ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2023.

Agram GROUP
EUROHERC OSIGURANJE

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I. ANNUAL BUSINESS REPORT FOR THE YEAR 2023.

ZAGREB, April 2024.

I.1. BASIC 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 professional staff 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 2023, with a premium income of € 229 milijuna , it took second place in the ranking of companies. In the non-life insurance market, the Company maintains a firm hold on a second position in the 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 EUR 7.930.260 and is divided into 305.010 shares of nominal value of 26 EUR.

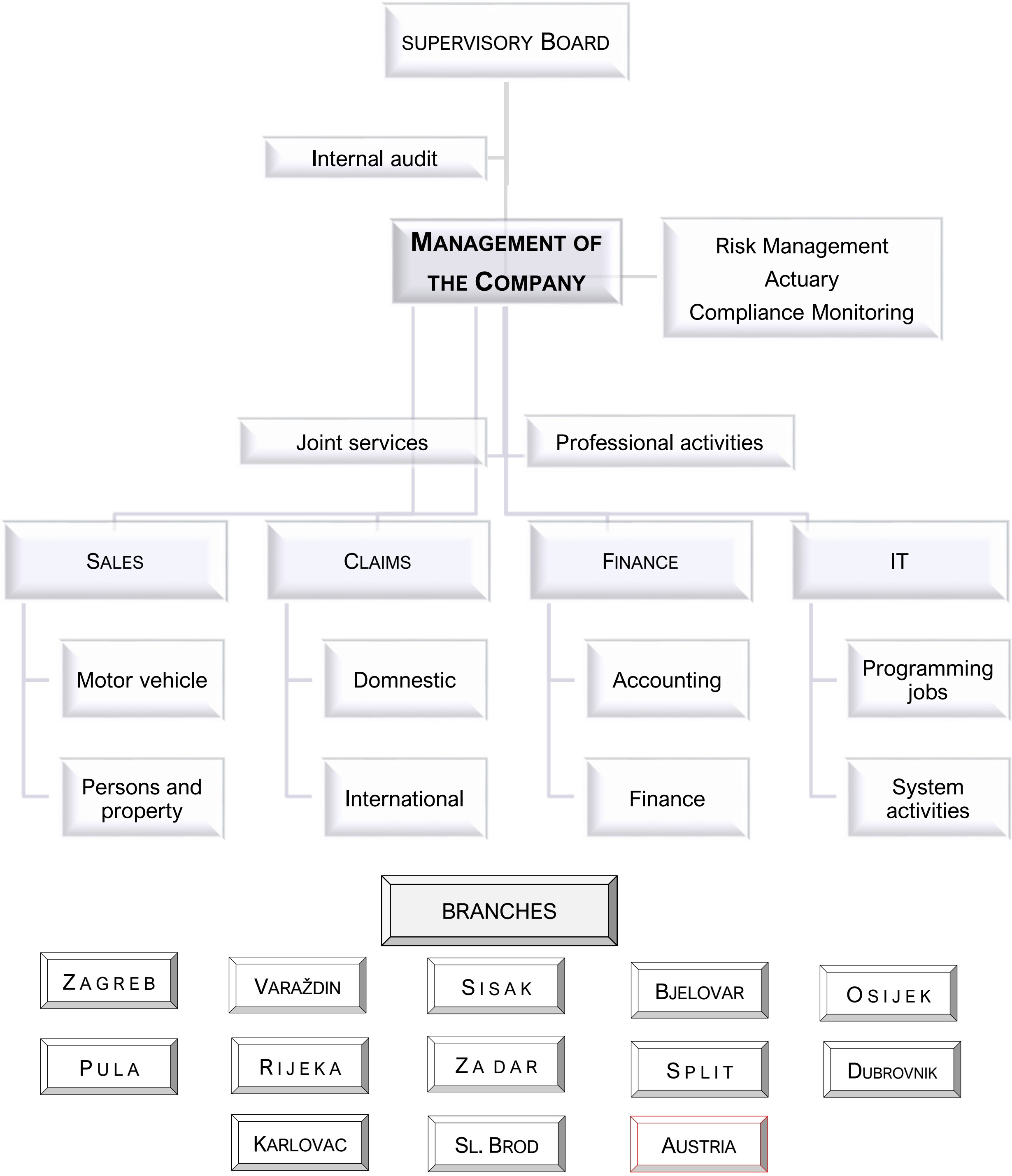
All shares are regular and carry a name, and each share ensures the right to 1 vote in the General Assembly of the Company. They are in dematerialised format and paid in total.

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.

I.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, due to the complexity of the Company's business activity, none of the mentioned types could independetly enable the achivement of 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 13 branches run by branch directors. (as of 1. Februar 2023, the “Velika Gorica“ branch has merged with the “Zagreb“ branch, and the “Čakovec” branch has merged with the “Varaždin” branch). Since the branches are organised according to the same sectorial 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 inall major cities in Croatia (shown in the following diagram) and in the 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 where it operates under the principle of freedom of services.

As at 31. 12. 2023. the Company had 1.161 employees, of which 1.074 were employed in the Republic of Croatia and 87 in the Republic of Austria.

As at 31.12.2023. the Management consisted of a President and three members who collectively represent the Company

COMPANY MANAGEMENT: Predsjednik: 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

I.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 2023. the Company generated EUR 221.008 in revenue from insurance contracts, of witch EUR 228.841 relates to gross writeen premiums. Expenses from insurance contracts amounted to EUR 202.777,of witch EUR 113.677 relates to gross settled claims. The Company's profit amounts to EUR 16.615.

Table 1. Income statement – thousands of EUR

Description	2022.	2023.	Difference	Index
	Non-life	Non-life	2023. - 2022.	%
Revenue from insurance contracts	199.116	221.008	21.892	110,99%
Expenses from insurance contracts	-180.580	-202.777	-22.197	112,29%
Net result from reinsurance contracts (passive)	-4.863	-3.833	1.030	78,81%
Result from insurance contracts	13.673	14.398	726	105,31%
Net investment result	4.701	6.824	2.123	145,17%
Net financial expense from insurance and reinsurance (passive) contracts	2.295	-1.698	-3.993	-74,01%
All other income	4.785	5.378	593	112,39%
All other operational expenses	-4.136	-4.752	-616	114,89%
Profit before tax for the accounting perion	21.317	20.150	-1.167	94,53%
Income tax	-3.687	-3.535	152	95,88%
Profit after tax for the accounting perion	*17.630*	*16.615*	-1.015	94,24%
Other comprehensive income	*2.469*	*19.093*	16.624	773,36%
Total comprehensive income	*20.099*	*35.707*	15.609	177,66%

Source: Company

As of 31 December 2023. a total premium (direct insurance premium and co-insurance premium) in the amount of €229 million was contracted, which is 24,9 million or 12,2% more than in the previous business year.

In mid-2017, the company expanded its operations to the territory of the Republic of Austria, where it generated a gross written premium of 21,8 million EUR in 2023. During the year 2023, the company contracted gross premiums amounting to 23,4 million EUR in the market of the Italian Repulic.

Table 2. – Gross written premium by markets - thousands of EUR

EUROHERC	Gross written premium		Changes 2023./2022.	
	2022.	2023.	Amount	%
Total	203.943	228.841	24.898	112%
Market RH	*159.172*	*183.651*	24.480	115%
Market AT	*27.597*	*21.782*	-5.815	79%
Market IT	*17.174*	*23.408*	6.234	136%

Source: Company

In 2023, the Company achieved 221.008 thousand EUR in revenue from insurance contracts, of which 228.841 thousand EUR relate to charged gross insurance premiums..

In the structure of the Company's premium income, the largest part of 57% refers to AO – motor third party liability insurance, followed by AK – comprehensive road vehicle insurance with 22% share, and fire and other property insurance with an 8% share.

In the structure of the Company's premium income generated in the Republic of Austria, motor vehicle liability insurance is also dominant with a participation of 69% or 15. thousand EUR. Road vehicle insurance – comprehensive insurance participates with 24%.

In the Italian Republic, we exclusively deal with motor vehicle liability insurance and additional products related to this risk. Therefore, the share of insurance type 10 is dominant with a share of 97% or 16,660 thousand EUR.

Table 3. Overview of gross written premium – by types of insurance - thousands of EUR

LoB	TYPE OF INSURANCE / YEAR	COMPANY	HR	AT	IT	COMPANY	HR	AT	IT
		2022.	2022.	2022.	2022.	2023.	2023.	2023.	2023.
10	Motor Vehicle Liability Insurance	111.467	76.210	18.597	16.660	129.853	92.204	15.009	22.640
3	Road Vehicle Insurance	43.055	35.621	7.240	195	49.845	44.205	5.330	310
1	Accident Insurance	15.474	14.804	577	93	15.450	14.889	454	107
08+09	Fire and Special Perils + Other Property Insurances	17.759	17.078	681	0	18.113	17.508	605	0
11+12+13	Other Liability Insurances	6.641	6.475	166	0	7.670	7.522	149	0
OTHER		9.547	8.985	337	225	7.910	7.324	234	351
TOTAL Non-life		**203.943**	**159.172**	**27.597**	**17.174**	**228.841**	**183.651**	**21.782**	**23.408**

Source: Company

In 2023, expenditures for incurred events net amount to 114 milijuna eura, with 255.883 claim settled and 113, million EUR allocated for payments of settled claims, which is 18 million EUR more than in the previous year.

Table 4. Settled Claims by types of insurance, gross - thousands of EUR

Lob	TYPES OF INSURANCE / YEAR	COMPANY	HR	AT	IT	COMPANY	HR	AT	IT
		2022.	2022.	2022.	2022.	2023.	2023.	2023.	2023.
10	Motor Vehicle Liability Insurance	56.102	33.907	17.859	4.336	70.484	39.139	16.120	15.224
3	Road Vehicle Insurance	23.663	16.367	7.137	160	28.122	21.235	6.528	359
1	Income protection insurance	825	825	0	0	925	917	8	0
08+09	Fire and Other Property Insurance	7.054	6.466	589	0	9.053	8.001	1.052	0
13	General Liability Insurances	4.873	4.850	23	0	1.467	1.428	39	0
OTHER		3.190	2.919	123	148	3.627	3.255	149	223
TOTAL (non-life types 01 - 18)		**95.707**	**65.333**	**25.730**	**4.644**	**113.677**	**73.975**	**23.895**	**15.807**

Source: Company

Table 5. Number of claims in the period 2020. do 2023.

Lob	Types of insurance	Number of claims					
		unresolved	registerd	resolved in a the year		unresolved	In litigation
		on 01.01.	In a year	liquidation	removed	on 31.12.	On 1.1.
10	Motor Vehicle Liability Insurance	10.724	39.816	34.515	5.225	10.800	3.320
3	Road Vehicle Insurance	9.715	28.560	22.643	3.195	12.437	87
1	Income protection insurance	374	2.268	1.889	309	444	47
08+09	Fire and Other Property Insurance	1.916	8.910	7.139	1312	2375	44
	OTHER	1.228	190.330	189.697	846	1.015	392
	TOTAL 2023.	**23.957**	**269.884**	**255.883**	**10.887**	**27.071**	**3.890**
	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: Company

After years of stagnation in the number of reported claims caused by the COVID-19 pandemic, the Company records a continuous increase in the number of reported claims primarily due to increased activity of policyholders in traffic, and the growth of assumed risks, primarily in the Italian Republic. The Company's goal is to maintain efficiency in claims settlement above 75% of the total number of cases in processing, with the least number of new lawsuits since the interest and costs of proceedings arising in long-term court cases significantly increase the average paid claim.

Capital management– In 2023, as in previous years, the Company operated with high capital adequacy ratios. The Company's available capital as of 31.12.2023 amounts to 306,65 million EUR which is 242% more than the required solvency capital amounting to 126,7 million EUR or 890% more than the minimum required capital amounting to 34.5 million EUR.

Table 6. Capital requirement based on a standard formula - Thousands of EUR

POSITION	2021.	2022.	2023.
Assets	531.087	548.843	579.124
Technical provisions and other liabilities	254.133	243.503	252.949
Available capital (own funds)	271.645	286.597	306.650
Solvency Capital Requirement (SCR)	142.431	145.109	126.698
Excess own funds (Free surplus)	129.214	141.489	179.952
Solvency Capital Requirement Coverage (SCR)	191%	198%	242%
Minimum Capital Requirement (MCR)	35.608	36.277	34.465
Minimum Capital Requirement Coverage (MCR)	763%	790%	890%

Source: Company

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

Table 7. Basic required solvency capital - Thousands of EUR

DESCRIPTION	2021.	2022.	2023.
Market Risk	139.996	141.237	112.141
Counterparty Default Risk	13.184	13.485	11.954
Health underwriting risk	4.100	4.198	4.269
Non life underwriting risk	52.980	55.831	62.700
Diversification	-42.212	-43.762	-43.185
Basic Solvency Capital Requirement	**168.049**	**170.988**	**147.880**

Source: Company

Within market risk, the most significant are the risk of changes in real estate prices and the risk of market concentration as shown in the following table.

Table 8. Market risk - Thousands of EUR

DESCRIPTION	2021.	2022.	2023.
Interest rate Risk	1.356	1.635	2.112
Equity Risk	27.196	38.045	46.627
Property Risk	45.711	47.062	47.542
Spread Risk	12.039	11.691	9.908
Currency Risk	4.693	0	0
Concentration Risk	116.156	110.648	59.577
SCRmkt Diversification	-67.155	-67.845	-53.625
Market Risk	**139.996**	**141.237**	**112.141**

Source: Company

The Company, based on the Decision of the Croatian Financial Services Supervisory Agency number CLASS: UP/I 974-08/17-01/07 REG.NO: 326-01-660-662-17-47 dated 15th December 2017, is linked within the Agram group of companies.

I.4. ADDITIONAL INFORMATION

Although global economic growth slowed at the end of 2023 and the beginning of 2024, expectations for 2024 have slightly improved compared to the December 2023 projection, and somewhat weaker price pressures are now anticipated. More favorable expectations regarding global economic growth mainly reflect better outcomes in the U.S. economy, driven by a strong labor market and a recovery of investment activities. Additionally, despite significant uncertainty, expectations for emerging market countries have somewhat improved. At the same time, international trade does not follow the dynamics of global economic activity, so its contribution to global growth remains subdued. Global price pressures have weakened more than anticipated at the end of last year, leading to downward revisions in expected inflation trends in most countries. The most significant revisions are in energy prices, particularly electricity and gas in the European market, driven by reduced uncertainty about energy supplies and weak demand during an unusually warm winter. On the other hand, slightly higher prices for food and industrial raw materials are expected. Risks to global inflation and economic growth remain significant, mainly related to the potential escalation of conflicts in the Middle East and the war in Ukraine, as well as disruptions in the Red Sea, which could further increase uncertainty and trigger new rises in energy and other raw material prices.

In such conditions, it is expected that real growth in Croatia could accelerate in 2024 compared to the previous year, more than previously predicted due to somewhat favorable outcomes at the transition into the current year. The expected growth of Croatia's real GDP in 2024 has been revised to 3.2%, after which it is expected to slow slightly to an average of 2.7% towards the end of the projection period. Expected movements of GDP for 2024 remain mainly influenced by robust growth in domestic demand, especially personal consumption supported by favorable labor market trends and growth of real income. Investment activity is also expected to continue growing, although at a slower pace than in 2023, considering that public investments might start to decline due to the completion of some EU-funded programs and projects. Furthermore, it is possible that the exports of goods will accelerate, while the growth of services exports could slow down after a strong recovery from the pandemic. However, as domestic demand strengthens, the growth of imports could intensify, making the contribution of net foreign demand slightly negative again. Throughout the rest of the projection period, economic growth will likely continue to be primarily driven by domestic demand, while the contribution of net foreign demand could be neutral. Risks to Croatia's real GDP growth still seem slightly negative. Economic and price developments in the international environment and especially in key trading partners remain highly uncertain, and the adverse impact of tightened financing conditions could be stronger than currently expected. Conversely, if geopolitical tensions ease, external demand could exceed expectations and positively impact Croatian exports, while stronger growth in real disposable income could stimulate higher personal consumption growth.

🗐 **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 impact on liquidity** – he Company does not expect a liquidity threat. Given the structure of the Company's portfolio, dominated by mandatory motor vehicle liability insurance, if a parallel is drawn with the 2008 crisis, experience has shown that the mandatory motor vehicle liability insurance portfolio is most resilient to crises, which is logical as it is a mandatory type of insurance.

🗐 **Assessment of impact on risk management and risk profile** – The Own Risk and Solvency Assessment (ORSA) is a comprehensive assessment of all business risks to determine whether current and future capital is sufficient to ensure the Company's sustainable operation. Within ORSA, the Company considered adverse market developments concerning the Company's assets and the decline in the Company's portfolio premiums when conducting stress tests and scenario analyses without isolating impacts that would lead to adverse market developments such as epidemic and pandemic risks.

Generally, external events do not affect the management system. The Company regularly monitors all risks it is exposed to and, if necessary, adopts and implements appropriate measures to mitigate them. The Company measures and manages risks based on the standard formula used to calculate the required solvency capital.

🗐 **Assessment of impact on solvency** – he Company has assessed the impact of the decline in asset value due to unfavorable interest rate movements in financial markets, while at the same time considering the positive impact on the value of the Company's technical provisions. Given the high solvency ratio as of December 31, 2023, and conducted stress scenarios, the Company will remain adequately capitalized, and all capital requirements will be met.

It is noteworthy that in the first quarter of 2024, the Company continued to operate successfully and achieve profits. The Company continues to monitor risks from the business environment and their impact on the Company's capital position and will prepare a comprehensive calculation for the reporting date of March 31, 2024, but no significant decline in the solvency ratio is expected.

I.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.

I.6. LIABILITIES TO SUPERVISORY BOARD

In the course of 2023, 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

I.7. Conclusion

EUROHERC osiguranje d.d., as a privately owned company of Croatian entrepreneurs, has reached and maintained the position of the second-largest company in the non-life insurance market, despite intensified market competition. The Company meets all its obligations to owners, employees, and the state on time and has consistently operated according to the highest professional standards over the years. Depending on available opportunities, the Company participates in socially and humanitarianly beneficial activities. The Company has built its own business infrastructure, branch network, and sales network through which it now offers the market a range of new, innovative products.

The Company has made a significant business breakthrough in the Austrian insurance market, and in the fourth quarter of 2020, it expanded its operations to the territory of the Italian Republic, indicating the prospects and potential for further development of the Company beyond the borders of 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 will continue a conservative investment policy aimed at achieving a high level of liquidity and investment security. The investment risk management policy represents the diversification of total assets concerning less marketable and less liquid assets and diversification concerning investments towards the Agram Group. The investment policy sets goals to reduce exposure to less liquid assets and the Agram Group, which are planned to be met in 2026.

The Management aims to maintain the Company's current market position, grow its share in the overall and non-life insurance markets, and strengthen its position in the compulsory motor vehicle insurance market..

Furthermore, as an unquestionable priority, the Company will maintain high efficiency in handling and liquidating claims at a level of 75 to 80%. It is, therefore, implied that the Company will continue to operate rationally and profitably in the coming years, further increasing its equity, ensuring safe and stable operations.

In Zagreb, 31st March 2024.

Management of the Company

Željko Kordić, president	Darinko Ivković, member
Tomislav Čizmić,member	Tomislav Abramović, member

II. Non-financial statements

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II.1. INTRODUCTION

Directive 2014/95/EU of the European Parliament and the Council on the disclosure of non-financial and diversity information by certain large companies and groups took effect on December 6, 2014, and is applicable from 2018 for information relating to the year 2017. According to the Directive, non-financial disclosure requirements apply to so-called public-interest entities, which are certain large trading companies with more than 500 employees. Trading companies must publish relevant and useful information necessary for understanding the development, business results, and position of the company, as well as the impact of its activities, rather than exhaustive, detailed reports.

Some objectives of the disclosure requirements, stemming from this Directive, are ensuring sustainable consumption and production, achieving gender equality, and efforts aimed at low greenhouse gas emissions and climate-resilient development.

Entities required to produce a non-financial report should prepare a non-financial report with at least information related to environmental, social, and human resources issues, as well as issues related to the respect for human rights, anti-corruption and bribery, with a description of the policies, results, and risks associated with these issues.

Regarding *environmental issues*, the report should contain details on the current and foreseeable effects of the company's operations on the environment, and as necessary on health and safety, the use of renewable and/or non-renewable energy sources, greenhouse gas emissions, water usage, and air pollution.

Regarding social and human resources issues, the report may refer to measures taken to guarantee gender equality, the implementation of core conventions of the International Labour Organization, working conditions, social dialogue, respect for workers' rights to information and consultation, respect for the rights of trade unions, health and safety at work, and dialogue with local communities, and/or measures taken to ensure the protection and development of these communities.

Regarding *human rights and the fight against corruption* and bribery, non-financial information may include data on preventing human rights violations and/or existing instruments to combat corruption and bribery.

If the company doasn’t implement measures for one ore more of mentioned issues in the non-financial report, a clear and reasonable explenation will be provided as to why they are not being implemented.

II.2. OVERVIEW REPORT OF THE NON-FINANCIAL DOMAIN

Domain	Topics
Brief Overview of the Business Model	Business Environment Our Market Strategy and Objectives Long-term Market Drivers Risk Management Sustainable Growth
Human Resources	Human Resources of the Company Outcome of Personnel Policies How We Manage Risks Human Rights

Domain	Topics
	Key Non-financial Indicators
Relevant Environmental and Social Community Issues	Company Policies Related to Environmental Protection Company Policies Related to Social Community
Anti-Corruption Policy	Description of Anti-Corruption Measures
Company Management and Supervision	Description of Diversity Policies

II.3. Brief Overview of the Business Model

3.1. Business Environment

Since the beginning of 2023, the real economic activity in the Eurozone has largely stagnated or recorded insignificant rates of changes.

