted gross premiums in the amount of EUR 17,2 million.

The table shows the gross premium written by markets in which the Company operates. Data are expressed in thousands of kunas:

Table 2. – Gross written premium by markets - thousands						
EUROHERC	**Gross written premium**				**Changes 2022 / 2021**	
	2019.	**2020.**	**2021.**	**2022.**	**Amount**	**%**
Ukupno	1.278.989 kn	1.341.591 kn	1.482.142 kn	1.536.610 kn	54.468 kn	104%
Tržište RH	1.032.946 kn	1.071.208 kn	1.144.987 kn	1.199.281 kn	54.294 kn	105%
Tržište AT	246.043 kn	258.753 kn	272.053 kn	207.930 kn	-64.123 kn	76%
Tržšte IT	0 kn	11.639 kn	65.102 kn	129.399 kn	64.297 kn	199%

Source: EUROHERC

According to the total gross written premium written, the Company ranks second in the Republic of Croatia. The Company's share in the non-life insurance premium amounts to 15,63, while the share in the total gross insurance premium achieved in 2022 is 12,12%.

In the structure of the Company's premium income, the largest part of 55% refers to AO - motor third party liability insurance, followed by AK - road vehicle insurance - hull with 21% share and fire and other property insurance with 9% share.

In the structure of the Company's premium income realized in the Republic of Austria, liability insurance for the use of motor vehicles is also dominant with a participation of 67% or HRK 140 million. Road vehicle insurance - comprehensive insurance participates with 26%.

Table 3. – Overview of gross written premium – by types of insurance (thousands kuna)

LoB	TYPES OF INSURANCE / YEAR	EUROHERC	HR	AT	IT	EUROHERC	HR	AT	IT
		2021.	**2021.**	**2021.**	**2021.**	**2022.**	**2022.**	**2022.**	**2022.**
10	Liability insurance for the use of MV	792.055	550.535	178.088	63.432	839.848	574.205	140.117	125.527
3	Road Vehicle Insurance	306.531	236.385	69.316	830	324.401	268.383	54.546	1472
1	Accident Insurance	112.718	107.298	5.265	154	116.592	111.537	4.351	704
08+09	Fire and Special Perils Insurance + Other Property Insurance	127.089	112.212	14.878	0	133.803	128.674	5.129	0
13	Other Liability Insurance	83.549	81.925	1.624	0	50.034	48.786	1.248	0
OTHER		60.200	56.633	2.882	685	71.931	67.696	2.539	1696
TOTAL	**(non-life types 01 - 18)**	**1.482.142**	**1.144.987**	**272.053**	**65.102**	**1.536.610**	**1.199.281**	**207.930**	**129.399**

Source: EUROHERC

In 2022, expenditures for incurred claims net amounted to HRK 728 million, whereby 241.983 claims were settled and HRK 721 million was set aside for payments for settled claims.

Table 4: Overview of settled claims, gross - by type of insurance (thousands kuna)

LoB	TYPES OF INSURANCE / YEAR	EUROHERC	HR	AT	IT	EUROHERC	HR	AT	IT
		2021.	**2021.**	**2021.**	**2021.**	**2022.**	**2022.**	**2022.**	**2022.**
10	Liability insurance for the use of MV	396.625	219.022	159.113	18489	422.698	255.469	134.556	32.673
3	Road Vehicle Insurance	162.852	105.671	57.094	86	178.292	123.314	53.773	1205
1	Accident Insurance	6.690	6.689	1	0	6.218	6.218	0	0
08+09	Fire and Special Perils Insurance + Other Property Insurance	56.249	45.277	10.972	0	53.149	48.715	4.435	0
13	Other Liability Insurance	21.472	21.324	148	0	36.717	36.541	176	0
OTHER		21.031	18.990	1.580	461	24.032	21.994	923	1115
TOTAL	**(non-life types 01 - 18)**	**664.919**	**416.974**	**228.909**	**19036**	**721.107**	**492.251**	**193.863**	**34.993**

Source: EUROHERC

Table 5: Number of claims in the period 2020 - 2022								
LoB	**TYPES OF INSURANCE / YEAR**	**Number of claims**						
		unresolved	**registered**	**resolved in the year**		**unresolved**	**in litigation**
		on 1. 1.	**in a year**	**liquidation**	**removed**	**on 31. 12.**	**on 1. 1.**
10	Liability Ins. for the use of MV	8.712	36.121	29.327	4.782	10.724	2.793
3	Road Vehicle Insurance	9.364	25.821	21.100	4.370	9.715	88
1	Accident Insurance	379	2.211	1.865	351	374	42
08+09	Fire and Special Perils Ins. + Other Property Insurance	1.884	7.682	6.037	1613	1916	31
	OTHER	1906	184.928	183.654	1.952	1.228	316
	TOTAL 2022.	**22.245**	**256.763**	**241.983**	**13.068**	**23.957**	**3.270**
	TOTAL 2021.	**19.093**	**242.521**	**228.111**	**11.258**	**22.245**	**3.110**
	TOTAL 2020.	**22.698**	**225.973**	**217.968**	**11.610**	**19.093**	**2.846**
	Source: EUROHERC						

The increase in the number of reported damages is the result of taking on a larger number of risks. Despite the larger number of reported claims, the Company records a significantly smaller number of court cases, which contributes to the overall better efficiency in the processing of claims because the processing of court claims takes longer and is burdened with additional costs and high interest rates.

Capital management

In 2022, as in previous years, the Company operated with high capital adequacy ratios. The Company's available capital as at 31 December 2022 amounts to HRK 2.164 million, which is 243% more than the required solvency capital amounting to HRK 890 million or 930% more than the minimum required capital amounting to HRK 233 million.

Table 6: Capital requirement based on a standard formula - in thousands of HRK				
POSITION	**2019.**	**2020.**	**2021.**	**2022.**
Assets	3.529.727	3.891.590	4.001.477	4.135.254
Technical provisions and other liabilities	1.931.799	1.966.377	1.914.766	1.834.671
Available capital (own funds)	1.597.928	1.925.213	2.046.711	2.164.636
Solvency Capital Requirement (SCR)	760.834	1.014.567	1.073.146	890.264
Excess own funds (Free surplus)	837.094	910.646	973.564	1.274.372
Solvency Capital Requirement Coverage (SCR)	**210%**	**190%**	**191%**	**243%**
Minimum Capital Requirement (MCR)	210.030	253.642	268.287	232.781
Minimum Capital Requirement Coverage (MCR)	**761%**	**759%**	**763%**	**930%**

Source: EUROHERC

In the risk profile of the Company, the most significant are market risk and non-life insurance risk.

Table 7: Basic required solvency capital in thousands of HRK				
DESCRIPTION	**2019.**	**2020.**	**2021.**	**2022.**
Market Risk	672.002	1.000.598	1.054.802	794.033
Counterparty Default Risk	59.824	94.211	99.335	101.605
Health underwriting risk	30.598	30.519	30.889	31.627
Non life underwriting risk	390.930	372.560	399.179	420.658
Diversification	-261.746	-299.917	-318.043	-307.242
Basic Solvency Capital Requirement	**891.609**	**1.197.971**	**1.266.162**	**1.040.681**
Source: EUROHERC				

Within market risk, the most significant are the risk of changes in real estate prices and the risk of market concentration. The table shows the amounts in thousands of HRK:

Table 8: Market risk (thousands of HRK)				
O P I S	**2019.**	**2020.**	**2021.**	**2022.**
Concentration Risk	260.536	827.733	875.179	439.092
Property Risk	328.936	342.104	344.412	354.591
Equity Risk	234.331	179.734	204.910	286.650
Spread Risk	107.093	88.813	90.709	88.388
Currency Risk	49.492	34.044	35.358	0
Interest rate Risk	29.513	19.537	10.215	12.594
SCRmkt Diversification	-337.899	-491.367	-505.981	-387.283
Market Risk	**672.002**	**1.000.598**	**1.054.802**	**794.033**

Source: EUROHERC

Based on the Decision of the Croatian Financial Services Supervisory Agency number CLASS: UP / I 974-08 / 17-01 / 07 REGISTRATION NUMBER: 326-01-660-662-17-47 dated 15 December 2017, the Company is connected to the group societies. Solvency and financial condition calculations for the Company were performed on the basis of the Decision in accordance with the provisions of the Insurance Act and other regulations applicable to related companies.

(4) ADDITIONAL INFORMATION

The Croatian economy grew at high rates in the first half of 2022, but such a trend stopped in the third quarter when, according to seasonally adjusted data, a drop in economic activity of 0.5 percent compared to the previous quarter was recorded. Although economic activity was expected to stagnate in the fourth quarter, the first estimate of gross domestic product for the last quarter of 2022 shows a slight increase in activity compared to the previous quarter, thanks to which the real annual growth rate in 2022 reached a high 6.3 percent. At the same time, this growth rate primarily reflects favorable trends in the first half of the year. The real growth rate in Croatia in 2022 thus significantly exceeded the average growth rate in the European Union, which was 3.5 percent as well as in the euro area, and was among the highest in the European Union.

In 2022, apart from the uncertainties related to the war in Ukraine, the major economic challenge was accelerating consumer price inflation.

In Croatia, the price growth in 2022 in the first quarter coincided with the average price growth in the European Union and was mainly influenced by circumstances operating at the global level, with certain European specificities.

Imported inflationary pressures in that period mostly stemmed from disruptions in supply chains and high prices of energy and other raw materials, which increased further after the beginning of Russian aggression against Ukraine.

After that, inflationary pressures strengthened in Croatia, supported by strong demand for tourism-related services, and local companies, in conditions of still relatively high purchasing power, managed to pass on the higher costs of raw materials and energy to customers. The peak of the price increase was reached in November 2022, when the annual inflation rate measured by the harmonized index of consumer prices was 13.1%, after which it started to slow down slightly, reaching 12.5% in January 2023, and 11.7% in February 2023, according to Eurostat's first estimate.

Assessment of the impact on risk – In relation to the types of insurance that the Company emphasizes in its operations and that make up the majority of the Company's portfolio (compulsory automobile liability insurance and comprehensive motor vehicle insurance), despite a possible reduced premium income, no negative impact on the technical result is expected.

Assessment of the impact on investment activities - the end of 2022 and the beginning of 2023 in Croatia were marked by two events with potentially strong favorable economic effects - entry into the Schengen area and entry into the euro area. Even before the introduction of the euro, the decision of the Council of the European Union from July 2022 on the entry of the Republic of Croatia into the euro area had positive effects. After its adoption, three important international rating agencies (Moody's, Fitch and Standard & Poor's) raised the credit rating of the long-term debt of the Republic of Croatia, whereby Moody's raised the rating by two levels, which included the credit rating of the Republic of Croatia in the investment category.

The analysis of the yield trend on the bonds of the Republic of Croatia conducted by the Croatian National Bank showed that after the decision of the Council of the EU, the trend of the yield on the bonds of Croatia began to differ from the trend of the yield on the bonds of comparable countries, whereby the yield on Croatian bonds decreased by an average of 60 basis points compared to the bonds of these comparable countries.

(5) STRATEGIC GOALS OF THE COMPANY

The Company's strategic goals remain to increase market share, continuously strengthen the sales infrastructure, maintain a dispersed investment portfolio structure, actively and efficiently process claims, develop its own IT infrastructure and IT solutions, achieve positive financial results, quality collection of insurance claims, conservative investment policy and actively risk management.

The Company plans to grow total own funds, maintain profitability while continuously retaining part of the operating profit in the Company's retained earnings and investing in types of assets that do not affect the disproportionate growth of capital requirements in relation to the existing portfolio. The Company anticipates that market risks will continue to dominate, especially within market risk the risk of concentration and the risk of changes in real estate prices. The share of the risk of changes in equity prices will increase. The projected growth in premium income leads to a slight increase in non-life insurance risk.

When making business decisions, the Company's Management Board takes into account the Company's anticipatory risk assessment. If the results of an anticipatory risk assessment lead to the conclusion that the Company's appetite for risk is not sustainable, the Company's Management Board makes an adjustment aimed at achieving the required level of capital requirement for solvency within a reasonable time. In order for the risk management system to be effective, the Company develops a culture of risk management at all levels of management and among all employees.

(6) LIABILITIES TO THE SUPERVISORY BOARD

In the course of 2022, the Management Board of the Company submitted regular quarterly written reports to the Supervisory Board on all issues relevant for the operations and management of the Company, in accordance with the Company’s Statute, the Insurance Act and the Companies Act.
The reports submitted to the Supervisory Board were drawn up diligently, and are truthful and complete.
The Management Board of the Company accepted all of the recommendations, observations and suggestions of the Supervisory Board and used them so as to manage the Company’s business in the best possible manner and in the interest of the Company’s shareholders, while completely complying with the laws and other regulations that refer to the Company’s business activity.

(7) CONCLUSION

Despite its strong market competition, the Croatian private equity company EUROHERC osiguranje d.d. became the second largest company in the non-life insurance market and continues to holds its position as such. The Company regularly settles its liabilities to the owners, employees and state. Throughout the 26 years of its operation, it has always complied with the highest professional standards. The Company, depending on its capacity, participates in socially responsible and humanitarian activities. The Company established its own business infrastructure, system of branches and sales network through which it today offers a series of new, innovative products.

The Company made a significant business step forward in the Austrian insurance market, and in the fourth quarter of 2020 it expanded its operations to the territory of the Italian Republic, which speaks of the perspective and potential for further development of the Company outside the Republic of Croatia.

The Company’s long-term task is to improve all services and employee’s work, in particular the sales market in compliance with professional standards, good economic practices and specifics that are inherent to the insurance market.

EUROHERC advocates an active approach, efficiency and lawfulness when it comes to liquidating claims. The Company still forms part of a small group of insurance companies with the highest efficiency in claims settlement procedures.

The Management Board will continue implementing a conservative investment policy, in order to ensure high liquidity and investment safety.

The Management Board has set a concrete goal, and it plans to maintain the current market position of the Company in the following years, with the share in the overall and the non-life insurance market constantly increasing. Furthermore, the Company plans to strengthen its position as a leader in the mandatory Motor Vehicle Insurance market, and to maintain its leading position in the sales of innovative products, i.e. products voluntarily added to the mandatory Motor Third Party Liability Insurance.

Furthermore, the Company will make its top priority to maintain its high efficiency when it comes to handling and liquidating claims at a level of 75-80%. It is, therefore, implied that the Company will operate rationally and generate income in the following years, while further increasing the Company's equity, which will guarantee its safe and stable operation.

Zagreb, 31. March 2023

MANAGEMENT OF THE COMPANY

Željko Kordić,
President of the Management Board

Darinko Ivković,
Member of the Management Board

Tomislav Čizmić,
Member of the Management Board

Tomislav Abramović,
Member of the Management

II. Financial Statements for the year 2022

C O N T E N T S

III. Responsibility of the Management Board

Pursuant to the Accounting Act of the Republic of Croatia, Management of the Company is responsible for ensuring that the annual consolidated and non-consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, to give a truthful and objective review of the financial position of the Group and Company, as well as their results of business operations for the given period.

After conducting the appropriate research, the Management Board expects that the Company and the Group will have adequate resources in the foreseeable future, and therefore continues to adopt the principle of indefinite operation in preparing the financial statements.
In preparing these financial statements, the Management Board of the Company is responsible for:

- selecting and consistently applying suitable accounting policies;
- giving reasonable and prudent judgements and evaluations;
- applying valid accountancy standards and releasing and explaining in the financial statements any material departures and
- drawing up the financial statements on the going concern basis unless such an assumption is not appropriate.

The Management Board is responsible for keeping proper accounting records, which shall at any time reflect with reasonable accuracy the financial position and the results of operations of the Company and the Group and their compliance with the Accounting Act. It is also responsible for safeguarding the assets of the Company and the Group, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
EUROHERC osiguranje d.d. Ulica grada Vukovara 282, 10000 Zagreb, Hrvatska

Signed on behalf of and for the Management Board:

Željko Kordić
President of the Management Board

Darinko Ivković
Member of the Management Board

Tomislav Čizmić
Member of the Management Board

Tomislav Abramović
Member of the Management Board

31. March 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Euroherc osiguranje d.d., Zagreb

Audit report on separate and consolidated annual financial statements

(Translation - the Croatian text is authoritative)

Opinion

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

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, established by the European Union (the "IFRS"), .

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those which were, in our professional judgment, of the utmost importance for our audit of the separate and consolidated annual financial statements of the current period and include most significant recognized risks of significant misstatement as a result of error or fraud with the greatest impact on our audit strategy, the allocation of our available resources and the time spent by the engaged audit team. We have dealt with these matters in the context of our audit of the annual financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

We have determined that the following matters were key audit matters which should be published in our Independent Auditor's report.

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

Registrirano kod Trgovačkog suda u Zagrebu pod brojem 080044149
OIB 76394522236

Key Audit Matters (continued)

Investment property valuation	
As of 31 December 2022, investments in property in the consolidated financial statements amount to HRK 978,525 thousand and represent 24% of the Group's total assets, and at the Company level HRK 946,377 thousand and represent 23% of total assets.	
Key audit matters	**How we addressed the key audit issue**
The Group and the Company use the fair value model when subsequently measuring investment property. During subsequent measurements, gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Assessments are conducted annually, in line with the IAS 40: Investment Property. In order to assess the investment property value, an independent assessor made a study of the complete portfolio owned by the Group and the Company. Investment property value assessments depend on certain key assumptions, level of rentals on the market, capitalisation rate and the property market value. We focused on this area due to the existence of significant estimation uncertainty, with the fact of a significant impact on the financial statements of the Company and the Group. The assessment of the value of the Group's property portfolio is subjective due to, inter alia, the individual nature of each property, its location and the expected future rental income of each property. **Related disclosures accompanying the annual financial statements** For additional information, see Note 3 (Significant Accounting Policies), Note 4 (Critical Accounting Judgments and Key Sources of Estimation Uncertainty) and Note 17 (Investment Property).	*Audit procedures* Our audit procedures related to this area included: • verification of the approach and valuation methodologies used for each property in accordance with professional valuation standards and appropriate regulations for property valuation; • an assessment of the qualifications and expertise of independent appraisers to determine whether there were any circumstances that could have affected their objectivity or that may have limited the scope of their work; • checking on a sample basis whether the information specific to certain properties provided by the Group to appraisers is contained in the Group's records of those properties; • checking, on the basis of a sample consisting of the largest properties in the portfolio and those properties where the assumptions used have changed significantly compared to the previous year, the appropriateness of the procedures performed and the acceptability of the assumptions used taking into account available and comparable market evidence; • considering the adequacy of management's estimates in terms of significant developments in valuations; • review of the accuracy and completeness of information published in the financial statements in connection with the publication of additional information on property valuation.

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Impairment of loans granted</th></tr>
<tr><td colspan="2">As of 31 December 2022, gross loans to other companies in the consolidated and separate financial statements amounted to 676,099 thousand, and related provisions for impairment to HRK 31,299 thousand (31 December 2021: gross loans to other companies: HRK 765,375 thousand, provisions for impairment: HRK 35,280 thousand).</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit matters</th></tr>
<tr><td>The loan portfolio consists mostly of companies from the insurance industry and companies that own vehicle technical inspection stations. Loans are measured at amortized cost using the effective interest method, less any impairment losses. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

In accordance with International Accounting Standard 39 - Financial Instruments: Recognition and Measurement, the Group and the Company have general provisions for the entire portfolio of loans granted and individual provisions for loans granted to other companies.

The loan portfolio holds of large individual loans, which then requires the Group and the Company to supervise the debtor’s ability to pay the loan and the need to assess future cash flows based on the business operations of individual debtors and collaterals, for example, property.

We focused on this area, as the Management Board makes complex and subjective judgments about the timing of recognition of impairment, as well as the assessment of the amount of such impairment primarily related to the assessment of future free cash flows of borrowers, borrowers' business prospects and valuation of collateral on loans.

Related disclosures accompanying the annual financial statements

For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates) and Note 19 (Loans and Receivables).</td><td>Audit procedures

Our audit procedures related to this area included:

• understanding policy, processes and key controls related to the approval, recording and monitoring of loans;
• checking the accuracy of the data in the accounting records for individual loans granted, based on a sample;
• an assessment of the process related to the identification of impairment events and indications of impairment;
• assess the reasonableness of the key assumptions used in judging the amount of impairment required, as well as the consistency of the assumptions used;
• an assessment of the Company's Management Board's expectations about future cash flows, valuation of collateral, expected collection capacity and other sources of repayment, based on a sample of loans for which there were no repayments;
• we have reviewed the amount of the provision required calculated based on expected future cash flows for loans secured by the collateral of the property, taking into account the fair value of the property;
• for unsecured loans, based on a sample, we checked the debtor's free cash flow for loan repayment purposes;
• we considered the possibility that impairment could be affected by events that were not covered by management's assessment;
• reviewing the accuracy and completeness of the information disclosed in the financial statements in terms of comprehensibility.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Valuation of illiquid financial instruments</th></tr>
<tr><td colspan="2">As of 31 December 2022, 13 % (HRK 532,638 thousand or HRK 543,510 thousand) of total assets of the Group and the Company stated at fair value were classified as Level 3, they were valued by methods in which determining prices for assets and liabilities for the calculation of which non-public inputs were used. Level 3 financial instruments predominantly comprise unquoted and quoted shares, but without significant trading.</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit issue</th></tr>
<tr><td>Valuation of equity securities that are not actively traded in the markets used valuation models and techniques primarily based on market inputs based on market method concepts.

Illiquid financial instruments are valued on the basis of discounted cash flow analysis or a comparative approach where peer groups are used to calculate multipliers. The assessment of the fair value of non-listed shares uses certain assumptions that are not supported by actual market prices or rates.

We focused on this area due to the size and importance of valuation of financial instruments of the Group and the Company, especially shares of joint stock companies and companies not listed on the active market, as well as the complexity of assessment, adequacy of input data used by the Company when valuing financial instruments.

Related disclosures accompanying the annual financial statements

For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates), Note 18 (Financial Assets Available-for-Sale) and Note 34 (Financial Instruments and Risk Management).</td><td>Audit procedures

Our audit procedures related to this area included:

• we checked the appropriateness of the valuation methodologies used in accordance with the requirements of International Financial Reporting Standard 13 - fair value measurement;
• reviewing accounting estimates from previous periods and considering consistency in accounting estimates in the current period, as well as in the method for its creation in relation to the previous period;
• testing the accuracy, completeness and relevance of the data on which the fair value estimate is based, and whether the estimate was correctly determined using those data and assumptions;
• considering the sources, relevance and reliability of external data and information used in estimating fair value;
• recalculating the valuation and reviewing information on the fair value estimate of the share;
• assessing the reasonableness and critically reviewing the assumptions used by management in estimating fair value, and whether the assumptions adequately reflect observable market assumptions;
• assessing the adequacy of disclosures related to fair value and exposure to financial risks in the financial statements and whether the Company and the Group are properly disclosed, in accordance with relevant financial reporting standards;

• we assessed the fair value hierarchy policy with the requirements of International Financial Reporting Standard 13 - fair value measurement.</td></tr>
</table>

Key Audit Matters (continued)

Valuation of technical provisions	
As of 31 December 2022, technical provisions amounted to HRK 1,735,079 thousand which represents 79% of the total liabilities of the Company and the Group (31 December 2021: HRK 1,693,174 thousand, 77% of total liabilities).	
Key audit matters	**How we addressed the key audit matters**
Provisions from insurance contracts represent individually the most significant liability of the Company and the Group in the statement of financial position. The Group's and the Company's technical provisions, which include provisions for reported but unpaid claims and provisions for unexpired risks, reflect the uncertainty that is an integral part of the insurance industry. The valuation of technical provisions involves significant judgment regarding uncertain future outcomes and complex mathematical and statistical calculations. In the case of provisions for reported but unpaid claims, the Claims Department determines the amount of the provision after processing all available information. Claims data are aggregated and observed at the collective level to determine the total amount of losses that will be incurred for all policies by type of insurance. Claims reserve models take into account experience, claims development, market conditions, as well as assumptions that are sensitive to legal, economic and various other uncertainties in order to estimate losses. The provision for unexpired risks is calculated taking into account the recorded premiums, the nature of the risk and generally accepted valuation methods. Management reviews claims and premiums, input assumptions for models, and is responsible for appointing a certified independent actuary tasked with reviewing estimated reserves to ensure they are adequate. We focused on this area based on the significance of insurance provisions and the degree of assessment related to key estimates and assumptions. **Related disclosures accompanying the annual financial statements** For additional information, see Note 3 (Accountancy Policies), Note 4 (Critical Accounting Judgments and Key Sources of Uncertainty of Estimates), Note 28 (Technical Provisions) and Note 35 (Insurance Risk a Management).	*Audit procedures* We used the work of actuarial experts in performing our audit procedures which included: • assessment of actuarial judgments used in the models, as well as compliance of methodologies applied by the Company and the Group in calculating reserves in accordance with relevant regulatory and reporting requirements, • an assessment of the consistency of the application of the methodology during the reporting period compared to previous years; • checking the input data for the calculation of technical provisions, as well as the model in terms of correctness and completeness of the calculation of reserves; • analysis and critical review of reserve calculations that are most susceptible to uncertainty and that are largest in terms of amounts; • confirmation of the validity of the testing of the adequacy of liabilities by the Management Board, which is a key test conducted to verify whether the liabilities are adequate compared to future contractual obligations; Furthermore, we reviewed the information disclosed in the financial statements of the Group and the Company to assess their adequacy in terms of the comprehensibility of the transaction itself to the users of the financial statements.