The modest results of the Eurozone economy are primarily due to a significant slowdown in growth in the services sector, alongside with continued stagnation in the manufacturing and construction sectors. The industrial sector, especially energy-intensive sectors, has been under pressure from increased energy prices since the Russian invasion of Ukraine, weakening foreign demand, particularly noticeable in export results to China, and structural weaknesses in traditional European industries such as automotive-industry. In recent months, the weakness in construction has become incresingly visible, especially in Germany, where it has been strongly reflected by tightening monetary policy and worsening financing conditions.

In the second half of 2023, the trend of slowing inflation in consumer prices in the Eurozone continued, which fell to 2.41% in November (down from 5.5% achieved in June). Core inflation in the Eurozone in November 2023 slowed down to 3.6% thanks to a slowdown in both of its main components (industrial products and services).

The strong wage growth and elevated inflation in prices of hospitality and accommodation services are factors that significantly influenced the persistence of service price inflation in the Eurozone. The slowdown in core inflation resulted from the spillover of lower prices for energy and other raw materials on the global market first into producer and import prices, and then into the prices of final goods in the Eurozone, normalization of global supply chains, and weakened demand due to restrictive monetary policy. The slowdown in core inflation was also aided by favorable base period effects. On the other hand, persistent core inflation is largely contributed to by domestic inflationary pressures, reflected in the strong wage growth in the Eurozone, stemming from a lack of labor in the market and falling unemployment. In such conditions, workers were in a favorable position to negotiate wage increases to compensate for the loss of purchasing power due to previous price increases.

According to the Croatian National Bank (HNB), after a significant GDP drop of 8.6% during the COVID-19 crisis in 2020, Croatia achieved a strong economic rebound in 2021 with a GDP growth rate of 13.8%. In 2022, economic activity continued to grow robustly and the growth continued in 2023, although the growth dynamics were significantly weaker than in the previous two years.

According to the Central Bureau of Statistics (DZS), GDP growth in the last quarter of 2023 marked the 12th consecutive quarter in which GDP has continuously grown on an annual basis.

Expected trends in 2024 remain most heavily influenced by the growth of domestic demand, particularly personal consumption supported by favorable movements in the labor market and growth in real incomes. There is also an expectation for continued growth in investment activity, albeit at a slower pace than in 2023, given that public investments may decrease with the completion of some programs and projects financed from EU funds.

3.2. Croatian Market

In December 2023, there were a total of 14 insurance companies active. The total premium collected since the beginning of 2023 amounted to 1.7 billion EUR, of which 0.3 billion EUR (18.4%) related to life insurance premiums, and 1.4 billion EUR (81.6%) to non-life insurance premiums.

On an annual basis, the total collected premium throughout 2023 increased by 7.1%, with the growth of non-life insurance premiums amounting to 13.8%, while life insurance premiums decreased by 15% compared to the previous year.

In the structure of collected non-life insurance premiums, motor vehicle liability insurance was the most represented (35.5%), followed by road vehicle insurance (18.2%) and other property insurances (9.9%).

The amount of settled claims simultaneously amounted to 1.2 billion EUR, an increase of 13.6% on an annual basis. Of this amount, life insurance accounted for 419.8 million EUR (a decrease of 1.5% on an annual basis), and non-life insurance 743.2 million EUR (an increase of 24.3% on an annual basis). In the total amount of settled claims in non-life insurance, the largest amounts relate to motor vehicle liability insurance (38.2%), road vehicle insurance (19.8%), fire and elemental damage insurance (10.7%), and other property insurances (12.7%).

The insurance company with the highest market share in total collected premiums at the end of 2023 was Croatia Insurance with a share of 25.14%, followed by EUROHERC osiguranje d.d. with 13.09%, and then Adriatic Insurance with 11.98%, Allianz Croatia with 11.51%, Wiener Insurance Vienna Insurance Group with 7.59%, Generali Insurance with 7.04%, and Uniqa Insurance with 5.71% market share.

3.3. Strategy and Objectives

The company's business strategy for the coming period will be based on the following principles:

- Continuous growth and development of the Company aligned with market and regulatory requirements and high profitability continuity;
- Innovations in the offer, development of new products based on which the Company will enrich its product palette and make a stronger step into the property and personal insurance market;
- Professionalism, adherence to all positive regulations and internal acts of the Company with the highest level of expertise in daily operations and management with the due diligence at all levels;
- Personnel infrastructure, continuous education of the sales network, aiming for better accessibility to clients, and achieving better results;
- Technological equipment, keeping up with all technological advancements in the sector the company operates in and continuously improving its own solutions;
- Risk dispersion, developing the company's portfolio primarily on individual insurances and smaller legal entities, with the goal of stabilizing the portfolio;
- Corporate sales, development of complex insurance programs intended for large legal entities aiming for fair competition with foreign insurance houses;
- Quality of service, maximum orientation towards policyholders and insurance users;
- Growth in total charged premiums and market share in non-life insurance;
- Constant growth in all other types of insurance;
- Personal sales remains a dominant sales channel for the Company;

🗐 Growth in areas with smaller market shares, through enhanced sales activity, development of the company's infrastructure;

🗐 Fast and quality processing of claims, through proactive actions by the Claims Sector staff in handling claims;

🗐 Efforts to reduce costs in processing claims both in court and out-of-court settlements;

🗐 Reducing operating costs by implementing new technologies, and even better cost control by the company's management.

🗐 Increase in the share of liquid assets in total investments.

3.4. Long-term Market Drivers

The main drivers of market growth in insurance is financial literacy among the population and increased awareness of the need for insurance, anticipated growth in disposable income, and an increase in the number of motor vehicles. Marketing campaigns raise public awareness and emphasize the importance of taking preventive action by creating financial security in the event of a potential adverse event.

The company aims to maintain its leadership position in the Republic of Croatia in the number of contracted insurance policies and motor vehicle liability premiums. Modernly equipped branches and more than 520 sales points of the Company in Croatia, and 50 sales points in Austria, are indicators of continuous, conscientious, and wise investments in its own capacities, infrastructure, and employees. This has contributed to the company being one of the leading companies for non-life insurance, accessible to a large number of citizens. Continuous capital investment in its own business premises and infrastructure is also an investment in the resources of the Republic of Croatia and a message that the company intends to deal with insurance protection in the long term.

Long-term business hazards in the insurance market are hidden in unfavorable demographic trends in the Republic of Croatia, which in the long run can have adverse effects on the growth of gross domestic product and the disposable income of the population as well as the volume of economic activity.

3.5. Risk Management

Since January 1, 2016, a new regulatory and supervisory framework for the operation of insurance companies – Solvency II – has been in force, which was implemented into the new Insurance Act, the application of Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, and a series of guidelines, technical standards, and instructions from the European Insurance and Occupational Pensions Authority (EIOPA) and the Croatian Financial Services Supervisory Agency (HANFA). The new regulatory framework brought key changes in risk management, capital adequacy, and significantly higher complexity of operations. The new framework aims to maintain and enhance the security and resilience of the insurance sector, consumer protection, and promote effective management of insurance companies.

In 2016, the European Insurance and Occupational Pensions Authority (EIOPA) conducted a stress test process in the insurance sector across the European Union. Stress testing is one of the supervisory tools for assessing the resilience of the insurance sector to adverse scenarios and their impact on financial system stability.

EUROHERC osiguranje d.d. prepared its first Solvency and Financial Condition Report for 2016 according to the Insurance Act and the requirements of EU Delegated Regulation 2015/35. The company's capital adequacy in 2023 is 242%.

The company has established an appropriate management system, especially an internal control system and a risk management system. The company's risk profile includes significant market risk, change in property prices risk, and market concentration risk. The valuation of assets and liabilities for solvency purposes has been done in accordance with legal regulations.

The company develops a business plan at the beginning of the year that covers all possible and expected events in the insurance sector and beyond. The company reviews its business strategy every three months with business results and the results of the entire market. The company systematically monitors revenues and expenses and their realization in relation to planned sizes and competitor achievements. The company's reputation represents its credibility towards policyholders and business partners. Trust that policyholders place in the company when contracting insurance is hard to gain but much easier to lose. In this regard, one of the strategic determinants of the company's business in the coming period is the quality of service and products. A sensitive area of business with policyholders is also claims. In this area, the company has taken a clear stance and has clear goals, which are to quickly and fairly resolve claims while maintaining high efficiency, all in accordance with legal norms and defined deadlines for settling claims.

3.6. Sustainable Growth

As a relevant economic entity in the Republic of Croatia, we recognize our responsibility to contribute to the overall economic development of Croatia and to improve the quality of life for our clients and employees. We continuously innovate and develop our business model and develop products and services that meet the needs of our clients. In our operations, we maintain dialogue with all participants, taking into account the social and environmental impact of our business on the environment in which we operate. This is also our model for creating value in a broader sense. It reflects our business philosophy and our view of the environment in which we operate. Our model for creation of value demonstrates how we use the knowledge and resources at our disposal to create value for all participants involved in the business of EUROHERC osiguranje d.d. – our clients, employees, the environment, and the wider community

We believe that in this way we contribute to achieving the United Nations Sustainable Development Goals in the following ways:

- Good Health and Well-being (Goal 3) – we contribute to better quality and safety of life by enabling clients to achieve security in motor vehicle traffic with the certainty of covering events based on fairness and efficiency.
- Work environment Economic Growth (Goal 8) – we contribute to the eradication of poverty and the personal and professional development of employees by creating quality working conditions and employment opportunities, providing quality education in our field of business, and ensuring fair compensation for their work.
- Responsible Consumption and Production (Goal 12) – by reducing our environmental footprint in terms of energy consumption, raw materials, and CO_2 emissions, we contribute to preserving our environment for future generations.

II.4. HUMAN RESOURCES OF THE COMPANY

4.1. Human Resources and Personnel Policies

In the business world, there are certain rules of behavior, i.e., a business culture that is very important and sometimes a decisive factor in achieving business success and profit. EUROHERC Insurance d.d. defines business culture as a system of behavior, knowledge, skills, values, and symbols that are generally accepted in the business world and are communicated.

Through its Business Code and Communication Manual, the company clearly communicates to all employees the intention to develop a higher business culture and deals with the most valuable and sensitive part of the insurance profession, which includes business ethics, relationships with clients and constituents, and the mutual relationship between employees. The company considers these assumptions fundamental guidelines of the quality of the company's work. Respecting and knowing the rules of the Business Code and Communication Manual results in achieving harmonious interpersonal relationships and maximum satisfaction of clients and business partners.

4.2. Outcome of Personnel Policies

As of December 31, 2023, the company employs 1,161 workers, of which 1,074 are employed in Croatia, and 87 in Austria (22 fewer than in 2022).

Since its founding, it has been common practice in the company to create and nurture managerial staff in-house, educating and advancing young talents. The fundamental criterion for advancement in the company is achieving business results and personal contributions to the company's development. Great importance is given to education, so within the Sales Sector, we have an active team of internal educators who pass on knowledge about products and sales skills to other Sales Sector employees. Conversely, the company also has skilled and educated employees in other sectors, especially in the Claims Sector, including lawyers and professional appraisers, which allows the company to professionally manage end-user insurance claims.

Of the total number of employees, 60% are women. About 38% of the company's employees in Croatia are under the age of 40. In Austria, about 72% of employees are under 40 years old. Considering the age, we have intensified educational processes and strive to maintain continuity in such recruitment. This contributes to much easier monitoring of novelties in the domestic and international markets, researching and analyzing all occurrences in the environment, and prompt and effective responses to all requests from our clients and the market itself. Of the total number of employees, 70% are employed in the sales sector. In the claims sector, 12% of employees are employed.

4.3. Employee Age Structure

About 38% of the company's employees in Croatia are under 40 years of age. In Austria, about 72% of employees are under the age of 40. Considering the age, we have intensified educational processes and strive to maintain continuity in this recruitment choice. This contributes significantly to easier monitoring of novelties in the domestic and global markets, researching and analyzing all occurrences in the environment, and promptly and effectively responding to all our clients' and the market's demands.

"The company is aware and insists that its reputation depends on the behavior of its employees. Each employee plays a crucial role in maintaining the company's reputation and good standing in the community, and must always adhere to the highest ethical standards. The company views its business as an integral part of the economic and social environment, where it must protect the rights and interests of its insured, debtors, shareholders, and employees.

The company expects its employees, while working, to utilize their ability to judge impartially in all aspects related to the company’s operations. To maintain independence in judgment and action, employees must avoid conflicts of interest or the appearance of conflicts due to economic or personal interest.

The company promotes a spirit of community and long-term loyalty to the company. This community spirit is fostered through sports events known as 'Agramijada,' where employees from all branches meet for relaxed socializing, an opportunity to get to know each other, and through fun and games, strengthen the relationships built through professional work in the company.

4.4. Human Rights

All company employees are equal, regardless of age, gender, religion, nationality, or social status. The company's Business Code and Communication Manual insist that differences among employees should be accepted with tolerance and privacy should not be invaded. Abuse and violence of any kind are not tolerated, including sexual, psychological, and any other abuse or behavior that expresses hostility, disrespect, humiliation, threat, etc.

Employees have the option to address all issues with their immediate superiors, and if unresolved, they can discuss them at a higher level or with the appropriate services.

4.5. Risk Management

The company and its managers promote desirable behavior and work productivity by maximizing the productivity of the workday, encouraging new ideas to overcome routine in work and stimulate the sale of new products. Timely feedback is crucial for enhancing employee engagement. Supervisors and product monitors are trained in seminars aimed at achieving better sales results for all company products, with numerous examples from business practice and exchange of experiences among colleagues from various branches, and encouraging specific suggestions.

For achieving outstanding business results, the company's management makes decisions on rewarding employees with the best outcomes. All employees are provided with high-level working conditions in terms of the appearance and quality of workspaces and the use of modern equipment. Special attention is also given to employee welfare concerning their health and satisfaction with working conditions, including preventive medical examinations, dining facilities, reimbursement of transportation costs, and discounts for medical services at various institutions.

The company has developed internal procedures defining the relationships with clients and the rights and obligations of employees, ensuring a fair and equal position for all company employees and pre-established rules for compensation, behavior, and business communication with the company's clients.

4.6. Key Non-Financial Indicators

Within its organization, caring for the rights of its clients, the company has established a Department for Consumer Complaints Processing. In Austria, given the dynamic development of its business model and the adjustment to business practices and existing business models in Austria, a Department for Consumer Complaints Processing was also expected to handle a certain number of complaints. The company has never faced any lawsuit for bullying or violation of worker dignity in its business history.

The company has developed a plan and program for training and improvement in the non-life insurance segment and conducts education for both internal and external sales networks. Euroherc's continuous education meets the criteria for extending/maintaining both types of licenses (PO-brokerage, ZO-agency). Continuous education is available through the link http://edukacija.euroherc.hr. The criteria for professionalism and appropriateness are proven annually. To prove the appropriateness of the internal sales network, all employees of the Sales Sector are required to sign an Appropriateness Statement annually, which is stored in the personnel records, while the appropriateness of the external sales network is regulated by signing an IDD addendum."

II.5. RELEVANT ENVIRONMENTAL ISSUES AND COMMUNITY ENGAGEMENT

5.1. Company Policies Related to Environmental Protection

EUROHERC osiguranje d.d. continuously works on developing and improving business processes with the goal of reducing negative environmental impacts. Employees are encouraged to minimize waste, particularly in terms of saving office supplies and energy consumption.

Company's facilities are equipped with sensors that significantly reduce the consumption of electricity, along with centralized climate control systems and high-quality construction that enables low energy consumption for heating and cooling.

In operational systems of the company, all documents are scanned (in sales module and integrated business system SIZIF) and uploaded into the system. The company utilizes an electronic system for sending and receiving invoices, resulting in 90% of paper documentation being completely replaced by digital documentation. This has led to significant savings in energy and resource consumption in the company's operations.

5.2. Company Policies Related to Community Engagement

Direct empowerment of financial literacy among the citizens of Croatia in 2023 was achieved through donations, scholarships, and sponsorships for organizing educational activities conducted through educational institutions and associations (kindergartens, primary and secondary schools, universities, associations), as well as in the form of printing materials and brochures, and indirectly, through organizing and participating in relevant congresses, seminars, and conferences.

The total amount spent by the company on activities to enhance the financial literacy of Croatian citizens in 2023 was 61,465 EUR, allocated as follows:

- 50.298 EUR was spent on educating children in kindergartens and primary and secondary schools through donations distributed across all counties,
- 11.167 EUR was spent on the "Safer Tomorrow" project organized by insurance societies and the Croatian Insurance Bureau.

The company has developed a standard practice, which it will continue in the future, of organizing professional lectures in various fields that were held either in the company's premises or by employees participating as guest lecturers at various events, seminars, and congresses. The company will continue to promote the enhancement of financial literacy among Croatian citizens through its business activities in accordance with its legal obligations.

II.6. ANTI-CORUPTION POLICY

6.1. Description of Anti-corruption Measures

The company expects its employees to use their ability to judge impartially in all aspects of their work. To maintain independence in judgment and action, employees must avoid conflicts of interest or the appearance thereof due to economic or personal interests. A conflict of interest represents any situation where employees of the company are not neutral and objective in relation to the subject of business, or when using their specific position, they have professional or personal interests that oppose the interests of the company or its clients, which could influence their impartiality in carrying out their duties or cause harm to the interests of clients. The company has developed a Policy for Preventing Conflicts of Interest that further clarifies and regulates issues of conflict of interest.

Employees are required to act with utmost honesty towards everyone they come into contact with, regardless of whether they are clients, competitors, or colleagues. All relationships must be based on mutual respect and trust, adherence to professional principles, good business practices, and business ethics. Principles of free and fair market competition must be respected.

All information about clients, suppliers, other clients, and business partners acquired in dealings with them is considered a business secret, even after the contractual relationship ends (except for data that the company is legally obligated to provide – bonuses, maluses, etc.). Business decisions and actions of each company employee must comply with positive legal regulations. Exploitation of clients through manipulation, concealment, misuse of confidential information, false representation of significant facts, or other dishonest acts is not allowed. Employees are expected to speak accurately and truthfully about the company's services and products. Additionally, the use of unfair methods to "disqualify" the competition is not permitted.

Active monitoring is in place for insurance services where there is a possibility of a conflict of interest. Directors or relevant company personnel, according to the organizational structure, are tasked with promptly reporting to the Compliance Function any circumstances that represent or could lead to a conflict of interest. All employees of the company are obligated to adhere to the provisions of this Policy.

All the aforementioned has been clearly communicated to all company employees in the Business Code and Communication Manual, which are published on the company's internal website.

II.7. COMPANY MANAGEMENT AND GOVERNANCE SUPERVISION

7.1. Description of Diversity Policies

From its inception, it has been a standard practice in the Company to create and nurture its management team „in-house“, by educating and advancing young professionals. The fundamental criteria for advancement within the Company are the achievement of business results and personal contribution to the development of the Company.

All employees of the Company are equal, regardless of age, gender, religion, nationality, or social status. The Company insists in its Business Code and Communication Manual that differences among employees should be tolerated and that one should not intrude into the intimacy and privacy of colleagues. Harassment and violence of any kind are not tolerated. This refers to sexual and psychological abuse, as well as any other form of mistreatment that expresses a hostile attitude, disrespect, humiliation, threats, etc.

The Company's Management is responsible for achieving the business objectives of the Company, including those related to strategy, policies, quality, and sustainability, as well as the daily functioning of the Company. In performing their duties, the Management acts in the interests of the Company and its shareholders.

There is sufficient diversity of views and expertise in Company's to properly understand the current situation and the long-term risks and opportunities associated with the Company's activities. Aspects of diversity include age, gender, education, and work experience, or expertise on relevant issues. The composition of the Company's Management reflects all the aforementioned parameters of diversity.

The Supervisory Board of the Company oversees the overall operations of the Company, including the adopted policies of the Company, as well as compliance with all applicable legal regulations, including regulations related to anti-corruption measures. The Supervisory Board also monitors the results achieved by the Company's Management by overseeing the financial position of the Company and analyzing the financial statements and business strategy of the Company. The Supervisory Board also approves significant capital investments, major purchases and sales, and analyzes the annual budget of the Company and the long-term plans of the Company.

The Supervisory Board of the Company appoints the Audit Committee of the Company, which oversees and monitors the work of the Company's Management and makes recommendations to the Company's Management regarding the implementation and improvement of internal control systems.

The Audit Committee of the Company advises the Supervisory Board in performing its supervisory-analytical functions and prepares documentation for the Supervisory Board in relation to this. The Audit Committee oversees the submission of the Company's financial statements to regulatory bodies and the compliance of the Company's business policies and processes with recommendations provided by internal and external auditors. The Audit Committee assists the Supervisory Board in supervising the information and communication systems of the Company.

Furthermore, the Audit Committee maintains regular contact with the external auditor and decides on the proposal for the appointment of the external auditor, which is submitted for decision to the General Assembly of the Company.

The Audit Committee of the Company issues a recommendation to the Supervisory Board regarding the acceptance of the annual financial statements of the Company, the annual budget of the Company, and major capital investments.

The Supervisory Board of the Company also ensures sufficient diversity of viewpoints and expertise needed to properly understand the current situation and the long-term risks and opportunities associated with the Company's activities. Aspects of diversity include age, gender, education, and work experience, or expertise on relevant issues. The composition of the Supervisory Board of the Company shows that all the previously mentioned parameters of diversity are represented

In Zagreb, 31st March 2024.

Management of the Company

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

III. FINANCIAL STATEMENT

For the year ended December 31, 2023

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III.1. Management responsibility

Under the Accounting Act of the Republic of Croatia, the Management of the Company is responsible for ensuring that both consolidated and non-consolidated financial statements are prepared for each financial year in accordance with the International Financial Reporting Standards adopted by the European Union, which provide a true and fair view of the condition and results of the operations of the Group and the Company for the said period.

After conducting appropriate research, Management expects that the Company and the Group will have adequate resources in the foreseeable future, and therefore continues to adopt the Going Concern principle when preparing financial statements.

The responsibilities of the Company's Management in the preparation of financial statements include the following:

Selection and consistent application of appropriate accounting policies;

- ❒ making justified and prudent judgments and estimates;
- ❒ Compliance with applicable accounting standards, with disclosure and explanation of all materially significant deviations in the financial statements; and
- ❒ Preparation of financial statements under the assumption of Going Concern, unless it is no longer appropriate to assume that the Company or Group will continue in operation.

Management is responsible for maintaining accurate accounting records that reflect the financial position of the Company and Group at any given time with acceptable accuracy and for ensuring compliance with the Croatian Accounting Act. Management is also responsible for safeguarding the assets of the Company and the Group, and thus for taking reasonable measures to prevent and detect fraud and other irregularities.

In Zagreb, 31st March 2024.

Management of the Company

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

Independent Auditor's Report

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10000 Zagreb
Radnička cesta 180

INDEPENDENT AUDITOR'S REPORT

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

Audit report on separate and consolidated annual financial statements

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 2023, 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 2023, 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)

<table>
<tr><th colspan="2">Investment property valuation</th></tr>
<tr><td colspan="2">As of 31 December 2023, investments in property in the consolidated financial statements amount to EUR 131,606 thousand and represent 24% of the Group's total assets, and at the Company level EUR 127,416 thousand and represent 23% of total assets.</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit issue</th></tr>
<tr><td>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 15 (Investment Property).</td><td>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.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Impairment of loans granted</th></tr>
<tr><td colspan="2">As of 31 December 2023, gross loans to other companies in the consolidated and separate financial statements amounted to EUR 86,762 thousand, and related provisions for impairment to EUR 1,203 thousand (31 December 2022: gross loans to other companies: EUR 89,734 thousand, provisions for impairment: EUR 4,154 thousand).</td></tr>
<tr><th>Key audit matters</th><th>How we addressed the key audit issue</th></tr>
<tr><td>Loans are measured at amortized cost using the effective interest method, less impairment losses. From January 1, 2023, in accordance with International Financial Reporting Standard 9: Financial Instruments ("IFRS 9"), impairment of financial assets, i.e. loans, is recognized according to the expected credit loss model.

Impairment represents the Management Board's best estimate of the risk of default and expected credit losses within the loan portfolio at the reporting date.

Impairment is measured either as a 12-month expected credit loss or as a lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The main sources of uncertainty in loan impairment assessments are the identification of deteriorating loans, the assessment of a significant increase in credit risk, future cash flow forecasts, the assessment of inflows from the realization of collateral and the determination of expected credit losses.

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 considering that the amounts shown in separate and consolidated are significant, as well as due to the nature of the judgments and assumptions that the Management Board had to make.

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 16 (Financial assets).</td><td>Audit procedures

Our audit procedures related to this area included:

• review of the Company's methodology for calculating expected credit loss and assessing compliance with the relevant requirements of IFRS 9;
• understanding of policy, processes and key controls related to the approval, recording and monitoring of loans;
• understanding the process of determining loan impairment, assumptions for data used in the model of expected credit losses;
• assessment of procedures related to the identification of events that cause impairment and indications of impairment;
• assess the reasonableness of the key assumptions used in estimating the required amount of impairment, as well as the consistency of the assumptions used;
• assessment of expectations of the Company's Management regarding future cash flows, valuation of collateral, expected collection capacity and other sources of repayment, based on a sample of loans for which there was no repayment;
• 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
• reviewing the accuracy and completeness of the information disclosed in the financial statements in terms of comprehensibility.</td></tr>
</table>

Key Audit Matters (continued)

Valuation of illiquid financial instruments	
As of 31 December 2023, 17% (EUR 94,468 thousand or EUR 96,703 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.	
Key audit matters	**How we addressed the key audit issue**
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 16 (Financial assets) and note 28 (Financial instruments and risk management).	*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

Key Audit Matters (continued)

Valuation of assets and liabilities from insurance contracts	
As of 31 December 2023 liabilities from insurance contracts amounted to EUR 197,822 thousand, which represents 76% of the total liabilities of the Company and the Group (December 31, 2022: EUR 182,111 thousand, 75% of total liabilities).	
Key audit matters	**How we addressed the key audit matters**
Insurance contracts represent the single most significant item in the financial statements of the Company and the Group. Valuation of assets and liabilities from insurance contracts is crucial because it directly affects the financial position and performance of the Company and the Group. On January 1, 2023, International Financial Reporting Standard 17: Insurance Contracts ("IFRS 17") entered into force, replacing the previous International Financial Reporting Standard 4 Insurance Contracts ("IFRS 4") and introducing a new comprehensive framework for recognition, measurement and presentation of insurance contracts. The implementation of IFRS 17 brought significant changes and increased the complexity of measuring assets and liabilities from insurance contracts, which affect several items of financial statements. In the financial statements, the Company and the Group announced the effect of the first application of IFRS 17, which has a positive impact on shareholders' equity in the amount of EUR 4,531 thousand, i.e. EUR 4,281 thousand on the transitional date of January 1, 2022, and a positive impact for the Company and the Group on profit after tax for the year ending December 31, 2022 in the amount of EUR 250 thousand. Valuation of insurance contract assets and liabilities involves significant management judgment in the development and use of input data within actuarial calculation models. Furthermore, there is a high degree of complexity due to the numerous assumptions and actuarial valuation models applied with key assumptions. The judgment relies on a variety of factors, including historical trends, future expectations, internal and external variables. We focused on this area taking into account the complexities of the overall valuation process and the particular challenges associated with the transition to IFRS 17. **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 23 (Insurance and reinsurance contracts) and note 29 (Insurance risk management).	*Audit procedures* We used the work of actuarial experts in performing our audit procedures which included: • acquiring an understanding of the process and relevant internal controls in the process of valuing assets and liabilities from insurance contracts; • verification of the first application of IFRS 17, including the identification of the group of insurance contracts, the adequacy of the measurement model and the choice of methodology to ensure compliance with the requirements of IFRS 17; • assessment of the reasonableness, appropriateness and appropriateness of the assumptions on which the applied Distributed Premium Model (PAA) is based; • assessing the reasonableness of expected residual coverage obligations under the distributed premium approach; • testing the reliability and accuracy of actuarial models used in the valuation of assets and liabilities from insurance contracts; • verification of mathematical accuracy and appropriateness of used input data within actuarial calculation models. Furthermore, we reviewed the information published in the financial statements of the Group and the Company in order to evaluate their sufficiency in terms of the comprehensibility of the transaction 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 Management 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 June 2023, we were appointed as auditors to conduct an audit of the separate and consolidated annual financial statements for 2023, 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 2023, which totals five years.

In the audit of the separate and consolidated annual financial statements of the Company for 2023, we have determined materiality levels for the annual financial statements as a whole, as follows:

- for separate annual financial statements: EUR 3 million
- for consolidated annual financial statements: EUR 3 million

which represents approximately 1.5% insurance contract revenue of the Company or the Group for 2023.

We chose the insurance contract revenue 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 2023 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 20/2023 “Regulation”) the Company’s Management prepared forms presented on pages from 141 to 146, 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 39 to 140 but are prescribed by the Ordinance.

The partner engaged in the audit of the Company’s and Group annual financial statements for the year 2023 resulting in this Independent auditor's report is Angelina Nižić, certified auditor.

In Zagreb, 30 April 2024

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

Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 December 2023

(all amounts in thousands of EUR)

	Notes	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Insurance revenue	5	221,008	221,008	199,116	199,116
Insurance service expenses	6	(202,777)	(202,777)	(180,580)	(180,580)
Net result of (passive) reinsurance contracts		(3,833)	(3,833)	(4,863)	(4,863)
Result from insurance contracts		**14,398**	**14,398**	**13,673**	**13,673**
Income from investment property		2,884	2,961	3,575	3,652
Interest revenue calculated using the effective interest rate method		5,471	5,471	3,912	3,912
Dividend income		1,380	1,624	1,703	1,862
Net impairment/release of impairment of financial assets		(163)	(163)	(143)	(143)
Other income from investments		2,008	2,008	544	544
Other expenditure from investments		(5,077)	(5,077)	(5,126)	(5,126)
Net investment income	7	**6,503**	**6,824**	**4,465**	**4,701**
Net financial result from insurance contracts		(1,724)	(1,724)	2,322	2,322
Net financial result from (passive) reinsurance contracts		26	26	(27)	(27)
Net financial result from insurance and (passive) reinsurance contracts	8	**(1,698)**	**(1,698)**	**2,295**	**2,295**
Other income	9	6,013	5,378	5,395	4,785
Other operating expenses	10	(4,864)	(4,752)	(4,296)	(4,137)
Profit before tax		**20,352**	**20,150**	**21,609**	**21,317**
Income tax	11	(3,579)	(3,535)	(3,732)	(3,687)
Profit for the year		**16,773**	**16,615**	**17,877**	**17,630**

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

(all amounts in thousands of EUR)

	Notes	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Items that will not be reclassified in the Statement of Profit or Loss					
Net change in fair value of equity securities (OCI)		9,956	9,762	-	-
Change in fair value of property for own use, net of deferred tax		1,942	1,942	1,621	1,621
Items that can be subsequently recognised in profit or loss					
Net change in fair value of equity securities classified as available-for-sale		-	-	(681)	(1,872)
Net change in fair value of debt securities (OCI)		735	735	(1,867)	(1,867)
Net amount transferred to the profit and loss account		126	126	289	289
Net financial income/expenditure from insurance contracts		(3,228)	(3,228)	6,163	6,163
Net financial income/expenditure from (passive) reinsurance contracts		12	12	(42)	(42)
Other comprehensive (loss)/income for the year		***9,543***	***9,349***	***5,483***	***4,291***
Total comprehensive (loss)/income for the year		**26,316**	**25,964**	***23,360***	***21,922***

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Profit attributable to:				
- Company shareholders	16,605	16,615	17,704	17,630
- Non-controlling interest	168	-	173	-
	16,773	**16,615**	**17,877**	**17,630**
Total comprehensive (loss)/income attributable to:				
- Company shareholders	26,086	25,964	22,807	21,922
- Non-controlling interest	230	-	553	-
	26,316	**25,964**	**23,360**	**21,922**
Earnings per share (EUR)	**54.99**	**54.47**	**58.61**	**57.80**

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

Statement of Financial Position

as at 31 December 2023

(all amounts in thousands of EUR)

Assets	Notes	Group 31/12/2023	Company 31/12/2023	Group 31/12/2022 (restated)	Company 31/12/2022 (restated)	Group 01/01/2022 (restated)	Company 01/01/2022 (restated)
Goodwill	12	572	-	572	-	572	-
Intangible assets	13	640	640	550	550	744	744
Property and equipment	14	66,834	66,797	65,875	65,814	65,943	65,874
Investment property	15	131,606	127,416	129,873	125,606	125,127	120,784
Investments in subsidiaries, associates and participation in joint ventures		-	3,442	-	3,442	-	3,442
Assets from reinsurance contracts	23	3,383	3,383	2,705	2,705	3,875	3,875
Financial assets	*16*						
Financial assets at fair value through other comprehensive income	*16*	162,871	160,636	-	-	-	-
Financial assets at amortised cost	*16*	133,773	133,773	-	-	-	-
Available-for-sale financial assets	16	-	-	107,890	105,891	107,180	106,963
Loans and receivables	16	-	-	119,934	119,934	117,240	117,240
Other assets	17	41,256	41,053	44,619	44,464	51,372	51,344
Cash and cash equivalents	18	13,386	13,345	36,797	36,785	23,943	23,684
Total assets		**554,321**	**550,485**	**508,815**	**505,191**	**495,996**	**493,950**
Capital and reserves							
Subscribed share capital	19	7,930	7,930	8,096	8,096	8,096	8,096
Revaluation reserves for financial assets	20	27,001	26,011	4,561	3,703	7,200	7,153
Revaluation reserves for property for the activity	21	48,247	48,247	47,067	47,067	46,167	46,167
Financial reserve from the insurance contract		2,905	2,905	6,121	6,121	-	-
Reserves	22	23,072	23,072	22,906	22,906	22,906	22,906
Retained earnings		182,400	182,640	171,414	171,644	159,709	160,013
		291,555	**290,805**	**260,165**	**259,537**	**244,078**	**244,335**
To owners of non-controlling interests		2,088	-	2,031	-	1,617	-
Total capital and reserves		**293,643**	**290,805**	**262,196**	**259,537**	**245,695**	**244,335**
Liabilities							
Liabilities from insurance contracts	23	197,822	197,822	182,111	182,111	180,347	180,347
Financial liabilities at amortized cost	24	14,547	14,547	16,136	16,136	19,455	19,455
Provisions	25	1,011	1,011	1,206	1,206	1,150	1,150
Deferred tax liability	11	17,533	16,560	13,544	12,613	12,427	11,757
Current income tax liability		1,103	1,103	594	594	121	121
Accounts payable and other liabilities	26	28,662	28,637	33,028	32,994	36,801	36,785
Total liabilities		**260,678**	**259,680**	**246,619**	**245,654**	**250,301**	**249,615**
Total capital, reserves and liabilities		**554,321**	**550,485**	**508,815**	**505,191**	**495,996**	**493,950**

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

Statement of Changes in Equity

for the year ended 31 December 2023

(all amounts in thousands of EUR)

GROUP

	Share capital	Revaluation reserves for financial assets	Revaluation reserves for property for the activity	Financial reserve from the insurance contract	Legal reserves	Retained earnings	Equity owner shares	To owners of non-controlling interests	Total
Balance at 31 December 2021	**8,096**	**7,200**	**46,167**	**-**	**22,906**	**155,428**	**239,797**	**1,617**	**241,414**
Effect of the first application of IFRS 17	-	-	-	-	-	4,281	4,281	-	4,281
Balance at 1 January 2022 (restated)	**8,096**	**7,200**	**46,167**	**-**	**22,906**	**159,709**	**244,078**	**1,617**	**245,695**
Net change in fair value	-	(2,928)	1,621	-	-	-	(1,307)	380	(927)
Net amount transferred to the profit and loss account	-	289	-	-	-	-	289	-	289
Net financial expenses/income from insurance and (passive) reinsurance contracts	-	-	-	6,121	-	-	6,121	-	6,121
Profit after tax	-	-	-	-	-	17,704	17,704	173	17,877
Total comprehensive income	**-**	**(2,639)**	**1,621**	**6,121**	**-**	**17,704**	**22,807**	**553**	**23,360**
Depreciation	-	-	(721)	-	-	721	-	-	-
Dividend payment	-	-	-	-	-	(6,720)	(6,720)	(139)	(6,859)
Balance at 31 December 2022 (restated)	**8,096**	**4,561**	**47,067**	**6,121**	**22,906**	**171,414**	**260,165**	**2,031**	**262,196**
Effect of the first application of IFRS 9	-	11,685	-	-	-	558	12,243		12,243
Balance at 1 January 2023 (restated)	**8,096**	**16,246**	**47,067**	**6,121**	**22,906**	**171,972**	**272,408**	**2,031**	**274,439**
Net change in fair value	-	10,629	1,942	-	-	-	12,571	62	12,633
Net amount transferred to the profit and loss account	-	126	-	-	-	-	126	-	126
Net financial expenses/income from insurance and (passive) reinsurance contracts	-	-	-	(3,216)	-	-	(3,216)	-	(3,216)
Profit after tax	-	-	-	-	-	16,605	16,605	168	16,773
Total comprehensive income	**-**	**10,755**	**1,942**	**(3,216)**	**-**	**16,605**	**26,086**	**230**	**26,316**
Depreciation	-	-	(762)	-	-	762	-	-	-
Capital reduction due to currency conversion	(166)	-	-	-	166	-	-	-	-
Dividend payment	-	-	-	-	-	(6,939)	(6,939)	(173)	(7,112)
Balance at 31 December 2023	**7,930**	**27,001**	**48,247**	**2,905**	**23,072**	**182,400**	**291,555**	**2,088**	**293,643**

Statement of Changes in Equity (continued)

for the year ended 31 December 2023

(all amounts in thousands of EUR)

COMPANY

	Share capital	Revaluation reserves for financial assets	Revaluation reserves for property for the activity	Financial reserve from the insurance contract	Legal reserves	Retained earnings	Total
Balance at 31 December 2021	**8,096**	**7,153**	**46,167**	**-**	**22,906**	**155,732**	**240,054**
Effect of the first application of IFRS 17	-	-	-	-		4,281	4,281
Balance at 1 January 2022 (restated)	**8,096**	**7,153**	**46,167**	**-**	**22,906**	**160,013**	**244,335**
Net change in fair value	-	(3,739)	1,621	-	-	-	(2,118)
Net amount transferred to the profit and loss account	-	289	-	-	-	-	289
Net financial expenses/income from insurance and (passive) reinsurance contracts	-	-	-	6,121	-	-	6,121
Profit after tax	-	-	-	-	-	17,630	17,630
Total comprehensive income	**-**	**(3,450)**	**1,621**	**6,121**	**-**	**17,630**	**21,922**
Depreciation	-	-	(721)	-	-	721	-
Dividend payment	**-**	-	-	-	-	(6,720)	(6,720)
Balance at 31 December 2022	**8,096**	**3,703**	**47,067**	**6,121**	**22,906**	**171,644**	**259,537**
Effect of the first application of IFRS 9	-	11,685	-	-	-	558	12,243
Balance at 1 January 2023 (restated)	**8,096**	**15,388**	**47,067**	**6,121**	**22,906**	**172,202**	**271,780**
Net change in fair value	-	10,497	1,942	-	-	-	12,439
Net amount transferred to the profit and loss account	-	126	-	-	-	-	126
Net financial expenses/income from insurance and (passive) reinsurance contracts	-	-	-	(3,216)	-	-	(3,216)
Profit after tax	-	-	-	-	-	16,615	16,615
Total comprehensive income	***-***	***10,623***	***1,942***	***(3,216)***	***-***	***16,615***	***25,964***
Depreciation	-	-	(762)	-	-	762	-
Capital reduction due to currency conversion	(166)	-	-	-	166	-	-
Dividend payment	-	-	-	-	-	(6,939)	(6,939)
Balance at 31 December 2023	**7.930**	**26.011**	**48.247**	**2.905**	**23.072**	**182.640**	**290.805**

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

Statement of cash flows

for the year ended 31 December 2023.

(all amounts in thousands of EUR)

CASH FLOW FROM BUSINESS ACTIVITIES	Group 2023.	Company 2023.	Group 2022. (restated)	Company 2022. (restated)
Cash flow before changes in business assets and liabilities				
Profit before tax	**20,352**	**20,150**	**21,609**	**21,317**
Adjustments:				
Depreciation of property and equipment	3,821	3,821	4,144	4,144
Amortization of intangible assets	135	135	201	201
Income from dividends	(1,380)	(1,624)	(1,703)	(1,862)
Interest income	(5,471)	(5,471)	(3,912)	(3,912)
Interest expense	861	861	656	656
Loss on sale of financial assets	163	163	364	364
Profits from the fair valuation of investment properties	(1,350)	(1,426)	(1,982)	(2,059)
Other adjustments	(2,094)	(2,122)	(453)	(453)
Cash flows before changes in business assets and liabilities	**15,037**	**14,487**	**18,924**	**18,396**
Change in assets and liabilities:				
(Increase) / decrease of financial assets at fair value through other comprehensive income	(26,488)	(26,488)	-	-
(Increase) / decrease in financial assets at amortized cost	(11,699)	(11,692)	-	-
(Increase) / decrease in investments available for sale	-	-	(3,568)	(3,239)
(Increase) / decrease in given deposits, loans and receivables	-	-	(4,340)	(4,340)
Change of obligations from the insurance contract	11,775	11,775	8,863	8,863
Change of property from the (passive) insurance contract	(663)	(663)	1,230	1,230
Increase in receivables and other assets	3,364	3,409	7,081	7,210
Increase / (decrease) in other liabilities	(4,761)	(4,753)	(2,673)	(2,715)
Changes in business assets and liabilities	**(28,472)**	**(28,412)**	**6,593**	**7,009**
Paid income taxes	(3,740)	(3,696)	(3,292)	(3,245)
Receipt from dividends	1,377	1,621	1,879	2,038
Interest income	4,663	4,663	4,117	4,117
Interest paid	(861)	(861)	(656)	(656)
CASH FLOW FROM OPERATING ACTIVITIES	**(11,996)**	**(12,198)**	**27,565**	**27,659**

(all amounts in thousands of EUR)

CASH FLOW FROM BUSINESS ACTIVITIES (continued)	Group 2023.	Company 2023.	Group 2022.	Company 2022.
			(restated)	(restated)
Expenditures for acquisition of property and equipment	(1,570)	(1,570)	(954)	(939)
Expenditures for acquisition of intangible assets	(118)	(118)	(7)	(7)
CASH FLOW FROM INVESTMENT ACTIVITIES	**(1,688)**	**(1,688)**	**(961)**	**(946)**
Receipts from received loans	1,330	1,330	-	-
Repayment of received loans	(2,839)	(2,839)	(2,957)	(2,957)
Cash expenses for rent	(1,501)	(1,501)	(1,683)	(1,683)
Monetary expenses for the payment of dividends	(6,717)	(6,544)	(9,165)	(9,026)
CASH FLOW FROM FINANCIAL ACTIVITIES	**(9,727)**	**(9,554)**	**(13,805)**	**(13,666)**
Net increase/(decrease) in cash and cash equivalents	**(23,411)**	**(23,440)**	**12,799**	**13,047**
Cash and cash equivalents at the beginning of the year	**36,797**	**36,785**	**23,998**	**23,738**
Cash and cash equivalents at the end of the year	**13,386**	**13,345**	**36,797**	**36,785**

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

1. GENERAL DATA

Euroherc osiguranje d.d., (hereinafter the "Company") and its dependent Company (collectively: the "Group") were founded in October 1992 in Makarska. Since 2000, the headquarters of the Company has been in Zagreb, Ulica grada Vukovara 282.