Other information

Management is responsible for the other information. The other information comprises Annual Report, whose integral part is the Management report but does not include separate and consolidated annual financial statements and our Independent auditor's report on them.

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

In relation with our audit of the separate and consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated annual financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated.
As regards the Rules of Procedure, we also implemented the procedures required by the Croatian Law on Accounting („the Accounting law"). These procedures include checking whether the Management Report is prepared in accordance with Article 21 of the Accounting Law.

Based on the performed procedures, to the extent that we are able to assess, we report that:

1. the information in the attached Managament Report aligned, in all significant respects, with the attached financial statements;
2. attached is the Management Report compiled in accordance with Article 21 of the Accounting Act.

Based on the knowledge and understanding of the Company and the Group and their environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information. In this sense, we do not have anything to report.

Responsibilities of Management and those charged with Governance for the Annual Financial Statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the IFRS and for such internal controls as the Management determines necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those appointed for supervision are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a higher 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 made based on these annual financial statements.

Auditor’s Responsibility for the Audit of the Annual Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the annual 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Make conclusion 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 auditor’s report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence in connection with the financial information of the entities or activities performed within the Group to express our opinion on these consolidated financial statements. We are responsible for directing, overseeing and performing the group audit. We remain solely responsible for our audit opinion.

We communicate with those responsible for 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 give a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding independence and that we will communicate with them on all relationships and other issues that can reasonably be considered to affect our independence as well as, where applicable, about related protections.

Among the matters we are communicating with those responsible for governance, we determine those matters that are of utmost importance in revising the current financial statements for the current period and are therefore the key audit matters. We describe these matters in our independent auditor’s report unless the law or regulations prevents public disclosure or when, in exceptionally rare circumstances, we decide that the matter should not be reported in our independent auditor’s report as it can reasonably be expected that the negative effects of the announcement will surpass the welfare of public interest in such disclosure.

Report on other legal requirements

On 30 July 2022, we were appointed as auditors to conduct an audit of the separate and consolidated annual financial statements for 2022, by the General Assembly of the Company.

On the date of this Report, we are continuously engaged only to perform the Company's statutory audit, from the audit of the Company's annual separate and consolidated financial statements for 2019 to the audit of the Company's annual separate and consolidated financial statements for 2022, which totals four years.

In the audit of the separate and consolidated annual financial statements of the Company for 2022, we have determined materiality levels for the annual financial statements as a whole, as follows:

- for separate annual financial statements: HRK 20 million
- for consolidated annual financial statements: HRK 20 million

which represents approximately 1.5% of the gross premium of the Company or the Group for 2022.

We chose the gross premium as the benchmark because, in our view, it is the benchmark against which the performance of Company is commonly measured by users and is a generally acceptable benchmark.

Our audit opinion is consistent with the additional report for the Auditing Board of Company, prepared in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

During the period between the initial date of the audited separate and consolidated annual financial statements of the Company for the year 2022 and in the business year prior to the aforementioned period, we did not provide Company with prohibited non-assurance services, and did not provide services to designing and implementing internal control or risk managements and/or control of financial information or design and implementation of technological systems for financial information, and we have maintained independence in relation to Company during the performance of the audit.

Pursuant to the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (NN 37/16, 36/18, 50/19, 98/20 “Regulation”) the Company’s Management prepared forms presented on pages from 122 to 127, and include a statement of comprehensive income, statement of financial position, statement in changes in equity and reserves, statement of cash flows and notes on compliance. These forms and the corresponding adjustments are the responsibility of the Management Board and do not form an integral part of the financial statements presented on pages 25 to 121 but are prescribed by the Ordinance.

The partner engaged in the audit of the Company’s and Group annual financial statements for the year 2022 resulting in this Independent auditor's report is Angelina Nižić, certified auditor.

In Zagreb, 28 April 2023

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

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

Hrvoje Stipić, Chairman of the Board

Angelina Nižić, Certified Auditor

(all amounts in thousands of HRK)

Earned premium	Notes	Group 2022	Company 2022	Group 2021	Company 2021
Written gross premium and premium written for co-insurance	5	1,536,610	1,536,610	1,482,142	1,482,142
Value adjustment and paid premium value adjustment	5	(5,474)	(5,474)	(5,885)	(5,885)
Outward reinsurance and co-insurance gross premiums	5	(40,676)	(40,676)	(35,241)	(35,241)
Net written premium		**1,490,460**	**1,490,460**	**1,441,016**	**1,441,016**
Changes in gross unearned premium provisions	5	(36,371)	(36,371)	(63,711)	(63,711)
Changes in gross unearned premium provisions, reinsurance and co-insurance share	5	21	21	(248)	(248)
Net earned premiums	*5*	***1,454,110***	***1,454,110***	***1,377,057***	***1,377,057***
Fee and commission income	6	3,614	3,614	2,767	2,767
Investment income	7	81,870	83,070	76,607	78,565
Other operating income	8	45,989	41,527	46,385	41,819
Net income		**1,585,583**	**1,582,321**	**1,502,816**	**1,500,208**
Liquidated claims		(721,106)	(721,106)	(664,919)	(664,919)
Liquidated claims, reinsurance share		8,653	8,653	7,474	7,474
Changes in provisions for claims outstanding		(7,391)	(7,391)	1,865	1,865
Return of premium (bonuses and rebates), net of reinsurance		1,856	1,856	(2,192)	(2,192)
Changes in provisions for claims outstanding, reinsurance share		(8,058)	(8,058)	788	788
Claims incurred	9	**(726,046)**	**(726,046)**	**(656,984)**	**(656,984)**
Acquisition costs	10	(380,854)	(380,351)	(360,014)	(359,587)
Administrative costs	11	(178,487)	(178,487)	(185,498)	(185,498)
Investment costs	7	(48,229)	(47,653)	(52,197)	(51,620)
Other operating expenses	12	(91,470)	(91,470)	(92,473)	(92,473)
Profit before tax		**160,497**	**158,314**	**155,650**	**154,046**
Income tax	13	(27,708)	(27,368)	(27,283)	(26,923)
Profit after tax		**132,789**	**130,946**	**128,367**	**127,123**

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

(all amounts in thousands of HRK)

	Notes	Group 2022	Company 2022	Group 2021	Company 2021
Items that will not be reclassified in the Statement of Profit or Loss					
Net income from revaluation reserves by property and equipment		12,216	12,216	11,641	11,641
Items that can subsequently reclassified in the Statement of Profit of Loss					
Net change in the fair value of available-for-sale securities		(19,202)	(28,176)	(2,645)	(2,645)
Net amount transferred to profit or loss		2,180	2,180	(71)	(71)
Total other comprehensive income / (loss)		**(4,806)**	**(13,780)**	***8,925***	***8,925***
Total comprehensive income		**127,982**	**117,166**	**137,292**	**136,048**
Profit after tax attributable to:					
- Company's owners		131,486	130,946	127,318	127,123
- owners of non-controlling interests		1,303	**-**	1,049	**-**
		132,789	**130,946**	**128,367**	**127,123**
Total comprehensive income attributable to:					
- Company's owners		123,819	117,166	136,243	136,048
- owners of non-controlling interests		4,164	-	1,049	-
		127,983	**117,166**	**137,292**	**136,048**
Earnings per share (in HRK)		**435,36**	**429,32**	**420,86**	**416,78**

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

(all amounts in thousands of HRK)

	Notes	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Assets					
Non-current assets					
Goodwill	14	4,307	-	4,307	-
Intangible assets	15	4,142	4,142	5,603	5,603
Property and equipment	16	496,336	495,879	496,846	496,324
Investment property	17	978,525	946,377	942,771	910,047
Financial assets available for sale	18	812,901	823,773	807,550	831,845
Loans and receivables	19	537,966	537,966	640,640	640,640
Bank deposits	20	9,878	9,878	39,515	39,515
Guarantee deposits for lease contracts		8,075	8,075	9,681	9,681
Other receivables	22	40,360	40,360	58,808	58,808
		2,892,490	**2,866,450**	**3,005,721**	**2,992,463**
Current assets					
Loans and receivables	19	106,834	106,834	89,455	89,455
Bank deposits	20	248,965	248,965	113,737	113,737
Premium receivables	21	374,957	374,957	430,825	430,825
Reinsurance share in technical provisions	28	20,771	20,771	28,808	28,808
Credit, cards and check receivables		39,359	39,359	38,066	38,066
Other receivables	22	91,389	90,224	101,769	101,570
Prepaid expenses		46,730	46,730	42,888	42,888
Cash at bank and in hand	23	277,248	277,160	180,400	178,445
		1,206,253	**1,205,000**	**1,025,948**	**1,023,794**
Total assets		**4,098,743**	**4,071,450**	**4,031,669**	**4,016,257**

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

(all amounts in thousands of HRK)

	Notes	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Capital and liabilities					
Equity and reserves					
Share capital	24	61,002	61,002	61,002	61,002
Revaluation reserves for securities available-for-sale	25	34,364	27,899	54,247	53,895
Revaluation reserves for property	26	354,625	354,625	347,845	347,845
Legal reserves	27	172,585	172,585	172,585	172,585
Retained earnings		1,257,363	1,259,112	1,171,073	1,173,362
		1,879,939	**1,875,223**	**1,806,752**	**1,808,689**
To owners of non-controlling interests		15,296	-	12,180	-
Total Equity		**1,895,235**	**1,875,223**	**1,818,932**	**1,808,689**
Technical provisions					
Unearned premiums, gross	28	820,140	820,140	783,769	783,769
Outstanding claims, gross	28	914,939	914,939	909,405	909,405
		1,735,079	**1,735,079**	**1,693,174**	**1,693,174**
Non-current liabilities					
Deferred tax-liabilities	13	84,432	77,415	86,135	81,088
Long-term loans	29	100,040	100,040	120,569	120,569
		184,472	**177,455**	**206,704**	**201,657**
Current liabilities					
Short-term loans	29	21,536	21,536	26,016	26,016
Liabilities from direct insurance	30	42,167	42,167	36,855	36,855
Liabilities from reinsurance		7,310	7,310	6,843	6,843
Current tax liability	31	4,475	4,475	911	911
Other liabilities	31	208,469	208,205	242,234	242,112
		283,957	**283,693**	**312,859**	**312,737**
Total equity and liabilities		**4,098,743**	**4,071,450**	**4,031,669**	**4,016,257**

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

(all amounts in thousands of HRK)

GROUP

	Share capital	Revaluation reserves at fair value available for sale	Revaluation reserves by property and equipment	Legal reserves	Retained earnings	Equity owner shares	To owners of non-controlling interests	Total
Balance at 1 January 2021	**61,002**	**56,963**	**341,335**	**172,585**	**1,093,830**	**1,725,715**	**12,089**	**1,737,804**
Revaluation, net	-	(2,645)	11,641	-	-	8,996	-	8,996
Net amount transferred to profit or loss	-	(71)	-	-	-	(71)	-	(71)
Profit after tax	-	-	-	-	127,318	127,318	1,049	128,367
Total comprehensive income	**-**	**(2,716)**	**11,641**	**-**	**127,318**	**136,243**	**1,049**	**137,292**
Depreciation	-	-	(5,131)	-	5,131	-	-	-
Dividend payment	-	-	-	-	(55,206)	(55,206)	(958)	(56,164)
Balance at 31 December 2021	**61,002**	**54,247**	**347,845**	**172,585**	**1,171,073**	**1,806,752**	**12,180**	**1,818,932**
Revaluation, net	-	(22,063)	12,216	-	-	(9,847)	2,861	(6,986)
Net amount transferred to profit or loss	-	2,180	-	-	-	2,180	-	2,180
Profit after tax	-	-	-	-	131,486	131,486	1,303	132,789
Total comprehensive income	**-**	**(19,883)**	**12,216**	**-**	**131,486**	**123,819**	**4,164**	**127,983**
Depreciation	-	-	(5,436)	-	5,436	-	-	-
Dividend payment	-	-	-	-	(50,632)	(50,632)	(1,048)	(51,680)
Balance at 31 December 2022	**61,002**	**34,364**	**354,625**	**172,585**	**1,257,363**	**1,879,939**	**15,296**	**1,895,235**

(all amounts in thousands of HRK)

COMPANY

	Share capital	Revaluation reserves at fair value available for sale	Revaluation reserves by property and equipment	Legal reserves	Retained earnings	Total
Balance at 1 January 2021	**61,002**	**56,611**	**341,335**	**172,585**	**1,096,314**	**1,727,847**
Revaluation, net	-	(2,645)	11,641	-	-	8,996
Net amount transferred to profit or loss	-	(71)	-	-	-	(71)
Profit after tax	-	-	-	-	*127,123*	*127,123*
Total comprehensive income	**-**	**(2,716)**	**11,641**	**-**	**127,123**	**136,048**
Depreciation	-	-	(5,131)	-	5,131	-
Dividend payment	**-**	**-**	**-**	**-**	**(55,206)**	**(55,206)**
Balance at 31 December 2021	**61,002**	**53,895**	**347,845**	**172,585**	**1,173,362**	**1,808,689**
Revaluation, net	-	(28,176)	12,216	-	-	(15,960)
Net amount transferred to profit or loss	-	2,180	-	-	-	2,180
Profit after tax	-	-	-	-	*130,946*	130,946
Total comprehensive income	**-**	**(25,996)**	**12,216**	**-**	**130,946**	**117,166**
Depreciation	-	-	(5,436)	-	5,436	-
Dividend payment	-	-	-	-	(50,632)	(50,632)
Balance at 31 December 2022	**61,002**	**27,899**	**354,625**	**172,585**	**1,259,112**	**1,875,223**

The notes below form an integral part of these financial statement.

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES	**Group 2022**	**Company 2022**	**Group 2021**	**Company 2021**
Cash flow before the change in assets and liabilities				
Profit before tax	**160,497**	**158,314**	**155,650**	**154,046**
Adjustments:				
Depreciation of property and equipment	31,224	31,224	34,822	34,822
Amortization of intangible assets	1,515	1,515	1,521	1,521
Investment income	(48,121)	(49,321)	(44,862)	(46,820)
Interest expense	4,941	4,941	7,069	7,069
Loss on sale of financial assets	2,745	2,745	26	26
Gains from fair valuation of investment property	(14,934)	(15,510)	(9,582)	(10,159)
Other investment costs	1,493	1,493	1,415	1,415
Change in technical provisions	41,905	41,905	64,039	64,039
Change in the share of reinsurance in technical provisions	8,037	8,037	(541)	(541)
Changes in assets and liabilities:				
Income tax	(24,802)	(24,452)	(29,804)	(29,804)
Dividend receipt	14,158	15,358	10,351	12,309
Interest paid	(4,941)	(4,941)	(7,069)	(7,069)
Interest receipts	31,023	31,023	30,243	30,243
(Increase) / decrease in investments available-for-sale	(26,882)	(24,403)	(386)	(387)
(Increase) / decrease in deposits, loans and receivables	(32,703)	(32,703)	(10,314)	(10,314)
Increase in receivables and other assets	73,555	74,340	50,036	49,426
Increase in other liabilities	(10,606)	(10,757)	6,120	6,482
CASH FLOW FROM OPERATING ACTIVITIES	**208,104**	**208,808**	**258,734**	**256,304**

(all amounts in thousands of HRK)

CASH FLOW FROM OPERATING ACTIVITIES (continued)	Group 2022	Company 2022	Group 2021	Company 2021
Expenditures for the purchase of real estate and equipment	(7,190)	(7,074)	(8,151)	(8,001)
Expenditures for acquisition of intangible assets	(55)	(55)	(667)	(667)
CASH FLOW FROM INVESTING ACTIVITIES	**(7,245)**	**(7,129)**	**(8,818)**	**(8,668)**
Receipts from loans received	-	-	100,000	100,000
Repayment of received loans	(22,283)	(22,283)	(181,231)	(181,231)
Cash outflows for rent	(12,678)	(12,678)	(13,298)	(13,298)
Cash outflows for dividend payment	(69,050)	(68,003)	(34,776)	(33,818)
CASH FLOW FROM FINANCIAL ACTIVITIES	**(104,011)**	**(102,964)**	**(129,305)**	**(128,347)**
Net increase / (decrease) in cash and cash equivalents	**96,848**	**98,715**	**120,611**	**119,289**
Cash and cash equivalents at the beginning of the year	**180,400**	**178,445**	**59,789**	**59,156**
Cash and cash equivalents at the end of the year	**277,248**	**277,160**	**180,400**	**178,445**

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

1. GENERAL DATA

Euroherc osiguranje d.d., (hereinafter: “the Company”) and its subsidiary (together “the Group”) were established in October 1992 in Makarska. Since 2000, the address of the registered office of the Company is Ulica grada Vukovara 282, Zagreb.

On 30 June 2017, the Company bought a 68.12% share in the Company MTT d.o.o. for 25.9 million HRK.

The Group provides non-life insurance services and specialises in Motor Vehicle Insurance. The Group provides services through 15 subsidiaries. The Croatian Financial Services Supervisory Agency (HANFA) regulates the business operations of the Company.

As at 31 December 2022, the Company had 1,183 employees, which is 38 less than a year earlier.

Management and Supervisory Board

Management Board
Željko Kordić, President of the Management Board
Darinko Ivković, Member of the Management Board
Tomislav Čizmić, Member of the Management Board
Tomislav Abramović, Member of the Management Board
Vjeran Zadro, Member of the Management Board until 1 February 2023

Supervisory Board
Mladenka Grgić, President of the Supervisory Board
Grgo Dodig, Deputy Chairman of the Supervisory Board
Zlatko Lerota, Member of the Supervisory Board
Radoslav Pavlović, Member of the Supervisory Board
Zvonimir Slakoper, Member of the Supervisory Board

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

Financial statements comprise consolidated and non-consolidated financial statements of the Company and are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Basis of preparation

Financial statements are prepared in accordance with the historical cost principle, except for certain financial instruments which are classified as financial assets available for sale, as well as investment property and property classified as tangible assets at fair value. Financial statements are prepared on the going concern basis.

The financial statements are given in HRK rounded to the thousand.

The accompanying financial statements are prepared based on the accounting records of the Group and entail adjustments and reclassifications necessary for a truthful and objective overview in compliance with International financial reporting standards, as adopted in the European Union.

Preparing financial statements pursuant to IFRS requires the use of certain accountancy presumptions. Furthermore, it requires the Management Board to use its presumptions and assessments when applying the Group's accountancy policies. The areas that require a higher assessment level are more complex. The areas in which assessments and presumptions relevant for financial statements are given in Note 4.

Accountancy policies have been applied consistently, if not stated otherwise.

The Group's accountancy policies have been applied consistently in the Company, if not stated otherwise.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis for Consolidation

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Negative goodwill that arises in case of a bargain purchase is recognised immediately in the profit and loss account. Transaction costs are recognised in the statement of profit or loss in the moment when they arise, unless they refer to the issuance of debt securities or equity securities. The transferred fee does not include amounts connected to settlement of relationships that existed prior to the acquisition date. Those amounts are, as a rule, recognised in the statement of profit or loss.

All potential fees are measured at fair value at the acquisition date. If the obligation to pay the potential fee, which complies with the definition of a financial instrument, is classified as an equity instrument, then it is not remeasured, and the settlement is recognised in the equity. Conversely, the subsequent changes in fair value of the potential fee is recognised in the profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another company, when exposed to, or when entitled to, variable return on its investment and can influence the return through the control of the other company. The financial statements of subsidiaries are included in the consolidated financial statements through the total consolidation method since the date when the control was transferred to the Group and excluded from the date of the end of control.
In the separate financial statement of the Company, investments in subsidiaries were reported at cost less the relevant impairment, if necessary.

Loss of control

When the Group loses control, the Group stops recognising assets and liabilities of the subsidiary, minority shareholders’ shares and other elements of equity and reserves which refer to the subsidiary. Potential surplus or deficit that derives from the end of control is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value as at the day control ceases. After that, the share is stated as an investment valued pursuant to the equity method or pursuant to the Group’s Financial Instrument Accountancy Policy, depending on the level of retained influence.

Investment in entities stated in accordance with the equity method

The Group’s shares in entities stated in accordance with the equity method refer to the shares in subsidiaries.

Subsidiaries represent entities in which the Group exercises significant influence, but not control or join control over the financial and business policies of that entity.

The shares in subsidiaries are calculated in accordance with the equity method. Initially, they are measured in accordance with the cost method, which entails transaction costs. After the first recognition, the Group's share in profit and loss and other comprehensive income of subject calculated in accordance with the equity method is stated in consolidated financial statements until the date of end of significant influence, i.e. joint control.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis for Consolidation (continued)

In separate financial statements of the Company, where relevant, the investment in the subsidiary is stated as cost less relevant impairment losses.

Transactions eliminated during consolidation

Balances and transactions among Group's members and all unrealised gains and losses that relate to the transactions of the Group's members are eliminated during the preparation of consolidated financial statements. Unrealised gains that relate to the transactions of the Group and its subsidiaries are eliminated in accordance with the proportion of the Group's share in the subsidiary. Unrealised losses are also eliminated, same as unrealised gains, but only if there are no impairment indicators.

Application of new and revised International Financional Reporting Standards

First application of new amendments to existing standards in force for the current reporting period

In the current reporting period, the following amendments to existing standards published by the International Accounting Standards Board ("IASB") and adopted by the European Union are in force:

- Amendment to IFRS 1 „First-time application of International Financial Reporting Standards" – Annual revision of IFRS for the period 2018-2020 related to forst-time application of IFRS subsidiaries (effective for annual periods beginning on or after 1 January 2022)
- Amendment to IFRS 3 „Business combinations" – Update of the conceptual framework for financial reporting, adopted by the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IFRS 16 „Leases" – Annual revision of IFRS for the period from 2018-2020 related exclusively for illustrative purposes
- Amendment to IAS 16 „Property, plant and equipment" – Prohibition of reduction of acquisition cost for inflows realized before the asset is put into its intended use, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)
- Amendment of IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" – Interpretation of fulfillment costs related to adverse contracts, adopted in the European Union on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022)

The company used the possibility of exemption from the application of IFRS 9 until the entry into force of IFRS 17. The adoption of new standards and changes to existing standards and interpretations did not lead to significant changes in the financial statements of the Company and the Group.

The adoption of the aforementioned changes to the existing standards did not lead to significant changes in the financial statements of the Company and the Group.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force

At the date of approval of these financial statements, the following amendments to existing standards published by OMRS and adopted in the European Union were published, but not in effect:

1. **Amendment to IFRS 17 „Insurance Contracts“ – Firts-time application of IFRS 17 and IFRS 9 – Comparative information, adopted by the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)**

IFRS 17 "Insurance contracts" is a new accounting standard that refers to insurance contracts and is applicable from 1 January 2023, when the IFRS 4 accounting standard that is currently in force ceases to be valid. The aim of introducing the new standard is to establish a framework for a comprehensive and consistent accounting approach for insurance contracts. IFRS 17 "Insurance contracts" establishes the principles for the recognition, measurement, presentation and publication of issued insurance contracts. The new standard is designed to achieve the goal of consistent and transparent accounting, with a uniform approach to measurement and publication for all insurance, profit, and reinsurance contracts. The application of the IFRS 17 standard will enable greater transparency and comparability of financial statements of insurance companies.

- Definition of insurance contracts according to IFRS 17

An insurance contract is a contract on the basis of which one party (the issuer) 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 future event (the insured event). In some cases, when determining contracts within the scope of IFRS 17, the Company will have to assess whether a set or series of contracts should be treated as one contract and whether embedded derivatives, investment components and components of goods and services should be separated and calculated according to another standard. Considering that the very definition of an insurance contract according to IFRS 17 remains similar to the currently valid IFRS 4, the Company believes that there will be no changes related to this part of the requirements of the IFRS 17 standard for the effective portfolio.

- Grouping level

One of the main features of IFRS 17 is the identification and division of insurance contracts into the level at which insurance contract liabilities are measured. Individual insurance portfolios should include risks that are similar and jointly managed. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into groups of contracts for which recognition and measurement requirements are applied in accordance with IFRS 17. During initial recognition, the Company separates contracts into annual cohorts according to the year of issue, and each annual cohort is classified into one of the following groups:

- a group of contracts that are harmful at initial recognition;
- a group of contracts for which, upon initial recognition, there is no significant possibility that they will subsequently become harmful;
- other profitable contracts.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

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

- Contract limits

Under IFRS 17, the measurement of a group of contracts includes all future cash flows within the boundaries of each contract in that group. Compared to current accounting policy, the Company expects that for certain contracts the requirements of IFRS 17 for contract boundaries will change the scope of cash flows that will be included in the measurement of existing recognized contracts. The period that includes the premiums within the limits of the contract is the "coverage period" and is relevant when the numerous requirements of IFRS 17 are applied.

- Methodology of valuation of insurance contracts

IFRS 17 defines the possibility of measuring and valuing insurance liabilities using the following three models: General Measurement Model (GMM), Premium Allocation Model (PAA) and Variable Fee Measurement Model (VFA).

Valuation models	Basic features of the model	Product examples
(GMM or BBA) ***General Measurement Model***	• Standard model for all insurance contracts. • Based on cash flows. • Includes contracted service margin (CSM) and non-financial risk adjustment (RA)	• Long-term insurance products. • Tradicional life insurance and annuity products.
(PAA) ***Premium Allocation Approach***	• A simplified model for the valuation of non-long-term insurance contracts. The approach is applied to liabilities for residual coverage (LRC), while liabilities for claims incurred (LIC) are measured equally in the PAA and GMM models.	• Non-life and health insurance products with a shorter duration.
(VFA) ***Variable Fee Approach***	• Based on the general model, but with additional adjustments for contracts with direct participation.	• Unit linked products.

The company decided to measure non-life insurance liabilities using the PAA model.

In order for the company to be able to use the PAA model, groups of insurance contracts must meet at least one of the following two criteria:

- the duration of insurance contracts is up to one year
- the measurement of LRC by the PAA and GMM methods does not differ materially.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

Discounting

According to the requirements of IFRS 17, the company will determine discount rates with the so-called bottom-up approach, whereby it will create a risk-free interest rate curve using market yields of government bonds with the application of correction for credit risk and the EIOPA methodology for extrapolation. In order to reflect the liquidity characteristics of insurance contracts, the risk-free interest rate curves will be additionally adjusted by an adjustment for illiquidity.

Risk adjustment

refers to the allowance for non-financial risk arising from the uncertainty of cash flows. Several possible mathematical methods are available for measuring RA – using the CoC method, VaR, TVaR. The company decided to use the cost of capital method, that is, Cost of Capital (CoC), taking into account non-financial risks related to damages.

- Impact of IFRS 17 on financial statements

The greatest impact of the application of IFRS-17 results from the fact that the Company will discount future cash flows when measuring the liability for incurred damages, unless they are expected to occur within one year or less from the date of occurrence of the damages. The Company currently does not discount future cash flows, and applying the above will lead to a decrease in the Company's liabilities or an increase in capital..

- Transition

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IFRS 17 requires the Company to apply IFRS 17 retroactively, unless it is not practicable to do so. The above implies that the effective date of the transition is 1 January 2022, whereby adjustments to the initial balances will be recognized once in capital and reserves.

The standard allows the following approaches when transitioning to IFRS 17:

Full Retrospective Approach – recognition of the impact in such a way that the valuation is performed as if the IFRS17 standard had always been in force; implies the existence of all the necessary historical data required for valuation according to the new principles.

Modiefied Retrospective Approach – possible application if the "Full Retrospective Approach" is impractical, that is, if there is not enough ALL adequate and credible data for its implementation.

Fair Value Approach – possible application in the case when there is no historical information on cash flows, and in order to be able to determine the CSM.

The Company's decision is to use the *Modified Retrospective Approach* due to the unavailability of certain historical data.

2. TEMELJ ZA SASTAVLJANJE FINANCIJSKIH IZVJEŠTAJA (NASTAVAK)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

The Company estimates that after the adoption of IFRS 17, the effect of these changes (before taxation) will be a reduction in liabilities by HRK 90 to HRK 100 million, which will result in an increase of the Company's capital by HRK 90 to HRK 100 million on 1 January 2022.

IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement, regulates the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and other categories in accordance with IFRS 9. IFRS 9 entered is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. However, the Company exercised the option of deferring the application of IFRS 9 for annual periods before January 1, 2023. Consequently, the Company will apply IFRS 9 for the first time on January 1, 2023.

- Financial assets - classification

The classification of financial assets is divided into the following categories with regard to the valuation method: valuation according to the amortized cost method, valuation at fair value through the profit and loss account and valuation at fair value through other comprehensive income. The classification of financial assets depends on the business model used to manage financial assets and contracted cash flows.

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

- is held within a business model whose goal is to hold assets for the purpose of collecting contracted cash flows (“Holding for collection”); and
- contracted cash flows exclusively refer to principal and interest payments based on an assessment of the characteristics of contractual cash flows (“SPPI test”).

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

- be maintained within a business model whose goal is to hold assets for the purpose of collecting contracted cash flows and selling financial assets (“Holding for collection and sale”); and
- contracted cash flows exclusively refer to principal and interest payments based on an assessment of the characteristics of contractual cash flows (“SPPI test”).

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income as described above (business model "Other") are measured at fair value through the income statement. Furthermore, upon initial recognition, the Company may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, measured at fair value through the income statement if in this way it removes or significantly reduces the accounting mismatch that would otherwise occur.

Also, upon initial recognition of equity instruments not held for trading, the Company may irrevocably decide to present subsequent changes in fair value through other comprehensive income. The choice is made on the basis of the individual instrument.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

Impact assessment

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

- most financial instruments that are currently measured at fair value through the income statement according to IAS 39 will also be measured at fair value through the income statement according to IFRS 9;
- debt instruments that are classified as financial assets available for sale according to IAS 39 will be classified in accordance with the business model of holding for collection and sale in the category at fair value through other comprehensive income;
- equity instruments related to shares that are classified as available-for-sale financial assets according to IAS 39 will be measured at fair value through other comprehensive income in accordance with IFRS 9 since they are not held for trading. Given that the Company chose to classify the listed equity instruments at fair value through other comprehensive income, there is no subsequent reclassification of profit or loss from fair valuation to the income statement upon derecognition of the investment;
- investment funds that are currently classified as financial assets at fair value through the profit and loss account will be classified in the category of assets valued at fair value through the profit and loss account according to IFRS 9 because they refer to financial assets whose cash flows do not contain only principal and interest, and are not considered equity instruments;
- held-to-maturity investments and loans and receivables measured at amortized cost according to IAS 39 will mostly also be measured at amortized cost according to IFRS 9.

Since the majority of the Company's financial assets are measured at fair value both before and after the transition to IFRS 9, the new classification requirements are expected to have a significant impact on the Company's total capital as of 1 January 2023. For part of the Company's financial assets held at the acquisition cost, after the transition to IFRS 9, the impact on the Company's capital will amount to HRK 91.5 million (capital increase).

- Financial assets - impairment

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

Any change in the fair value of a debt instrument includes the effect of a change in the credit risk of the issuer of that financial instrument. For all debt instruments that are measured at fair value through other comprehensive income, it is necessary to estimate and report value adjustments, i.e. provisions for expected credit losses. All changes in the amount of provisions for expected credit losses are recognized in the income statement, while the amount of value adjustments for expected credit losses is already included in the cumulative amount of the change in fair value reported in other comprehensive income.

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

Value adjustments are recognized through other comprehensive income, as part of the overall change in fair value, and they must not further reduce the book value of financial assets measured at fair value through other comprehensive income in the statement of financial position. Changes in fair value that were previously recognized in other comprehensive income are recycled in full to the income statement after the derecognition of the debt instrument.

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

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

In simplified terms, expected credit losses are calculated as the product of the probability of the occurrence of the status of failure to fulfill financial obligations ("PD-probability of default"), the loss upon the occurrence of the status of default ("EaD-exposure of financial obligations ("LGD-loss given default") and the exposure in at the moment of default"). The default status is considered to have occurred when one or both circumstances have occurred: improbability of payment by the debtor, when the Company considers that payment of existing credit obligations in full by the debtor is unlikely without the realization of collateral, and when there has been a materially significant delay in payment, i.e. the debtor is late with the payment of due obligations towards the Company for more than 90 days.

Expected credit losses for the twelve-month period refer to the part of expected credit losses throughout the entire life of the instruments, which represent expected credit losses as a result 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 as a result of the occurrence of all possible default statuses during the life of the financial instrument. For financial instruments to which this impairment model is applied, upon initial recognition, the Company always recognizes, in the income statement, at least the amount of expected credit losses for the twelve-month period.

Expected credit losses during the lifetime of the financial instrument are recognized if there is a significant increase in credit risk compared to initial recognition or the instrument is credit impaired. For financial assets that are credit-impaired upon initial recognition (POCI assets), estimated expected credit losses are included in the initial fair value of the asset, and the Company determines a credit-adjusted effective interest rate for it. For POCI assets, the Company recognizes in the reporting period only the cumulative change in expected credit losses over the entire life of the financial asset compared to initial recognition. If there is a positive change in expected credit losses in relation to the initially determined expected credit losses, the change is carried out by adjusting the gross book value of the asset, while in the case of a negative change in expected credit losses in relation to the initially determined expected credit losses, impairment provisions are formed .

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised International Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

Impact assessment

The company estimates that the application of the IFRS 9 impairment requirement on 1 January 2023 will not result in significant additional value corrections or provisions for expected credit losses.

- Financial obligations

MSFI 9 u velikoj mjeri zadržava zahtjeve iz MRS-a 39 za klasifikaciju i mjerenje financijskih obveza.

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

- financial liabilities determined at fair value through the profit and loss account. Such liabilities, including derivative instruments that are liabilities, are subsequently measured at fair value;
- financial liabilities that arise if the transfer of financial assets does not meet the conditions for derecognition or if the continuing participation approach is applied. The transferred asset and related liability are measured on a basis that reflects the rights and obligations retained by the entity. The related liability is measured in such a way that the net book value of the transferred asset and the related liability is equal to the following:
  - at the amortized cost of rights and obligations retained if the assets transferred are measured at amortized cost or
  - the fair value of the retained rights and liabilities when measured on a stand-alone basis, if the transferred asset is measured at fair value.
- financial guarantee agreement. After initial recognition, such contract is subsequently measured at the higher of the following two amounts:
  - amount of provisions for expected credit losses and
  - initially recognized amount at fair value;
- obligation to provide loans at interest rates lower than market interest rates. Such liability is subsequently measured at the higher of the following two amounts:
  - amount of provisions for expected credit losses and
  - initially recognized amount at fair value;
- contingent amounts recognized by the buyer in the context of a business combination to which IFRS 3 applies. Such contingent amounts are subsequently measured at fair value, and changes are recognized in the income statement.

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

- Transition

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

2. BASIC OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of new and revised international Financial Reporting Standards (continued)

New standards and amendments to existing standards published by OMRS and adopted in the European Union, but not yet in force (continued)

For the purposes of the first application of IFRS 9, choose a simplified method based on which the Company will not change the data of the comparative previous period and will recognize adjustments to the book value of financial assets in the initial retained earnings from the date of the first application of the standard, i.e. from 1 January 2023.

2. **Amendment of IAS 1 „Presentation of Financial Statements“ and IFRS Management Report 2 – Comparative Information, adopted by the European Union on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023)**

3. **Amendment to IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“ – Definition of Accounting Estimates, adopted by the European Union on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023)**

4. **Amendment of IAS 12 „Income taxes“ – Deferred tax asset and deferred tax liability arising from a single transaction, adopted in the European Union on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023)**

In addition to IFRS 17, which will significantly affect the Company's financial statements, the Company anticipates that the adoption of the mentioned new standards, changes to existing standards and new interpretations will have a significant impact on the Company's financial statements in the period of their first application.

The above amendments are effective for annual periods beginning on or after 1 January 2023.

3. ACCOUNTANCY POLICIES

Premiums

The written gross premium entails all premium amounts contracted by the end of the accounting period for policies issued by the end of the accounting period, regardless whether these amounts refer entirely or partially to later accounting periods. The earned premiums include the written gross premium (including the outward reinsurance premium), outward reinsurance and co-insurance premium, value adjustment and paid premium value adjustment, and changes in unearned premium provisions. Reinsurance premiums ceded for non-insurance operations are calculated for the same accounting period as the premiums that refer to related direct insurance operations.

Unearned premium provisions

Unearned premium provisions are formed for contracts in accordance with which insurance coverage lasts even after the accounting period expires, since the insurance and accounting period do not match. The written gross premium is calculated by using the Method II 1 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) and Method II 2 (the method of separate calculation for non-life insurance with an unequal distribution of risk in time) given in the section II Methods for calculating gross unearned premium provisions of the Minimum standards, method of calculation and criteria for the calculation of unearned premium provisions. The method of separate calculation for non-life insurance with an unequal distribution of risk in time is applied to the types of insurance for which risks decrease or increase with time. In case of other types of insurance, the method of separate calculation for non-life insurance with an equal distribution of risk in time was applied.

Unearned premium provisions, net of reinsurance represents the gross unearned premium less the contracted re-insurance part, pursuant to the reinsurance contracts in force. The changes in unearned premium provisions in relation to the previous period is stated in the earned premium.

Acquisition costs

The acquisition costs entail costs incurred by concluding the insurance contract, which entails all direct insurance costs. Direct acquisition costs are commission costs for insurance contract conclusion calculated pursuant to the agency contract. The commission costs for non-insurance operations are acknowledged based on the way these costs were incurred. Other underwriting costs refer to costs of insurance documents submission or including the insurance contract into the portfolio, as well as indirect costs such as advertising costs or administrative costs related to offer processing and policy issuance, and operating lease costs. These underwriting costs are period costs and are not delimited.

3. ACCOUNTANCY POLICIES (CONTINUED)

Claims

Claims incurred entail all liquidated claims amounts in the accounting period, no matter the accounting period the claims incurred in, less the reinsurer's share in claims, and reduced or augmented by the changes in provisions for claims outstanding (net of reinsurance) in relation to the previous period. Non-life insurance claims are augmented by claims handling costs. Provisions for open (non-liquidated) claims, based on the assessment of the claim and application of statistics method, are determined for estimated liquidation costs of all claims incurred and unpaid until the date of reporting, no matter whether they have been declared or not, together with the related internal and external claims liquidation costs. Where applicable, the provisions are stated less the amount of the real estimated return based on salvage and subrogation.

The Management Board believes that the claims provisions have been realistically and objectively reported considering the currently available information, and the final amount of the liability depends on future information and events, which may lead to the adjustments of the provision amounts, which will be reported in the financial statements for the period they were performed in. The methods and assessments are regularly examined.

Provisions for claims outstanding, net of reinsurance, are gross provisions for claims outstanding less the reinsurance part, pursuant to the provisions of the reinsurance contract and depending on the provisions for claims outstanding calculation method applied.

Gross operating expenses

Gross operating expenses comprise administrative costs such as staff costs, intangible assets depreciation, energy costs, advertising costs, operating lease costs, services costs, and other costs.

Payments of the operating lease are recognised in the statement of profit or loss linearly during the lease period.

Reinsurance

The Group has ceded reinsurance premiums as a part of the regular business operations with the aim to limit their potential net losses through risk diversification. Reinsurance contracts do not relieve the Group of the direct liabilities towards policy holders.

Ceded premiums and recoverable amounts are presented as profit or loss based on the gross principle. Only contracts a significant transfer of insurance risk derives from are recorded as insurance. The amounts recoverable from such contracts are recognised in the same year as related claims. Contracts that do not transfer a significant insurance risk (i.e. financial reinsurance), are recognised as deposits. The Group has no such contracts.

The assets based on reinsurance entail the amounts receivable from the reinsurance company for ceded insurance liabilities. The amounts recoverable from the reinsurance company are determined in a way analogous to the way of determining provisions for claims outstanding or claims paid based on reinsured policies. The assets based on reinsurance comprise real or estimated amounts which are, pursuant to the reinsurance contract, recoverable from the reinsurer in relation to the technical provisions.

3. ACCOUNTANCY POLICIES (continued)

Reinsurance (continued)

The impairment of amounts recoverable based on the reinsurance contract is determined for every reporting date by applying the same methodology as for loans and receivables. The value of the relevant assets is considered to be impaired if there is objective proof, as a result of events that arose after the initial recognition, that the Group shall not recover all amounts after they are due and that the event in question has a measurable effect on the amounts the Group will recover from the reinsurer.

Reinsurers' commissions

Reinsurers' commissions for non-life insurance are recognised in the statement of profit or loss, based on the incurrence principle.

Investment income allocation

Interest income is recognised in the statement of profit or loss on the accrual basis, considering the effective yield on the financial asset concerned. Income from land lease, building leases and other operational leases are recognised in the statement of profit or loss is calculated by using the straight-line method throughout the lease period.

Foreign currencies

Business events not reported in HRK are initially recorded by converting the amount into HRK pursuant to the exchange rate on the date of transaction. Monetary assets and liabilities that are denominated in foreign currency are recalculated on the reporting date by applying the exchange rate on the date. Non-monetary assets and liabilities that are denominated in foreign currency at fair value are converted pursuant to the exchange rate on the date of fair value assessment. Gains and losses arising from the conversion are included in the net profit or loss of the period.

Taxation

Corporate income tax expense is the sum of the current tax liability and deferred taxes.

Current tax liability

Current tax liability is based on the taxable profit for the year. Taxable income differs from the net income of the period reported in the statement of profit or loss as it does not entail income and expenses items which can be taxable or non-taxable in other years, nor items that are never taxable or deductible. The Group's current tax liability is calculated by applying the tax rates in force, i.e. being adopted on the reporting date.

3. ACCOUNTANCY POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred taxes are recognised based on the difference between the carrying amount of assets and liabilities reported in financial statements and related tax bases used for the calculation of taxable income and are calculated using the liability method. Deferred tax assets are generally recognised in accordance with all taxable temporary differences, and deferred tax liabilities are generally recognised for all taxable temporary differences up to the taxable profit amount which will probably be available and enable the use of deductible temporary differences. Deferred tax liabilities and deferred tax assets are not recognised if the temporary difference derives from the goodwill or the initial recognition (except in case of business mergers) of other assets and liabilities in a transaction which has no bearing on the taxable or accounting profit.

Deferred tax liabilities are also recognised based on taxable temporary differences connected with investments into subsidiaries and associates, as well as shares in joint ventures, except when the Group is able to influence the cancellation of the temporary difference even when the cancellation of the temporary difference is not probable in the near future. Deferred tax assets which derive from deductible temporary differences connected to the aforementioned type of investments and shares is recognised up to the taxable profit amount which will probably become available and enable the use of relief based on temporary differences, and if their cancellation is expected in the nearby future.

The carrying amount of deferred tax assets is reviewed on every reporting date and reduced if it is no longer probable that a sufficient taxable profit amount for the return of all tax assets or a part of tax assets will be available.

Deferred tax assets and deferred tax liabilities are calculated at tax rates which are expected to be applicable in the period for the settlement of liabilities or realisation of assets based on tax rates and acts which are in force or being adopted on the reporting date. The calculation of deferred tax liabilities and deferred tax assets reflects tax consequences which would result from the way in which the Group expects to realise the return of the carrying amount of its assets, i.e. settle the carrying amount of its liabilities, on the reporting day.

Deferred tax assets and deferred tax liabilities are to be offset if there exists a legal right to offset current tax assets and current tax liabilities, and if they refer to taxes imposed by the same tax authority and if the Group intends to settle its current net tax assets and current tax liabilities.

3. ACCOUNTANCY POLICIES (continued)

Taxation (continued)

Current and deferred tax periods

Current and deferred taxes are recognised as income and expenses in the statement of profit or loss, except for taxes which refer to items directly stated in the principal or other comprehensive income, in which case taxes are also stated in the principal or other comprehensive income, or if taxes result from the first statement of the business merger, in which case the tax effect is taken into consideration when calculating goodwill or determining the surplus of the acquiring company’s share in the net fair value of determinable assets, liabilities and potential liabilities of the acquired company which supersede the business merger cost.

Property and equipment

Land and buildings used for goods or services production or delivery or administrative purposes are reported in the statement of financial position in revalued amounts, which represent their revaluation date fair value less the value adjustment and accumulated impairment losses. Revaluation is done regularly; therefore, the carrying amounts do not significantly differ from the amounts that would be determined by using the fair value on the reporting date.

Every increase resulting from land and building revaluation is credited to property revaluation provisions, except if it cancels the decrease resulting from the revaluation of the same asset which has been previously recognised in the statement of profit or loss, and in that case the increase is recorded in the statement of profit or loss up to the amount of the previously stated decrease. The decrease in the carrying amount resulting from the land and buildings revaluation is recorded in the statement of profit or loss as the difference in the revaluation reserve, which refers to the previous revaluation of the same asset.

The depreciation of revalued buildings is recorded in the statement of profit or loss. In case of a later sale or disposal of revalued property, the surplus resulting from the revaluation and stated in the revaluation reserve is transferred directly to the retained profit. Transfer of the revaluation reserve to the retained profit is done only if an asset shall no longer be recognised. Buildings are depreciated during a period of 40 years.

Property built for the purposes of production and lease or administrative or not yet established purposes are stated at purchase cost less recognised impairment losses. The purchase cost entails the professional services fee cost, and in case of qualifying assets, borrowing costs capitalised pursuant to the Group’s accountancy policy. Depreciation of this asset, which is calculated on the same grounds as other property, begins when the asset is ready to be used for the intended purpose.
The furniture and equipment are stated as cost less depreciation and accumulated impairment.

The depreciation is calculated in the following manner: the purchase or estimated property value, other than owned land and property under construction, is written-off during the estimated useful lives, by using the linear depreciation method. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

3. ACCOUNTANCY POLICIES (continued)

Property and equipment (continued)

The estimated useful lives are shown below:

	2022	2021
Buildings	40 years	40 years
Furniture, tools and equipment	2 years	2 years
Vehicles	4 years	4 years
Other	10 years	10 years

Land is not depreciated. The property held based on a financial lease is depreciated during the expected useful life on the same basis as property owned or during the period of the lease, if it is shorter. Profit and loss from the sale or disposal of an item of real estate, plant and equipment is determined as the difference between the inflows made through sale and the carrying amount of the asset concerned, which is recognised in the statement of profit or loss.

Intangible assets

Individually acquired intangible assets are stated based on their purchase value less the value adjustment and accumulated impairment losses. Depreciation is calculated by using the linear depreciation method during the estimated useful life. The estimated useful life, the residual value and depreciation method are examined at the end of each year, whereas the effects of potential assessment changes undergo a prospective calculation.

Investment property

Investment property, which is property held in order to earn rentals and/or for capital appreciation (including property under construction for such purposes), is initially valued at purchase cost, including transaction costs, and is subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Goodwill

Goodwill represents the surplus of the acquisition cost of the Group's share in the net fair value of determinable assets, as well as determinable liabilities incurred and unforeseeable liabilities of the subsidiary. Goodwill is initially recognised as a cost and is subsequently measured at cost less the accumulated impairment losses. In the moment of the merger of the subsidiary and the acquiring company, the goodwill value established in the moment of the merger is recorded in the financial statement of the acquiring company. During goodwill impairment testing, goodwill is allocated to all cash-generating units of the Group which are expected to benefit from the merger synergy. These cash-generating units goodwill was allocated to are subject to impairment testing once a year or more often if there are signs of potential impairment of the cash-generating unit. If the recoverable amount of the cash-generating unit is smaller than its carrying amount, the impairment loss is initially allocated through the impairment of the carrying amount of goodwill allocated to the unit and, successively, proportionately allocated to other assets of the cash-generating unit based on the carrying amount of all assets of the cash-generating unit. Once recognised goodwill impairment loss will no longer be cancelled in the following periods.

3. ACCOUNTANCY POLICIES (continued)

Impairment of tangible and intangible assets, excluding goodwill

For each reporting day, the Group will examine the carrying amount of its fixed tangible and intangible assets so as to ascertain whether signs of impairment losses exist. If there are signs of impairment losses, the recoverable asset amount is assessed in order to determine potential impairment losses. If it is impossible to assess the recoverable amount of the asset, the Group will assets the recoverable amount of the cash-generating unit the asset belongs to.

If it is possible to establish a real and consistent basis for allocation, the Company's assets are also allocated to individual cash-generating units or, if this is not the case, to the smallest group of cash-generating units for which a real and consistent basis for distribution can be established.

Intangible assets of undetermined useful life and intangible assets not yet available for use are subject to impairment testing once a year and every time there are signs of potential impairment of assets.

When comparing the fair value less sale costs and value of property in use, the recoverable amount is the higher amount of those two. For the purpose of estimating the value in use, the estimated future cash flows are discounted to the present value by applying the discount rate before taxation, which reflects the current market estimate of the time value of money and the risks specific for the asset, for which the assessments of future cash flows were not harmonised.

If the estimated value of a recoverable amount of an asset (or cash-generating unit) is lower than the carrying amount, the carrying amount of that asset is reduced to the recoverable amount. Impairment losses are immediately recognised as expenses, unless the asset is stated as a revalued amount, in which case the impairment loss is stated as an impairment loss resulting from asset revaluation.

In case of subsequent cancellation of the impairment loss, the carrying amount of the asset (of the cash-generating unit) increases up to the reviewed estimated recoverable amount of that asset in a way that the increased carrying amount does not exceed the carrying amount which would have been established had there previously been no recognised impairment losses of that asset (of the cash-generating unit). Cancellation of the impairment loss is immediately recognised as income, unless the relevant asset is not stated as a revalued amount, in which case the cancelled impairment loss is stated as an increase due to revaluation.

3. ACCOUNTANCY POLICIES (CONTINUED)

Leases

All leases are calculated by recognizing assets with the right of use and lease obligations, except for:

- Low value leases; and
- Leases whose lease term ends within a period of 12 months from the date of first application or less.

The lease liability is recognized at the present value of the contractual future payments to the lessor over the term of the lease, discounted at the discount rate determined in relation to the rate inherent in the lease, unless it is easy to determine, in which case the Company's incremental borrowing rate is used. Variable lease payments are included in the calculation of lease obligations only if they depend on an index or rate. In this case, the initial calculation of the lease obligations assumes that the variable element will remain unchanged for the duration of the lease. Other variable lease payments represent an expense in the period to which it relates.

At the date of initial recognition, the carrying amount of the lease obligation includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the cost of executing the purchase option if it is certain that the lessee will use that option; and
- payment of fines for termination of the lease if the lease period reflects that the lessee will take the opportunity to terminate the lease.