On June 30, 2017, the company bought a 68.12% stake in MTT d.o.o. for a fee of EUR 3.44 million.

The group provides non-life insurance services, specializing in motor vehicle insurance. In addition to the Directorate, the Group also provides services through 13 branches. The company is regulated by the Croatian Financial Services Supervisory Agency ("HANFA").

As of December 31, 2023, the company employed 1,161 employees, which is 22 fewer than a year earlier..

Management and Supervisory Board

Management Board

Željko Kordić, Chairman of the Board

Darinko Ivković, Member of the board

Tomislav Čizmić, Member of the board

Tomislav Abramović, Member of the board

Vjeran Zadro, Member of the Management Board until February 1, 2023

Supervisory Bord

Mladenka Grgić, President of the Supervisory Board

Grgo Dodig, deputy president 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. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1. Declaration of conformity

The company prepares financial statements in accordance with the Insurance Act, the Accounting Act and in accordance with the International Financial Reporting Standards adopted in the European Union (IFRS).

2.2. Basis of composition

The financial statements are prepared according to the principle of historical cost, with the exception of certain financial instruments that are stated in revalued amounts. The financial statements have been prepared under the assumption of going concern.

Financial statements are presented in euros, rounded to the nearest thousand.

The preparation of financial statements in accordance with IFRS requires the Management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and with the information available at the date of preparation of the financial statements, the result of which forms the basis for making judgments about the value of assets and liabilities that are not apparent from other source. Actual results may differ from these estimates. Estimates and related assumptions are continuously reviewed. Changes in accounting estimates are recognized in the period in which the estimate was changed and in future periods, if the change also affects them.

2.3. Changes in accounting policies and comparative data

Established accounting policies are applied consistently from year to year, and are changed in accordance with IAS 8 if:

- changes conditioned by legal regulations, including changes in international accounting standards
- changes conditioned by the Agency's regulations,
- new business circumstances occur, in which the application of certain existing accounting policies would make it difficult to objectively present the Company's financial condition and operating results.

If, due to the reasons from the previous paragraph, there is a change in an individual accounting policy, this fact is published in the annual report for the year in which the change occurred and in the notes to the reports, the impact of the changed policies on the business results is quantified. In order to fully understand the Company's financial statements, it is necessary to publish comparative information for the previous period for all amounts published in the financial statements. Comparative amounts must be reclassified in cases of changes in the presentation and/or classification of items, except in cases where the same is not feasible. Considering the introduction of the EUR currency as the official currency in the Republic of Croatia from 01.01.2023. year, the comparative data for the years preceding the introduction were converted into EUR currency by applying a fixed conversion rate in compliance with the legal rules for conversion and rounding.

Continued entry into force of IFRS 9 and IFRS 17 standards on January 1, 2023. year, comparative data for the previous period were prepared and presented in accordance with the relevant standards.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.4. Functional and presentational currency

Financial statements are presented in the currency of the primary economic environment in which the Company and the Group operate ("functional currency"), euros ("EUR") and are rounded to the nearest thousand.

Considering that the Republic of Croatia introduced the euro as the official currency as of January 1, 2023, in accordance with the Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Company changed the presentation currency for the purposes of preparing financial statements for the year ended December 31, 2023. from kuna to euros, and the financial statements for the year ended December 31, 2023, were first prepared in euros. From January 1, 2023, the euro is also the functional currency of the Company and the Group (until January 1, 2023, it was HRK).

The introduction of the euro as the official monetary unit in the Republic of Croatia represents a change in the functional currency, which is applied prospectively.

The financial statements for the year 2022 have been prepared in HRK as the functional and reporting currency, which was valid until December 31, 2022. In the financial statements for the year ended December 31, 2023, the comparative periods and balances are presented in euros and converted at a fixed conversion rate (1 EUR = HRK 7.53450).

2.5. Basis for consolidation

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

Business mergers

The Group recognizes business combinations using the acquisition method when control is actually transferred to the Group. As a rule, the consideration for the acquisition is measured at fair value, as well as the acquired net assets that can be separately recognized. Goodwill arising from the acquisition is checked for impairment once a year. Negative goodwill that arises in the case of a favourable purchase is recognized immediately in the income statement. Transaction costs are recognized at the time of occurrence in the income statement, except when they relate to the issuance of debt or equity securities. The transferred compensation does not include amounts related to the settlement of relationships that existed before the acquisition date. As a rule, such amounts are recognized in the profit and loss account. Any potential consideration is measured at fair value on the acquisition date. If an obligation to pay contingent consideration, which meets the definition of a financial instrument, is classified as an equity instrument, then it is not remeasured and the settlement is recognized in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized through profit or loss.

Dependent companies

Subsidiaries are all companies controlled by the Group. The group controls another company, when it is exposed to, or has rights to, variable returns on its investment and has the ability to influence returns through its control of the other company. The financial statements of subsidiaries are included in the consolidated financial statements using the full consolidation method from the date when control is transferred to the Group and are excluded from the date control ceases. In the Company's separate financial statements, investment in subsidiaries is stated at cost less any corresponding impairment, if necessary.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5. Basis for consolidation (continued)

Loss of control

When the Group loses control, the Group ceases to recognize the assets and liabilities of the subsidiary, minority shareholders' shares and other elements of capital and reserves related to the subsidiary. Any surplus or deficit resulting from the cessation of control is recognized through profit or loss. If the Group retains a stake in a former subsidiary, that stake is stated at fair value on the day control ceases. After that, it is reported as an investment valued using the equity method or in accordance with the Group's accounting policy for financial instruments, depending on the level of retained influence.

Investments entities that are reported using the equity method

The group's shares in entities that are reported using the equity method refer to shares in the subsidiary company.

Subsidiaries are entities in which the Group has significant influence, but neither control nor joint control over the financial and business policies of that entity.

Shares in subsidiaries are calculated using the equity method. For the first time, they are booked using the cost method, which includes transaction costs. After the first posting, the Group's shares in profits and losses and other comprehensive income of entities calculated using the equity method are reported in the consolidated financial statements until the date of cessation of significant influence or joint control.

In the Company's separate financial statements, the investment in the subsidiary is stated at cost less any corresponding impairment, if necessary.

Transactions eliminated during consolidation

Balances and transactions between Group members and all unrealized income and expenses from transactions between Group members are eliminated when preparing consolidated financial statements. Unrealized gains from transactions between the Group and its subsidiaries are eliminated up to the amount of the Group's share in the subsidiary. Unrealized losses are also eliminated, just like unrealized gains, but only if there are no indicators of impairment.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6. Adoption of new and amended International Financial Reporting Standards ("IFRS")

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

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

- **• IFRS 17 "Insurance Contracts" and related amendments to IFRS 17 "Insurance Contracts**" - effective for annual periods beginning on or after January 1, 2023
- **Amendment of IAS 1 "Presentation of Financial Statements" and IFRS Statement of Practices 2** - Disclosure of Accounting Policies, effective for annual periods beginning on or after January 1, 2023
- **Amendment of IAS 8 "Accounting policies, changes in accounting estimates and errors"** - Definition of accounting estimates, effective for annual periods beginning on or after January 1, 2023
- **Amendment of IAS 12 "Income Taxes"** - Deferred taxes related to assets and liabilities arising from the same transaction, effective for annual periods beginning on or after January 1, 2023.
- **Amendment to IAS 12 "Income Taxes"** - International Tax Reform, Model Rules Related to the Second Pillar, effective immediately and for annual periods beginning on or after January 1, 2023

The Company's operations are only affected by the application of IFRS 17 and IFRS 9, which is stated below.

First-time application of IFRS 17 "Insurance contracts" - Comparative data, adopted by the European Union on September 8, 2022 (effective for annual periods beginning on or after January 1, 2023)

IFRS 17 "Insurance contracts" is a new accounting standard that refers to insurance contracts and is applied from 01.01.2023, when IFRS 4 ceases to be valid. The Company and the Group initially applied IFRS 17, including all subsequent amendments and additions to other standards, from On January 1, 2023, the Company and Group applied the retroactive approach and revised the comparative amounts and presented an additional report on the financial position as of January 1, 2022.

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and publication of insurance contracts, reinsurance contracts and investment contracts with features of discretionary participation, and a model was introduced that measures groups of contracts based on the Company's and the Group's assessment of the present value of future cash flows for which expects to arise as the Group fulfils contracts, allowance for non-financial risk and margins for the contracted service. According to IFRS 17, in the premium distribution model, insurance income in each reporting period represents changes in the remaining coverage obligations related to services for which the Company and the Group expect to receive compensation and the distribution of the part of premiums related to the return of cash flows from the acquisition of insurance. Also, investment components are no longer included in insurance income and insurance expenses. Financial income and expenses from insurance and reinsurance contracts are broken down into the part that is recognized in the profit and loss account and the part that is recognized through other comprehensive income and are presented separately from income from insurance contracts and expenses from insurance services.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6. Adoption of new and amended International Financial Reporting Standards ("IFRS") (continued)

Recognition, measurement and presentation of insurance contracts (continued)

The group applies the premium allocation model ("PAA-premium allocation approach") to simplify the measurement of contracts in the non-life segment, except for groups of contracts that do not meet the requirements for the premium allocation model. When measuring liabilities for residual coverage, the premium allocation model is similar to the Group's previous accounting treatment in accordance with IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts future cash flows and includes an allowance for non-financial risk. The new accounting policies adopted by the Group are set out in note 3.1 Insurance contracts, while the nature and key effects of the changes resulting from the adoption of IFRS 17 are set out below.

Transition

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IFRS 17 requires the Group and 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 January 1, 2022, whereby adjustments to the initial balances are recognized once in capital and reserves. The Group and the Company used the full retroactive approach for groups of contracts that are measured using the premium allocation approach. According to the full retroactive approach, on January 1, 2022, the Group and the Company are:

- determined, recognized and measured each group of insurance contracts as if it had always applied IFRS 17;
- ceased to recognize previously recognized amounts that would not have existed if IFRS 17 had always been applied
- recognized all resulting net effects in capital

Where retroactive application for a group of insurance contracts is not practical, the Company and the Group have used a modified retroactive approach. The Group and the Company consider that a full retroactive approach is impracticable in any of the following circumstances:

- The effects of retroactive application cannot be determined because the necessary information was not collected (or was not collected with sufficient precision) or is not available due to system migrations, data archiving requirements or other reasons. Such information includes for certain contracts: expectations about the profitability of the contract and the risks of becoming harmful, which are necessary to identify the group of contracts; information on historical cash flows and discount rates necessary to determine cash flow estimates at initial recognition and subsequent changes on a retroactive basis; information needed to allocate fixed and variable overhead costs to groups of contracts, as the current accounting policies of the Group and the Company do not require such information.
- The full retroactive approach requires assumptions about what would have been the intentions of the management of the Group and the Company in previous periods or significant accounting estimates that cannot be made without the use of subsequent information.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6. Adoption of new and amended International Financial Reporting Standards ("IFRS") (continued)

The modified retroactive approach allows for certain simplifications and changes compared to full retroactive application. This approach allows insurers lacking certain information to calculate initial balances that are as close as possible to the balances that would be obtained by applying full retroactive application, using information that is available, verifiable and appropriate for the insurer. The Group and the Company apply this approach for groups of insurance contracts that refer to credit insurance against the impossibility of repayment and include contracts issued with a difference of more than one year. For these groups of contracts, the discount rates at initial recognition were determined on January 1, 2022, instead of the date of initial recognition. For all groups of contracts measured according to the modified retroactive approach, the amount of net financial income or expenses from insurance contracts accumulated in the financial reserve from insurance contracts as of January 1, 2022, is determined to be zero. The Group and the Company applied the transitional provisions from IFRS 17 and did not announce the impact of the adoption of IFRS 17 on each item in the financial statements and earnings per share. The effects of the adoption of IFRS 17 on the separate and consolidated financial statements as of January 1, 2022 are presented in the statement of changes in equity.

First-time application of IFRS 9 Financial instruments and related amendments to various other standards - Comparative data, adopted by the European Union on September 8, 2022 (effective for annual periods beginning on or after January 1, 2023)

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 to postpone the application of IFRS 9 for annual periods before January 1, 2023. Consequently, the Company and the Group apply IFRS 9 for the first time on January 1, 2023.

Classification of financial assets and liabilities

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. The adoption of IFRS 9 had no impact on financial liabilities.

Impairment of financial assets

In accordance with IFRS 9, the impairment model requires 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. Details related to classification, measurement of financial assets, recognition of income and expenses based on IFRS 9 and impairment are stated in note 3.13 Financial instruments.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6. Adoption of new and amended International Financial Reporting Standards ("IFRS") (continued)

Transition

For the purposes of the first application of IFRS 9, the Company and Group chose a simplified method based on which it did not change comparative data and recognized 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 January 1, 2023.

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

- debt instruments that were previously classified as financial assets available for sale according to IAS 39 were reclassified in accordance with the business model of holding for collection and sale into the category at fair value through other comprehensive income;
- equity instruments related to shares that were previously classified as available-for-sale financial assets according to IAS 39, are 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 profit and loss account upon derecognition of the investment;
- held-to-maturity investments and loans and receivables measured at amortized cost according to IAS 39 are mostly also measured at amortized cost according to IFRS 9.
- most financial instruments that were previously 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;

In accordance with IAS 39, part of the investment in equity instruments whose price is not quoted on the active market, in the previous periods until January 1, 2023 and the application of IFRS 9, were measured at acquisition cost. In addition, there are two groups of the mentioned instruments. The first group consisted of equity instruments - companies from Bosnia and Herzegovina, where, due to the specificity of the market in Bosnia and Herzegovina, it was most appropriate to invest in these equity instruments at their acquisition cost and to monitor indicators for potential impairment. The second group consisted of equity instruments which are essentially holding companies that do not have a dominant activity but a high proportion of property and financial assets, and it was also considered that these equity instruments are most appropriate to hold at acquisition cost and monitor indicators for potential impairment. With the transition to IFRS 9, these equity instruments are stated at fair value.

Items of financial assets and liabilities and related items of the statement of comprehensive income for the comparative period of 2022 are presented using IAS 39.

(all amounts in thousands of EUR)

			Company	Company
in 000 EUR	**Original classification in accordance with IAS 39**	**New classification accordingly IFRS 9**	**Accounting amount in accordance with IAS 39 on December 31 2022**	**Accounting amount in accordance with IFRS 9 on January 1, 2023**
Financial assets				
Debt financial instruments				
Government bonds	Financial assets available for sale	Fair value through other comprehensive income	29,860	29,860
Corporate bonds	Financial assets available for sale	Fair value through other comprehensive income	5,064	5,064
Deposits	Loans and receivables	Amortized cost	34,354	34,354
Loans	Loans and receivables	Amortized cost	85,580	85,580
Proprietary financial instruments and shares in funds				
Stock	Financial assets available for sale	Fair value through other comprehensive income	69,125	83,930
Open investment funds	Financial assets available for sale	Fair value through other comprehensive income	1,842	1,842
Total financial investments			**225,825**	**240,630**
Financial obligations				
Financial liabilities at amortized cost, except lease liabilities	Amortized cost	Amortized cost	14,671	14,671
Total financial obligations			**14,671**	**14,671**

(all amounts in thousands of EUR)

in 000 EUR	Original classification in accordance with IAS 39	New classification accordingly IFRS 9	Group Accounting amount in accordance with IAS 39 on December 31 2022	Group Accounting amount in accordance with IFRS 9 on January 1, 2023
Financial assets				
Debt financial instruments				
Government bonds	Financial assets available for sale	Fair value through other comprehensive income	29,860	29,860
Corporate bonds	Financial assets available for sale	Fair value through other comprehensive income	5,064	5,064
Deposits	Loans and receivables	Amortized cost	34,354	34,354
Loans	Loans and receivables	Amortized cost	85,580	85,580
Proprietary financial instruments and shares in funds				
Stock	Financial assets available for sale	Fair value through other comprehensive income	71,124	85,929
Open investment funds	Financial assets available for sale	Fair value through other comprehensive income	1,842	1,842
Total financial investments			**227,824**	**242,629**
Financial obligations				
Financial liabilities at amortized cost, except lease liabilities	Amortized cost	Amortized cost	14,671	14,671
Total financial obligations			**14,671**	**14,671**

(all amounts in thousands of EUR)

Presentation of the reconciliation of the current values of each category of financial assets previously measured in accordance with IAS 39 and the new amounts according to IFRS 9 for the Company

in 000 EUR	Accounting amount in accordance with IAS 39 on December 31 2022	Accounting amount in accordance with IFRS 9 on January 1, 2023	Impact on retained earnings (before tax)	Impact on the revaluation reserve (before tax)
Fair value through other comprehensive income				
Income from the category Financial assets available for sale according to IAS 39				
Government bonds	29,860	29,860		
Corporate bonds	5,064	5,064		
Stock	69,125	83,930	558	11,685
Open investment funds	1,842	1,842		
Total at fair value through other comprehensive income	**105,891**	**120,696**	**558**	**11,685**
Amortized cost				
Income from the category Loans and receivables according to IAS 39				
Deposits	34,354	34,354		
Loans	85,580	85,580		
Total at amortized cost	**119,934**	**119,934**		

in 000 EUR	Accounting amount in accordance with IAS 39 on December 31 2022	Accounting amount in accordance with IFRS 9 on January 1, 2023	Impact on retained earnings	Impact on the revaluation reserve
Deferred tax liability	12,613	15,178	100	2,565
	12,613	**15,178**	**100**	**2,565**

BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6. Adoption of new and amended International Financial Reporting Standards ("IFRS") (continued)

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

- **Amendment to IFRS 16 "Leases**" - Lease liability in a sale-leaseback transaction, effective for annual periods beginning on or after January 1, 2024.
- **Amendment of IAS 1 "Presentation of financial statements"** - Classification of liabilities into short-term or long-term, classification of deferred liabilities into short-term and long-term and long-term.

New standards and changes to existing standards published by OMRS not yet adopted in the European Union

The IFRS currently adopted in the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and changes to existing standards, on the adoption of which the European Union has not yet made a decision (dates of entry into the force stated below refer to IFRSs issued by OMRS):

- **Amendment of IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments: Disclosure"** - Supplier Financial Arrangements, effective for annual periods beginning on or after January 1, 2024
- **Amendment of IAS 21 "Effects of changes in foreign exchange rates"** - Effects of changes in foreign exchange rates: impossibility of conversion (effective for annual periods beginning on or after January 1, 2025

The Company and the Group expect that the adoption of the aforementioned new standards and changes to the existing standards published by OMRS and adopted in the European Union, but not yet in force, will not lead to significant changes in the financial statements of the Company and the Group in the period of the first application of the standards.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Insurance contracts

An insurance contract is a contract based on which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) and agrees to pay the policyholder compensation if the policyholder suffers damage due to a certain uncertain future event (the insured event).

Grouping level

Under IFRS 17, insurance contracts are grouped for measurement purposes and the groups are determined by first identifying portfolios of contracts, each of which contains contracts subject to similar risks and which are jointly managed. Insurance contracts within a certain line of business will be exposed to similar risks and if they are jointly managed, they will be in the same portfolio. 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 issuance, and each annual cohort is classified into one of the following groups:

- A group of contracts that are harmful [unprofitable] at initial recognition,
- A group of contracts for which, upon initial recognition, there is no significant possibility that they will subsequently become harmful (unprofitable),
- other contracts (if any).

When the contract is recognized, it is added to the existing group of contracts. After the initial recognition, the classification of the contract in the insurance group is no longer changed. To determine the level of aggregation, the Company identifies the insurance contract as the smallest unit of account. In doing so, the Company assesses whether a number of contracts can be treated together when making a profitability assessment based on reasonable and substantiated information, or whether one contract contains components that should be separated and treated as independent contracts. As such, what is treated as an insurance contract for accounting purposes may differ from what is treated as a contract for other purposes (i.e., legal or management). Also, no group for aggregation purposes may contain contracts issued more than a year apart.

The company has defined portfolios of issued insurance contracts based on its product lines. The expected profitability of these portfolios at initial recognition is determined based on existing actuarial valuation models that take into account existing and new business. The level of grouping in accordance with IFRS 17 limits the netting of gains on groups of profitable contracts, through deferred recognition of contractual service margin (CSM), with losses on groups of harmful contracts, which are recognized immediately.

Recognition of insurance contracts

The company recognizes groups of insurance contracts that it enters into at the earliest of the following:

- Beginning of the contract group coverage period,
- The due date of the first payment from the insurance policyholder in the group or when the first payment was received if there is no due date,
- For a group of unprofitable contracts, as soon as the facts and circumstances show that the group is unprofitable.

3.1. Insurance contracts (continued)

Contract limits

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

The material obligation to provide services from the insurance contract ends:

- when the Company has a practical opportunity to reassess the risks of a specific policyholder and, as a result, can determine a price or benefit level that fully reflects these risks: or
- when both of the following criteria are met:

1) when the Company has a practical possibility to reassess the risks of the portfolio of insurance contracts containing that contract and, as a result, can determine a price or level of benefit that fully reflects the risk of that portfolio:
2) when determining the prices of premiums up to the date of risk reassessment, risks related to periods after the date of reassessment are not taken into account

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

Discount rates

The Company will use the "bottom up" method to determine the discount interest rate curve. The "bottom up" method implies that the risk-free interest rate curve is used as the base value, for which the Company has decided to use the risk-free interest rate yield curve that it calculates and publishes publicly:

- Croatian Insurance Office (hereinafter: HUO), for the portfolio in the Republic of Croatia
- European Supervisory Authority for Insurance and Occupational Pension Insurance (hereinafter EIOPA) for the portfolio outside the Republic of Croatia. The EIOPA risk-free yield curve without adjustment for volatility for the EUR currency is used.