Assets with the right of use are initially measured at the amount of the lease liability, less any lease incentives received and increased by:

- all lease payments made on or before the lease start date;
- all initial direct costs; and
- the amount of the reservation recognized in the case when the Company contractually bears the costs of dismantling, removal or reconstruction of the place where the property is located.

After the initial measurement, the lease liability increases to reflect interest on lease obligations and decreases to reflect the lease payments made. Right-of-use assets is reduced by the accumulated depreciation calculated on a straight-line basis over the term of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease term. The lease liability is subsequently measured when there is a change in future lease payments resulting from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

The Group as a lessor

The Group leases certain property classified as property investment. The property is subject to operational leases and the property is included in the statement of financial position of the Group based on the nature of property. Interest income is calculated by using the straight-line method throughout the lease period.

3. ACCOUNTANCY POLICIES (CONTINUED)

Fair Value Measurement Principles

The fair value of financial assets available for sale is their quoted market price on the reporting date, sales cost not included. If the financial assets market is not active (even for unquoted securities) or if, due to other reasons, the fair value cannot be determined with certainty based on the market price, the Group shall establish the fair value based on the perceived price (the price of similar or same positions), and when neither that is possible, the Group will apply different assessment techniques combining all relevant information and input which may help assess the fair value. This entails the use of prices achieved in recent transactions between informed and willing parties, reference to other similar instruments, analysis of discounted cash flows and option pricing models, using market data to the maximum and relying on subject specifics to the minimum.

When applying the discounted cash flow method, the estimated future cash flows are based on the best management assessment, and the discount rate is the market rate for financial instruments with similar conditions on the reporting date. When using the price model, connected market values on the reporting date are used.

Financial assets

Investments are recognised or stop being recognised on their trading date, i.e. a date when an investment is bought or sold pursuant to a contract whose conditions stipulate the delivery of investment in a deadline set on the relevant market, and are initially measured at fair value increased by transaction costs, other than financial assets classified in the category of assets whose changes in fair value are stated in the statement of profit or loss, which is initially measured at fair value.

Financial assets are classified into the following categories: „financial assets measured at fair value in the statement of profit or loss”, „financial assets available for sale” and „given loans and receivables”. Classification depends on the type and purpose of the financial asset and is determined during the first recognition.

Effective interest rate method

The effective interest rate method represents a method used for calculating the depreciated cost of the financial asset and distributing the interest income throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows, including all fees for paid or received points which form a constituent part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted during the expected lifetime of the financial asset or, where applicable, during a shorter period.

Income from debt instruments, other than financial assets set at fair value in the statement of profit and loss, are recognised based on the effective interest rate.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial assests (continued)

Financial assets available for sale

Securities available for sale are recorded at fair value. Gains and losses resulting from the changes in fair value are recognised directly in other comprehensive income as a part of the revaluation reserve for investment, other than losses due to impairment value, interest rates calculated by using the effective interest rate method and exchange differences for monetary assets, which are all directly recognised in the statement of profit or loss. When it comes to the sale or established investment impairment losses, the accumulated profit or accumulated loss previously recognised in the revaluation reserve for investment is included in the statement of profit and loss of the period.

Dividends of equity instruments classified in the portfolio of assets available for sale are recognised in the statement of profit or loss, after the Group's right to receive dividends has been determined.

The fair value of monetary assets available for sale denominated in a foreign currency is given in a currency the asset was denominated in and then recalculated pursuant to the spot exchange rate on the reporting date. The changes in fair value connected to the exchange rate differences resulting from the changes in the depreciated asset cost is stated in the statement of profit or loss, and other changes are stated in the other comprehensive income.

Given loans and receivables

Trade receivables, receivables on given loans and other receivables with fixed or determinable payments, which are not quoted at active market, are stated in the given loans and receivables. Loans and receivables are measured at depreciated cost using the effective interest method, less any impairment losses. Interest income is stated by applying the effective interest rate method.

Impairment of financial assets

Financial assets, other than fair value assets with changes in fair value stated in the statement of profit or loss, are reviewed at the end of each reporting period in order to establish the existence of indicators of any impairment. Financial assets are impaired if there is objective proof that estimated future cash flows of the investment have been affected by one or more events after the initial recognition.

In case of shares classified as assets available for sale, a significant or long-term fall in securities value below the purchase price is considered an objective proof of impairment.

As regards of all other financial assets, including items classified as assets available for sale and receivables based on a financial lease, the objective proof may entail:

- significant financial difficulties of the issuer or other contracting party or
- delayed payments or non-payment of interest rates or the principal or
- the prospects that the bankruptcy procedure will be filled against the debtor or that the debtor would file for bankruptcy, or that the debtor would undergo financial restructuring.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

In case of certain categories of financial assets, such as trade receivables, the assets for which it was established that they have not been individually impaired is later on reviewed to establish the collective impairment.

For financial assets carried at depreciated cost, the amount of impairment is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted using the original effective interest rate for the financial asset concerned.

The carrying amount of the financial asset is directly reduced by the impairment losses of all financial assets, except for trade receivables, in case of which the carrying amount is reduced through the value provision classification of accounts. Trade receivables believed to be unrecoverable are written off the value provision classification of accounts, and a later payment of the previously written off amounts is credited in the value provision classification of accounts. The changes in the carrying amount in value provision classification of accounts are stated in the statement of profit or loss.

Except for equity instruments held at fair value through the presentation of fair value changes in the statement of profit or loss, if the impairment loss is reduced in the following periods and this can be objectively linked to the event after the impairment recognition, the previously recognised impairment losses are cancelled in the statement of profit or loss to the carrying amount of the investment on the date of cancellation, which would not exceed the depreciated cost had the impairment not been recognised.

As far as equity shares (shares) held at fair value through the presentation of fair value changes in the statement of profit or loss are concerned, the impairment losses previously recognised in the statement of profit or loss are not cancelled in the statement of profit or loss. Every increase in fair value after the impairment loss is recognised directly in the other comprehensive income.

End of financial asset recognition

The Group will stop recognising the financial asset only if the contract right to cash flows expired based on the asset, if the financial asset is transferred and if all risks and rewards associated with the ownership of the financial asset are to mainly pass on to another entity. If the Group does not transfer or retain almost all risks and rewards associated with ownership and, if it still has control over the transferred asset, it recognizes its retained interest in the asset and the related liability in the amounts it may have to pay. If the Group maintains most of the risks and rewards associated with ownership of the transferred financial asset, the asset continues to be recognized, together with the recognition of collateralised borrowing, and which was given for the received income.

Offsetting financial instruments

Financial assets and liabilities are netted and reported in the net amount in the statement of financial position, in case there is a legal right to offset recognised amounts and a plan to settle on a net principle; otherwise, the asset acquisition and liability settlement is done simultaneously.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial Guarantees

Financial guarantee contracts are contracts which require specific payments from the issuer in order to compensate the holder's loss incurred when the debtor does not settle payments due pursuant to the debt instrument conditions.

The financial guarantees are initially recognised in financial statements at fair value on the date the guarantee was issued. After the initial recognition, the Group's liabilities pursuant to such guarantees are measured at initial value, less the depreciated value calculated in order to recognise the income from fees made by applying the linear depreciation method during the period of guarantee in the statement of profit and loss, as well as the best estimate of cost necessary to settle all financial liabilities on the Balance Sheet date, depending which value is higher. These estimates are determined based on experience with different transactions and historical losses, taking into consideration the Management's judgements.

Provisions for liabilities and costs

A provision is recognised when the Group, due to a prior event, has a legal or derivative liability which can be estimated with certainty and will probably require the outflow of economic resources in order to settle that liability. Provisions are established by discounting expected future cash flows using the pre-tax rate which reflects the current market estimate of the time value of money and the risks specific for the asset.

Dividends

Dividends of regular shares are recognised as liabilities in the period they were voted in.

Premium and other receivables

Premium and other receivables are stated at cost, less the potential impairment losses. The assessment procedure entails judgements based on the last available reliable information. If it is estimated that the receivable cannot be recoverable, a definite write-off will take place. Write-offs are done only if so decided by the Management Board. Value adjustment by means of value provision is conducted when there are objective reasons for the Group being unable to recover receivables pursuant to agreed conditions. The Management Board adopts a decision on adjustments of suspicious receivables based on the review of the total structure of receivables per groups of insured persons based on the review of significant individual amounts and insights into the financial state of individual insured persons. Amounts of value provisions of receivables are stated in the statement of profit or loss as other costs.

Cash and cash equivalents

Cash and cash equivalents refer to funds in accounts in HRK and foreign currencies of commercial banks, in cashiers and checks. Amounts in foreign currencies are recalculated on the reporting date pursuant to the middle exchange rate of the Croatian National Bank.

3. ACCOUNTANCY POLICIES (CONTINUED)

Staff costs

Staff contributions

The Group is obliged to pay contributions to state pension funds and health insurance funds pursuant to applicable regulations. The Group's liability ends when the contributions are settled. The contributions are recognised as costs in the statement of profit or loss as they incur.

Short-term employee rewards

The liabilities based on the system of short-term employee rewards are stated on a non-discounted basis and are recognised as a cost in the moment of provision of the relevant service. The liability is recognised in the amount which is expected to be paid pursuant to the short-term bonus payment system or profit participation when the Group has a current legal obligation to pay the relevant amount as a fee for the service the employee provided, and the relevant liability can be estimated with certainty.

Other employee compensations

Liabilities based on long-term employee benefits, such as service awards and severance payments are shown in net amounts of current liability value for defined benefits on the reporting date. The projected unit credit method is used for calculating the current liability value.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as financial liabilities or as principal pursuant to the essence of the agreement.

Equity instruments

An equity instrument is a contract which proves the rest of the share in the entity's assets after all its liabilities have deducted. The equity instruments issued by the Group are recorded in the amount of income, less direct issuance costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities measured at fair value through the presentation of fair value changes in the statement of profit or loss or as other financial liabilities.

3. ACCOUNTANCY POLICIES (CONTINUED)

Financial liabilities and equity instruments issued by the Group (continued)

Other financial liabilities

Other financial liabilities, including borrowings and loans, are initially measured at fair value less transaction costs. Other financial liabilities are later measured at depreciated cost by applying the effective interest rate method, and the interest expenses are recognised based on the effective interest rate. The effective interest rate method represents a method used for calculating the depreciated cost of the financial liability and distributing the interest expenses throughout the relevant period. The effective interest rate is the rate pursuant to which the estimated future cash flows are discounted during the expected lifetime of the financial liability or, where applicable, during a shorter period.

Derecognition of financial liabilities

The Group will stop recognising the financial asset when and only if the Group’s liabilities have been settled, cancelled, expired or significantly amended.

Liabilities and related assets based on the liability adequacy test

The insurance contracts are tested in order to ascertain the liability value adequacy by discounting current estimates of all future cash flows and comparing the amount to the net carrying liability value and other related assets and liabilities. If a deficit is determined, an additional provision is formed and the Group recognises the deficit through the year income or loss.

IFRS 4 requires insurance contract liabilities adequacy test. The Group assess on a yearly basis whether their stated insurance liabilities are adequate, by using current estimates of future cash flows pursuant to all their insurance contracts. If the relevant assessment indicates that the carrying amount of its insurance liabilities insufficient in relation to the estimated future cash flows, the total deficit is recognised in the statement of profit or loss. The estimates of future cash flows are based on real actuarial assumptions, with regard to the experience on the damages, return on investment, costs and inflation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES

The critical judgments in the application of accountancy policies

The Group estimates and makes presumptions which affect the value of assets and liabilities for the next financial year. The estimates and presumptions are continuously re-assessed and are based on the principle of experience and other factors, including the real expectations of future events.

Provisions

The Group has a reasonably careful approach to forming provisions pursuant to the regulations of the Croatian Agency for Supervision of Financial Services. The Group employs authorised actuaries. Its policy is to form a provision for risks which have not expired and refer to non-life insurance operations when there is a chance that the amount of claims and administrative costs incurred after the end of the financial year, and which refer to contracts concluded by the end of the year, exceeds the amount of unearned premiums and premiums based on those contracts. The reserve for non-expired risks are calculated by conducting a liability adequacy test, based on individual insurance groups. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2022. Therefore, the recognition of such provisions is not necessary on the reporting date.

Calculation of unearned premiums

The calculation of unearned premiums and other technical provisions are based on static methods considering the relative presumptions. The inputs used for calculating the unearned premiums are exact (beginning and expiry date of the policy, risk type, amount of the written premium). The Group did not change its presumptions when calculating the unearned premium. We believe that, for this part, an analysis of sensitivity, is not necessary as the calculation is automated and exact.

Fair value of financial instruments

The Group will use an adequate valuation of financial instruments, which are not quoted at active market, based on its own judgement, using standard valuation methods. Other financial instruments are valued based on the analysis of discounted cash flows or by using a comparative procedure based on the market prices or rates presumptions, if they exist. When assessing the fair value of shares which are not listed on the market, certain presumptions not based on real prices or market rates are used. The presumptions used and the results of the sensitivity to presumptions analysis are provided in notes 18 and 34.

Property fair value

The Group revalued its land and buildings classified as property and equipment, as well as investment in property based on the independent assessment. The assessments are done through on-spot checks of property, as well as controls and reviews/measurements of the property location and dimensions, and subsequently of submitted and available documentation.

Goodwill impairment

Future establishment of goodwill impairment requires the assessment of value in use of the cash-generating units the goodwill is allocated to. When calculating the value in use, the Management Board assesses future cash flows expected from the cash-generating units, as well as the relevant discount rate for calculating the current value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF UNCERTAINTY OF ESTIMATES (CONTINUED)

The critical judgments in the application of accountancy policies (continued)

Property value assessment

Property value assessments were done by using one or more recognised methods, and every property is analysed individually, and the method or methods are chosen according to available data and the real state of the property. The presumptions used in the fair value assessment are provided in notes 16 and 17.

Useful life of property and equipment

The Group checks the estimated useful life of property and equipment in the end of each annual reporting period. The useful life of property and equipment remained unchanged in this year.

(all amounts in thousands of HRK)

5. NET EARNED PREMIUM

The premium analysis according to the business structure is described below. All contracts have been concluded in the Republic of Croatia.

For the year ended 31 December 2022

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Change in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premiums
Motor Third Party Liability Insurance	839,848	(6,211)	(31,740)	32	(3,798)	798,131
Road vehicle Insurance – Casco	324,401	(45)	(9,340)	3	(899)	314,120
Property	133,803	(18,540)	(291)	772	(285)	115,460
Accident Insurance and Health Insurance	120,388	(7,500)	(564)	152	(122)	112,353
Other	118,170	(8,380)	5,564	(938)	(370)	114,046
	1,536,610	**(40,676)**	**(36,371)**	**21**	**(5,474)**	**1,454,110**

For the year ended 31 December 2021

GROUP AND COMPANY

	Earned gross premium	Outward reinsurance gross premiums	Changes in gross unearned premium provisions	Change in gross unearned premium provisions, reinsurance share	Value adjustment and paid premium value adjustment	Net earned premiums
Motor Third Party Liability Insurance	792,055	(3,967)	(36,016)	-	(3,511)	748,561
Road vehicle Insurance – Casco	306,531	(45)	(10,648)	-	(1,300)	294,538
Property	127,089	(15,228)	(3,436)	255	(755)	107,925
Accident Insurance and Health Insurance	115,717	(6,655)	(565)	(633)	(8)	107,856
Other	140,750	(9,346)	(13,046)	130	(311)	118,177
	1,482,142	**(35,241)**	**(63,711)**	**(248)**	**(5,885)**	**1,377,057**

(all amounts in thousands of HRK)

6. INCOME FROM COMMISSIONS AND FEES

GROUP AND COMPANY

	2022	2021
Income from fees for re-insurance	3,614	2,767
	3,614	**2,767**

7. INVESTMENT INCOME AND INVESTMENT COSTS

Investment income	**Group in 2022**	**Company in 2022**	**Group in 2021**	**Company in 2021**
Lease income	33,749	33,749	31,745	31,745
Interest income (i)	29,478	29,478	33,652	33,652
Financial investment sale income (ii)	1,668	1,668	384	384
Dividend income (iii)	12,829	14,029	9,352	11,310
Foreign exchange gains	1,096	1,096	1,425	1,425
Other income (reversal of provisions)	3,050	3,050	49	49
	81,870	**83,070**	**76,607**	**78,565**

(i) Interest income	**Group in 2022**	**Company in 2022**	**Group in 2021**	**Company in 2021**
Interest income – assets available for sale	4,822	4,822	6,205	6,205
Interest icome on bank deposits	474	474	410	410
Interest income on loans	24,182	24,182	27,037	27,037
	29,478	**29,478**	**33,652**	**33,652**

In 2022, income from interest on loans whose value was reduced amounted to HRK 3,013 thousand, while in 2021 they amounted to HRK 3,015 thousand.

(ii) Financial investment sale income:

GROUP AND COMPANY

2022	**Trošak**	**Prodaja vrijednost**	**Realizirani dobitak**
Bonds	27,245	28,827	1,582
Shares	10,725	10,812	86
			1,668

2021	**Trošak**	**Prodaja vrijednost**	**Realizirani dobitak**
Bonds	107,820	108,197	377
Shares	304	311	7
			384

(all amounts in thousands of HRK)

7. INVESTMENT INCOME AND INVESTMENT COSTS (CONTINUED)

(iii) Dividend income	Group in 2022	Company in 2022	Group in 2021	Company in 2021
Dividend income	12,829	14,029	9,352	11,310
	12,829	**14,029**	**9,352**	**11,310**

Investment costs	Group in 2022	Company in 2022	Group in 2021	Company in 2021
Interest cost (i)	4,941	4,941	7,069	7,069
Loss on sale of financial assets	2,744	2,745	26	26
Losses/(gains) due to fair valuation of investment properties	(14,934)	(15,510)	(9,582)	(10,159)
Other investment costs (ii)	53,985	53,985	53,269	53,269
Foreign exchange losses	1,493	1,492	1,415	1,415
	48,229	**47,653**	**52,197**	**51,620**

(i)Interest cost	Group in 2022	Company in 2022	Group in 2021	Company in 2021
Interest cost for bank loans	1,481	1,481	3,027	3,027
Interest cost for loans of other companies	1,091	1,091	1,459	1,459
Lease interest IFRS 16	2,274	2,274	2,580	2,580
Default interest	95	95	3	3
	4,941	**4,941**	**7,069**	**7,069**

(ii) Other investment costs refer to overhead costs of investment properties and the compensation finance sector employees involved in investments.

Other investment costs	Group in 2022	Company in 2022	Group in 2021	Company in 2021
Loan reserves 1.25%	-	-	-	-
Staff costs – investment finance	3,850	3,850	3,750	3,750
Investment property costs	16,412	16,412	15,839	15,839
Investment property insurance	33,723	33,723	33,680	33,680
	53,985	**53,985**	**53,269**	**53,269**

(all amounts in thousands of HRK)

8. OTHER OPERATING INCOME

	Group in 2022	**Company in 2022**	**Group in 2021**	**Company in 2021**
Income from reversal of provisions	-	-	500	500
Gain from sale of tangible assets	623	623	816	816
Other income-border insurance and handling fee	1,401	1,401	1,293	1,293
Surender value of life insurance	18,570	18,570	13,104	13,104
Operating income (Vehicle registration office – *Zulassungstelle*)	14,892	14,892	18,086	18,086
Other income	10,503	6,041	12,586	8,020
	45,989	**41,527**	**46,385**	**41,819**

(all amounts in thousands of HRK)

9. INCURRED CLAIMS

For the year ended 31 December 2022

GROUP AND COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated claims	Change in gross provisions for claims outstanding	Change in other tehnical provisions for claims outstanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims, outstanding reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	422,698	-	4,077	-	-	2,587	429,362
Road vehicle insurance - Casco	178,292	-	16,243	-	(2)	-	194,533
Property	53,149	(7,344)	577	-	(934)	3,760	49,208
Accident Insurance and Health Insurance	9,516	-	(742)	-	-	-	8,774
Other	57,451	(1,309)	(12,764)	-	(920)	1,711	44,169
	721,106	**(8,653)**	**7,391**	**-**	**(1,856)**	**8,058**	**726,046**

(all amounts in thousands of HRK)

9. INCURRED CLAIMS (CONTINUED)

For the year ended 31 December 2021

GROUP AND COMPANY

	Gross liquidated claims	Reinsurer's share in gross liquidated clams	Change in gross provisions for claims outstanding	Change in other tehnical provisions for claims oustanding, net of reinsurance	Return of premium (bonuses and rebates), net of reinsurance	Changes in gross provisions for claims, outstanding reinsurer's share	Claims incurred, net of insurer
Motor Third Party Liability Insurance	(396,625)	-	4,081	-	-	(3,513)	(396,057)
Road vehicle Insurance - Casco	(162,852)	-	(7,847)	-	4	-	(170,695)
Property	(56,249)	6,851	17,864	-	(661)	3,739	(28,456)
Accident Insurance and Health Insurance	(10,762)	(1)	3,175	-	-	-	(7,588)
Other	(38,431)	624	(15,408)	-	(1,535)	562	(54,188)
	(664,919)	**7,474**	**1,865**	**-**	**(2,192)**	**788**	**(656,984)**

The Group and the Company liquidated a total of 241,983 payment claims in 2022 (2021: 228,111), while 23,957 payment claims are in the reserve on 31 December 2022 (2021: 22,245).

(all amounts in thousands of HRK)

9. INCURRED CLAIMS (CONTINUED)

Analysis of claims quota, cost quota and combined claims quota

The following are the claims quotas, cost quotas and combined claims quota by types of insurance calculated pursuant to the Instruction for filling in Financial Statements of the Insurance and Reinsurance Companies.

GROUP AND COMPANY

2022	Claims quota	Cost quota	Combined quota
Accident Insurance	4.20%	87.31%	91.51%
Health Insurance	111.80%	0.00%	111.80%
Road Vehicle Insurance	62.20%	20.46%	82.66%
Aircraft Insurance	-410.07%	29.45%	-380.62%
Vessel Insurance	37.00%	2.13%	39.13%
Goods in Transit Insurance	-44.64%	3.86%	-40.77%
Fire and Special Perils Insurance	38.35%	50.93%	89.28%
Other Property Insurance	42.83%	37.30%	80.13%
Motor Vehicle Liability Insurance	52.96%	43.19%	96.15%
Aircraft Liability Insurance	19.45%	6.64%	26.09%
Vessel Liability Insurance	4.38%	2.57%	6.95%
Other Liability Insurance	48.11%	17.74%	65.85%
Loan Insurance	-71.18%	0.00%	-71.18%
Guarantee Insurance	36.13%	3.46%	39.58%
Financial Losses Insurance	0.23%	18.28%	18.51%
Legal Protection Insurance	27.85%	9.30%	37.16%
Travel Insurance	58.20%	17.50%	75.69%

GROUP AND COMPANY

2021	Damage quota	Cost quota	Combined quota
Accident Insurance	2.97%	76.29%	79.27%
Health Insurance	98.86%	0.00%	98.86%
Road Vehicle Insurance	57.95%	22.73%	80.68%
Aircraft Insurance	-	-	-
Vessel Insurance	62.97%	13.16%	76.13%
Goods in Transit Insurance	76.05%	3.26%	79.30%
Fire and Special Perils Insurance	5.91%	3.56%	9.47%
Other Property Insurance	14.78%	62.68%	77.46%
Motor Vehicle Liability Insurance	51.31%	42.37%	93.69%
Aircraft Liability Insurance	52.16%	45.30%	97.46%
Vessel Liability Insurance	19.30%	8.72%	28.01%
Other Liability Insurance	16.63%	2.49%	19.12%
Loan Insurance	52.96%	20.41%	73.37%
Guarantee Insurance	-90.10%	-9.46%	-99.56%
Financial Losses Insurance	58.57%	2.65%	61.22%
Legal Protection Insurance	-11.28%	33.27%	21.99%
Travel Insurance	-33.34%	0.00%	-33.34%

(all amounts in thousands of HRK)

10. ACQUISITION COSTS
GROUP AND COMPANY

	Group in 2022	Company in 2022	Group in 2021	Company in 2021
Salaries, taxes and contributions from and to salaries	149,881	149,881	146,659	146,659
Promotions	44,394	44,394	41,103	41,103
Commissions	67,423	67,423	57,201	57,201
Media	5,458	5,458	5,189	5,189
Policy issuance costs	1,955	1,955	1,536	1,536
Donations	1,394	1,394	1,382	1,382
Sponsorships	303	303	399	399
Other underwriting costs	520	520	2,396	2,396
Other administrative cost	109,526	109,023	104,149	103,722
	380,854	**380,351**	**360,014**	**359,587**

The largest part of the acquisition costs relates to Motor Third Party Liability Insurance and Road Vehicle Insurance, and the rest of the insurance has no material relevance.

Other administrative costs	**Group in 2022**	**Company in 2022**	**Group in 2021**	**Company in 2021**
Material	9,567	9,567	8,502	8,502
Energy consumption	9,140	9,140	8,191	8,191
Service costs	22,715	22,715	23,183	23,182
Other tangible and intangible costs	67,753	67,250	64,017	63,591
Other	351	351	256	256
TOTAL	**109,526**	**109,023**	**104,149**	**103,722**

(all amounts in thousands of HRK)

10. ACQUISITION COSTS (CONTINUED)

Acquisition costs based on type of insurance for 2022 are shown below:

COMPANY

Type of insurance	Commission	Other costs acquisition	Total acquisition costs
Accident Insurance	3,854	39,043	42,897
Road Vehicle Insurance	12,044	29,770	41,814
Aircraft Insurance	76	-	76
Vessel Insurance	106	-	106
Goods in Transit Insurance	47	-	47
Fire and Special Perils Insurance	3,737	13,161	16,898
Other Property Insurance	2,759	14,492	17,251
Motor Vehicle Liability Insurance	40,660	207,175	247,835
Aircraft Liability Insurance	12	-	12
Vessel Liability Insurance	73	-	73
Other Liability Insurance	2,928	5,226	8,154
Guarantee Insurance	33	-	33
Financial Losses Insurance	64	1,917	1,981
Assistance Insurance	1,031	2,143	3,174
	67,424	**312,927**	**380,351**

Acquisition costs based on type of insurance for 2021 are shown below:

COMPANY

Type of insurance	Commission	Other costs acquisition	Total acguisition costs
Accident Insurance	5,913	24,808	30,721
Road Vehicle Insurance	13,106	29,633	42,739
Aircraft Insurance	242	-	242
Vessel Insurance	179	-	179
Goods in Transit Insurance	48	-	48
Fire and Special Perils Insurance	3,802	13,666	17,468
Other Property Insurance	1,991	13,298	15,289
Motor Vehicle Liability Insurance	25,108	211,402	236,510
Aircraft Liability Insurance	29	-	29
Vessel Liability Insurance	62	-	62
Other Liability Insurance	4,008	6,447	10,455
Guarantee Insurance	47	-	47
Financial Losses Insurance	1,948	1,369	3,317
Assistance Insurance	718	1,763	2,481
	57,201	**302,386**	**359,587**

(all amounts in thousands of HRK)

11. ADMINISTRATIVE COSTS

GROUP AND COMPANY

	2022	**2021**
Salaries, taxes and contributions from and to salaries	67,055	74,231
Depreciation	32,739	36,343
Other management costs	78,693	74,924
	178,487	**185,498**

Salaries, taxes and contributions from and to salaries:	**2022**	**2021**
Net salaries	140,468	142,466
Pension insurance contributions	32,126	30,643
Taxes	20,498	21,218
Contribution on salaries (healthcare, employment, occupational injuries)	41,172	44,112
	234,264	**238,439**

Salaries, taxes and contributions from and to salaries:	**2022**	**2021**
In administrative costs	67,055	74,231
Salaries in reception offices	13,477	13,799
In acquisition costs	149,881	146,659
In investment costs	3,851	3,750
	234,264	**238,439**

Other administrative costs:

	2022	**2021**
Service costs	37,912	36,993
Insurance premiums	7,110	6,785
Material costs	6,927	6,156
Operating fees pursuant to contracts	2,629	2,984
Bank fees and transaction fees	6,117	5,802
Representation	3,180	2,953
Energy costs	4,254	3,834
Business travel costs and reimbursement of costs	9,771	8,525
Other costs	793	892
	78,693	**74,924**

With regard of salaries, other administrative costs are divided into administrative and acquisition costs.

(all amounts in thousands of HRK)

11. ADMINISTRATIVE EXPENSES (CONTINUED)

The Management Board costs for 2022 are as follows:

GROUP AND COMPANY

Types of insurance	**Depreciation (without buildings)**	**Salaries, taxes and contributions (from and on salaries)**	**Other Management Board costs**	**Total Management Board costs**
Accident Insurance	4,579	7,264	47,673	59,516
Road Vehicle Insurance	1,893	9,101	3,831	14,825
Fire and Special Perils Insurance	1,327	2,931	1,737	5,995
Other Property Insurance	1,569	2,989	1,699	6,257
Motor Vehicle Liability Insurance	22,798	41,892	23,129	87,819
Other Liability Insurance	379	1,493	371	2,243
Financial Losses Insurance	67	709	65	841
Travel Insurance	127	676	188	991
	32,739	**67,055**	**78,693**	**178,487**

The Management Board costs for 2021 are as follows:

GROUP AND COMPANY

Types of insurance	**Depreciation (without buildings)**	**Salaries, taxes and contributions (from and on salaries)**	**Other Management Board costs**	**Total Management Board costs**
Accident Insurance	3,040	5,963	42,690	51,693
Road Vehicle Insurance	2,266	10,087	3,677	16,030
Fire and Special Perils Insurance	1,616	3,414	5,329	10,359
Other Property Insurance	1,653	3,146	2,900	7,699
Motor Vehicle Liability Insurance	27,245	47,907	19,894	95,046
Other Liability Insurance	359	2,485	252	3,096
Financial Losses Insurance	61	561	42	664
Travel Insurance	103	668	141	912
	36,343	**74,231**	**74,924**	**185,498**

(all amounts in thousands of HRK)

12. OTHER OPERATING COSTS

GROUP AND COMPANY

	2022	**2021**
Premium returns	12,699	13,656
Preventive activities costs (firefighting contribution)	566	541
Guarantee Fund of the Croatian Insurance Bureau	1,910	3,109
Provisions (Note 32)	-562	99
Regulatory bodies fees	2,139	2,161
Croatian Health Insurance Fund contributions	11,390	10,244
Other insurance technical expenses	63,328	62,663
	91,470	**92,473**

Insurance companies in the Republic of Croatia pay a monthly contribution for compensating damages caused by non-insured and unknown vehicles into the Guaranties Fund of the Croatian Insurance Bureau. The monthly contribution is set pursuant to the premium share in the market of every insurance company, expressed as a percentage. The funds of the Guarantee Fund of the Croatian Insurance Bureau are used to pay for damages caused by non-insured and unknown vehicles.

(all amounts in thousands of HRK)

13. INCOME TAX

Income tax is calculated in accordance with Croatian regulations. The corporate tax income rate amounts to 18%. The total income tax cost is compliant with the accounting income as follows:

	Group in 2022 HRK'000	Group in 2021 HRK'000	Company in 2022 HRK'000	Company in 2021 HRK'000
Total tax expense				
Current income tax	(28,356)	(28,500)	(28,016)	(28,140)
Deferred tax expense	648	1,217	648	1,217
Tax expense recognised in P&L	**(27,708)**	**(27,283)**	**(27,368)**	**(26,923)**
Profit before tax	**160,497**	**155,650**	**158,314**	**154,046**
Tax calculated at 18% (2021.: 18%)	(28,889)	(28,017)	(28,497)	(27,728)
Non-deductible tax expenses at a rate of 18% (2021.:18%)				
50% of representation costs	(819)	*(699)*	*(819)*	*(699)*
Depreciation over prescribed rates	(1,248)	*(1,217)*	*(1,248)*	*(1,217)*
Receivables write-off	(312)	*(269)*	*(312)*	*(269)*
Other increases	(232)	*(349)*	*(232)*	*(278)*
Income decrease at a rate of 18% (2021: 18%)				
Dividend income	2,525	*2,035*	*2,525*	*2,035*
Other	619	*16*	*567*	*16*
Current income tax	**(28,356)**	**(28,500)**	**(28,016)**	**(28,140)**

Tax expense of the subsidiary amounted to HRK 340 thousand, which do not represent a significant amount for the Group.

(all amounts in thousands of HRK)

13. INCOME TAX (CONTINUED)

GROUP

2022	Opening balance	Realised through other comprehensive income	Realised through the profit and loss statement	Final balance
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(13,856)	406	-	(13,450)
Revaluation reserves for property	(81,333)	(2,681)	1,193	(82,821)
	(95,189)	**(2,275)**	**1,193**	**(96,271)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	(600)	4,627
Leases (IFRS 16)	330	-	55	385
Value adjustment for securities available for sale	3,497	3,330	-	6,827
Net deferred tax liabilities	**(86,135)**	**1,055**	**648**	**(84,432)**

COMPANY

2022	Opening balance	Realised through other comprehensive income	Realised through the profit and loss statement	Final balance
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(13,743)	2,376	-	(11,367)
Revaluation reserves for property	(76,399)	(2,681)	1,193	(77,887)
	(90,142)	**(305)**	**1,193**	**(89,254)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	(600)	4,627
Leases (IFRS 16)	330	-	55	385
Value adjustment for securities available for sale	3,497	3,330	-	6,827
Net deferred tax liabilities	**(81,088)**	**3,025**	**648**	**(77,415)**

(all amounts in thousands of HRK)

13. INCOME TAX (CONTINUED)

GROUP

2021	Opening balance	Realised through other comprehensive income	Realised through the profit and loss statement	Final balance
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(13,912)	56	-	(13,856)
Revaluation reserves for property	(79,904)	(2,555)	1,126	(81,333)
	(93,816)	**(2,499)**	**1,126**	**(95,189)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	-	5,227
Leases (IFRS 16)	239	-	91	330
Value adjustment for securities available for sale	2,957	540	-	3,497
Net deferred tax liabilities	**(85,393)**	**(1,959)**	**1,217**	**(86,135)**

COMPANY

2021	Opening balance	Realised through other comprehensive income	Realised through the profit and loss statement	Final balance
Deferred tax liabilities				
Revaluation reserves for securities available for sale	(13,799)	56	-	(13,743)
Revaluation reserves for property	(74,970)	(2,555)	1,126	(76,399)
	(88,769)	**(2,499)**	**1,126**	**(90,142)**
Deferred tax assets				
Value adjustment for loans and receivables	5,227	-	-	5,227
Leases (IFRS 16)	239	-	91	330
Value adjustment for securities available for sale	2,957	540	-	3,497
Net deferred tax liabilities	**(80,346)**	**(1,959)**	**1,217**	**(81,088)**

The Tax Authority may at any time conduct a review of business books and records within the period of 3 years after the expiration of the year that the tax liability for the reporting year was set and may calculate additional taxes and penalties. The Management Board of the Group has no knowledge of any circumstances which may lead to a material potential liability in the relevant sense.

(all amounts in thousands of HRK)

14. GOODWILL

Costs	Group on 31/12/2022 HRK'000	Group on 31/12/2021 HRK'000	Company on 31/12/2022 HRK'000	Company on 31/12/2021 HRK'000
Opening balance	**4,307**	**4,307**	**-**	**-**
Increase	**-**	**-**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**
Accumulated impairment				
Opening balance	**-**	**-**	**-**	**-**
Decrease	**-**	**-**	**-**	**-**
Closing balance	**-**	**-**	**-**	**-**
Book value				
Opening balance	**4,307**	**4,307**	**-**	**-**
Closing balance	**4,307**	**4,307**	**-**	**-**

In 2017, the Group recognised the goodwill after the acquisition of the company MTT d.o.o. Rijeka, in the amount of HRK 4,307 thousand. On 29 June 2017, the Company bought a 68.12% share in the company MTT d.o.o. for the amount HRK 25,935 thousand. The difference between net assets of the acquired Company and the consideration is stated as goodwill.

(all amounts in thousands of HRK)

15. INTANGIBLE ASSETS

GROUP AND COMPANY

	Investments in third-party property	Software	Total
Purchase value			
Balance at 1 Januray 2021	**19,856**	**5,436**	**25,292**
Increases	143	317	460
Transfer to use	207	-	207
Sales and expenditure	(458)	-	(458)
Balance at 31 December 2021	**19,748**	**5,753**	**25,501**
Increases	-	54	54
Sales and expenditure	-	-	-
Balance at 31 December 2022	**19,748**	**5,807**	**25,555**
Accumulated amortisation			
Balance at 1 January 2021	**13,185**	**5,192**	**18,377**
Amortisation for the year	1,285	236	1,521
Sales and expenditure	-	-	-
Balance at 31 December 2021	**14,470**	**5,428**	**19,898**
Cost for the year	1,271	244	1,515
Sales and expenditure	-	-	-
Balance at 31 December 2022	**15,741**	**5,672**	**21,413**
Net book value			
31 December 2021	**5,278**	**325**	**5,603**
31 December 2022	**4,007**	**135**	**4,142**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT

GROUP

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or revaluation						
Balance at 1 January 2022	**59,229**	**572,732**	**180,604**	**17,979**	**100,754**	**931,298**
Increase	-	4,339	9,200	-	3,604	17,143
Revaluation	241	14,656	-	-	-	14,897
Sales and expenditure	-	(3,758)	(15,357)	-	-	(19,115)
Balance at 31 December 2022	**59,470**	**587,969**	**174,447**	**17,979**	**104,358**	**944,223**
Accumulated depreciation						
Balance at 1 January 2022	**-**	**260,599**	**155,874**	**17,979**	**-**	**434,452**
Depreciation cost for the year	-	17,774	13,450	-	-	31,224
Sales and expenditure	-	(2,692)	(15,096)	-	-	(17,788)
Balance at 31 December 2022	**-**	**275,681**	**154,227**	**17,979**	**-**	**447,887**
Net book value						
31 December 2021	**59,229**	**312,133**	**24,730**	**-**	**100,754**	**496,846**
31 December 2022	**59,470**	**312,288**	**20,220**	**-**	**104,358**	**496,336**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Balance at 1 January 2022	**59,229**	**572,732**	**177,426**	**17,979**	**100,754**	**928,120**
Increase	-	4,339	9,084	-	3,604	17,027
Revaluation	241	14,656	-	-	-	14,897
Sales and expenditure	-	(3,758)	(15,357)	-	-	(19,115)
Balance at 31 December 2022	**59,470**	**587,969**	**171,153**	**17,979**	**104,358**	**940,929**
Accumulated depreciation						
Balance at 1 January 2022	**-**	**260,599**	**153,218**	**17,979**	**-**	**431,796**
Depreciation cost for the year	-	17,774	13,450	-	-	31,224
Sales and expenditure	-	(2,692)	(15,278)	-	-	(17,970)
Balance at 31 December 2022	**-**	**275,681**	**151,390**	**17,979**	**-**	**445,050**
Net book value						
31 December 2021	**59,229**	**312,133**	**24,208**	**-**	**100,754**	**496,324**
31 December 2022	**59,470**	**312,288**	**19,763**	**-**	**104,358**	**495,879**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Purchase value or evaluation						
Balance at 1 January 2021	**58,903**	**558,439**	**180,432**	**17,979**	**100,060**	**915,813**
Increase	52	4,346	6,517	-	2,453	13,368
Revaluation	274	13,922	-	-	-	14,196
Transfer to use	-	566	-	-	(773)	(207)
Transfer to real estate investments	-	-	-	-	(986)	(986)
Sales and expenditure	-	(4,541)	(6,344)	-	-	(10,885)
Balance at 31 December 2021	**59,229**	**572,732**	**180,604**	**17,979**	**100,754**	**931,298**
Accumulated depreciation						
Balance at 1 January 2021	**-**	**246,939**	**144,724**	**17,979**	**-**	**409,642**
Depreciation cost for the year	-	17,658	17,164	-	-	34,822
Sales and expenditure	-	(3,997)	(6,014)	-	-	(10,011)
Balance at 31 December 2021	**-**	**260,599**	**155,874**	**17,979**	**-**	**434,452**
Net book value						
31 December 2020	**58,903**	**311,500**	**35,708**	**-**	**100,060**	**506,171**
31 December 2021	**59,229**	**312,133**	**24,730**	**-**	**100,754**	**496,846**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Investments in progress	Total
Balance at 1 January 2021	**58,903**	**558,439**	**177,403**	**17,979**	**100,060**	**912,784**
Increases	52	4,346	6,367	-	2,453	13,218
Revaluation	274	13,922	-	-	-	14,196
Transfer to use	-	566	-	-	(773)	(207)
Transfer to real estate investments	-	-	-	-	(986)	(986)
Sales and expenditure	-	(4,541)	(6,344)	-	-	(10,885)
Balance at 31 December 2021	**59,229**	**572,732**	**177,426**	**17,979**	**100,754**	**928,120**
Accumulated depreciation						
Balance at 1 January 2021	**-**	**246,939**	**142,186**	**17,979**	**-**	**407,104**
Depreciation cost for the year	-	17,658	17,164	-	-	34,822
Sales and expenditure	-	(3,997)	(6,132)	-	-	(10,129)
Balance at 31 December 2021	**-**	**260,599**	**153,218**	**17,979**		**431,796**
				-	-	-
Net book value				-	-	-
31 December 2020	**58,903**	**311,500**	**35,217**	**-**	**100,060**	**505,680**
31 December 2021	**59,229**	**312,133**	**24,208**	**-**	**100,754**	**496,324**

(all amounts in thousands of HRK)

16. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2022, property and equipment also includes assets with the right of use based on concluded lease agreements in the total amount of HRK 31,127 thousand. Assets with the right of use are shown as follows:

	Building	Equipment	Total
Balance at 1 January 2022	**22,178**	**11,825**	**34,003**
Increase	4,071	5,882	9,953
Decrease	(1,041)	(70)	(1,111)
Depreciation	(4,197)	(7,521)	(11,718)
Balance as on 31 December 2022	**21,011**	**10,116**	**31,127**

Had the land and property been valued pursuant to the method of cost less accumulated depreciation, the values would be as follows:

GROUP AND COMPANY

	31/12/2022	31/12/2021
Purchase value	349,398	348,817
Accumulated depreciation	(146,949)	(138,476)
Net book value	**202,449**	**210,341**

As of 31 December 2022, the revaluation reserves for property and equipment amounted to HRK 138,833 thousand. The amount of HRK 215,792 thousand refers to revaluation reserves for investment property which have previously been reclassified from property and equipment.

In order to calculate the market value of property, the assessor used the income, cost and comparative method. Data published by the relevant institutions, data on current value movements of property in the relevant location and equivalent buildings, and personal experiences were used during the calculation. The property value assessment method did not change during the year. However, the estimated fair values do not necessarily have to refer to amounts that the Group might realise in a real transaction.

The following information about the fair value hierarchy as at 31 December 2022 and 2021:

	1. level	2. level	3. level	Fair Value 2022
Business facilities	-	-	350,747	350,747

	1. level	2. level	3. level	Fair Value 2021
Business facilities	-	-	349,183	349,183

During the year, there were no items which had to be reclassified pursuant to the fair value hierarchy.

17. PROPERTY AND EQUIPMENT (CONTINUED)

The following is fair value information that uses significant parameters that are not available in the market:

Description	Fair value Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameter to fair value
Business facilities	Income method	Risk of loss of lease payments	6%-13%	The higher the parameter, the lower the fair value
		Investment maintenance costs	0,32-1,37 EUR/m2	The higher the parameter, the lower the fair value
		Supposed lease payments	7,38-30,25 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	4%-8,25%	The higher the parameter, the lower the fair value
Business facilities	Comparative method	Supposed price	880,85 – 3.583,95 EUR/m2	The higher the parameter, the lower the fair value

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Fair value of investment property – land	115,215	100,850	113,567	99,202
Fair value of investment property – buildings	863,310	845,527	829,204	810,845
	978,525	**946,377**	**942,771**	**910,047**

	Group 2022	Company 2022	Group 2021	Company 2021
Opening balance	**942,771**	**910,047**	**932,076**	**898,777**
Acquisition	20,820	20,820	-	-
Transfer	-	-	1,111	1,111
Disposal	-	-	-	-
Changes in fair value	14,934	15,510	9,584	10,159
Closing balance	**978,525**	**946,377**	**942,771**	**910,047**

Fair value of land and buildings on 31 December 2022 and 2021 is established pursuant to the assessment carried out on that day by an independent assessor Centar Akcija d.o.o. Fair value was established by using an income method which, based on the current value of cash flows, indicates the property market value expected to be reached in the future through property lease. A part of property was assessed using the comparative method which uses prices reached by comparable property. Please below find information on the Group's property investment, and on the fair value hierarchy on 31 December 2022 and 31 December 2021 below:

COMPANY:

	Level 1	Level 2	Level 3	Fair Value 2022
Business facilities	-	-	946,377	946,377

	Level 1	Level 2	Level 3	Fair Value 2021
Business facilities	-	-	910,047	910,047

During the year there were no items which had to be reclassified pursuant to the fair value hierarchy.

GROUP:

	Level 1	Level 2	Level 3	Fair Value 2022
Business facilities	-	-	978,525	978,525

	Level 1	Level 2	Level 3	Fair Value 2021
Business facilities	-	-	942,771	942,771

(all amounts in thousands of HRK)

17. INVESTMENT PROPERTY (CONTINUED)

Please find below information on the fair value based on relevant parameters which are not available on the market:

Description	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameter to fair value
Business facilities	Income method	Risk of loss of lease payments	6%-14%	The higher the parameter, the lower the fair value
		Investment maintenance costs	2%-12%	The higher the parameter, the lower the fair value
		Supposed lease payments	6,29-16,37 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	6%-8%	The higher the parameter, the lower the fair value
Business facilities	Comparative method	Supposed price	3,365 EUR/m2	The higher the parameter, the lower the fair value
Vehicle control stations	Income method	Risk of loss of lease payments	7%-16%	The higher the parameter, the lower the fair value
		Investment maintenance costs	2.5%-12%	The higher the parameter, the lower the fair value
		According to number of technical control	8-20 EUR/m2	The higher the parameter, the lower the fair value
		Supposed yield	5.5%-9%	The higher the parameter, the lower the fair value

The Group's lease income for 2022 amounts to HRK 33,749 thousand (2021: HRK 31,745 thousand) and recognised in Investment income (Note 7). Operating expenses (including repairs and maintenance) resulting from property investments to HRK 16,412 thousand in 2022 and HRK 15,839 thousand in 2021.

As of 31 December 2022, the Company recognised a gain on fair valuation of investment properties in the amount of HRK 15,510 thousand (2021: HRK 10,159 thousand), while the Group recognised a gain on fair valuation of investment properties in the amount of HRK 14,934 thousand (2021: HRK 9,582 thousand) which is recognized in profit or loss within Investment costs (Note 7).

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Equity securities	535,889	546,761	539,596	563,891
Bonds	263,137	263,137	259,941	259,941
Investment funds	13,875	13,875	8,013	8,013
	812,901	**823,773**	**807,550**	**831,845**

Equity securities

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Per cost	182,963	208,898	186,041	211,976
Per fair value	352,926	337,863	353,555	351,915
	535,889	**546,761**	**539,596**	**563,891**

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Listed	340,937	325,874	330,839	329,199
Non-listed	194,952	220,887	208,757	234,692
	535,889	**546,761**	**539,596**	**563,891**

The Group’s total portfolio for the acquisition includes companies whose price is not quoted on the active market. There are two groups of the mentioned instruments. The first group is equity instruments of the BiH company. The group believes that these equity instruments, due to the specifics of the BiH market, are best kept at acquisition costs and trace indicators for potential impairment. The second group entails equity instruments which are, in essence, holding companies which do not have a dominant activity, but a high share of property and financial assets. Therefore, the Group believes that these equity instruments are best kept at acquisition cost and monitor indicators for potential impairment. The Group monitors market circumstances and operations of relevant companies and will adopt decisions on reversal of relevant property with the aim to maximise positive effects on the Group’s activities.

(all amounts in thousands of HRK)

18. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

GROUP AND COMPANY

	31/12/2022	31/12/2021
Government bonds	188,136	202,059
Corporate bonds	38,157	57,882
Treasury bills	36,844	-
	263,137	**259,941**

As of 31 December 2022, the Group has no investments in bonds pledged as collateral for the repo loan received (Note 29).

	Number of shares on 31/12/2022	Number of shares on 31/12/2021	31/12/2022	31/12/2021
Investment funds	From 7.64% to 66.67%	From 4.10% to 8.51%	13,875	8,013
			13,875	**8,013**

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES

GROUP AND COMPANY

Credit and receivables	**31/12/2022**	**31/12/2021**
Given long-term credits	669,961	757,545
Interest receivables	6,138	7,830
	676,099	**765,375**
Provisions for suspicious receivables	(31,299)	(35,280)
	644,800	**730,095**
Long-term part of long-term credits	537,966	640,640
Short-term part of long-term credits	106,834	89,455
Given long-term credits	**644,800**	**730,095**

Credits are mainly secured with pledges on business premises. The unsecured part of the portfolio amounts to 26%.