HUO calculates the risk-free interest curve at the level of the Croatian market using a methodology based on the EIOPA methodology for determining risk-free interest curves from yields on government bonds without adjustment for volatility. The company uses the "Stable outlook" curve. A premium for the illiquidity of the insurance contract is added to the base value, which depends on the liquidity characteristics of the cash flows for the obligations from the insurance contract.

Measurement

The choice of measurement method depends on the characteristics of the insurance contract. If the criteria for the simplified approach are met, then the premium distribution approach is used, otherwise the General Measurement Model is used.

3.1. Insurance contracts (continued)

General Measurement Model (GMM)

Initial recognition

During initial recognition, the Company measures a group of contracts using the general measurement model (GMM). The general measurement model measures a group of insurance contracts as the sum of:

- total cash flows from the execution of the contract, which include estimates of future cash flows, adjustments to reflect the time value of money and financial risks associated with future cash flows if financial risks are not already included in estimates of future cash flows, value correction for non-financial risk,
- total margin for contracted services (CSM - Contractual service margin), which represents the unearned profit that the Company will recognize during the period in which it provides services from the insurance contract in that group.

Contract performance cash flows comprise unbiased probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus an adjustment for non-financial risk.

Cash flows from the execution of a group of contracts do not reflect the risk of the Company defaulting on its obligations. The estimate of the value of future cash flows is calculated as the present value of future gross expenses (fees and costs) minus the present value of future gross income (gross premium of future periods), taking into account the estimated probabilities of possible outcomes. All cash flows are discounted using risk-free interest rates adjusted to reflect the cash flow characteristics and, where appropriate, the liquidity characteristics of the contract.

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

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

- Premiums and related cash flows
- Damages and benefits from insurance, including reported but unpaid damages, incurred but not reported damages and expected future damages
- Payments to policyholders resulting from built-in purchase options of insurance contracts,
- Insurance acquisition costs that can be attributed to the portfolio to which the insurance contract belongs,
- Costs related to the liquidation of damages,
- Insurance contract administration costs, including commissions expected to be paid to insurance distributors,
- Distribution of fixed and variable administrative costs that can be directly attributed to the execution of the insurance contract.

3.1. Insurance contracts (continued)

The Company incorporates in an unbiased manner all reasonable and substantiated information available without undue cost and effort regarding the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on the information obtained, including:

- Information about damages that have already been reported,
- Other information on known or estimated characteristics of the insurance contract
- Historical data on the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions
- Current information on determining the price list of premiums, if available.

The measurement of cash flows for the fulfilment of insurance contracts includes the cash flows of the acquisition of insurance that are distributed as part of the premium in profit or loss (through insurance income). The company will not attribute interest on the cash flows of insurance acquisition. The CSM of the group of contracts represents the unallocated profit that the Company will recognize when it provides services from the insurance contract in the future. On initial recognition of a group of contracts, the group of contracts is not detrimental if the sum of the following represents a net inflow:

- Cash flows from contract execution,
- All cash flows arising from contracts in that group on that date
- Any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows associated with the group of contracts.

In the case of a net outflow, the group of contracts represents harmful contracts and the net outflow is recognized as a loss in the income statement. The company determines the loss compensation component as part of the obligation for the remaining coverage for the harmful group by showing the losses recognized in accordance with the above. The loss compensation component determines the amounts that are shown in the profit and loss account as reversals of losses of harmful groups and are, therefore, excluded from the determination of insurance income.

Subsequent measurements

Subsequently, the book value of the statutory technical reserves of the group of contracts on the reporting date is the sum of:

- Liabilities for remaining coverage (LRC) which includes the cash flows from the performance of the contract related to the services to be provided under the contract in future periods and ceased to be part of the CSM or loss compensation component at that reporting date,
- Liabilities for incurred damages (LIC), which includes cash flows from contract performance for incurred damages and expenses that have not yet been paid, including damages that have occurred but not yet been reported.

The contract performance cash flows are measured at the reporting date using the current estimate of future cash flows, the current discount rate and the current estimate of the allowance for non-financial risk.

3.1. Insurance contracts (continued)

Changes in cash flows are recognized as follows:

- Changes related to future services - are adjusted as part of CSM or recognized as part of income from insurance contracts in the profit and loss account in the case of harmful contracts,
- Changes related to current or past services – are recognized as part of income from insurance contracts in the income statement,
- Effects of time value of money, financial risk and changes in estimated future cash flows – are recognized as part of net financial income/expenses from insurance contracts.

CSM is subsequently adjusted only for changes in contract performance cash flows related to future services and other specified amounts and is recognized in the income statement as the services are rendered. CSM at the reporting date represents profits in a group of contracts that have not yet been recognized in the income statement because they relate to future services. If during the coverage period a group of insurance contracts becomes unprofitable, the Company recognizes a loss in the profit or loss account for the net amount, resulting in the carrying amount of the liability for the group equal to the settlement cash flows. The Company determines the loss recovery component of the liability for residual coverage for the unprofitable group of contracts that reflect recognized losses.

Premium Allocation Model (PAA)

The premium allocation model (PAA) is a simplified measurement model in IFRS 17 if the following criteria are met:

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

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

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

- premiums received at initial recognition, if any:
- reduced by all cash flows of insurance acquisition on that day
- increased or decreased by all amounts resulting from derecognition on that day: assets for cash flows from the acquisition of insurance, any other assets or liabilities previously recognized for cash flows associated with the group of contracts.

3.1. Insurance contracts (continued)

At the end of each subsequent reporting period, the book value of the liability is the book value at the beginning of the reporting period:

- increased by the premiums received in that period,
- reduced by cash flows from the acquisition of insurance,
- increased by all amounts related to amortization of cash flows from the acquisition of insurance recognized as an expense in that reporting period; unless the Company decides to recognize cash flows from obtaining insurance as expenses,
- increased for all adjustments of the financial component,
- reduced by the amount recognized as insurance income for services rendered in that period and
- reduced by the paid component of the investment or transferred to liabilities for damages incurred.

If the insurance contracts in the group have a significant financing component, the Company adjusts the carrying amount of the liability for the remaining coverage to reflect the time value of money and the effect of financial risk by applying discount rates determined as determined at initial recognition.

The Company may elect not to adjust the carrying amount of the residual coverage liability to reflect the time value of money and the effect of financial risk if, upon initial recognition, the Company expects that no more than a year will elapse between the provision of each portion of services and the due date of the associated premium.

The company recognizes the liability for the resulting damages of the group of contracts in the amount of cash flows from the performance of the contract that relate to the resulting damages, and future cash flows are discounted. Exceptionally, if the Company expects these cash flows to be paid or received within a maximum of one year from the date of claims, as permitted by IFRS 17, the Company does not adjust future cash flows to reflect the time value of money and the effect of financial risk .

If at any time during the coverage period facts and circumstances indicate that the insurance contract has become unprofitable. The company calculates the difference between:

- the book value of the liability for the remaining coverage and
- cash flows from the execution of contracts related to the remaining coverage of the group.

If the cash flows of the execution of the contract exceed the book value, the Company recognizes a loss in the profit and loss account and increases the obligation for the remaining coverage (the so-called loss compensation component).

Reinsurance

The company submits premiums to reinsurance as part of regular business with the purpose of limiting its net potential loss through risk diversification. Reinsurance contracts do not deprive the Company of its direct obligations to policyholders. Ceded premiums and reimbursable amounts are presented through the statement of comprehensive income and the statement of financial position of the Company in accordance with this Note. Only contracts resulting from a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognized in the same year as the related damage. Reinsurance commission and profit commission include commissions received or receivable from reinsurers and profit shares based on reinsurance contracts.

3.1. Insurance contracts (continued)

Commissions for reinsurance of non-life insurance are calculated in accordance with the provisions of the reinsurance conditions, in a manner consistent with acquisition costs in non-life insurance (the percentage defined in the reinsurance contract is applied to the reinsurance premium).

The company applies IFRS 17 to the reinsurance contracts it concludes with the purpose of managing and minimizing the assumed insurance risks. A reinsurance contract is a contract that the Company enters into with a reinsurer (reinsurance contract held) in order to receive compensation for paid damages resulting from the consequences of one or more concluded insurance contracts (underlying contracts). The company does not enter into active insurance contracts, but only passive ones (reinsurance contracts that it holds).

Recognition

For reinsurance contracts, cash flows are within the limits of the contract if they arise from material rights and obligations that exist during the reporting period in which the Company is forced to pay amounts to the reinsurer or has a material right to receive services from the reinsurer. The material right to receive services from the reinsurer ends when the reinsurer:

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

Measurement

Regarding the reinsurance contracts held, the Company applies the same accounting policies as when measuring a group of insurance contracts.

Measurement model based on premium distribution

The company can and does apply a model based on premium distribution. The model is adjusted to reflect characteristics of reinsurance contracts held that differ from written insurance contracts (for example, creating expenses or reducing expenses instead of income) to simplify the measurement of a group of reinsurance contracts held if at founding of the group:

- The company reasonably expects that the resulting measurement will not significantly differ from the results of applying the requirements or,
- the coverage period of each contract in the group of reinsurance contracts held (including the insurance coverage resulting from all premiums within the contract limits determined on that date) lasts a maximum of one year.

If, upon recognition of the group, the Company expects significant variability of cash flows from the execution of the contract, which would affect the measurement of assets for remaining coverage during the period before the occurrence of damage, it cannot apply the measurement model based on the distribution of the premium.

3.1. Insurance contracts (continued)

Cessation of recognition

The company stops recognizing the insurance contract only in the following situations:

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

Cash flows of insurance acquisition

Insurance acquisition cash flows are cash flows arising from the costs of selling insurance, taking risks and forming a group of insurance contracts (issued or expected to be issued) that can be directly attributed to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows directly attributable to individual contracts or groups of insurance contracts in that portfolio. The Company will recognize all acquisition cash flows as costs (or expenses) when incurred. Cash flows from insurance acquisition are allocated to groups of insurance contracts using a systematic and rational method:

- insurance acquisition cash flows that can be directly attributed to a group of insurance contracts: to that group of insurance contracts, to groups of contracts that include insurance contracts that are expected to result from the extension of insurance contracts in that group
- insurance acquisition cash flows that can be directly attributed to the portfolio of insurance contracts, except for those from the point above, to groups of contracts in the portfolio.

Presentation

In the report on the financial position, the Company separately presents the book value of the portfolio:

- issued insurance contracts that constitute property,
- issued insurance contracts that constitute liabilities
- reinsurance contracts that are held and that constitute assets,
- reinsurance contracts that are held and that constitute liabilities.

The Company includes all assets for recognized cash flows from the acquisition of insurance in the book value of the related portfolios of insurance contracts issued and all assets or liabilities for cash flows related to the portfolios of reinsurance contracts held in the book value of the portfolios of reinsurance contracts held. The Company breaks down the amounts recognized in the profit and loss statements and other statements of comprehensive income into:

- , the result from the insurance contract, which consists of income from the insurance contract and expenses from the insurance contract,
- financial income or expenses from insurance contracts.

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

3.2. Net income and expenses from investments

Income from investments includes income from profit shares or dividends, income from land and construction facilities, interest income, income from the increase in the value of investments, realized and unrealized net gains and other investment income.

Dividend income is recognized in the Company's profit and loss account on the day of the decision on the voted dividend. Interest income is recognized in the statement of comprehensive income as it arises for all interest-bearing financial instruments that are measured at amortized cost, and for available-for-sale debt securities using the effective interest rate method, i.e. the rate that discounts expected future cash flows to the net present value throughout the duration of the contract in question or the currently valid variable interest rate.

Financial expenses include interest expenses, which are recognized using the effective interest rate method, net negative exchange differences from the reduction of monetary assets and liabilities at the exchange rate at the reporting date.

Financial expenses also include net losses from changes in the fair value of financial assets at fair value through the profit and loss account and net realized losses on derecognition of available-for-sale financial assets.

3.3. Business expenses

Acquisition costs

Within acquisition costs, direct acquisition costs and other acquisition costs are distinguished. Direct acquisition costs include the costs of the commission for concluding an insurance contract and the costs of employees directly and exclusively employed in the acquisition of insurance, i.e. in the case of employees who perform multiple jobs, a proportional part of the costs of that employee for the part of the working time that he spends on average annually on direct and exclusive insurance acquisition tasks . Other acquisition costs are the costs of issuing insurance documents or including insurance contracts in the portfolio, as well as indirect costs such as advertising costs or administrative costs related to processing the offer and issuing the policy. In the context of IFRS 17, i.e. the division of costs into costs that can be allocated to insurance contracts and those that cannot be allocated, acquisition costs almost entirely represent costs that can be allocated to insurance contracts. The company has defined sponsorship and donation costs from this group as costs that cannot be assigned to insurance contracts. All other expenses are classified and reported in the profit and loss account as "Other expenses related to the sale of insurance".

Costs of materials and services

In this group, material costs of operations (costs of materials, energy costs, costs of services and costs of depreciation of tangible and intangible assets) and costs of provisions for pensions and other liabilities, costs of provisions for taxes and contributions and costs of provisions for liabilities whose settlement may follow as a result of initiated court cases against the company. In the context of IFRS 17, that is, the division of costs into costs that can be allocated to insurance contracts and those that cannot be allocated, within this group the Company uses different keys, depending on the nature of the cost, to allocate them to costs that are allocated and those that are do not assign to insurance contracts. The keys used by the Company for the allocation of costs include the ratio of new insurance policies in the reporting period in relation to the total number of policies on the reporting date, the ratio of salaries and the number of employees depending on their tasks and responsibilities, etc. The Company prescribes the cost allocation methodology in more detail in internal acts.

3.3. Business expenses (continued)

Other business expenses

Other business expenses refer to other business expenses incurred in the reporting period, which are not listed in the previous groups, such as per diem expenses for official trips and travel expenses, representation expenses, expenses from business fees according to contracts, insurance premium expenses, banking service expenses , contributions and membership fees, taxes that do not depend on the result, expenses from the sale of tangible assets that are used for the direct performance of insurance activities, and other business expenses - tangible and intangible. The principle of allocation of this category of costs corresponds to the principle stated in the framework of the previous categories.

Staff expenses

In personnel costs, the Company reports the gross cost of salaries and other benefits to personnel (employees), including taxes, contributions to and from wages. The principle of allocation of this category of costs corresponds to the principle stated in the framework of the previous categories.

Other expenses from the provision of services

Expenses for prevention, expenses for the guarantee fund, expenses for the financing of the Croatian Agency for the Supervision of Financial Services and the Croatian Insurance Office and other unmentioned expenses from the provision of services are reported. In the context of the IFRS 17 standard, this group of costs belongs entirely to the costs that can be allocated and is reported in the income statement under the item "Other expenses from the provision of insurance services".

Operating costs that the Company determines, using a defined, meaningful and consistent methodology, that can be assigned to insurance contracts are allocated to groups of insurance contracts and are reported under insurance results in the profit and loss account. Other costs that cannot be assigned to insurance contracts are reported separately from the items of the technical result or the insurance result.

3.4. Damages incurred

The total incurred damages of the financial period consist of liquidated damages minus recourses, costs of processing damages liquidated during the accounting period.

Liquidated claims are recorded at the time of claim liquidation and are recognized (determined) as the amount that will be paid to settle the claim and are increased by the costs of claim processing. Charged damages recoverable from third parties and damages recoverable from third parties reduce liquidated damages (regressions). The reinsurance share in liquidated claims for reinsured policies is calculated based on the gross liquidated claims of those policies in accordance with the terms of the reinsurance contract.

Liabilities for incurred claims represent the estimated final cost of settlement of all claims, including direct and indirect settlement costs, arising from events that occurred up to the date of the statement of financial position. These liabilities include a reserve for reported but unpaid claims, a reserve for incurred but not reported claims, a reserve for the cost of claims processing, a reserve for bonuses and discounts, and a non-financial risk adjustment component.

3.5. Net financial income and expenses from insurance

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

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

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

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

The Company includes in other comprehensive income the difference between financial income or insurance expenses based on the discount curve used at initial recognition and the current discount curve and total financial income or insurance expenses for that period.

3.6. Taxation

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

Profit tax

Accounting profit is the net profit or loss before taxes. Taxable profit [loss] is the tax base, determined in accordance with the Income Tax Act, according to which the accounting profit is increased by non-deductible expenses and reduced by non-taxable income. Income tax consists of current and deferred tax. Income tax expense is reported in the statement of comprehensive income with the exception of income tax related to items recognized directly in equity and reserves, when income tax is recognized in equity and reserves. Current tax represents the expected tax liability calculated on the taxable profit for the year, using the tax rates that were in force or were essentially valid at the reporting date and all tax liability adjustments from previous periods.

Deferred tax liability

Deferred tax liability represents the amount of tax that will be collected in future periods due to the existence of taxable temporary differences. Deferred tax is recognized using the statement of financial position method, reflecting temporary differences between the book value of assets and liabilities for financial reporting purposes and the amounts used for tax calculation. Deferred tax is calculated using the tax rates expected to apply to the temporary differences when they are offset or settled, based on the regulations in effect or substantially in effect at the date of the statement of financial position.

3.6. Taxation (continued)

Deferred tax assets

Deferred tax assets represent the amount of potential tax refunds in future periods due to the existence of temporary differences, tax loss carry forwards and unused tax credits. Deferred tax is recognized using the statement of financial position method, reflecting temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is calculated using the tax rates expected to apply to the temporary differences when they are offset or settled, based on the regulations in effect or substantially in effect at the date of the statement of financial position. Deferred tax assets are recognized up to the amount for which it is probable that future taxable profit will be sufficient for the use of temporary differences. The deferred tax liability is reviewed at each reporting date and is reduced if it is no longer likely that the related tax benefit will be realized. Deferred tax assets and liabilities are not discounted and are reported as long-term assets and/or long-term liabilities.

3.7. Fixed assets

Long-term tangible assets are assets that the Company owns for the purpose of providing services or for other administrative purposes and that are used for more than one period, i.e. more than 1 year.

Long-term tangible assets include:

- land,
- buildings,
- plant and equipment,
- buildings, apartments, furniture, means of transport and the like,
- tangible asset

Non-current assets are assets whose useful life is longer than one year and which are intended for use on a continuous basis.

Short-term tangible assets are assets whose acquisition cost does not exceed the minimum amount defined as long-term tangible assets in the Income Tax Act or whose useful life is less than one year, and includes small inventory, office supplies and other short-term tangible assets.

Long-term assets that the Company rents out and from which it will generate future economic benefits are classified as Investments in property and are managed in accordance with the provisions of IAS 40.

Recognition and measurement

Construction facilities, plants, equipment, office inventory, furniture and other similar tangible assets that the company uses in its business process are initially reported at investment (procurement) costs. The Company recognizes the cost of acquisition of long-term tangible assets as an asset if it is likely that the Company will have future economic benefits and if the cost of acquisition can be reliably determined.

3.7. Fixed assets (continued)

The cost of acquiring individual property, plant and equipment includes:

- purchase price (including customs duties, import duties, non-refundable taxes, and after deducting the trade discount);
- all costs that can be directly attributed to bringing the assets to the location and in working condition for the intended use (transportation, insurance, site preparation, installation and assembly);
- initially estimated costs of dismantling, removal of the asset and restoration of the place where the asset is located in circumstances when the asset is not used for its intended use, and the obligation for dismantling arises when the asset is acquired,
- subsequent costs that are likely to increase the future economic benefits of the recognized fixed asset and that can be reliably measured.

Borrowing costs (interest) can only be capitalized for those assets that require a significant period of time to be ready for intended use or sale. Acquisition costs can be capitalized or included only those borrowing costs that can be directly attributed to the acquisition, construction or production of a certain asset. Subsequent expenses related to the maintenance and repair of assets are recognized as an expense of the period in which they were incurred, and expenses that are extended useful life or increases the capacity (functionality) of assets are capitalized, that is, the value of that asset is added.

Depreciation and subsequent measurements

The amount of long-term tangible assets as well as any losses arising from the reduction of the asset's value are amortized for each individual type of asset during its useful life. The Company does not depreciate land, works of art and similar tangible assets. Long-term tangible assets under preparation are depreciated after they are put into use starting the following month. The amount of depreciation is recognized as an expense of the period in which it was calculated. Depreciation of long-term tangible assets is performed on an individual basis through the estimated useful life using the linear calculation method, and the rates are determined up to tax-allowable rates. Depreciation methods and the estimated useful life are reviewed and revised if necessary.

Estimated life and depreciation rates are given below:

	2023	**2022**
Buildings	40 years	40 years
Vehicles	4 years	4 years
Other	10 years	10 years

In the subsequent valuation of buildings and land that the Company uses for its own use, it will apply the revaluation model according to IAS 16, with the effects of revaluation shown in revaluation reserves.
After reconciliation, buildings and land are reported at the revalued amount, which is the fair value on the revaluation date less any accumulated depreciation and impairment losses calculated later.
In accordance with the tax regulations, the calculated depreciation of the revaluation increase in value is not recognized as tax expenses.

3.7. Fixed assets (continued)

Further revaluation of the value, in accordance with point 34 of IAS 16, will be carried out in case of finding out that the fair value of the revalued asset is significantly different from its book value, and with the prior decision of the Management Board. If the estimated recoverable value of the asset is reduced below the book value, a reduction is first reported for the previously booked reserves, and if the reduction in value is greater than the reserves, the difference is booked as an expense. The fair value model is applied to the subsequent measurement of investment in property. Properties classified as investment properties according to IAS 40 are not amortized. Changes in the value of these assets resulting from use are included in the calculation of fair value. Reconciliation of book value with fair value is carried out at the end of each business year. The method and methodology of determining the fair value are prescribed by the Company in more detail in a separate internal act that governs the company's investments. Depreciation of other tangible assets will be calculated using the proportional method according to the individually determined depreciation rate, but at most up to the amount of the tax-deductible rate.
Assets under finance leases are depreciated over the term of the lease agreement or over the estimated useful life, whichever is shorter.