Overview of loans and receivables on 31 December 2022.:

GROUP AND COMPANY

Long-term loans	**Currency**	**Date of contract**	**Interest rate**	**Maturity date**	**2022**
Long-term loans with pledge, total	HRK	25/09/2006 – 31/12/2022	3.4% to 4.75%	15/03/2023 – 01/07/2037	476,487
Long-term loans with no pledge, total	HRK	05/01/2017 – 31/12/2022	1.5% to 3.59%	31/08/2023 – 01/07/2037	139,382
Long-term loans with no pledge, total	€	14/07/2017 – 31/12/2022	1.5% to 3.4%	01/05/2024 – 30/09/2030	28,931

(all amounts in thousands of HRK)

19. LOANS AND RECEIVABLES (CONTINUED)

Overview of loans and receivables on 31 December 2021:

GROUP AND COMPANY

Long-term loans	**Currency**	**Date of contract**	**Interest rate**	**Maturity date**	**2021**
Long-term loans with pledge, total	HRK	25/09/2006 – 31/12/2021	3.4% to 4.75%	15/03/2023 – 01/07/2037	514,396
Long-term loans with no pledge, total	HRK	05/01/2017 – 31/12/2021	1.5% to 5.58%	17/01/2022 – 01/07/2037	182,402
Long-term loans with no pledge, total	€	14/07/2017 – 31/12/2021	1.5% to 3.4%	30/06/2023 – 28/0/2025	33,297

Impairments were the following:	**2022**	**2021**
Opening balance	**35,280**	**35,217**
Abolition of provisions	(3,000)	-
Provisions on a group basis	(981)	62
Closing balance	**31,299**	**35,280**

20. BANK DEPOSITS

	GROUP AND COMPANY 31/12/2022	**GROUP AND COMPANY 31/12/2021**
Bank deposits in HRK	207,125	121,336
Bank deposits in EUR	51,718	31,916
	258,843	**153,252**

Overview of deposits on 31 December 2022 and 31 December 2021:

	GROUP AND COMPANY 31/12/2022	**GROUP AND COMPANY 31/12/2021**
Long-term bank deposits	9,878	39,515
Short-term bank deposits	248,965	113,737
	258,843	**153,252**

(all amounts in thousands of HRK)

21. PREMIUM RECEIVABLES

	GROUP AND COMPANY 31/12/2022	GROUP AND COMPANY 31/12/2021
Gross amount		
Premium receivables	394,665	450,728
Enforceable premium receivables	34,660	31,326
	429,325	**482,054**
Value adjustments		
Adjustments for more than 1-year-old unpaid premiums	(19,708)	(19,903)
Adjustments for enforceable premiums	(34,660)	(31,326)
	(54,368)	(51,229)
	374,957	**430,825**

Overview of non-enforceable premium receivables, 31 December maturity date category:

GROUP AND COMPANY

	Not yet due	30 days	30- 60 days	60- 90 days	90-180 days	180-365 days	Over 365 days	Total
2022								
Premium receivables	309,105	42,429	8,774	6,898	7,751	12,017	7,691	**394,665**

	Not yet due	30 days	30- 60 days	60- 90 days	90-180 days	180-365 days	Over 365 days	Total
2021								
Premium receivables	357,709	43,156	17,600	7,396	4,964	11,196	8,707	**450,728**

Pursuant to the Group's policy, value of all receivables more than 180 days old are adjusted.

Value adjustment movement during the year:

	GROUP AND COMPANY 2022	GROUP AND COMPANY 2021
Opening balance	**51,229**	**54,057**
Write-off	(2,066)	(2,142)
Value adjustment during the year	(195)	(1,281)
Write-offs	6,395	1,742
Amounts paid	(995)	(1,147)
Closing balance	**54,368**	**51,229**

(all amounts in thousands of HRK)

22. OTHER RECEIVABLES

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Purchased lease receivables	24,110	24,110	42,558	42,558
Other receivables	16,250	16,250	16,250	16,250
Non-current receivables	**40,360**	**40,360**	**58,808**	**58,808**
Lease receivables	26,474	25,721	15,404	15,404
Administrative receivables	5,066	5,066	5,941	5,941
Advances paid to supplier	3,479	3,479	6,599	6,599
Receivables with recourse	11,532	11,532	8,241	8,241
Receivables from the State and other institutions	8,470	8,470	5,751	5,751
Purchased receivables leasing contracts (current maturity)	22,279	22,279	34,747	34,747
Other receivables	14,089	13,677	25,086	24,887
Current receivables	**91,389**	**90,224**	**101,769**	**101,570**

As of December 31, 2022, the company has 936 active lease contracts.

In the separate and consolidated statement of financial position as of 31 December 2022, receivables are shown at acquisition cost in the amount of HRK 46,389 thousand, of which HRK 22,279 thousand refer to short-term receivables due in 2023, while the amount of HRK 24,110 refers to long-term receivables due in the period from 2023 to 2028.

23. CASH AND CASH EQUIVALENTS

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Bank accounts	277,186	277,098	180,005	178,050
Cash in hand	62	62	395	395
	277,248	**277,160**	**180,400**	**178,445**

24. EQUITY

The equity of the Company amounted to HRK 61,002 thousand in 2021 and 2022 and is divided into 305,010 shares of nominal value of HRK 200. All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total.

Shareholders' structure according to the number of shares and equity participation on 31 December:

	2022		2021	
	Number of shares	**Equity share %**	**Number of shares**	**Equity share %**
Grgić Dubravko	45,750	15.00	45,750	15.00
Adriatic osiguranje d.d.	26,359	8.64	30,192	9.90
Kordić Ante	18,300	6.00	18,300	6.00
Agram life osiguranje d.d.	17,718	5.81	17,718	5.81
Grgić Mladenka	13,070	4.29	13,070	4.29
Rubić Josip	10,130	3.32	10,130	3.32
Erkapić Mate	10,130	3.32	10,130	3.32
Kordić Zlatko	10,130	3.32	10,130	3.32
Agram Tis d.o.o.	7,952	2.60	10,090	3.31
Galić Drago	7,576	2.48	7,576	2.48
Kurtović Husnija	7,576	2.48	7,576	2.48
Lerota Zlatko	7,576	2.48	7,576	2.48
	182,267	**59.74**	**188,238**	**61.71**
Other	122,743	40.26	116,772	38.29
Total	**305,010**	**100**	**305,010**	**100**

	Group 31/12/2022	**Company 31/12/2022**	**Group 31/12/2021**	**Company 31/12/2021**
Profit after tax (in thousand of HRK)	132,789	130,946	128,367	127,123
Profit attributable to the shareholders (in thousands of HRK)	132,789	130,946	128,367	127,123
Number of ordinary shares used in the calculation of basic earnings per share	305,010	305,010	305,010	305,010
Earnings per share (in HRK and lipa)	**435,36**	**429,32**	**420,86**	**416,78**

(all amounts in thousands of HRK)

25. REVALUATION RESERVES ON FINANCIAL ASSETS AVAILABLE FOR SALE

GROUP

	2022	2021
Opening balance	**54,247**	**56,963**
Revaluation of securities available for sale, net	***(19,202)***	***(2,645)***
Revaluation of securities available for sale	(23,417)	(3,226)
Recognised deferred tax in comprehensive income	4,215	581
Other comprehensive income attributed to minority interest	**(2,861)**	**-**
Net amount transferred to profit or loss	***2,180***	***(71)***
Amount transferred to profit or loss	2,659	(87)
Abolition of deferred tax liability	(479)	16
Closing balance	**34,364**	**54,247**

COMPANY

	2022	2021
Opening balance	**53,895**	**56,611**
Revaluation of securities available for sale, net	**(28,176)**	**(2,645)**
Revaluation of securities available for sale	(34,361)	(3,226)
Recognised deferred tax in comprehensive income	6,184	581
Net amount transferred to profit or loss	***2,180***	***(71)***
Amount transferred to profit or loss	2,659	(87)
Abolition of deferred tax liability	(479)	16
Closing balance	**27,899**	**53,895**

26. REVALUATION RESERVES FOR PROPERTY

	GROUP AND COMPANY	GROUP AND COMPANY
	2022	2021
Početno stanje	**347,845**	**341,335**
Revaluation of property, net	***12,216***	***11,641***
Revaluation of property	14,897	14,196
Recognised deferred tax in comprehensive income	(2,681)	(2,555)
Reversal of the revaluation reserve	**(5,436)**	**(5,131)**
Closing balance	**354,625**	**347,845**

(all amounts in thousands of HRK)

27. LEGAL RESERVES

	GROUP AND COMPANY 31/12/2022	GROUP AND COMPANY 31/12/2021
Legal reserves	172,585	172,585
	172,585	**172,585**

Statutory reserves refer to reserves established by the Insurance Act, formed before 1 January 2006. These reserves entailed the allocation of 1/3 of net income of every business year, until 31 December 2005. The Company established the statutory reserves pursuant to the Companies Act and can use them to pay out dividends or cover losses pursuant to the Companies Act.

28. TECHNICAL PROVISIONS

	GROUP AND COMPANY 31/12/2022	GROUP AND COMPANY 31/12/2021
Unearned premium provisions		
Gross amount	820,140	783,769
Reinsurance/co-insurance	(13,026)	(13,005)
Unearned premium provisions, less reinsurance	***807,114***	***770,764***
Claims incurred		
Gross amount	912,452	905,062
Reinsurance	(7,745)	(15,803)
Other techincal provisions	-	-
Return of premium expenses	2,486	4,343
Claims incurred, less reinsurance	***907,193***	***893,602***
Total technical provisions, net of reinsurance	**1,714,308**	**1,664,366**
Share of reinsurance in tehnical reserves	**20,771**	**28,808**
Total technical provisions, gross	**1,735,079**	**1,693,174**

	GROUP AND COMPANY 2022	GROUP AND COMPANY 2021
Opening balance	**783,769**	**720,058**
Annual written premium	1,536,610	1,482,142
Annual earned premium	(1,500,239)	(1,418,431)
Closing balance	**820,140**	**783,769**

Reinsurer's assets movement during the year:

	GROUP AND COMPANY 2022	GROUP AND COMPANY 2021
Opening balance	**28,808**	**28,267**
Additions	(8,037)	541
Closing balance	**20,771**	**28,808**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

2022	Gross claims outstanding on 31/12/2021	Liquidated claims, gross amount	Reinsurance share in damages	Changes in provisions for claims, reinsurance	Claims incurred	Gross claims outstanding on 31/12/2022
Accident Insurance	13,615	(6,218)	-	-	4,875	12,272
Health Insurance	945	(3,298)	-	-	3,898	1,545
Casco Insurance	87,374	(183,713)	1,182	(2,314)	195,432	97,961
Property Insurance	30,551	(53,149)	7,344	(3,760)	50,142	31,128
Motor Vehicle Liability Insurance	732,250	(422,698)	-	(2,587)	429,362	736,327
Liability Insurance	36,230	(36,929)	127	603	30,524	30,555
Transport and Credit Insurance	3,874	(863)	-	-	(450)	2,561
Travel Insurance	223	(14,238)	-	-	14,118	103
	905,062	**(721,106)**	**8,653**	**(8,058)**	**727,901**	**912,452**

GROUP AND COMPANY

2021	Gross claims oustanding on 31/12/2020	Liquidated claims, gross amount	Reinsurance share in damages	Changes in provisions for claims, reinsurance	Claims incurred	Gross claims outstanding 31/12/2021
Accident Insurance	17,010	(6,690)	-	-	3,295	13,615
Health Insurance	725	(4,073)	-	-	4,293	945
Casco Insurance	76,678	(165,933)	9	602	176,018	87,374
Property Insurance	48,415	(56,249)	6,851	3,739	27,795	30,551
Motor Vehicle Liability Insurance	736,331	(396,625)	-	(3,513)	396,057	732,250
Liability Insurance	20,763	(21,577)	614	(5)	36,435	36,230
Transport and Credit Insurance	6,781	(518)	-	(35)	(2,354)	3,874
Travel Insurance	223	(13,254)	-	-	13,254	223
	906,926	**(664,919)**	**7,474**	**788**	**654,793**	**905,062**

(all amounts in thousands of HRK)

28. TECHNICAL PROVISIONS (CONTINUED)

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2022	**Gross**	**Net of reinsurance**
Provisions for declared, unpaid damages, augmented by claims handling costs	531,793	524,048
Provisions for incurred, non-declared damages, augmented by claims handling costs	380,660	380,660

GROUP AND COMPANY

Provisions for declared, unpaid damages on 31 December 2021	**Gross**	**Net of reinsurance**
Provisions for declared, unpaid damages, augmented by claims handling costs	510,889	495,086
Provisions for incurred, non-declared damages, augmented by claims handling costs	394,173	394,173

(all amounts in thousands of HRK)

29. LONG-TERM AND SHORT-TERM LOANS

	GROUP 31/12/2022	COMPANY 31/12/2022	GROUP 31/12/2021	COMPANY 31/12/2021
Long-term loans	100,040	100,040	120,569	120,569
	100,040	**100,040**	**120,569**	**120,569**

Austrian Anadi Bank AG, FN 245157 a, Domgasse 5, A-9020 Klagenfurt am Wörthersee on 19 June 2018 approved a loan at 1.8% interest for the purchase of an office building in Klagenfurt, Austria. Installment maturity: quarterly, start of loan repayment on 1 January 2019, duration of the contract is until 30 September 2026. The balance of the contract as of 31 December 2022 is HRK 35.5 million.

Vorarlberger Landes und Hypothekenbank AG Austria approved dedicated long-term loans for the purchase of property in the Republic of Austria in May 2017 (loan repayment in May 2032 with a 2.125% interest rate).

The company with Agram life insurance d.d. has concluded a loan agreement in the amount of EUR 3,204 thousand using the middle exchange rate of the CNB. The contract is in kind from the redemption value of the life insurance policy, with all the rights that belong to it from the policy. The interest rate is contracted at 4.50%, calculated monthly and attributed to the loan principal. The amendment to the agreement approved the extension of the loan term until December 31, 2023.

	GROUP AND COMPANY 31/12/2022	GROUP AND COMPANY 31/12/2021
Short-term loans (maturity of long-term loans in 2022)	21,536	26,016
Short-term loans	-	-
	21,536	**26,016**

(all amounts in thousands of HRK)

29. LONG-TERM AND SHORT-TERM LOANS (CONTINUED)

	Currency	Maturity	Interest rate %	GROUP 31/12/2022	COMPANY 31/12/2022
Long-term loans	€	2032	2.125	28,836	28,836
Long-term loans	€	2026	1.8	35,537	35,537
Long-term loans	HRK	2023	4.5	24,142	24,142
				88,515	**88,515**
Liabilities	€ /HRK	2023/2032	2.00/8.00	33,061	33,061
				121,576	**121,576**

	Currency	Maturity	Interest rate %	GROUP 31/12/2021	COMPANY 31/12/2021
Long-term loans	€	2032	2.125	30,428	30,428
Long-term loans	€	2024	1.25	10,433	10,433
Long-term loans	€	2026	1.8	45,588	45,588
Long-term loans	HRK	2022	4.5	24,087	24,087
				110,536	**110,536**
Liabilities	€ /HRK	2022/2027	2.64 /6.99	36,049	36,049
				146,585	**146,585**

(all amounts in thousands of HRK)

30. LIABILITIES FROM DIRECT INSURANCE OPERATIONS

	GROUP AND COMPANY 31/12/2022	GROUP AND COMPANY 31/12/2021
Liabilities to the Croatian Insurance Bureau	33,218	35,092
Liabilities for received advances	1,180	1,305
Liabilities for payment of damages	7,769	458
	42,167	**36,855**

31. OTHER LIABILITIES

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Current tax liability	**4,475**	**4,475**	**911**	**911**
Other liabilities				
Liabilities based on the share in the result	5,957	5,957	23,328	23,328
Premium tax	136,186	136,186	160,306	160,306
Commitments towards suppliers	29,999	29,816	20,822	20,785
Liabilities to employees	17,280	17,280	16,853	16,852
Deferred income	-	-	39	39
Commission liabilities	6,424	6,424	7,039	7,039
Other liabilities	3,540	3,459	5,182	5,098
Provisions for liabilities	9,083	9,083	8,665	8,665
	208,469	**208,205**	**242,234**	**242,112**

The movement of provisions for expenses is as follows:

	Group 2022	Company 2022	Group 2021	Company 2021
Starting balance	**8,665**	**8,665**	**9,128**	**9,128**
Credited	(201)	(201)	(463)	(463)
New reservations	619	619	-	-
Closing balance	**9,083**	**9,083**	**8,665**	**8,665**

32. CAPITAL ADEQUACY

Solvency II, legislative and regulatory framework of the total business operations of the insurance and reinsurance companies in the European Union entered into force on 1 January 2017. The new system, Solvency II, has thoroughly changed the way solvency capital is calculated, and assets and liabilities valued, as well as introduced a series of new risk management requirements. In order to manage risks in a systematic manner, the Company devised and adopted risk management policies, own risk and solvency assessment (ORSA) and risk management for all risk categories.

Capital management aims, policies and approach

The main aims of Solvency II are the protection of policy holders, setting solvency margins which would represent total risk exposure, anticipating market changes, solvency based on principles, not strict rules, and maintaining financial stability. Achieving the Solvency II aims is possible through the risk management process. The risk management process entails precise identification, assessment, measurement and control of risks the Group is exposed to or could be exposed to in the future in order to efficiently manage them, all in order to protect the policy holders, achieve the planned financial results and increase the economic and market value of the Group's assets and equity.

The main traits of the organisation's risk management system also constitute its advantages:

- better understanding of key risks and implications,
- better resource management,
- higher probability of achieving targets,
- faster reaction to internal and external changes,
- increase in the Company's profitability,
- comprehensive and more concise reporting on risk management.

The Company's operations are subject to regulatory requirements stipulated by the Croatian Financial Services Supervisory Agency, which also supervises the implementation of those requirements. Such regulations not only stipulate the approval of activities and their monitoring, but also impose restrictive provisions in order to minimise the insurance companies' insolvency risk in terms of meeting contingent liabilities once they incur. Based on preliminary calculations, on 31 December 2022, the Company complied with requirements concerning the calculation of capital adequacy, pursuant to the Solvency II regulations.

Solvency is calculated pursuant to rules stipulated by the European Insurance and Occupational Pensions Authority (EIOPA). Solvency II introduced economic/market assets and liabilities valuation based on the total balance sheet approach, meaning that it is necessary to establish the market value all risks balance sheet positions are exposed to.

33. CAPITAL ADEQUACY (CONTINUED)

Capital management aims, policies and approach (continued)

ORSA is one of the Solvency II requirements. ORSA is defined as a series of processes which form a decision making and strategic analyses tool. Its aim and task is to identify, assess, monitor, manage and report on short-term and long-term risks the insurance company is exposed to or might be exposed to in the future, as well as to assess own funds necessary for the company's constant solvency, i.e. for it to be able to cover all needs and liabilities.

Pursuant to applicable laws, ORSA entails the following three elements:

- own assessment of the total solvency need;
- uninterrupted assessment of compliance with capital requirements and technical provisions requirements;
- assessment of the significance of deviation of the insurance company's risk profile from the assumptions for the calculation of the necessary solvency capital pursuant to the standard formula.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Significant Accounting Policies

Significant accounting policies and adopted methods, including the recognition criteria, valuation basis, and the basis for recognising profit and losses for all classes of financial assets, financial liabilities and equity instruments are stated in detail in Note 3 of the financial statements.
Financial instruments and risk management are analysed on the level of the Company, which represents the Group's exposure to financial instruments and relevant risks, since the subsidiary is not exposed to them.

Categories of financial instruments

	Group 31/12/2022	Company 31/12/2022	Group 31/12/2021	Company 31/12/2021
Financial assets				
Available for sale financial assets	812,901	823,773	807,550	831,845
Receivables loans				
Loans	644,800	644,800	730,095	730,095
Guarantee deposit for lease contracts	8,075	8,075	9,681	9,681
Bank deposits	258,843	258,843	153,252	153,252
Reinsurance share in technical provisions	20,771	20,771	28,808	28,808
Premium and other receivables	546,065	544,900	629,468	629,269
Cash at bank and in hand	277,248	277,160	180,400	178,445
Financial liabilities				
Short-term loans	21,536	21,536	26,015	26,015
Long-term loans	100,040	100,040	120,569	120,569
Liabilities from direct insurance business	42,167	42,167	36,855	36,855
Other liabilities	220,254	219,990	249,988	249,866

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

The Company's exposure to market risks, including the currency and interest rate risk, is limited due to the assets and liabilities structure.

In order to actively manage assets, the Company uses approaches the aim of which is to balance quality, diversify and harmonise assets and liabilities, liquidity and return on assets. The aim of the investment process is to optimise income and total return on investment, risk-adjusted and after taxation, ensuring that the assets and liabilities are managed based on cash flows and duration. The management periodically reviews and approves target portfolios, sets guidelines for investment and investment limits, and monitors the asset management process. Due consideration is given to compliance with rules stipulated in the Insurance Act.

Currency risk management

The Company holds no significant amount of assets and liabilities in foreign currency. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Assets		**Liabilities**	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**
EUR	498,359	405,259	577,977	419,868
HRK	3,573,091	3,610,998	3,493,473	1,787,700

The value of assets denominated in a foreign currency account for 10.09% of total assets, while the value of liabilities denominated in a foreign currency account for 10.45 % of total assets. The Company believes that changes in the foreign exchange rate cannot significantly affect the Company's operations. For the year ending on 31 December 2022, the Company recognised negative exchange rate differences in the amount of HRK 397 thousand (2021: HRK 10 thousand), which accounts for 0.3% of total net income for the year ending on 31 December 2022 (2021: 0.01%) and shows that changes in exchange rates have a limited influence on the Company's operations. The Management Board concluded that a 10% change would have no material effect on the Company's operations.

Interest rate risk management

The Company is not significantly exposed to interest rate risk, and Company has no assets with variable interest rates. Changes in interest rates cannot significantly affect the Company's operations, since the total interest rate cost per loan (Note 7) in the amount of HRK 4,941 thousand (2021: HRK 7,069 thousand) account for 3.77 % of the total net income for the year ending on 31 December 2022 (2021: 5.56%). The Management Board concluded that a 50 base point change would have no material effect on the Company's operations.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

The Company is exposed to risks of principal price change since equity instruments account for a significant part of the Company's assets. A certain number of equity instruments classified in the "available for sale" category is not quoted on the market. The Company assessed the influence of the price change of securities which are actively traded on the stock market, and it is not relevant considering that the total share of these securities is not relevant.

Credit risk management

Credit risk refers to the default risk of the other contracting party, which would lead to substantial financial losses of the Company. The Company adopted the policy of doing business with only creditworthy parties and obtaining sufficient insurance instruments in order to mitigate the financial loss risk due to default. The Company's exposure and the credit rating of the parties it cooperates with is continuously monitored, and the total value of concluded transactions is allocated to approved clients. An assessment of creditworthiness for claims is carried out continuously and, where appropriate, insurance coverage for credit guarantees is obtained.

The Company assesses the debtor's creditworthiness based on the debtor's capital, debtor's assets, including his ability to achieve future cash flows for the payment of debt, the debtor's liquidity and profitability, the debtor's cash flows from the past period and expected future cash flows, general operating conditions and the debtor's prospective and position on the market of the debtor's activities.

Maximum credit risk exposure

	31/12/2022	**31/12/2021**
Bonds	263,137	259,941
Credits and receivables	644,800	730,095
Guarantee deposit for lease contracts	8,075	9,681
Bank deposits	258,843	153,252
Premium receivables	374,957	430,825
Reinsurance share in technical provisions	20,771	28,808
Credit cards and checks receivables	39,359	38,066
Other receivables	130,584	160,378
Cash at bank and in hand	277,160	178,445
	2,017,686	**1,989,491**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

Credit quality of financial assets

The credit quality of undue or not impaired financial assets may be assessed by referring to external credit rating (if available) or historical information on the credit quality of the other contracting party. The historical data may be divided into the following groups:

Group 1 – new partners / subsidiaries (less than 6 months)

Group 2 – existing partners (over 6 months) with no past payment delays

Group 3 – existing partners (over 6 months) with slight past payment delays. All delays have been fully paid.

	31/12/2022	**31/12/2021**
BB – government bonds and treasury bills	224,997	202,059
Group 1 – corporate bonds	38,140	57,881
Group 2 – investment funds	13,875	8,013
Total securities available for sale	**277,012**	**267,953**
Group 2	643,937	729,473
Group 3	863	622
Total loans and receivables	**644,800**	**730,095**
Group 2	8,075	9,681
Total guarantee deposits under lease agreements	**8,075**	**9,681**
Group 2	258,843	153,252
Total deposits in banks	**258,843**	**153,252**
Group 1	24,079	22,540
Group 2	345,054	402,239
Group 3	5,824	6,046
Total claims on premiums	**374,957**	**430,825**
Group 2	277,160	178,455
Total cash and cash equivalents	**277,160**	**178,455**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Management Board is responsible for risk management and has set a high-quality framework for management of liquidity risk for short, medium and long positions of the Company and defined the requisites which refer to liquidity management. The Company manages its liquidity by maintaining adequate provisions, which it calculates pursuant to the Insurance Act (Note 3) in order to cover its potential claims liabilities. Furthermore, the Company has significant amounts of short-term loans which ensure the Company has sufficient funds in the short and long term. The actuarial calculation of technical provisions is done on a quarterly basis, in order to ensure the existence of sufficient amounts of provisions. The Company also needs to ensure additional investment funds in order to cover its provisions pursuant to the Insurance Act. On 31 December 2022 and 31 December 2021, the Company was operating pursuant to those requirements.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturity of assets and liabilities

2022	Less than 1 year	From 1 to 5 years	From 5 to 10 years	From 10 to 15 years	From 15 to 20 years	More than 20 years	Total
Securities available for sale	196,045	538,640	85,350	3,737	-	-	823,772
Loans and receivables	106,834	161,288	267,412	109,266	-	-	644,800
Guarantee deposit under lease agreements	-	8,075	-	-	-	-	8,075
Deposits in banks	248,965	-	9,878	-	-	-	258,843
Premium receivables	374,957	-	-	-	-	-	374,957
Share of reinsurance in technical provisions	15,494	4,027	878	241	72	59	20,771
Credit card and check receivables	39,359	-	-	-	-	-	39,359
Other receivables	107,085	19,684	2,748	1,068	-	-	130,585
Money in the account and in the cash register	277,160	-	-	-	-	-	277,160
	1,365,899	**731,714**	**366,266**	**114,312**	**72**	**59**	**2,578,322**
Technical provisions	1,109,738	339,871	162,350	69,862	22,643	30,615	1,735,079
Deferred tax liability	77,415	-	-	-	-	-	77,415
Loans and receivables	11,458	57,224	19,834	-	-	-	88,516
Lease obligation	10,078	15,947	7,036	-	-	-	33,061
Liabilities from direct insurance business	42,167	-	-	-	-	-	42,167
Liabilities from reinsurance business	7,310	-	-	-	-	-	7,310
Other liabilities	212,680	-	-	-	-	-	212,680
	1,470,846	**413,042**	**189,220**	**69,862**	**22,643**	**30,615**	**2,196,228**

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturity of assets and liabilities

2021	**Less than 1 year**	**From 1 to 5 years**	**From 5 to 10 years**	**From 10 to 15 years**	**From 15 to 20 years**	**More than 20 years**	**Total**
Securities available for sale	168,688	593,982	64,255	4,920	-	-	831,845
Loans and receivables	89,455	238,772	130,672	202,476	69,610	-	730,985
Guarantee deposits under lease agreements	-	9,681	-	-	-	-	9,681
Deposits in banks	113,789	33,098	6,365	-	-	-	153,252
Premium receivables	430,825	-	-	-	-	-	430,825
Share of reinsurance in technical provisions	21,224	6,017	955	398	106	108	28,808
Credit card and check receivables	38,066	-	-	-	-	-	38,066
Other receivables	101,570	50,946	7,862	-	-	-	160,378
Money in the account and in the cash register	178,445	-	-	-	-	-	178,445
	1,142,062	**932,496**	**210,109**	**207,794**	**69,716**	**108**	**2,562,285**
Technical provisions	1,075,011	319,191	150,509	70,821	22,532	55,110	1,693,174
Deferred tax liability	81,088	-	-	-	-	-	81,088
Loans and receivables	15,417	73,868	21,251	-	-	-	110,536
Lease obligations	10,599	16,581	8,869	-	-	-	36,049
Liabilities from direct insurance business	36,855	-	-	-	-	-	36,855
Liabilities from reinsurance business	6,843	-	-	-	-	-	6,843
Other liabilities	243,023	-	-	-	-	-	243,023
	1,468,836	**409,640**	**180,629**	**70,821**	**22,532**	**55,110**	**2,207,568**

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

The fair value of financial instruments is determined based on prices of securities quoted in the market (Note 18) or comparative valuation methods (Note 18) if relevant and reliable market prices are not available. The assumption used when determining the fair value is explained in Note 4. The Management Board believes that the Company's assets and liabilities carried at amortised cost reflect the fair value of these securities.

The following table provides an analysis of financial instruments which have been stated at fair value after their first recognition and classified into three groups depending on the availability of fair value indicators:

- Indicator level 1 – fair value indicators have been derived from (unaligned) prices quoted in active markets for identical assets and liabilities;
- Indicator level 2 – fair value indicators have been derived from other assets and liabilities data which are not quoted Level 1 prices and are obtained directly (i.e. from their prices) or indirectly (i.e. derived from their prices); and
- Indicator level 3 – indicators established through the application of valuation methods whose input is asset or liabilities data which is not based on available market data (unavailable input).

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

31/12/2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	3,251	-	543,510	546,761
Bonds	224,997	-	38,140	263,137
Investment funds	13,875	-	-	13,875
Total securities available for sale	**242,123**	**-**	**581,650**	**823,773**
31/12/2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	76	-	563,815	563,891
Bonds	202,059	-	57,882	259,941
Investment funds	8,013	-	-	8,013
Total securities available for sale	**210,148**	**-**	**621,697**	**831,845**

There was no reclassification between levels during the period.

Valuation of equity securities that are not actively traded in markets used valuation models and techniques primarily based on market inputs based on market method concepts where peer groups were used to calculate multipliers.

The estimated values of the companies, i.e. their shares, thus represent the fair value under the assumption of continuous (going concern) business, i.e. by comparison with companies of similar business activities through the observation of beta coefficients.

In 2022, the PEER method of comparable companies and DDM was used for part of the valuations. The method of valuation according to the value of a group of comparable companies is carried out by selecting comparable companies grouped according to multiple criteria - activity, geographical area in which they operate, size and the like. These methods have been used because we believe that they best reflect the fair value of these companies. Equity securities valued by this method have a total value of HRK 333,073 thousand.

The Company's management believes that the estimated values of the companies represent their fair and objective values.

(all amounts in thousands of HRK)

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

The following is fair value information that uses significant parameters that are not available in the market:

Description	Fair value 2022	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameters to fair value
Equity securities	333,073	Method of comparable companies /DDM	*Non-liquidity discount*	10.9%	The higher the parameter, the lower the fair value
			Discount rate	8.07%-9.96%	*The higher the parameter, the lower the fair value*
			Residual growth rate	2.40%	*The higher the parameter, the lower the fair value*
			Beta	0.87-1.16	*The higher the parameter, the lower the fair value*

Description	Fair value 2021	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameters to fair value
Equity securities	350,300	Method of comparable companies /DDM	Non-liquidity discount	10.9%	The higher the parameter, the lower the fair value
			Discount rate	6.49%-7.73%	*The higher the parameter, the lower the fair value*
			Residual growth rate	0.77%	*The higher the parameter, the lower the fair value*
			Beta	0.92-1.12	*The higher the parameter, the lower the fair value*

35. INSURANCE RISK MANAGEMENT

The Company is exposed to actuarial risk and underwriting risk which derive from a vast offer of products of all types of non-life insurance (Motor Vehicle Insurance, Accident Insurance, Property insurance, Liability Insurance, Vessel Insurance, Aircraft Insurance, and Transport Insurance).

Insurance risk refers to insurance uncertainty. The most relevant insurance risk components are premium risk and provision risk. They refer to the adequacy of premium tariffs and adequacy of provisions in relation to insurance liabilities and the capital basis.

The premium risk is present in the moment of the policy issuance before the claim is incurred. There is a risk that the costs and claims incurred exceed the received premiums. The provision risk is the risk of mis-estimation of the absolute level of technical provisions or risk of the value of real claims varying around the statistical medium value.

The underwriting risk also entails the disaster risk, which derives from outstanding events which have not been sufficiently covered by the premium risk or the provision risk.

Risk Management

The Company manages the insurance risk through underwriting limits, transaction approval procedures which entail new products or exceed the set limits, tariffing, product design and reinsurance management.

The aim of the underwriting strategy is to achieve a variety which will ensure a balanced portfolio, based on a large portfolio of similar risks during several years, which will lead to a decrease in result variability. Considering the nature of non-life insurance, the underwriters have the right to refuse a contract extension or change the contract conditions upon its renewal.

The Company reinsures a part of the risk it underwrites in order to control the exposure to losses and protect the capital basis. The Company purchases a proportional property insurance contract (property surplus treaty) and disproportionate XL Green Card and earthquake reinsurance contracts (Green Card reinsurance and CAT XL reinsurance).

The ceded reinsurance contains a credit risk and such insurance receivables are stated after the impairment of non-recoverable amounts. The Company monitors the reinsurer's financial situation and cautiously enters into reinsurance contracts. The Company controls and limits the relevant risk by selecting and maintaining the best possible business relations with European reinsurers of high credit rating. The Company decreases this risk by dispersing the reinsurance coverage on several partners. This brings the reinsurer's credit risk to the minimum.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance Concentration Risk

The key aspect of the reinsurance risk the Company is exposed to is the level of the insurance concentration risk which sets the level by which a certain event or a series of events may affect the Company's liabilities. Such concentration may derive from an individual insurance contract or multiple contracts. An important aspect of insurance concentration risk is that it may derive from the accumulation of risk through different types of insurance.

Concentration risk may derive from rare events with great consequences such as natural disasters, in situations when the Company is exposed to unexpected trend changes; for example, when significant court or regulatory risks provoke great individual losses or substantially impact a great number of contracts.

Risks the Company underwrites are primarily located in the Republic of Croatia.

The Company has no significant concentration exposures to any group of policy holders according to social, professional, generational, and similar criteria.

Significant losses are most likely to arise from disastrous events, such as storms or earthquake damages. Techniques and presumptions the Company uses to calculate these risks entail:

- geographical accumulation measurements,
- assessment of the largest potential losses,
- reinsurance of excess earthquake claims.

Insurance concentration risk before and after reinsurance in relation to the type of accepted insurance risk is shown below with reference to the carrying amount of fees and claims (gross and net of reinsurance) incurred based on the insurance contract:

For the year ended 31 December 2022

GROUP AND COMPANY

	Gross incurred claims	Reinsurance share	Net incurred claims
Motor Third Party Liability Insurance	(422,698)	-	(422,698)
Road Vehicle Insurance (Casco)	(178,292)	-	(178,292)
Assets	(53,149)	7,344	(45,805)
Personal Insurance	(9,516)	-	(9,516)
Other	(57,451)	1,309	(56,142)
Total	**(721,106)**	**8,653**	**(712,453)**

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance risk concentration (continued)

For the year ended 31 December 2021

GROUP AND COMPANY

	Gross incurred claims	Reinsurance share	Net incurred claims
Motor Third Party Liability Insurance	(396,625)	-	(396,625)
Road Vehicle Insurance (Casco)	(162,852)	-	(162,852)
Assets	(56,249)	6,851	(49,398)
Personal Insurance	(10,762)	(1)	(10,763)
Other	(38,431)	624	(37,807)
Total	**(664,919)**	**7,474**	**(657,445)**

Claims development

When estimating provisions for claims outstanding, to the extent in which calculation methods use the historical claims development, it is presumed that the historical claims development will recur. In case of “long-tail” claims, the claims provisions level greatly depends on claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical methods which project the observed growth factors or are based on the actuarial judgements.

For materially relevant types in the Company’s portfolio, as well as types of insurance with long-tail claims, a run-off analysis which was carried out on 31 December 2022 with regard to liquidations during 2022 and claims provisions on 31 December 2022 for claims incurred before 31 December 2022 showed that the amount of gross claims provision was sufficient.

(all amounts in thousands of HRK)

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Claims development

Analysis of provisions of claims outstanding trends:

	Before 2016	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
					HRK '000				
Estimates of accumulated claims at the end of year they incurred in	-	233,580	234,116	355,090	410,624	415,646	493,450	576,891	
1 year later	-	228,017	229,279	232,691	254,656	209,063	265,400		
2 years later	-	192,239	212,778	226,092	232,582	194,292			
3 years later	-	183,929	206,913	214,616	217,579				
4 years later	-	180,740	196,077	203,408					
5 years later	-	174,513	192,229						
6 years later	-	169,748							
Assessment of accumulated claims	**-**	**169,748**	**192,229**	**203,408**	**217,579**	**194,292**	**265,400**	**576,891**	**1,819,546**
Accumulated payments	-	153,051	170,507	176,117	184,411	154,770	193,520	139,490	**1,171,867**
Provisions for previous years	226,987	-	-	-	-	-	-	-	**226,987**
Claims handling costs	9,806	721	938	1,179	1,433	1,707	3,105	18,896	**37,785**
Value recognised in the statement of financial position of the current year	**236,793**	**17,418**	**22,660**	**28,469**	**34,600**	**41,229**	**74,986**	**456,296**	**912,452**

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty

The main source of insurance uncertainty derives from the uncertainty of occurrence of harmful events and uncertainty connected to their amounts.

Insurance amount

Considering the fact that there is no product which guarantees an unlimited guarantee when it comes to non-life insurance, the maximum amount the insured person may be liable for per individual policy if a harmful event occurs is always limited to the contracted insurance amount. The exception is the Motor Vehicle Liability Insurance in countries with an established Green Card system with an unlimited cover. The Company transfers this risk through reinsuring the claims surplus over 1 million EUR.

Provisions of claims outstanding

The provisions for the estimated final settlement cost of all claims incurred by the reporting date, resulting from a reported or unreported event, together with the relevant claims handling costs, less the amounts already paid.

Reported but not settled (RBNS) claims liability is estimated for every claim individually, considering the claims circumstances, available evaluators' information and historical proof of similar claims amounts. Individual claims are reviewed regulatory and the provision is regularly updated when new information appear.

Incurred But Not Reported (IBNR) claims estimates are, in general, subject to a greater level of uncertainty than the provisions for claims reported. IBNR provisions are estimated by an authorised actuary using statistical and actuarial methods such as the Chain-Ladder Method (CLM), which extrapolates historical data in order to estimate the final claims costs.

The Chain-Ladder Method (CLM) is an essential method, which uses historical data in order to estimate the share of so-far incurred and unreported claims in the final cost of claims.

The real flat rate or actuarial method or a combination of methods used depends on the year the relevant claim incurred, type of insurance and the noted historical development of claims.

Considering the extent in which calculation methods use the historical claims development, it is presumed that the historical sample of claims development will recur. There are reasons why this may not be the case, which can be established and considered by method adjustment. These reasons entail:

- economic, legal, political and social trends (which cause different levels of inflation in relation to the expected inflation level);
- changes in the combination of insurance contracts type which are being underwritten;
- random variations, including the influence of great claims.

Provisions for claims outstanding are initially estimated in gross amounts and a special calculation is performed in order to estimate the reinsurance share.

35. INSURANCE RISK MANAGEMENT (CONTINUED)

Main presumptions which have the greatest effect on the insurance estimates uncertainty (continued)

The presumptions which have the greatest effect on the evaluation of non-life insurance provisions amounts are the following:

Remaining claims development factors

In case of "long-tail" claims, the claims provisions level greatly depends on claims development estimate since the last year of development for which historical data exist until the final settlement. The remaining claims development factors are estimated prudently by using mathematical curve methods which project the observed growth factors or are based on the actuarial judgements.

Discounting

Except for annuity claims, non-life insurance provisions are not discounted.

Provision for annuity liabilities from Motor Third Party Liability Insurance was set with actuarial methods pursuant to the Mortality tables of the Republic of Croatia for the period 2010-2012, for males and females separately, discounted by a 2.6% annual rate, with an assumed 1.5% increase in annuity amount. With the above assumptions, the discount rate finally applied is 1.08%.

Liability adequacy test

The liability adequacy test is limited to the non-expired part of the existing insurance contracts. The expected value of claims and costs which can be attributed to non-expired contracts valid on the reporting date is compared to the unearned premiums for those policies (unearned premiums). The expected amounts connected to claims and costs are estimated based on the experience form the previous period and, where applicable, adjusted for significant individual losses which are not expected to recur. The liability adequacy test indicated the sufficiency of unearned premiums on 31 December 2022.

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS

Related parties are parties able to control the other party or parties which significantly affect the other party when making financial or business decisions. Transactions and outstanding balances among related parties within a group are published in the subject's financial statement.

The fees paid to key managers:

GROUP AND COMPANY

	2022	**2021**
Payments and compensations	3,651	4,372

In accordance with the definition in IAS-24 Related Party Disclosures and IFRS-10 Consolidated Financial Statements, the Group consists of the parent and its subsidiaries. Since there is no parent company, the Company cannot disclose the name of the parent company or the ultimate entity that has control over the Company, i.e. there are no transactions that could be considered intragroup transactions in accordance with the requirements of IFRS.

Independent of IFRS, the Croatian Financial Services Supervisory Agency, by Decision CLASS: UP / I 974-08 / 17-01 / 07 REGISTRATION NUMBER: 326-01-660-662-17-47 of 15 December 2017, qualified the Company as a participating company in a "group of companies within the meaning of the provisions of the Insurance Act". By the decision of the Administrative Court Usl-162 / 18-25 of 4 January 2021, the Company was obliged to report separately to the Agency in terms of meeting the solvency requirements in accordance with the Insurance Act and Directive 2009/138 / EC of the European Parliament and of the Council (Solvency II), which the Company duly fulfils.

Although stated without prejudice to the presentation of financial statements prepared in accordance with IFRS, for reasons of transparency, the following is an overview of assets, receivables, liabilities, income and expenses in relations with entities in accordance with the Decision of the Agency:

	2022		**2021**	
	Income	**Expenses**	**Income**	**Expenses**
Other related companies	129,924	171,623	132,039	169,450
Other related companies	**129,924**	**171,623**	**132,039**	**169,450**

	31/12/2022		**31/12/2021**	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Other related companies	794,789	47,751	**1,028,591**	**42,641**
	794,789	**47,751**	**1,028,591**	**42,641**

As of 31 December 2022, shares in associates amounted to HRK 527,464 thousand (2021: HRK 544,691 thousand).

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31/12/2022			
	Receivables	**Liabilities**	**Income**	**Expenses**
Adriatic osiguranje d.d. Zagreb	-	16,622	29,348	38,146
Agram life d.d.	16,288	24,753	16,018	27,998
Agram banka Zagreb d.d.	78,795	147	9,251	5,923
Agram TIS d.o.o.	335,326	188	33,966	52,979
Auto -Dubrovnik d.d.	3,127	9	324	965
Autoslavonija d.d.	37	157	842	899
Euro daus d.d.	220,704	114	17,136	10,502
Agram invest d.d.	374	209	520	-
Agramleasing d.o.o.	90,952	-	3,936	13,903
Agram brokeri d.d.	1	326	8	333
Specijalna bolnica Agram	1,484	-	8,413	17
Autocentar Agram d.d.	4,525	9	705	2,490
Agram Yachting d.o.o.	1,312	634	837	3,274
Autoservisni centar d.d.	2,679	14	581	632
Strukturiranja d.o.o. Zagreb	-	18	13	271
MEDORA hoteli i ljetov. d.d.	11,322	-	876	9
MTT d.o.o. Rijeka	10	-	2,248	127
Agram d.d. Ljubuški	-	-	1,293	-
Agram nekretnine d.d. Mostar	398	-	-	-
Agram Invest d.o.o. Mostar	-	-	-	-
Adriatic osiguranje d.d. Sarajevo	-	575	-	2,665
Autocentar Vrbovec d.o.o.	111	69	905	906
Euroherc osiguranje d.d. Sarajevo	-	3,907	1,581	8,417
Adriatic Makler GmbH	477	-	15	16
Euroagram GmbH	950	-	22	1,125
KFZ Adriatic Zulassungen GmbH	2,717	-	48	26
Krivić d.o.o.	23,200	-	1,038	-
TOTAL	**794,789**	**47,751**	**129,924**	**171,623**

(all amounts in thousands of HRK)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31/12/2021			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	7	8,336	26,937	37,742
Agram life d.d.	7,265	27,659	20,948	27,185
Agram banka Zagreb d.d.	218,320	184	5,441	5,741
Agram TIS d.o.o.	353,972	575	34,688	53,784
Auto -Dubrovnik d.d.	6,791	79	491	884
Autoslavonija d.d.	678	164	799	902
Euro daus d.d.	229,200	353	17,545	8,310
Agram invest d.d.	8,188	209	706	-
Agramleasing d.o.o.	114,622	381	3,979	12,355
Agram brokeri d.d.	2	10	12	272
Specijalna bolnica Agram	2,150	4	7,506	49
Autocentar Agram d.d.	7,310	5	539	2,138
Agram Yachting d.o.o.	989	-	997	844
Autoservisni centar d.d.	3,825	12	600	538
Strukturiranja d.o.o. Zagreb	500	-	20	171
MEDORA hoteli i ljetov. d.d.	11,004	5	877	20
MTT d.o.o. Rijeka	-	2	2,056	127
Agram d.d. Ljubuški	-	-	1,374	-
Agram nekretnine d.d. Mostar	2,205	-	-	-
Agram Invest d.o.o. Mostar	-	-	-	-
Adriatic osiguranje d.d. Sarajevo	-	1,020	-	1,851
Autocentar Vrbovec d.o.o.	233	12	889	712
Euroherc osiguranje d.d. Sarajevo	-	3,631	3,454	8,181
Adriatic Makler GmbH	4,835	-	190	166
Euroagram GmbH	10,806	-	244	7,252
KFZ Adriatic Zulassungen GmbH	22,027	-	692	226
Krivić d.o.o.	23,662	-	1,055	-
TOTAL	**1,028,591**	**42,641**	**132,039**	**169,450**

37. CONTINGENT LIABILITIES

There are several pending legal disputes against the Group and the Company, with legal claims for which the Group, on 31 December 2022, has reserved assets in the total amount of 2,530 thousand HRK.

(all amounts in thousands of HRK)

38. OFF-BALANCE SHEET RECORDS

	31/12/2022	31/12/2021
Guarantees received	-	21,219
Guarantees given	14,315	25,468
	14,315	**46,687**

39. EVENTS AFTER THE REPORTING PERIOD

After the date of the Report on the financial position, in accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the euro was introduced as the official currency in the Republic of Croatia. The financial statements for the year 2022 have been prepared in kuna as the functional and reporting currency that was valid until 31 December 2022, while the financial statements for future periods will be prepared in euros as the new functional and reporting currency.

After 31 December 2022, no additional business events or transactions occurred that would have a material impact on the financial statements on or for the period then ended.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management Board and authorized for issue on 31 March 2023.
Signed on behalf of and for the Management Board:

Željko Kordić, *President of the Management Board*

Tomislav Čizmić, *Member of the Management Board*

Darinko Ivković, *Member of the Management Board*

Tomislav Abramović, *Member of the Management Board*

Statement of Comprehensive Income

in HRK

No.	Sum elements	Position	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	**I**	**Earned premium**	**,000**	**1.377.056.885**	**1.377.056.885**		**1.454.109.742**	**1.454.109.742**
002		1	Written gross premium	,000	1.482.141.565	1.482.141.565		1.536.609.513	1.536.609.513
003		2	Value adjustment and paid premium value adjustment	,000	-5.884.890	-5.884.890		-5.473.393	-5.473.393
004		3	Outward reinsurance (-)	,000	-35.241.231	-35.241.231		-40.676.411	-40.676.411
005		4	Changes in gross unearned premium provisions (+/-)	,000	-63.710.960	-63.710.960		-36.370.757	-36.370.757
006		5	Changes in unearned premium provisions, reinsurer's share (+/-)	,000	-247.599	-247.599		20.790	20.790
007	008+009+010+011+012+013+014	**II**	**Investment income**	**,000**	**90.016.386**	**90.016.386**		**98.893.500**	**98.893.500**
008		1	Income from subsidiaries, associates and joint ventures	,000					
009		2	Income from investment in land and buildings	,000	43.196.534	43.196.534		49.572.940	49.572.940
010		3	Interest income	,000	33.652.561	33.652.561		29.477.451	29.477.451
011		4	Unrealised investmnet gains	,000					
012		5	Realised investment gains	,000	384.114	384.114		1.668.197	1.668.197
013		6	Net positive exchange rate diferences	,000	1.424.669	1.424.669		1.096.035	1.096.035
014		7	Other investment income	,000	11.358.508	11.358.508		17.078.877	17.078.877
015		**III**	**Income from fees and commissions**	**,000**	**2.767.462**	**2.767.462**		**3.614.286**	**3.614.286**
016		**IV**	**Other insurance-tehnical income, net of reinsurance**	**,000**	**23.733.000**	**23.733.000**		**26.634.987**	**26.634.987**
017		**V**	**Other income**	**,000**	**18.085.681**	**18.085.681**		**14.891.754**	**14.891.754**
018	019+022	**VI**	**Claims incurred, net**	**,000**	**-654.791.583**	**-654.791.583**		**-727.902.491**	**-727.902.491**
019	020+021	1	Liquidated claims	,000	-657.444.543	-657.444.543		-712.453.825	-712.453.825
020		1.1	Gross amount (-)	,000	-664.918.745	-664.918.745		-721.106.836	-721.106.836
021		1.2	Reinsurance share(+)	,000	7.474.202	7.474.202		8.653.011	8.653.011
022	023+024	2	Changes in claims outstanding (+/-)	,000	2.652.960	2.652.960		-15.448.666	-15.448.666
023		2.1	Gross amount (-)	,000	1.864.494	1.864.494		-7.390.717	-7.390.717
024		2.2	Reinsurance share (+)	,000	788.466	788.466		-8.057.949	-8.057.949
025	026+029	**VII**	**Changes in mathematical and other tehnical provisions, net of reinsurance**	**,000**					
026	027+028	1	Changes in mathematical provision (+/-)	,000					
027		1.1	Gross amount (-)	,000					
028		1.2	Reinsurance share (+)	,000					
029	030+031	2	Changes in other tehnical provisions for claims outstanding, net of reinsurance (+/-)	,000					
030		1.1	Gross amount (-)	,000					
031		1.3	reinsurance share (+)	,000					
032	033+034	**VIII**	**Changes in provisions for special life insurance for which the insured person bears the investment risk**	**,000**					
033		1	Gross amount (-)	,000					
034		2	Reinsurance share (+)	,000					
035	036+037	**IX**	**Return of premium (bonuses and rebates) expenses, net of reinsurance**	**,000**	**-2.192.444**	**-2.192.444**		**1.856.558**	**1.856.558**
036		1	Result-related (bonuses)	,000	-2.192.444	-2.192.444		1.856.558	1.856.558
037		2	Result-.unrelated (bonuses)	,000					
038	039+043	**X**	**Operating expenses (activity performance expenses), net**	**,000**	**-545.084.800**	**-545.084.800**		**-558.837.411**	**-558.837.411**
039	040+041+042	1	Acquisition cost	,000	-359.586.527	-359.586.527		-380.350.561	-380.350.561
040		1.1	Commission	,000	-57.200.527	-57.200.527		-67.422.865	-67.422.865
041		1.2	Other underwriting costs	,000	-302.386.001	-302.386.001		-312.927.696	-312.927.696
042		1.3	Changes in deffered aquisition costs (+/-)	,000					
043	044+045+046	2	Management costs (administrative costs)	,000	-185.498.273	-185.498.273		-178.486.850	-178.486.850
044		2.1	Depreciation and amortisation	,000	-36.343.305	-36.343.305		-32.739.504	-32.739.504
045		2.3.	Salaries, taxes and contributions from and on salaries	,000	-74.230.939	-74.230.939		-67.054.732	-67.054.732
046		2.4.	Other management costs	,000	-74.924.029	-74.924.029		-78.692.614	-78.692.614
No.	**Sum elements**	**Position**	**Position description**	**Previous year**			**Current year**		
				Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
047	048+049+050+051+052+053+054	**XI**	**Investment costs**	**,000**	**-63.072.020**	**-63.072.020**		**-63.477.275**	**-63.477.275**
048		1	Depreciation of land and bulidings not used by the Company for its activities	,000					
049		2	Interests	,000	-7.069.011	-7.069.011		-4.940.520	-4.940.520
050		3	Investment impairment	,000	-1.292.775	-1.292.775		-313.654	-313.654
051		4	Realised investment losses	,000	-26.322	-26.322		-2.744.523	-2.744.523
052		5	Unrealised investment losses	,000					
053		6	Net negative exchange rate differences	,000	-1.415.000	-1.415.000		-1.493.444	-1.493.444
054		7	Other investment costs	,000	-53.268.912	-53.268.912		-53.985.134	-53.985.134