Property, plant and equipment that is withdrawn from active use and held for sale is stated at book value or at fair value on the day the assets are withdrawn from active use, depending on which value is lower. Assets are excluded from the balance sheet when they are permanently withdrawn from use or when they are disposed of. Gains or losses recognized in the income statement are determined as the difference between the proceeds from the sale and the book value of the asset disposed of.

3.8. Intangible assets

Separately acquired intangible assets are stated at acquisition cost less value adjustments and accumulated impairment losses. Depreciation is calculated using the straight-line method over the estimated useful life. The estimated useful life, residual value and depreciation method are reviewed at the end of each year, whereby the effects of any changes in estimates are calculated prospectively.

3.9. Investments in property

Investment property, i.e. property owned for the purpose of earning income from rents and/or capital appreciation (including assets in preparation for these purposes), are initially valued at purchase value, which includes transaction costs, and thereafter at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the profit and loss of the period in which they arose.

3.10. Goodwill

.Goodwill represents the excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, identifiable incurred and unforeseeable liabilities of the subsidiary. Goodwill is initially recognized as an asset at cost and subsequently measured at cost adjusted for accumulated impairment losses. At the time of the merger of the subsidiary company with the acquiring company, the value of goodwill determined at the time of acquisition is recorded in the financial statement of the acquiring company. For impairment testing, goodwill is allocated to each cash-generating unit of the Group that is expected to benefit from synergies arising from the merger. Cash-generating units to which goodwill is allocated are tested for impairment annually or more frequently if there are indications of possible impairment of the cash-generating unit. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is first allocated by reducing the carrying amount of the goodwill allocated to the unit and then proportionately to the other assets of the cash-generating unit based on the carrying amount of each asset in the generating unit money. Once recognized, a goodwill impairment loss is no longer reversed in subsequent periods.

3.11. Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there are any indications of impairment losses. If such indications exist, the recoverable amount of the asset is estimated in order to be able to determine possible losses caused by impairment. If the recoverable amount of an asset cannot be estimated. The Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If it is possible to determine a realistic and consistent basis for allocation, the assets of the companies are also allocated to individual cash-generating units or, if this is not possible, to the smallest group of cash-generating units for which it is possible to determine a realistic and consistent basis for allocation.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment once a year and every time there is an indication of a possible impairment of the asset. The recoverable amount is the higher of the fair value less costs to sell and the asset's value in use. For the purposes of assessing value in use, the estimated future cash flows are discounted to present value by applying a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to that asset for which the estimates of future cash flows were not harmonized.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the book value, the book value of that asset (cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognized immediately as an expense, except for an asset expressed in a revalued amount, in which case the impairment loss is recognized as a decrease in value resulting from the revaluation of the asset. In case of subsequent reversal of an impairment loss, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of that asset in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if there had been no recognized impairment losses on to that asset (a unit that generates money). The reversal of the impairment loss is immediately recognized as income, unless the asset in question is reported at a revalued amount, in which case the reversal of the impairment loss is reported as a revaluation gain.

3.12. 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 period ends within a period of 12 months from the date of first application or less.

The lease liability is recognized according to the present value of the agreed future payments to the lessor during the term of the lease, discounted at a discount rate that is 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 at the beginning of the lease is used . Variable lease payments are included in the calculation of lease liabilities, only if they depend on an index or rate. In this case, the initial calculation of the lease liability assumes that the variable element will remain unchanged for the term of the lease. Other variable lease payments represent an expense in the period to which it relates.

On the date of initial recognition, the carrying amount of lease liabilities includes:

- amounts expected to be paid by the lessee under residual value guarantees;
- the price of exercising the purchase option if it is certain that the lessee will use this option; and
- payment of lease termination penalties if the lease period reflects that the lessee will exercise the option to terminate the lease.

Right-of-use assets are initially measured at the amount of lease obligations, less any lease incentives received and increased by:

- all lease payments made on or before the lease commencement 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 initial measurement, the lease liability is increased to reflect the interest on the lease obligations and decreased to reflect the lease payments made. Right-of-use assets are reduced by accumulated depreciation, which is calculated linearly over the duration 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 assets classified as investment properties. The property is subject to an operating lease, and the properties are included in the Group's financial position statement based on the nature of the property. Interest income is recognized on a straight-line basis over the life of the lease.

3.13. Financial instruments

Accounting policies in effect from 1 January 2023

A financial instrument is a contract on the basis of which a financial asset of one business entity and a financial liability or capital of another business entity arise. Financial instruments include primary instruments, such as receivables, liabilities and securities, and derivative instruments - derivatives.

Financial instruments with which the Company most often encounters are:

- Debt and equity securities,
- Deposits,
- Claims and liabilities for loans,
- Financial lease (leasing),
- Cash,
- Derivative financial instruments.

Financial instruments and their constituent parts are initially classified as:

- Financial assets,
- Financial liability,
- Ownership document.

A financial instrument is an ownership document if it does not contain a contractual obligation:

- Payments of money or other financial assets to another entity,
- Exchanges of financial assets or financial liabilities with another entity on potentially unfavourable terms.

A financial liability is any liability that is:

- A contractual obligation to deliver money or other financial assets to another business entity
- A contractual obligation to exchange financial assets or liabilities under potentially unfavourable conditions.

Derived financial instrument - a derivative is an instrument whose value or price is derived from the price of another financial instrument or related asset and which has all three of the following characteristics:

- its value changes depending on a change in a certain interest rate, the price of another financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price index, a credit rating or some other dependent variable,
- does not require an initial investment, or this investment is less than the investment in another contract that would respond similarly to a change in the same dependent variable and
- is settled at some future date.

Derivative financial instruments include interest rate/currency forward contracts, interest rate swap contracts, and currency swap contracts. The company uses these contracts as protection against currency risk.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

Derivatives are initially recognized in the balance sheet at cost (including transaction costs), and subsequently remeasured at fair value. Fair values are determined based on quoted market prices, using a discounted cash flow model or an option valuation model, whichever is appropriate. All derivatives are reported as an asset when the fair value is positive, or as a liability when the fair value is negative. Changes in the fair value of derivative financial instruments that do not qualify as hedge accounting are recognized in the income statement at the time of occurrence. Subordinated financial instruments are financial documents issued by the Company, which represent financial obligations.

Treasury shares are their own ownership document, which in case of redemption is subtracted from the capital.

The fair value of a financial instrument is the amount for which an asset can be exchanged or a liability settled between known and willing parties in a pre-contractual transaction.

The effective interest rate is the rate that discounts the estimated future monetary receipts and expenditures during the expected existence of the financial instrument to its net book value. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and the distribution of interest income and expenses over a certain period.

Classification and recognition of financial assets

The company makes a decision on the classification and measurement of financial assets based on two criteria

- Business model of financial asset management,
- Contractual characteristics of cash flows of financial assets.

The business model of financial asset management is determined based on the goal of its management. In this sense, IFRS 9 distinguishes between three business models:

- „hold to collect" – a business model whose goal is to hold a financial asset due to the collection of contractual cash flows during the lifetime of the financial asset.
- „hold to sell"- a business model whose goal is to hold a financial asset due to the collection of contractual cash flows during the life of the financial asset and due to sale,
- „"hold for trading" - a business model whose goal is to hold financial assets in order to collect cash flows from sales.

The contractual characteristics of cash flows of financial assets are determined based on an assessment of whether the cash flows of a particular financial asset are only payments of principal and interest on the outstanding amount of principal (SPPI test - Solely Payments of Principal and Interest). The company conducts the SPPI test at the level of an individual contract in order to be able to assess the contractual characteristics of cash flows of financial assets and, depending on the business model, makes a decision on the classification of individual financial assets.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

Further to the above, the Company classifies financial assets into the following categories:

- Financial assets measured at amortized cost (until maturity - AC),
- Financial assets measured at fair value through other comprehensive income (FVOCI),
- Financial assets measured at fair value through the profit and loss account (FVPL).

The decision on the classification of financial assets and financial liabilities is made upon initial recognition and, for those categories where appropriate, is assessed at each reporting date. Financial assets are measured at amortized cost if both of the following conditions are met:

- The purpose of the business model within which financial assets are held is to collect contracted cash flows and
- on the basis of the contractual terms of the financial asset, cash flows arise that are only the payment of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost are all financial assets with fixed or determinable payments, which are not quoted on an active market and which the Company created by placing money, goods or services directly to the debtor. This group primarily consists of loans, deposits and receivables. Debt securities can also be classified in this category if the Company has the intention and ability to hold them until maturity. Such financial assets can be sold before the maturity date in accordance with the applicable international financial reporting standards, without changing the business model in cases when:

- there is a liquidity need,
- the due date is close,
- there is a change in the taxation system,
- significant internal restructuring or business combinations,
- the existence of concerns related to the collectability of contractual cash flows (an increase in credit risk).

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

- is kept within the framework of a business model whose goal is achieved by collecting contracted cash flows and selling financial assets and
- on the basis of the contractual terms of the financial asset, cash flows arise that are only the payment of principal and interest on the outstanding principal amount.

The company purchases debt and equity securities that it intends to hold for profit in the form of interest or dividends and that it can sell if the conditions for the same are met are classified in this category of financial assets.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

All other financial assets that are not allocated to the previous two categories are allocated to financial assets that are measured at fair value through the profit and loss account. In this category, the Company will classify those financial instruments it holds for trading purposes, i.e. those acquired with the purpose of short-term profit acquisition based on price changes or margins. Likewise, all possible derivatives contracted by the Company will be classified into this category, except for those that would serve as a protective accounting instrument (hedging).

Financial instruments that are initially classified in the category of instruments valued at fair value through the profit and loss account are subsequently valued exclusively at fair value. The results of valuation at fair value are included in the net profit or loss of the period in which they arose.

Interest earned on securities classified in this category is reported as net trading result. Financial instruments classified in this category may not be subsequently classified in other categories.

Initial recognition

The company initially recognizes financial assets in the balance sheet on the date of purchase.

Upon initial recognition of financial assets at amortized cost and assets at fair value through other comprehensive income, the Company measures the asset in question at its fair value including all incurred transaction costs.

Other financial assets classified at fair value through the profit and loss account are initially stated at fair value.

Subsequent measurement

Financial assets measured at amortized cost are stated at amortized cost (using the effective interest rate method) less impairment losses through the profit and loss account.

The premium or discount is included in the book value of the instrument and amortized based on the instrument's effective interest rate and is recognized as interest income in the profit and loss account.

Financial assets measured at fair value through other comprehensive income are reported at fair value on the last calendar day of the month.

Subsequent measurement at fair value includes all gains or losses in revaluation reserves in equity and reserves, until the asset is sold or otherwise disposed of, at which point the cumulative gains or losses previously recognized in equity and reserves are included in net profit or loss periods. Interest, interest income according to the effective interest rate method, exchange rate differences and dividends from this portfolio are recognized in the profit and loss account less impairment losses (expected credit losses).

Upon initial recognition of an equity instrument that is not held for trading, the Company may make an irrevocable decision to present subsequent changes in fair value in other comprehensive income. Investments in equity securities under the option of fair value through other comprehensive income are initially recognized at fair value plus transaction costs.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

After initial recognition, the Company values equity securities at fair value, and losses and gains resulting from changes in fair value are recognized in other comprehensive income. Gains and losses on equity instruments are never reclassified to profit or loss, and impairment is not recognized in the income statement. Dividends are recognized in the income statement unless they clearly represent a return of part of the investment cost, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings after the sale of the investment.

For all other financial assets that are initially measured at fair value, all effects of subsequent measurements, interest, impairment and exchange rate differences go through the profit and loss account.

Principles of fair value measurement

The fair value of financial instruments is based on the market price on the balance sheet date, without deduction for transaction costs. For debt securities that are actively traded on regulated markets, the fair value is defined based on the last price available on the relevant stock exchange for the date of valuation of the security. For equity securities that are actively traded on a regulated market, the fair value is defined based on the last price realized on the issuer's home stock exchange or the stock exchange that is defined as the primary source of the security's price.

The company has defined the criteria for dividing the active and inactive market depending on the type of financial asset as follows:

- For equity securities - an active market is considered a market where equity securities were traded for a minimum of 30 trading days in a three-month period.
- For debt securities and money market instruments, an active market is considered to be a market where the specified instruments were traded for a minimum of 15 trading days in a three-month period.

For financial derivatives, an active market is considered to be a market where at least one of the following criteria is met:

a) there are active offers to buy and/or sell or;

b)traded for a minimum of 10 consecutive business days in a three-month period.

In addition to the above criteria, the Company has defined additional criteria for determining transactions whose price does not represent fair value, i.e. transactions that will not be considered relevant when calculating the number of trading days, namely:

- fictitious trading where up to 5 pieces are traded
- the Company's own assessment regarding a specific transaction that could be excluded from the analysis of market activity with a written explanation of the reasons for which the transaction will be excluded.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

The above data is checked via the websites of the relevant stock exchange, i.e. via the Bloomberg financial information service (for debt securities on the HP ("historical price") display, where the price source is BGN (Bloomberg Generic prices), while for equity securities, financial derivatives and commodities on the HP display with adjusted parameters: Market - Last Price). For those markets where data on the number of transactions with the security in question is not available (e.g. Croatian bonds issued on foreign markets, Croatian corporate bonds issued on foreign markets), each day on which the price is different compared to the previous day will be considered relevant when calculating number of trading days. At the time of evaluation of a financial instrument, which has been listed on regulated markets for a period of less than three months, the company will appropriately apply the aforementioned provisions in proportion to the period of listing of the financial instrument. At least at the end of the calendar quarter, the company assesses whether the financial instrument meets the aforementioned conditions. In the event that the financial instrument does not meet the criteria of an active market, the Company applies the fair value of the financial instruments determined by valuation techniques.

Impairment loss

On the balance sheet date, all financial instruments are reviewed, in order to establish the existence of objective reasons for impairment. If there are such indicators, the Company estimates the recoverable amount. For all claims based on the insurance premium, a value correction (value adjustment) is carried out for all unpaid claims within 180 days from the day when they should have been collected according to the insurance contracts. Postings of value adjustments are carried out at the expense of business expenses. The value correction (value adjustment) of claims based on the insurance premium can be carried out in terms longer than those specified. In these cases, the extension of the deadline for the correction of the value of receivables is determined by the director of the branch and the director of sales with the consent of the Management. Impairment of financial assets is recognized according to the expected credit loss model. The expected credit loss model is an impairment model that requires that the possible loss due to the impairment of the financial instrument is estimated when the financial instrument is acquired, based on available relevant information, and is recognized immediately upon initial recognition of the asset. The basic characteristics of the model are that when measuring the loss, it takes into account all available information, which includes information on losses from past periods, information on the current situation and information related to expectations in future periods and enables the recognition of impairment losses in a timelier manner. The provision for credit losses represents the best estimate of default risk and expected credit losses (ECL) on financial assets.

This model applies to all financial instruments that are subject to impairment requirements, regardless of the type of instrument or the measurement category to which the instrument is assigned.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

According to IFRS 9, the scope of requests for impairment includes:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income (except equity instruments),
- Other debt instruments within the framework of IFRS 9 requirements for impairment (receivables based on lease agreements, receivables from customers, contractual assets)
- Obligations based on loans (according to approved unused loans)
- Obligations under financial guarantee contracts

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

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

Expected credit losses for the twelve-month period refer to the part of expected credit losses throughout the entire period of the instrument, which represent expected credit losses 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 profit and loss account, 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 during initial recognition (POCI assets - Eng. Purchased or originated credit-impaired financial assets), estimated expected credit losses are included in the initial fair value of the asset. For such assets in the reporting period, only the cumulative change in expected credit losses over the entire lifetime of the financial asset compared to initial recognition is recognized. Such assets are not subject to phasing based on changes in credit quality. If over time there is a positive change in relation to the initial recognition, the change is carried out through the book value of the asset, and in case of a negative change, the Company forms a reservation for impairment.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

Cessation of recognition

The Company ceases to recognize a financial asset or part of it when the contractual rights that include the financial asset [or some part of it] expire or if it transfers the financial asset and all the risks and benefits of ownership to another entity or they are completely corrected and written off. Loans and receivables are derecognized on the day the Company transfers its rights, while assets that are carried at amortized cost until maturity are derecognized upon maturity. When a financial asset held for trading or a fair value portfolio is sold, its recognition ceases on the trading day when the Company assumes the obligation to sell the asset.

Reclassification of financial assets

The company will reclassify investments in debt financial assets in the event of a change in the business model of financial asset management. The reclassification takes effect from the first day of the reporting period following the decision. After a change in the management model, i.e. after a decision on reclassification, the Company is obliged to reclassify all assets affected by the change. Equity securities classified as financial assets at fair value through other comprehensive income cannot be subsequently reclassified by the Company. Also, the Company cannot reclassify any financial instrument that was initially classified as a financial asset at fair value through the profit and loss account.

Write-off of financial assets

The company writes off financial assets in the event of objective information about difficulties in the business of the issuer of financial assets, that is, when there is no realistic possibility of return on investment. Such cases are, for example, liquidation or bankruptcy proceedings. In the case of a collection for a previously written-off financial asset, it is recognized in the profit and loss account.

Set-off

Financial assets and liabilities are offset and are reported in the net amount in the statement of financial position in the case when there is a legally enforceable right to set off recognized amounts and there is an intention to settle on a net basis or to simultaneously acquire assets and settle liabilities.

Income and expenses are recognized on a net basis when this is permitted by accounting standards or when gains and losses arise from a group of similar transactions.

Financial obligations

Obligations can be classified as:

- at the amortized cost resulting from a business transaction based on a contract and/or other authentic document on the origination of the obligation.
- at the fair value of liabilities arising from trading and included here according to the definition of liabilities arising from derivative transactions.

3.13. Financial instruments (continued)

Accounting policies in effect from 1 January 2023 (continued)

Financial obligations can be divided into:

- loans received,
- issued debt securities,
- other obligations

Within liabilities, provisions for potential liabilities are also shown, which are charged to the cost of the period in which they arose, and refer to provisions for assumed off-balance sheet liabilities, provisions for court cases and other provisions for other potential liabilities. Financial liabilities are derecognized when they are paid or otherwise cease to exist.

Accounting policies in use until 31 December 2022

Fair value measurement principles

The fair value of available-for-sale financial assets is their quoted selling market price on the reporting date, without deduction for selling costs. If the market for financial assets is not active (and for securities that are not listed) or if, for other reasons, the fair value cannot be reliably determined based on the market price, the Group determines the fair value based on the observed price (prices of similar or the same positions), and when even this is not available, it applies various valuation techniques that use all relevant information and inputs that can help estimate fair value. These include the use of prices realized in recent transactions between informed and willing parties, reference to other substantially similar instruments, discounted cash flow analysis and option pricing models, making maximum use of market data and relying as little as possible on entity specifics. When applying the discounted cash flow method, the estimated future cash flows are based on the best estimate of the management, and the discount rate is the market rate valid on the reporting date for financial instruments with similar terms. When using a pricing model, market-related sizes valid on the reporting date are used.

Financial assets

Investments are recognized and derecognized on the trade date, which is the date on which the investment is bought or sold based on a contract whose terms require the delivery of the investment within the time limit established in the relevant market and are initially measured at fair value plus transaction costs, except for financial assets which is classified in the category where changes in fair value are reported in the income statement, which is initially measured at fair value.
Financial assets are classified into the following categories: financial assets "at fair value through profit and loss", "financial assets available for sale" and "loans and receivables". The classification depends on the type and purpose of the financial asset and is determined upon initial recognition.

3.13. Financial instruments (continued)

Accounting policies in use until 31 December 2022 (continued)

Effective interest method

The effective interest method is a method that calculates the amortized cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate at which estimated future cash inflows, including all fees for paid or received points that are an integral part of the effective interest rate, then transaction costs and other premiums and discounts, are discounted over the expected life of the financial asset or a shorter period if applicable. Income from debt instruments, except for financial assets designated for presentation at fair value through the profit and loss account, is recognized on the basis of effective interest.

Financial assets available for sale

Securities available for sale are recorded at fair value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income as part of the revaluation reserve for investments. except for impairment losses, interest calculated using the effective interest method and exchange rate differences on monetary assets, all of which are recognized directly in the income statement. In case of sale or determined impairment of the value of investments, the cumulative profit or cumulative loss previously recognized as part of the revaluation reserve for investments is included in the profit and loss account of the period.

Dividends on equity instruments classified in the portfolio of available-for-sale assets are recognized in the income statement when the Group's right to receive dividends is established.

The fair value of an available-for-sale monetary asset denominated in a foreign currency is determined in the currency in which the asset is denominated and then translated at the spot exchange rate on the reporting date. A change in fair value related to exchange rate differences resulting from a change in the amortized cost of the asset is recognized in the income statement, and other changes are recognized in other comprehensive income.

Loans and receivables

Receivables from customers, receivables from loans and other receivables with fixed or determinable payments that are not quoted on the active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized using the effective interest rate.

Impairment of financial assets

Financial assets, except for assets at fair value with the statement of changes in fair value in the profit and loss account, are subject to an assessment of the existence of indicators of possible impairment on each reporting day. A financial asset is impaired if there is objective evidence, as a result of one or more events after the initial recognition of the financial asset, that there has been an impact on the estimated future cash flows from the investment.

In the case of shares that are classified as available-for-sale assets, a significant or longer-term decline in the fair value of the security below the purchase price is considered objective evidence of impairment.

3.13. Financial instruments (continued)

Accounting policies in use until 31 December 2022 (continued)

For all other financial assets, including redeemable notes classified as assets available for sale and receivables based on finance leases, objective evidence of impairment may include:

- significant financial difficulties with the issuer or other contracting party or
- late payment or failure to pay interest or principal or
- chances that bankruptcy proceedings will be initiated against the debtor or that he will initiate it himself or that the debtor will undergo financial restructuring.