Statement of Comprehensive Income (continued)

055	056+057	**XII**	**Other tehnical costs, net of reinsurance**	**,000**	**-61.947.190**	**-61.947.190**		**-60.308.488**	**-60.308.488**
056		1	Prevention activities costs	,000					
057		2	Other tehnical insurance costs	,000	-61.947.190	-61.947.190		-60.308.488	-60.308.488
058		**XIII**	**Other costs, including value adjustments**	**,000**	**-30.525.904**	**-30.525.904**		**-31.161.165**	**-31.161.165**
059	001+007+015+016+017+018+025+032+035+038+047+055+058	**XIV**	**Profit or loss for the accounting period, before taxes (+/-)**	**,000**	**154.045.473**	**154.045.473**		**158.313.997**	**158.313.997**
060	061+062	**XV**	**Income or tax loss**	**,000**	**-26.922.701**	**-26.922.701**		**-27.367.769**	**-27.367.769**
061		1	Current tax expense	,000	-28.140.084	-28.140.084		-28.015.923	-28.015.923
062		2	Defered tax expense (income)	,000	1.217.383	1.217.383		648.154	648.154
063	059+060	**XVI**	**Profit or loss for the accounting period, after taxes (+/-)**	**,000**	**127.122.772**	**127.122.772**		**130.946.228**	**130.946.228**
064		1	Atributed to equity holders of the parent	,000					
065		2	Atributed to the non-controlling interest	,000					
066	001+007+015+016+017+062	**XVII**	**TOTAL REVENUE**	**,000**	**1.512.876.797**	**1.512.876.797**		**1.598.792.423**	**1.598.792.423**
067	018+025+032+035+038+047+055+058+061	**XVIII**	**TOTAL EXPENSES**	**,000**	**-1.385.754.025**	**-1.385.754.025**		**-1.467.846.195**	**-1.467.846.195**
068	069+070+071+072+073+074+075+076	**XIX**	**Other comprehensive income**	**,000**	**8.925.398**	**8.925.398**		**-13.781.062**	**-13.781.062**
069		1	Gains/losses derived from the recalculation of foreign operation's financial statements	,000					
070		2	Gains/losses derived from the revaluation of financial assets available for sale	,000	-2.715.553	-2.715.553		-25.996.755	-25.996.755
071		3	Gains/losses derived from the revaluation of land and buildings used by the Company for its activities	,000	11.640.951	11.640.951		12.215.693	12.215.693
072		4	Gains/losses derived from the revaluation of other tangible (other than land and buildings) and intangible assets	,000					
073		5	Effects of cash flows hedging instruments	,000					
074		6	Actuarial gains/losses per pension plans with defined pensions	,000					
075		7	Share in other comprehensive income and associated pensions	,000					
076		8	Corporate income tax and other comprehensive income	,000					
077	063+068	**XX**	**Total comprehensive income**	**,000**	**136.048.170**	**136.048.170**		**117.165.166**	**117.165.166**
078		1	Attributed to equity holders to parent	,000					
079		2	Attributed to non-controlling interest	,000					
080		**XXI**	**Reclassification adjustments**	**,000**					

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) on the day 31 December 2022

ASSETS *in HRK*

No	Sum elements	Position	Position description	Previous year Life	Previous year Non-Life	Previous year Total	Current year Life	Current year Non-Life	Current year Total
001	002+003	**I**	**INTANGIBLE ASSETS**		**324.525**	**324.525**		**134.918**	**134.918**
002		1	Goodwill						
003		2	Other intengible assets		324.525	324.525		134.918	134.918
004	005+006+007	**II**	**TANGIBLE ASSETS**		**501.602.104**	**501.602.104**		**499.886.199**	**499.886.199**
005		1	Land and buildings used by the Company for tis activities		472.115.580	472.115.580		476.115.761	476.115.761
006		2	Equipment		24.208.155	24.208.155		19.763.304	19.763.304
007		3	Other tangible assets and inventories		5.278.369	5.278.369		4.007.134	4.007.134
008	009+010+014 +033	**III**	**ULAGANJA**		**2.634.381.667**	**2.634.381.667**		**2.681.954.586**	**2.681.954.586**
009		**A**	**Investment in land and buildings not used by the**		**910.047.469**	**910.047.469**		**946.376.923**	**946.376.923**
010	011+012+013	**B**	**Investment in subsidiaries, associates and joint ventures**						
011		1	Stocks and shares in subsidiaries						
012		2	Stocks and shares in associates						
013		3	Stocks and shares in joint ventures						
014	015+018+023 +029	**C**	**Financial assets**		**1.724.334.198**	**1.724.334.198**		**1.735.577.663**	**1.735.577.663**
015	016+017	**1**	**Financial assets held to maturity**						
016		1.1	Debt financial instruments						
017		1.2	Other						
018	019+020+021 +022	**2**	**Financial assets available for sale**		**831.844.946**	**831.844.946**		**823.772.754**	**823.772.754**
019		2.1	Equity financial instruments		563.891.186	563.891.186		546.760.695	546.760.695
020		2.2	Debt financial instruments		259.940.513	259.940.513		263.137.028	263.137.028
021		2.3	Units in investment funds		8.013.247	8.013.247		13.875.031	13.875.031
022		2.4	Other						
023	024+025+026 +027+028	**3**	**Financial assets at fair value in the P/L**						
024		3.1	Equity financial instruments						
025		3.2	Debt financial instruments						
026		3.3	Derivate financial instruments						
027		3.4	Units in investment funds						
028		3.5	Other						
029	030+031+032	**4**	**Loans and receivables**		**892.489.252**	**892.489.252**		**911.804.909**	**911.804.909**
030		4.1	Deposits with credit institutions		153.251.748	153.251.748		258.842.872	258.842.872
031		4.2	Loans and receivables		739.237.504	739.237.504		652.962.037	652.962.037
032		4.3	Other						
033		**D**	**Deposit with the ceding company**						
034		**IV**	**INVESTMENT FOR THE ACCOUNT AND RISK OF THE**						
035	036+037+038 +039	**V**	**SHARE IN REINSURANCE IN TECHNICAL PROVISIONS**		**28.808.007**	**28.808.007**		**20.770.847**	**20.770.847**
036		1	Unearned premium provisions, reinsurance share		13.004.979	13.004.979		13.025.768	13.025.768
037		2	Mathematical provisions, reinsurance share						
038		3	Provisions for claims outstanding, reinsurance share		15.803.028	15.803.028		7.745.079	7.745.079
039		4	Provisions for bonuses and rebates, reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other technical provisions, reinsurance share						
042		7	Special provisions for life insurance for which the insured						
043	044+045	**VI**	**DEFERRED AND CURRENT TAX ASSETS**		**9.054.280**	**9.054.280**		**11.839.715**	**11.839.715**
044		1	Deferred tax assets		9.054.280	9.054.280		11.839.715	11.839.715
045		2	Current tax assets						
046	047+050+051	**VII**	**RECEIVABLES**		**605.268.609**	**605.268.609**		**516.099.933**	**516.099.933**
047	048+049	**1**	**Claims from insurance operations**		**430.825.647**	**430.825.647**		**374.956.910**	**374.956.910**
048		1.1	From insured person		430.825.647	430.825.647		374.956.910	374.956.910
049		1.2	From agents, i.e. insurance intermediaries						
050		**2**	**Claims for reinsurance operations**						
051	052+053+054	**3**	**Other receivables**		**174.442.962**	**174.442.962**		**141.143.023**	**141.143.023**
052		3.1	Claims from other insurance operations		8.241.195	8.241.195		11.532.831	11.532.831
053		3.1	Receivables for investment income						
054		3.2	Other receivables		166.201.767	166.201.767		129.610.192	129.610.192
055	056+060+061	**VIII**	**OTHER ASSETS**		**216.510.600**	**216.510.600**		**316.518.833**	**316.518.833**
056	060+061+062	**1**	**Cash at bank and in hand**		**178.445.075**	**178.445.075**		**277.160.067**	**277.160.067**
057		1.1	Funds on business account		178.049.855	178.049.855		277.098.459	277.098.459
058		1.2	Funds on account for assets covering mathematical provisions						
059		1.3	Cash in hand		395.220	395.220		61.608	61.608
060		**2**	**Non-current assets held for sale and discontinued**						
061		**3**	**Other**		**38.065.525**	**38.065.525**		**39.358.766**	**39.358.766**
062	063+064+065	**IX**	**PAID EXPENSES OF THE FUTURE PERIOD AND UNDUE**		**42.887.875**	**42.887.875**		**46.729.711**	**46.729.711**
063		1	Deferred interest and lease payments		40.090.870	40.090.870		42.032.803	42.032.803
064		2	Deferred underwriting cost						
065		3	Other paid expenses of the future periods and undue income		2.797.005	2.797.005		4.696.908	4.696.908
066	001+004+008 +034+035+04	**X**	**TOTAL ASSETS**		**4.038.837.667**	**4.038.837.667**		**4.093.934.742**	**4.093.934.742**
067		**XI**	**OFF-BALANCE SHEET ITEMS**		**46.686.961**	**46.686.961**		**14.315.219**	**14.315.219**

Statement of Financial Position (continued)

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) on the day 31 December 2022

EQUITY AND LIABILITIES — *in HRK*

No	Sum elements	Position	Position description	Previous year Life	Previous year Non-life	Previous year Total	Current year Life	Current year Non-life	Current year Total
068	069+072+073+077+081+084	**XII**	**EQUITY AND RESERVES**		**1.808.689.768**	**1.808.689.768**		**1.875.223.255**	**1.875.223.255**
069	070+071	**1**	**Share capital**		**61.002.000**	**61.002.000**		**61.002.000**	**61.002.000**
070		1.1	*Paid-in capital - ordinary shares*		61.002.000	61.002.000		61.002.000	61.002.000
071		1.2	*Paid-in capital - preferred shares*						
072		**2**	**Premiums on issued shares (capital reserves)**						
073	074+075+076	**3**	**Reveluation reserves**		**401.740.526**	**401.740.526**		**382.524.421**	**382.524.421**
074		3.1	*Land and buildings*		347.844.693	347.844.693		354.625.343	354.625.343
075		3.2	*Financial assets available for sale*		53.895.833	53.895.833		27.899.078	27.899.078
076		3.3	*Other revalutaion reserves*						
077	078+079+080	**4**	**Reserves**		**172.585.302**	**172.585.302**		**172.585.302**	**172.585.302**
078		4.1	*Legal reserves*		133.541.827	133.541.827		133.541.827	133.541.827
079		4.2	*Statutary reserves*		39.043.475	39.043.475		39.043.475	39.043.475
080		4.3.	*Other reserves*						
081	082+083	**5**	**Retained earnings or loss carried forward**		**1.046.239.169**	**1.046.239.169**		**1.128.165.305**	**1.128.165.305**
082		5.1	*Retained earnings*		1.046.239.169	1.046.239.169		1.128.165.305	1.128.165.305
083		5.2	*Transferred loss (-)*						
084	085+086	**6**	**Profit or loss for the current accounting period**		**127.122.771**	**127.122.771**		**130.946.227**	**130.946.227**
085		6.1	*Profit for the current accounting period*		127.122.771	127.122.771		130.946.227	130.946.227
086		6.2	*Loss of the current accounting period (-)*						
087		**XIII**	**SECOND LINE LIABILITIES (SUBORDINATE LIABILITIES)**						
088		**XIV**	**MINORITY INTEREST**						
089	090+091+092+093+094+095	**XV**	**TECHNICAL RESERVES**		**1.693.173.985**	**1.693.173.985**		**1.735.078.901**	**1.735.078.901**
090		1	Unearned premium reserves, gross amount		783.769.261	783.769.261		820.140.018	820.140.018
091		2	Mathematical reserves, gross amount						
092		3	Claims reserves, gross amount		905.061.721	905.061.721		912.452.438	912.452.438
093		4	Reserves for bonuses and discounts, gross amount		4.343.003	4.343.003		2.486.445	2.486.445
094		5	Provisions for claims fluctuations, gross amount						
095		6	Other technical provisions, gross amount						
096		**XVI**	**SPECIAL LIFE INSURANCE RESERVES WITH WHICH THE INSURANCE CONTRACTOR BEARS INVESTMENT RISK, gross and**						
097	098+099	**XVII**	**OTHER RESERVES**		**17.807.393**	**17.807.393**		**17.245.228**	**17.245.228**
098		1	Provisions for pensions and similar liabilities		17.807.393	17.807.393		17.245.228	17.245.228
099		2	Other reserves						
100	101+102	**XVIII**	**DEFERRED AND CURRENT TAX LIABILITY**		**91.053.282**	**91.053.282**		**93.729.944**	**93.729.944**
101		1	Deferred tax liability		90.142.371	90.142.371		89.254.802	89.254.802
102		2	Current tax liability		910.911	910.911		4.475.142	4.475.142
103		**XIX**	**DEPOSITS RETAINED FROM BUSINESS SUBMITTED TO REINSURANCE**						
104	105+106+107	**XX**	**FINANCIAL LIABILITIES**		**146.584.458**	**146.584.458**		**121.576.543**	**121.576.543**
105		1	Loan liabilities		110.799.471	110.799.471		88.515.995	88.515.995
106		2	Liabilities under issued financial instruments						
107		3	Other financial liabilities		35.784.987	35.784.987		33.060.548	33.060.548
108	109+110+111+112	**XXI**	**OTHER LIABILITIES**		**277.106.498**	**277.106.498**		**250.227.921**	**250.227.921**
109		1	Liabilities arising from direct insurance business		35.681.067	35.681.067		41.122.529	41.122.529
110		2	Liabilities arising from co-insurance and reinsurance business		6.843.302	6.843.302		7.309.836	7.309.836
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities		234.582.129	234.582.129		201.795.556	201.795.556
113	114+115	**XXII**	**DEFERRED PAYMENT OF EXPENSES AND INCOME**		**4.422.284**	**4.422.284**		**852.949**	**852.949**
114		1	Accrued reinsurance commission						
115		2	Other deferred payment of expenses and income		4.422.284	4.422.284		852.949	852.949
116	068+087+088+089+096+097+10	**XXIII**	**TOTAL EQUITY AND LIABILITIES**		**4.038.837.668**	**4.038.837.668**		**4.093.934.741**	**4.093.934.741**
117		**XXIV**	**OFF-BALANCE SHEET ITEMS**		**46.686.961**	**46.686.961**		**14.315.219**	**14.315.219**

Statement of Cash Flows

STATEMENT OF CASH FLOW FOR THE PERIOD 01/01/2022-31/12/2022					
					in HRK
No.	**Sum elements**	**Position**	**Position description**	**Current accounting period**	**Same period of the previous yeare**
001	002+013+031	**I**	**CASH FLOW FROM OPERATING ACTIVITIES**	**199.247.004**	**236.876.880**
002	003+004	**1**	**Cash flow before changes in operating assets and liabilities**	**92.758.088**	**122.398.465**
003		1.1	Profit/loss before taxes	158.313.997	154.045.471
004	005+006+007 +008+009+010 +011+012	**1.2**	**Adjustments:**	**-65.555.909**	**-31.647.006**
005		1.2.1	Depreciation of property and equipment	32.507.290	35.855.437
006		1.2.2	Amortization of intangible assets	244.464	235.941
007		1.2.3	Impairment and gains / losses from reduction to fair value	-82.374.976	-42.199.130
008		1.2.4	Interest expense	4.940.520	7.069.011
009		1.2.5	Interest income	-29.477.451	-33.652.561
010		1.2.6	Profit shares of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-1.076.326	357.793
012		1.2.8	Other adjustments	9.680.570	686.503
013	014+015+...+030	**2**	**Increase/decrease in assets and liabilities**	**130.941.318**	**144.282.543**
014		2.1	Increase/decrease in financial assets available-for-sale	6.780.649	11.640.951
015		2.2	Increase/decrease in financial assets at fair value through P/L		
016		2.3	Increase/decrease in loans and receivables	-19.315.656	-15.427.349
017		2.4	Increase/decrease in deposits with cedants		
018		2.5	Increase/decrease in investments at the expense and risk of the life insurance policyholde		
019		2.6	Increase/decrease in the share of reinsurance in tehnical provisions	8.037.159	-540.866
020		2.7	Increase/decrease in tax assets		993.023
021		2.8	Increase/decrease in receivables	123.031.845	69.023.873
022		2.9	Increase/decrease in other assets	74.855	-1.065.789
023		2.10	Increase/decrease in paid expenses for the future period and overdue revenue collection	-3.841.836	26.807.647
024		2.11	Increase/decrease in tehnical provisions	41.904.917	64.038.910
025		2.12	Increase/decrease in in special life insurance reserves where the policyholder bears the in		
026		2.13	Increase/decrease in in tax liabilities	-24.149.672	5.063.901
027		2.14	Increase/decrease in in deposits retained from business submitted to reinsurance		
028		2.15	Increase/decrease in financial liabilities	4.917.879	5.088.912
029		2.16	Increase/decrease in other liabilities	-2.929.487	-15.061.659
030		2.17	Increase/decrease in deffered expenses of future expenses and income	-3.569.335	-6.279.011
031		**3**	**Income tax paid**	**-24.452.402**	**-29.804.128**
032	033+034+...+046	**II**	**CASH FLOW FROM INVESTMENT ACTIVITIES**	**2.788.206**	**-1.958.916**
033		1	Receipts from sale of tangible assets		
034		2	Expendituresfor acquisition of tangible assets	-17.025.945	-11.829.174
035		3	Receipts from sale of intangible assets		
036		4	Expendituresfor acquisition of intangible assets	-54.858	-316.237
037		5	Gains from sale of land and buildings not used by the Company for its activities		
038		6	Expenses for the purchase of land and buildings not used by the Company for its activities	-20.819.452	-1.063.375
039		7	Increase/decrease in investment in subsidiares, associates and joint vetures		
040		8	Receipts from investments held to maturity		
041		9	Expenditures from investments held to maturity		
042		10	Receipts from the sale of securitas	-125.238.414	-151.716.522
043		11	Expenditures for the investment in securitas	154.777.474	151.663.415
044		12	Receipts from dividends and shares in profit	14.028.715	11.309.664
045		13	Receipts from repayment of short-term and long-term loans	-408.999.972	-654.893.007
046		14	Expenditures for short-term and long-term loans	406.120.658	654.886.320
047	048+049+050 +051+052	**III**	**CASH FLOW FROM FINANCIAL ACTIVITIES**	**-103.320.223**	**-115.658.491**
048		1	Cash receipts due to increase in share capital		
049		2	Cash receipts from received short-term and long-term loans	2.814.040	99.384.475
050		3	Cash outflows for repayment of received short-term and long-term loans	-25.097.529	-187.688.112
051		4	Cash outflows for the repurchase of treasury shares		
052		5	Cash outflows for the payment of profit shares (dividends)	-81.036.734	-27.354.854
053	001+032+047		**NET CASH FLOWS**	**98.714.987**	**119.259.473**
054		**IV**	**NET CASH FLOW EFFECTS OF CHANGE IN FOREIGN CURRENCY ECHANGE RATES**		
055	053+054	**V**	**NET DECREASE/INCREASE OF CASH AND CASH EQUIVALENTS**	**98.714.987**	**119.259.473**
056		1	Cash and cash equivalents at the beginning of the year	178.445.075	59.185.603
057	055+056	**2**	**Cash and cash equivalents at the end of the year**	**277.160.062**	**178.445.076**

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 01/01/2022-31/12/2022

in HRK

No.	Position description	Attributable to the parent's owners							Attrinutable to the non-controlling interest	Total capital and reserves
		Paid capital (regular and preferential shares)	Share premium account	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferes loss	Profit/loss for the year	Total capital and reserves		
I.	**Balance at 1 January of the previous year**	**61.002.000**		**397.946.652**	**172.585.302**	**972.372.195**	**123.942.260**	**1.727.848.409**		**1.727.848.409**
1.	Change in accounting policies									
2.	Prior period adjustment									
II.	**Balance at 1 January of the previous year (adjusted)**	**61.002.000**		**397.946.652**	**172.585.302**	**972.372.195**	**123.942.260**	**1.727.848.409**		**1.727.848.409**
III.	**Comprehensive income or loss for the previous year**			**3.793.874**		**129.073.784**	**3.180.511**	**136.048.168**		**136.048.168**
1.	Profit or loss for the period						127.122.771	127.122.771		127.122.771
2.	**Other comprehensive income or loss for the previous year**			**3.793.874**		**129.073.784**	**-123.942.260**	**8.925.398**		**8.925.398**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			6.509.427				6.509.427		6.509.427
2.2.	Unrealised gains or losses from financial assets available-for-sale			-2.715.553				-2.715.553		-2.715.553
2.3.	Realised gains or losses from financial assets available-for-sale					129.073.784	-123.942.260	5.131.524		5.131.524
2.4.	Other non-owner changes in equity									
IV.	**Transactions with owners (previous period)**					**-55.206.810**		**-55.206.810**		**-55.206.810**
1.	Increase/decrease in shared capital									
2.	Other owner's payments									
3.	Payment of shares profit/dividends									
4.	Other allocations to owners					-55.206.810		-55.206.810		-55.206.810
V.	**Balance on the last day of the reporting period in the previous year**	**61.002.000**		**401.740.526**	**172.585.302**	**1.046.239.168**	**127.122.771**	**1.808.689.767**		**1.808.689.767**
VI.	**Balance at 1 January of the current year**	**61.002.000**		**401.740.526**	**172.585.302**	**1.046.239.168**	**127.122.771**	**1.808.689.767**		**1.808.689.767**
1.	Change in accounting policies									
2.	Prior period adjustment									
VII.	**balance at 1 January of the current year (adjusted)**	**61.002.000**		**401.740.526**	**172.585.302**	**1.046.239.168**	**127.122.771**	**1.808.689.767**		**1.808.689.767**
VIII.	**Comprehensive income or loss for the current year**			**-19.216.106**		**81.926.136**	**3.823.457**	**66.533.486**		**66.533.486**
1.	Profit or loss for the period						130.946.227	130.946.227		130.946.227
2.	**Other comprehensive income or loss for the current year**			**-19.216.106**		**81.926.136**	**-127.122.771**	**-64.412.741**		**-64.412.741**
2.1.	Unrealised gains or losses from tangible assets (land and buildings)			6.780.650				6.780.650		6.780.650
2.2.	Unrealised gains or losses from financial assets available-for-sale			-25.996.756				-25.996.756		-25.996.756
2.3.	Realised gains or losses from financial assets available-for-sale					81.926.136	-127.122.771	-45.196.635		-45.196.635
2.4.	Other non-owner changes in equity									
IX.	**Transactions with owners (current period)**									
1.	Increase/decrease in shared capital									
2.	Other owner's payments									
3.	Payment of shares profit/dividends									
4.	Other allocations to owners									
X.	**Balance at the last day of the reporting period in the current year**	**61.002.000**		**382.524.420**	**172.585.302**	**1.128.165.304**	**130.946.227**	**1.875.223.253**		**1.875.223.253**

Differences between the financial statements prepared in accordance with the International Financial Reporting Standards refer to the following business events:

Statement of Financial Position

The guarantee deposits for leasing contracts, premium receivables, credit cards and checks receivables, other receivables, and cash and cash equivalents given in the financial statement prepared in accordance with the IFRS are recorded in the financial statement in the 049 (Receivables) and 064 (Other assets) positions.

Investments in other assets are recorded in the financial statement in the non-tangible assets position, and in the tangible asset positions in special financial statements.

Liabilities from direct insurance and liabilities from reinsurance recorded in the financial statement prepared in accordance with the IFRS are given in the following positions of the financial statement:

- 103 – Deferred tax liabilities
- 110 – Other financial liabilities
- 111 – Other liabilities.

Interests for loans in a financial statement prepared in accordance with the IFRS are classified as credits and receivables, whereas in the report for HANFA's use, they are classified as other receivables. Provisions on a group basis for loans in a financial statement prepared in accordance with the IFRS are classified as impairment of loss, whereas in the report for HANFA's use, they are classified as other receivables.

Deferred tax liabilities in financial statements prepared in accordance with the IFRS are given in the net amount.

Statement of Comprehensive Income

The Underwriting costs and Administrative costs positions stated in the financial statements prepared in accordance with the IFRS are given in the 051 position of the financial statement (Business expenses (Activity performance expenses), net).

Other business expenses in financial statements prepared in accordance with the IFRS are given in the 068 position (Other technical expenses, net of reinsurance) and 023 (Other investment income).