For certain categories of financial assets, such as trade receivables, assets that have been assessed as not individually impaired are subsequently assessed for impairment on a collective basis.

In the case of financial assets stated at amortized cost, the amount of the reduction is the difference between the book value of the asset and the present value of the estimated future cash flows discounted by applying the original effective interest rate on the financial asset. The carrying amount of the financial asset is directly reduced by impairment losses for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the allowance account. A receivable from a customer that is considered uncollectible is written off from the allowance account, and later collection of previously written-off amounts is credited to the allowance account. Changes in the book value of the allowance account are recognized in the profit and loss statement.

With the exception of equity instruments that are carried at fair value with the presentation of changes in fair value through the income statement, if in future periods the amount of the impairment loss decreases and the decrease can be objectively linked to an event after the impairment was recognized, the previously recognized impairment losses are reversed through profit or loss account up to the carrying amount of the investment on the date of reversal of the impairment that is not greater than the amortized cost that would have been if the impairment had not been recognized. In relation to ownership interests (shares) that are carried at fair value with fair value changes reported through the profit and loss account, losses due to reductions previously recognized in the profit and loss account are not reversed through the profit and loss account. Any increase in fair value after an impairment loss is recognized directly in other comprehensive income.

Derecognition of financial assets

The Group ceases to recognize a financial asset only if the contractual right to cash flows based on the asset has expired, if the financial asset is transferred and if all risks and rewards associated with the ownership of the asset are largely transferred to another entity. If the Group does not transfer or retain almost all the risks and rewards associated with ownership and if it still has control over the transferred asset, it recognizes its retained share in the asset and the related liability in the amounts it may have to pay. If the Group retains most of the risks and rewards associated with the ownership of the transferred financial asset, that asset continues to be recognized together with the recognition of the loan for which the collateral was given, which was obtained for the income it received.

Netting of financial instruments

Financial assets and liabilities are netted and are reported in the net amount in the statement of financial position, in the case where there is a legal right to set off recognized amounts and there is an intention to settle on a net basis or the acquisition of assets and the settlement of liabilities take place simultaneously.

3.14. Financial guarantees

Agreements on financial guarantees are agreements that require the issuer to make specific payments in order to compensate the holder for the loss that occurs when the debtor does not meet the due payments in accordance with the terms of the debt instrument. Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given. After initial recognition, the Group's obligations under such guarantees are measured at their original valuation, less depreciation, which is calculated in order to recognize in the income statement income from fees realized by applying the straight-line method over the lifetime of the guarantee and the best estimate of the cost required to settle any financial obligations at the balance sheet date, whichever is greater. These estimates are determined on the basis of experience with similar transactions and historical losses, taking into account the judgments of the Management Board.

3.15. Other obligations and reservations

Trade payables and other liabilities are initially recognized at fair value and subsequently at amortized cost. The Company recognizes provisions when it has a present legal or derivative obligation that can be reliably estimated and it is likely that funds will be required to settle such obligations.

3.16. Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are voted.

3.17. Equity

The Company's capital consists of the following items:

Share capital represents the nominal value of paid-up ordinary shares classified in the position of capital and reserves and is denominated in EUR.

Statutory reserves and other reserves represent accumulated transfers from retained earnings of previous years and are formed in accordance with the provisions of the relevant laws. Legal and other reserves can be used to cover losses incurred in previous periods, which cannot be covered from the current year's profit or when there are no other reserves.

Other reserves are formed and used based on the decision of the Company's Assembly and can be used to increase the capital stock, pay dividends, cover losses or other purposes.

Revaluation reserves include unrealized net gains and losses from changes in the fair value of available-for-sale financial assets, less deferred tax.

In accordance with IFRS 17, the Company made a decision to recognize the effect of financial income or expenses through other comprehensive income (OCI option), less deferred tax. The amount included in this position represents the difference between the total insurance financial income/expense and the amount of financial income/expense recognized in profit or loss. The position represents the effect (income and expenses) of the change in the discount rate in relation to the discount rate used during the initial recognition of the present value of the cash flows associated with the execution of a group of insurance contracts.

3.18. Assets from reinsurance contracts

Assets from reinsurance contracts represent the sum of assets for residual coverage (ARC) and assets for claims incurred (AIC) of the reinsurance portfolio, respectively according to reinsurance contracts. Similar to the insurance portfolio on the liability side, assets for residual coverage represent the amount of assets (claims for claims) based on existing reinsurance contracts for reinsured events that have not yet occurred (that is, claims for the portion of reinsurance coverage that has not expired) and the amount of claims based on existing reinsurance contracts relating to services from reinsurance contracts that have not yet been provided. Claims assets represent the amount of claims for reinsured events that have already occurred, including events that have occurred but for which no claims have been reported, as well as other reinsurance income generated. The company uses the effect of the time value of money when calculating assets for incurred damages.

3.19. Cash and cash equivalents

Cash and cash equivalents are funds available on the Company's giro accounts, cash in hand, demand deposits and other highly liquid instruments with a short collection period. Cash and cash equivalents are measured at amortized cost.

3.20. Future period expenses paid

Expenditures for the payment of costs related to future periods and overdue revenue collection are recorded as active accruals.

3.21. Deferred payment of expenses and future period income

Liabilities for expenses incurred in the current period whose payment is deferred for the next period and accrued income whose recognition is deferred for the next period are recorded as deferred income.

3.22. Staff expenses

Employee benefits

The Group is obliged to pay contributions to state funds for pension and health insurance in accordance with legal regulations. The Group's obligation ends when the contributions are settled. Contributions are recognized as an expense in the income statement as incurred.

Short-term employee remuneration

Obligations based on the system of short-term remuneration of employees are reported on an undiscounted basis and are recognized as an expense at the time of rendering the corresponding service. A liability is recognized in the amount that is expected to be paid based on a short-term cash bonus payment system or profit sharing when the Group has a present legal obligation to pay that amount as compensation for the service that the employee performed in the past, and that obligation can be reliably estimated .

Other employee benefits

Obligations based on long-term employee benefits, such as jubilee awards and severance pay, are reported in the net amount of the present value of the defined benefit obligation on the reporting date. The projected credit unit method is used to calculate the present value of the liability.

3.23. Statutory technical reserves

In connection with all the insurance operations it performs, the company must form appropriate statutory technical reserves for non-life insurance intended to cover obligations from non-life insurance contracts. on insurance and reinsurance contracts, and which obligations are divided into:

- liability for incurred coverage (LIC),
- liability for remaining coverage (LRC).

Liability for incurred coverage (LIC)

The amount of obligations of justified compensation claims for insured events that have already occurred, including events that have occurred but for which no claims have been reported, and other incurred insurance expenses and the payment of amounts related to services from the insurance contract that have already been provided or any investment components or other amounts that are not related to the provision of services under the insurance contract and that are not in liabilities for remaining coverage

Liability for remaining coverage (LRC)

The amount of the obligations of justified compensation claims based on existing insurance contracts for insured events that have not yet occurred (that is, the obligation related to the part of the insurance coverage that has not expired) and the payment of amounts based on existing insurance contracts related to services from the contract of insurance that has not yet been provided (i.e. obligations related to the future provision of services from the insurance contract) or all investment components or other amounts that are not related to the provision of services from the insurance contract and which have not been transferred to liabilities for incurred coverage.

3.24. Contract classification

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The company concludes insurance contracts as its main activity, in which it assumes a significant insurance risk from the policyholder. The risk is significant only if the insured event can result in significant additional amounts for the insurer in any scenario. An insurance contract is a contract based on which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) and agrees to pay the policyholder compensation if the policyholder suffers damage due to a certain uncertain future event (the insured event). In accordance with the above, the Company determines whether the contracts it concludes are insurance contracts according to the criteria of significance and uncertainty. Therefore, when concluding an insurance contract, at least one of the following elements is uncertain:

- the probability of occurrence of the insured event;
- the time of occurrence of the insured event or
- the amount that the subject will have to pay in the event of the insured event.

3.24. Contract classification (continued)

When classifying insurance contracts, when determining the contracts that are within the scope of IFRS 17, the Company must assess whether it is necessary to treat a certain set of contracts as one contract and also whether it is necessary to separate and calculate any embedded derivatives, investment components and components of goods and services according to another standard. In non-life insurance, the principles used to determine the significance of the insurance risk are identical to the IFRS 4 standard, and the following cash flows are compared for significance:

- cash flows in the event of the occurrence of the insured event and
- cash flows in all the other scenarios.

The company defines a significant insurance risk if the damage compensation (cash flows in the event of the occurrence of the insured event) is at least 5% compared to the total cash flows. In the event that the insurance risk of a group of contracts is at a lower level, that group is not covered by the scope of IFRS 17.

Separation of the components of the insurance contract

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

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

The Company applies IFRS 9 to account for the separate investment component, unless it is an investment contract with features of discretionary participation covered by the scope of IFRS 17. IFRS 17 is applied to all remaining components of the basic insurance contract.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY AND ASSESSMENT

Critical judgments in the application of accounting policies

The Group estimates and makes assumptions that affect the values of assets and liabilities for the next financial year. Estimates and assumptions are continuously re-evaluated and are based on the principle of experience and other factors, including realistic expectations of future events.

Obligations from insurance contracts

Estimates related to the Group's financial statements refer to the formation of obligations from insurance contracts. The Group has a reasonably cautious approach to the formation of statutory technical reserves in accordance with HANFA regulations. The group employs authorized actuaries. The basic assumptions used in the valuation of liabilities from insurance contracts are described in note 3.1, while liabilities from insurance contracts are analysed in notes 23 and 29.

Fair value of financial instruments

The Group uses an appropriate valuation method for financial instruments that are not listed on the active market, selecting them based on its own judgment, using the usual valuation methods. Other financial instruments are valued based on the analysis of discounted cash flows or a comparative approach based on assumptions about market prices or rates if they exist. In estimating the fair value of shares that are not listed on the stock exchange, certain assumptions are used that are not supported by actual market prices or rates. The assumptions used and the results of the sensitivity analysis of the assumptions are set out in notes 16 and 28.

Fair value of property

The Group revalued its land and construction facilities classified as property and equipment and as property investments based on an independent appraisal. The assessments were made based on an on-site inspection of the condition of the property as well as control and inspection/measurement of the location and dimensions of the property, then inspection of the submitted and available documentation.

Impairment of goodwill

The prospective determination of whether goodwill has been impaired requires an assessment of the value in use of the cash-generating units to which the goodwill has been allocated. When calculating the value in use, the Management should estimate the future cash flows expected from the cash-generating unit and the appropriate discount rate for calculating the present value.

Estimated property values

Valuation of property was done through one or more recognized methods, and each individual property is analysed separately, and according to the available data and the real situation, the method or methods to be evaluated are selected. The fair value assumptions used are listed in notes 14 and 15.

The useful life of property and equipment

The Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period. During the year, the useful life of property and equipment was unchanged.

(all amounts in thousands of EUR)

5. REVENUE FROM INSURANCE CONTRACTS – PREMIUM DISTRIBUTION MODEL (PAA)

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Contracts measured by the premium distribution model	221,008	221,008	199,116	199,116
	221,008	**221,008**	**199,116**	**199,116**

Insurance income by type of insurance is presented as follows:

Premium Distribution Model (PAA)	Group and Company 2023.	Group and Company 2022. (restated)
Liability insurance for the use of motor vehicles	124,128	107,254
Other motor vehicle insurances	47,663	41,816
Fire insurance and other property insurance	17,726	17,720
Income protection insurance	15,650	15,441
Other liability insurance	6,976	8,575
Insurance assistance (assistance)	3,717	3,221
Various financial loss insurance	2,654	2,634
Other insurances	2,494	2,455
	221,008	**199,116**

Overview of Company and Group revenues by geographic area

GROUP AND THE COMPANY

2023	Croatia	Austria (through a branch office)	Italia (direct business)	Total 2023
Liability insurance for the use of motor vehicles	86,357	16,552	21,219	124,128
Other motor vehicle insurances	41,111	6,294	258	47,663
Fire insurance and other property insurance	16,991	735	-	17,726
Income protection insurance	15,019	515	116	15,650
Other liability insurance	6,816	160	-	6,976
Help insurance (assistance)	3,272	110	335	3,717
Various financial loss insurance	2,536	118	-	2,654
Other insurances	2,415	79	-	2,494
	174,517	**24,563**	**21,928**	**221,008**

(all amounts in thousands of EUR)

5. REVENUE FROM INSURANCE CONTRACTS – PREMIUM DISTRIBUTION MODEL (PAA) (CONTINUED)

Overview of Company and Group revenues by geographic area (continued)

GROUP AND THE COMPANY

2022	Croatia	Austria (via branch office)	Italia (direct business)	Total 2022
Liability insurance for the use of motor vehicles	74,181	21,506	11,567	107,254
Other motor vehicle insurances	33,252	8,417	147	41,816
Fire insurance and other property insurance	16,098	1,622	-	17,720
Income protection insurance	14,741	649	51	15,441
Other liability insurance	8,385	190	-	8,575
Help insurance (assistance)	2,898	136	187	3,221
Insurance of various financial losses	2,533	101	-	2,634
Other insurances	2,356	99	-	2,455
	154,444	**32,720**	**11,952**	**199,116**

(all amounts in thousands of EUR)

6. EXPENSES FROM THE INSURANCE CONTRACT

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Claims incurred	113,677	113,677	95,707	95,707
Commissions	10,867	10,867	8,949	8,949
Other expenses related to the sale of insurance (i)	30,870	30,870	28,109	28,109
Other expenses from the provision of insurance services (ii)	45,299	45,299	45,117	45,117
Change of obligations for damages	2,064	2,064	2,698	2,698
	202,777	**202,777**	**180,580**	**180,580**

(i) Other expenses related to the sale of insurance are presented as follows:

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Sales staff salary costs	21,049	21,049	19,893	19,893
Promotions	5,874	5,874	5,892	5,892
Media	636	636	724	724
Policy issuance costs	293	293	259	259
Other acquisition costs	3,018	3,018	1,341	1,341
	30,870	**30,870**	**28,109**	**28,109**

Other expenses from the provision of insurance services are as follows:

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Salaries, taxes and contributions from and to salaries (other)	9,024	9,024	8,900	8,900
Material costs	2,226	2,226	2,189	2,189
Energy consumed	2,138	2,138	2,092	2,092
Service costs	11,600	11,600	11,314	11,314
Insurance premiums	2,476	2,476	2,247	2,247
Banking services and payments fees	2,057	2,057	1,933	1,933
Employee benefits	3,057	3,057	2,487	2,487
Depreciation of property and equipment	3,957	3,957	4,345	4,345
Daily allowances for official travel and travel expenses	673	673	601	601
Representation	1,146	1,146	1,005	1,005
Fees to regulatory authorities	320	320	284	284
HZZO compensation	1,963	1,963	1,512	1,512
Guarantee Fund of the Croatian Insurance Office	489	489	254	254
Firefighting contribution	77	77	75	75
Premium refunds	1,801	1,801	1,685	1,685
Reservations	(1,138)	(1,138)	(75)	(75)
Other costs and expenses	3,433	3,433	4,269	4,269
	45,299	**45,299**	**45,117**	**45,117**

(all amounts in thousands of EUR)

7. NET INVESTMENT RESULT

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Property investment gains (i)	2,884	2,961	3,575	3,652
Interest income calculated using the method of effective interest rate (ii)	5,471	5,471	3,912	3,912
Dividend income	1,380	1,624	1,703	1,862
Realized losses on financial assets (iii)	(163)	(163)	(143)	(143)
Other investment income (iv)	2,008	2,008	544	544
Other investment expenses (v)	(5,077)	(5,077)	(5,126)	(5,126)
	6,503	**6,824**	**4,465**	**4,701**

(i) Gains from investment in property are presented as follows:

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Revenues from rentals	4,478	4,478	4,479	4,479
Change in the fair value of property investments	1,349	1,426	1,982	2,059
Other investment costs	(2,943)	(2,943)	(2,886)	(2,886)
	2,884	**2,961**	**3,575**	**3,652**

Other investment costs refer to the overhead costs of investment properties, as shown below.

	Group 2023	Company 2023	Group 2022. (restated)	Company 2022 (restated)
Investment property costs	2,365	2,365	2,178	2,178
Property insurance on investments	578	578	708	708
	2,943	**2,943**	**2,886**	**2,886**

(ii) Interest income calculated using the effective interest rate method

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Financial assets at amortized cost	3,921	3,921	3,272	3,272
Financial assets at fair value through other comprehensive income	1,550	1,550	640	640
	5,471	**5,471**	**3,912**	**3,912**

(all amounts in thousands of EUR)

7. NET RESULT OF INVESTMENT (CONT.)

(iii) Realized gains/(losses) from financial assets that are carried at fair value through other comprehensive income

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Debt securities	(163)	(163)	(154)	(154)
Equity securities (IAS 39)	-	-	11	11
	(163)	**(163)**	**(143)**	**(143)**

(iv) Other investment income

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Release of financial asset impairment	1,988	1,988	398	398
Other income	20	20	146	146
	2,008	**2,008**	**544**	**544**

(v) Other investment expenses

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
insurance on investments	3,726	3,726	3,761	3,761
Personnel costs - investments	490	490	511	511
Interest expenses	861	861	854	854
	5,077	**5,077**	**5,126**	**5,126**

8. NET FINANCIAL RESULT FROM INSURANCE AGREEMENT AND PASSIVE REINSURANCE

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Net financial result from the insurance contract	(1,724)	(1,724)	2,322	2,322
Net financial result from (passive) reinsurance contracts	26	26	(27)	(27)
	(1,698)	**(1,698)**	**2,295**	**2,295**

(all amounts in thousands of EUR)

9. OTHER INCOME

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Business income (Transport offices – Zulassungstelle)	1,877	1,877	1,976	1,976
Cash value of life insurance policy(	2,127	2,127	2,465	2,465
Other income - border insurance and processing fee	644	644	186	186
Other revenues	1,365	730	768	158
	6,013	**5,378**	**5,395**	**4,785**

10. OTHER BUSINESS EXPENSES

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Business expenses (Transport offices – Zulassungstelle)	3,290	3,290	2,974	2,974
Contributions and membership fees	1,289	1,289	1,162	1,163
Other expenses	285	173	83	-
	4,864	**4,752**	**4,219**	**4,137**

(all amounts in thousands of EUR)

11. INCOME TAX

Profit tax is calculated in accordance with Croatian regulations. The tax rate on taxable profit is 18%. The total income tax expense is adjusted to the accounting profit as follows:

	Group 2023	Company 2023	Group 2022 (restated)	Company 2022 (restated)
Total tax expense				
Current tax on profit	(4,249)	(4,206)	(3,818)	(3,773)
Deferred tax expense	670	670	86	86
The tax expense recognized in the profit and loss statement	**(3,579)**	**(3,535)**	**(3,732)**	**(3,687)**
Profit before tax	**20,352**	**20,150**	**21,609**	**21,317**
Income tax at the rate of 18% (2022: 18%)	(3,663)	(3,627)	(3,890)	(3,837)
Non-taxable costs at the rate of 18% (2022:18%)				
50% of representation costs	*(122)*	*(122)*	(109)	(109)
Depreciation above the prescribed rates	*(173)*	*(173)*	(166)	(166)
Write-off of receivables	*(22)*	*(22)*	(41)	(41)
Other increases	*(1,016)*	*(1,016)*	(30)	(30)
Profit reductions at the rate of 18% (2022: 18%)				
Dividend income	*292*	*292*	335	335
The other	*455*	*462*	81	75
Current tax on profit	**(4,249)**	**(4,206)**	**(3,818)**	**(3,773)**

The tax expense of the subsidiary was EUR 45 thousand, which does not represent a materially significant amount for the Group

(all amounts in thousands of EUR)

11. INCOME TAX (CONTINUED)

GROUP

2023 **Deferred tax liabilities**	Opening balance	Effect of the first application of IFRS 9	Realized through other comprehensive income	Realized through the profit and loss statement	Account balance
Revaluation reserves for financial assets	(1,785)	(2,637)	(1,844)	-	(6,266)
Revaluation reserves for property	(10,992)	-	(426)	167	(11,251)
Financial reserve from the insurance contract	(2,338)	-	706	994	(638)
	(15,115)	**(2,637)**	**(1,564)**	**1,161**	**(18,155)**
Deferred tax assets					
Value adjustment for loans and receivables	614	-	-	(397)	217
Leases (IFRS 16)	51	-	-	6	57
Adjustment of value of financial assets at fair value	906	72	(530)	(100)	348
Net deferred tax liability	**(13,544)**	**(2,565)**	**(2,094)**	**670**	**(17,533)**

COMPANY

2023 **Deferred tax liabilities**	Opening balance	Effect of the first application of IFRS 9	Realized through other comprehensive income	Realized through the profit and loss statement	Account balance
Revaluation reserves for financial assets	(1,509)	(2,637)	(1,802)	-	(5,948)
Revaluation reserves for property	(10,337)	-	(426)	167	(10,596)
Financial reserve from the insurance contract	(2,338)	-	706	994	(638)
	(14,184)	**(2,637)**	**(1,522)**	**1,161**	**(17,182)**
Deferred tax assets					
Adjustment of value for loans and receivables	614	-	-	(397)	217
Leases (IFRS 16)	51	-	-	6	57
Value adjustment for financial assets at fair value	906	72	(530)	(100)	348
Net deferred tax liability	**(12,613)**	**(2,565)**	**(2,052)**	**670**	**(16,560)**

(all amounts in thousands of EUR)

11. INCOME TAX (CONTINUED)

GROUP

2022 **Deferred tax liabilities**	**Opening balance**	**Effect of the first application of IFRS 17**	**Realized through other comprehensive income**	**Realized through the profit and loss statement**	**Account balance**
Revaluation reserves for financial assets	(1,839)	-	58	-	(1,785)
Revaluation reserves for property	(10,795)	-	(331)	159	(10,992)
Financial reserve from insurance and (passive) reinsurance contracts	-	(995)	(1,343)	-	(2,338)
	(12,634)	**(995)**	**(1,616)**	**159**	**(15,115)**
Deferred tax assets					
Value adjustment for loans and receivables	694	-	(1)	(80)	614
Leases (IFRS 16)	44	-	-	7	51
Value adjustment for financial assets	464	-	440	-	906
Net deferred tax liability	**(11,432)**	**(995)**	**(1,177)**	**86**	**(13,544)**

COMPANY

2022 **Deferred tax liabilities**	**Opening balance**	**Effect of the first application of IFRS 17**	**Realized through other comprehensive income**	**Realized through the profit and loss statement**	**Account balance**
Revaluation reserves for financial assets	(1,824)	-	320	-	(1,509)
Revaluation reserves for property	(10,140)	-	(333)	159	(10,337)
Financial reserve from insurance and (passive) reinsurance contracts	-	(995)	(1,343)	-	(2,338)
	(11,964)	**(995)**	**(1,357)**	**159**	**(14,184)**
Deferred tax assets					
Value adjustment for loans and receivables	694	-	(1)	(80)	614
Leases (IFRS 16)	44	-	-	7	51
Value adjustment for financial assets	464	-	440	-	906
Net deferred tax liability	**(10,762)**	**(995)**	**(917)**	**86**	**(12,613)**

The tax administration can at any time review business books and records within 3 years after the end of the year in which the tax liability for the reporting year was determined and can calculate additional tax liabilities and fines. The Group's management is not aware of any circumstances that could create a material potential liability in the aforementioned sense.

(all amounts in thousands of EUR)

12. GOODWILL

	Group 31/12/2023 EUR'000	Group 31/12/2022 EUR'000	Company 31/12/2023 EUR'000	Company 31/12/2022 EUR'000
Expense				
Opening balance	**572**	**572**	**-**	**-**
Increase	-	-	-	-
Account balance	**572**	**572**	**-**	**-**
Accumulated impairment				
Opening balance	-	-	-	-
Impairment of value	-	-	-	-
Account balance	-	-	-	-
Book value				
Opening balance	**572**	**572**	**-**	**-**
Account balance	**572**	**572**	**-**	**-**

In 2017, the Group recognized goodwill upon the purchase of the company MTT d.o.o. Rijeka, in the amount of 572 thousand euros. On June 29, 2017, the company bought a 68.12% stake in MTT d.o.o. for compensation of 3,442 thousand euros. The difference between the net assets of the acquired Company and the acquisition consideration is shown as goodwill.

(all amounts in thousands of EUR)

13. INTANGIBLE ASSETS

GROUP AND COMPANY

	Investments in other people's property	Software	Total
Purchase value			
Balance as of January 1, 2022	**2,621**	**764**	**3,385**
Increases	-	7	7
Balance as of December 31, 2022	**2,621**	**771**	**3,392**
Increases	104	14	118
Transfer into use	107	-	107
Balance as of December 31, 2023	**2,832**	**785**	**3,617**
Accumulated depreciation			
Balance as of January 1, 2022	**1,920**	**721**	**2,641**
Cost for the year	169	32	201
Balance as of December 31, 2022	**2,089**	**753**	**2,842**
Cost for the year	122	14	135
Sales and expenditure	-	-	-
Balance as of December 31, 2023	**2,211**	**767**	**2,977**
Net present value			
Balance as of January 1, 2022	**701**	**43**	**744**
Balance as of December 31, 2022	**532**	**18**	**550**
Balance as of December 31, 2023	**621**	**18**	**640**

(all amounts in thousands of EUR)

14. PROPERTY AND EQUIPMENT

GROUP

	Land	Buildings	Equipment	Other tangible assets	Ongoing investments	Total
Purchase value or revaluation						
Balance as of January 1, 2023	**7,893**	**78,037**	**23,153**	**2,386**	**13,851**	**125,320**
Increases	-	168	1,762	-	1,061	2,991
Change in fair value	25	2,343	-	-	-	2,368
Transfer into use	-	44	-	-	(44)	-
Transfer to property investment	-	-	-	-	(382)	(382)
Transfer to intangible assets	-	-	-	-	(107)	(107)
Sales and expenditure	-	(258)	(1,836)	-	-	(2,094)
Balance as of December 31, 2023	**7,918**	**80,334**	**23,079**	**2,386**	**14,379**	**128,096**
Accumulated depreciation						
Balance as of January 1, 2023	**-**	**36,589**	**20,470**	**2,386**	**-**	**59,445**
Cost for the year	-	2,409	1,412	-	-	3,821
Sales and expenditure	-	(197)	(1,807)	-	-	(2,004)
Balance as of December 31, 2023	**-**	**38,801**	**20,075**	**2,386**	**-**	**61,262**
Net book value						
Balance as of December 31, 2022	**7,893**	**41,448**	**2,683**	**-**	**13,851**	**65,875**
Balance as of December 31, 2023	**7,918**	**41,533**	**3,004**	**-**	**14,379**	**66,834**

(all amounts in thousands of EUR)

14. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Property	Equipment	Other tangible assets	Ongoing investments	Total
Balance as of January 1, 2023	**7,893**	**78,037**	**22,716**	**2,386**	**13,851**	**124,883**
Increases	-	168	1,762	-	1,061	2,991
Change in fair value	25	2,343	-	-	-	2,368
Transfer into use	-	44	-	-	(44)	-
Transfer to property investment	-	-	-	-	(382)	(382)
Transfer to intangible assets	-	-	-	-	(107)	(107)
Sales and expenditure	-	(258)	(1,813)	-	-	(2,071)
Balance as of December 31, 2023	**7,919**	**80,333**	**22,665**	**2,386**	**14,379**	**127,682**
Accumulated depreciation						
Balance as of January 1, 2023	**-**	**36,590**	**20,093**	**2,386**	**-**	**59,069**
Cost for the year	-	2,409	1,412	-	-	3,821
Sales and expenditure	-	(197)	(1,807)	-	-	(2,004)
Balance as of December 31, 2023	**-**	**38,801**	**19,698**	**2,386**	**-**	**60,885**
Net book value						
Balance as of December 31, 2022	**7,893**	**41,447**	**2,623**	**-**	**13,851**	**65,814**
Balance as of December 31, 2023	**7,919**	**41,532**	**2,967**	**-**	**14,379**	**66,797**

(all amounts in thousands of EUR)

14. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Land	Buildings	Equipment	Other tangible assets	Ongoing investments	Total
Purchase value or revaluation						
Balance as of January 1, 2022	**7,861**	**76,015**	**23,970**	**2,386**	**13,372**	**123,604**
Increases	-	576	1,221	-	479	2,276
Change in fair value	32	1,945	-	-	-	1,977
Sales and expenditure	-	(499)	(2,038)	-	-	(2,537)
Balance as of December 31, 2022	**7,893**	**78,037**	**23,153**	**2,386**	**13,851**	**125,320**
Accumulated depreciation						
Balance as of January 1, 2022	**-**	**34,587**	**20,689**	**2,386**	**-**	**57,661**
Cost for the year	-	2,359	1,785	-	-	4,144
Sales and expenditure	-	(357)	(2,004)	-	-	(2,360)
Balance as of December 31, 2022	**-**	**36,589**	**20,470**	**2,386**	**-**	**59,445**
Net book value						
Balance as of January 1, 2022	**7,861**	**41,428**	**3,281**	**-**	**13,372**	**65,943**
Balance as of December 31, 2022	**7,893**	**41,448**	**2,683**	**-**	**13,851**	**65,875**

(all amounts in thousands of EUR)

14. PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Land	Buildings	Equipment	Other tangible assets	Ongoing investments	Total
Balance as of January 1, 2022	**7,861**	**76,015**	**23,548**	**2,386**	**13,373**	**123,183**
Increases	-	576	1,206	-	478	2,260
Change in fair value	32	1,945	-	-	-	1,977
Sales and expenditure	-	(499)	(2,038)	-	-	(2,537)
Balance as of December 31, 2022	**7,893**	**78,037**	**22,716**	**2,386**	**13,851**	**124,883**
Accumulated depreciation						
Balance as of January 1, 2022	**-**	**34,587**	**20,336**	**2,386**	**-**	**57,309**
Cost for the year	-	2,359	1,785	-	-	4,144
Sales and expenditure	-	(356)	(2,028)	-	-	(2,384)
Balance as of December 31, 2022	**-**	**36,590**	**20,093**	**2,386**	**-**	**59,069**
Net book value						
Balance as of January 1, 2022	**7,861**	**41,428**	**3,212**	**-**	**13,373**	**65,874**
Balance as of December 31, 2022	**7,893**	**41,447**	**2,623**	**-**	**13,851**	**65,814**

(all amounts in thousands of EUR)

14. PROPERTY AND EQUIPMENT (CONTINUED)

Under property and equipment on December 31, 2023, assets with the right to use based on concluded lease agreements in the total amount of 4,007 thousand euros were reported. Assets with the right of use are shown as follows:

	Buildings	Equipment	Total
Balance as of January 1, 2023	**2,789**	**1,343**	**4,132**
Increase	271	1,150	1,421
Reduction	(60)	(6)	(66)
Amortization	(559)	(921)	(1,480)
Balance as of December 31, 2023	**2,441**	**1,566**	**4,007**

If land and property were valued using the cost method less accumulated depreciation, the values would be as follows:

GROUP AND COMPANY

	31.12.2023.	31.12.2022.
Purchase value	46,327	46,373
Accumulated depreciation	(20,787)	(19,503)
Net book value	**25,540**	**26,870**

On December 31, 2023, revaluation reserves for property and equipment amount to 19,607 thousand euros. The amount of EUR 28,640 thousand refers to revaluation reserves for investment property that were reclassified from property and equipment in previous years.

To calculate the market value of property, the appraiser used the income and comparative method. The calculation uses data published by competent institutions, data on current trends in property values for the location in question and the equivalent facility. The valuation method was not changed during the year. However, the estimated fair values do not necessarily indicate the amounts that the Group could realize in an actual transaction.

The following is information on the fair value hierarchy as of December 31, 2023 and 2022:

	1st level	2nd level	3rd level	Fair value in 2023.
Business facilities	-	-	47,010	47,010

	1st level	2nd level	3rd level	Fair value in 2022
Business facilities	-	-	46,552	46,552

During the year, there were no items that would have been reclassified according to the hierarchy of fair value measures.

14. PROPERTY AND EQUIPMENT (CONTINUED)

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

Description	Fair value Valuation method	Significant parameters that are not available on the market	Range of significant parameter	The relationship of the significant parameter in relation to the fair value
Business facilities	Income method	Risk of loss of rent	6%-13%	The higher it is, the lower the fair value
		Investment maintenance costs	1%-8.25%	The higher it is, the lower the fair value
		Assumed rent	7.38-30.60 EUR/m2	The higher it is, the higher the fair value
		Assumed yield	4.32%-8.38%	The higher it is, the lower the fair value
Business facilities	Comparative method	Estimated price	755.55-3,633.64 EUR/m2	The higher it is, the higher the fair value

(all amounts in thousands of EUR)

15. INVESTMENT PROPERTY

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Fair value of investment properties - land	18,248	16,341	15,292	13,385
Fair value of investment properties - buildings	113,359	111,075	114,581	112,221
	131,606	**127,416**	**129,873**	**125,606**

	Group 2023	Company 2023	Group 2022	Company 2022
Opening balance	**129,873**	**125,606**	**125,127**	**120,784**
Acquisitions	-	-	2,763	2,763
Transfer	384	384	-	-
Change in fair value	1,349	1,426	1,982	2,059
Closing balance	**131,606**	**127,416**	**129,873**	**125,606**

The fair value of the land and buildings as of December 31, 2023 and 2022 was determined according to the assessment made on that date by the independent appraiser Centar Akcija d.o.o. The fair value is determined using the income method, which indicates the market value of property based on the present value of the cash flows that can be expected to be generated by renting the property in the future. Part of the property was valued using the comparative method, which uses the achieved prices for comparable property. The following is information about the Group's property investments and the hierarchy of fair value measures as of December 31, 2023 and December 31, 2022:

COMPANY:

	1st level	2nd level	3rd level	Fair value 2023
Business facilities	-	-	127,416	127,416

	1st level	2nd level	3rd level	Fair value 2022
Business facilities	-	-	125,606	125,606

During the year, there were no items that would have been reclassified according to the hierarchy of fair value measures.

Group:

	1st level	2nd level	3rd level	Fair value 2023
Business facilities	-	-	131,606	131,606

	1st level	2nd level	3rd level	Fair value 2022
Business facilities	-	-	129,873	129,873

(all amounts in thousands of EUR)

15. INVESTMENTS IN PROPERTY (CONTINUED)

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

Description	Assessment method	Significant parameters that are not available on the market	Range of significant parameter	The relationship of the significant parameter in relation to the fair value
Business facilities	Income method	Risk of loss of rent	6%-11%	The higher it is, the lower the fair value
		Investment maintenance costs	1%-5.25%	The higher it is, the lower the fair value
		Assumed rent	1.54-19.95 EUR/m2	The higher it is, the higher the fair value
		Assumed yield	1.79%-9.01%	The higher it is, the higher the fair value
Business facilities	Comparative method	Estimated price	3,367.28 EUR/m2	The higher it is, the higher the fair value
Stations for technical inspection	Income method	Risk of loss of rent	7%-16%	The higher it is, the lower the fair value
		Investment maintenance costs	2%-6%	The higher it is, the lower the fair value
		According to the number of technical inspections	6.52-18.75 EUR/m2	The higher it is, the higher the fair value
		Assumed yield	5.69%-9.12%	The higher it is, the higher the fair value

The Group's rental income for 2023 was realized in the amount of EUR 4,478 thousand (2022: EUR 4,479 thousand) and recognized in Investment income (note 7). Operating costs (which include repairs and maintenance) resulting from property investments in 2023 amounted to 2,943 thousand euros, while in 2022 they amounted to 2,886 thousand euros.

On December 31, 2023, the Company recognized a gain from the fair valuation of investment properties in the amount of 1,426 thousand euros (2022: 2,059 thousand euros), while the Group recognized a gain from the fair valuation of investment properties in the amount of 1,349 thousand euros (2022: 1,982 thousand euros) which is recognized in profit or loss within Investment costs (note 7).

(all amounts in thousands of EUR)

16. FINANCIAL ASSETS

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Financial assets at fair value through other comprehensive income (i)	162,871	160,636	-	-
Financial assets at amortized cost (ii)	133,773	133,773	-	-
Financial assets available for sale (i)	-	-	107,890	105,891
Loans and receivables (ii)	-	-	119,934	119,934
	296,644	**294,409**	**227,824**	**225,825**

(i) The investment structure is shown as follows:

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022.	Company 31 Dec 2022
Financial assets at fair value through other comprehensive income				
Equity securities	100,747	98,512	-	-
Debt securities	60,247	60,247	-	-
Investment funds	1,877	1,877	-	-
Financial assets available for sale			-	-
Equity securities	-	-	71,124	69,125
Debt securities	-	-	34,924	34,924
Investment funds	-	-	1,842	1,842
	162,871	**160,636**	**107,890**	**105,891**

Equity securities

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022.	Company 31 Dec 2022
Listed	59,576	57,341	45,250	43,251
Unlisted	41,171	41,171	25,874	25,874
	100,747	**98,512**	**71,124**	**69,125**

Debt securities

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022.	Company 31 Dec 2022
Government bonds	59,673	59,673	29,860	29,860
Corporate bonds	574	574	5,064	5,064
	60,247	**60,247**	**34,924**	**34,924**

As of December 31, 2023, the Group has no investments in bonds that were given as a pledge for the repo loan received (note 24).

	Number of shares on 31 Dec 2023	Number of shares on 31 Dec 2022	31 Dec 2023	31 Dec 2022
Investment funds	Od 7.64% do 38.39%	Od 7.64% do 66.67%	1,877	1,842
			1,877	**1,842**

(all amounts in thousands of EUR)

16. FINANCIAL ASSETS (continued)

(i) The investment structure is shown as follows:

GROUP AND COMPANY

	31 Dec 2023	31 Dec 2022
Financial assets at amortized cost		
Loans (i)	85,559	-
Deposits with credit institutions (ii)	48,214	-
Loans and receivables		
Loans (i)	-	85,580
Deposits with credit institutions (ii)	-	34,354
	133,773	**119,934**

(i) Loans

	31 Dec 2023	31 Dec 2022
Gross carrying amount	86,762	89,734
Expected credit losses	(1,203)	(4,154)
	85,559	**85,580**

The trend in the value of assets, i.e. the change in expected credit losses for loans, is as follows:

	2023	2022
Opening balance	**4,154**	**4,682**
The impact of applying IFRS 9	118	-
Impairment release	(1,988)	(398)
Derecognition of financial assets during the year	(1,081)	(130)
Closing balance	**1,203**	**4,154**

Loans are mainly secured by liens on business premises. The unsecured part of the entire loan portfolio is 27%.

Overview of loans as of December 31, 2023:

GROUP AND COMPANY

Loans granted	Date of contract	Interest rate	Maturity	2023
Total loans secured by lien	From 9 Mar 2012 to 31 Dec 2023	3.4% to 4.75%	31 Dec 2023. to 1 Jul 2037	62,109
Total loans without lien security	From 5 Jan.2017 to 31 Dec 2023	3.3% to 6.0%	2 Jan 2024 to 1 Jul 2037	23,450

(all amounts in thousands of EUR)

16. FINANCIAL ASSETS (continued)

Overview of loans as of December 31, 2022:

GROUP AND COMPANY

Loans granted	**Currency**	**Date of contract**	**Interest rate**	**Maturity**	**2022**
Total loans secured by lien	HRK	From 25 Sep 2006 to 31 Dec 2022	3.4% to 4.75%	15 Mar 2023 to 1 Jul 2037	63,241
Total loans without lien security	HRK	From 5 Jan.2017 to 31 Dec 2022	1.5% to 3.59%	31 Aug 2023 to 1 Jul 2037	18,499
Total loans without lien security	€	From 14 Jul 2017 to 31 Dec 2022	1.5% to 3.4%	1 May 2024 to 30 Sep 2030	3,840

(ii) Deposits of credit institutions

	31 Dec 2023	**31 Dec 2022**
Gross carrying amount	48,229	34,354
Expected credit losses	(15)	-
	48,214	**34,354**

(all amounts in thousands of EUR)

17. OTHER ASSETS

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Repurchased receivables under leasing contracts	6,637	6,637	6,157	6,157
Credit card claims	5,735	5,735	5,224	5,224
Lease receivables	2,487	2,487	3,414	3,414
Recourse searches	1,655	1,655	1,531	1,531
Receivables from the state and other institutions	1,251	1,251	1,124	1,124
Security deposits under lease agreements	922	922	1,072	1,072
Claims under administrative bans	633	633	672	672
Advances paid to suppliers	839	839	462	462
Prepaid costs	7,942	7,942	6,202	6,202
Other claims	13,155	12,952	18,761	18,606
	41,256	**41,053**	**44,619**	**44,464**

As of December 31, 2023, the company has 680 active contracts based on purchased leasing contracts and claims on them are due in the period from 2024 to June 2030.

18. CASH AND CASH EQUIVALENTS

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Bank accounts	13,377	13,336	36,789	36,777
Cash register	13	13	8	8
Expected credit losses	(4)	(4)	-	-
	13,386	**13,345**	**36,797**	**36,785**

19. SHARE CAPITAL

The Company's share capital as of December 31, 2023 is EUR 7,930 thousand (December 31, 2022: in the amount of EUR 8,096 thousand), and the stated position is aligned with the registration in the Commercial Court. The company reduced its share capital in the amount of EUR 166,000 due to compliance with the provisions of the Companies Act due to the change of the official currency from kuna to euro. The amount of reduction of the share capital of 166 thousand euros was transferred to the Company's reserves. The Company's share capital is divided into 305,010 shares with a nominal amount of EUR 26. All shares are regular and registered, and each gives the right to 1 vote in the Company's Assembly. They were issued in dematerialized form and fully paid.

Shareholder structure as of December 31 by number of shares and participation in share capital:

	2023		2022	
	Number of shares	Equity share %	Number of shares	Equity share %
Grgić Dubravko	45,750	15.00	45,750	15.00
Adriatic osiguranje d.d.	30,192	9.90	26,359	8.64
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.	9,290	3.05	7,952	2.60
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
	187,438	**61.45**	**182,267**	**59.74**
Others	117,572	38.55	122,743	40.26
Total	**305,010**	**100**	**305,010**	**100**

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Profit after tax (in thousands of euros)	16,773	16,615	17,877	17,630
Profit distributed to shareholders (in thousands of euros)	16,773	16,615	17,877	17,630
The number of ordinary shares for the calculation of basic earnings per share	305,010	305,010	305,010	305,010
Earnings per share (in euros and cents)	**54,99**	**54,47**	**58,61**	**57,80**

(all amounts in thousands of EUR)

20. REVALUATION RESERVES FOR FINANCIAL ASSETS

GROUP

	2023	2022
Opening balance	**4,561**	**7,200**
Effect of the first application of IFRS 9, net	**11,685**	**-**
Effect of the first application of IFRS 9	14,250	-
Recognize deferred tax	(2,565)	-
Change in fair value of financial assets, net	**10,691**	**(2,549)**
Change in fair value of financial assets	13,037	(3,108)
Recognize deferred tax in comprehensive income	(2,346)	559
Other comprehensive income attributable to minority interest	**(62)**	**(380)**
The net amount transferred to the profit and loss account	***126***	**289**
The amount transferred to the profit and loss account	154	353
Cancellation of deferred tax liability	(28)	(64)
Closing balance	**27,001**	**4,561**

COMPANY

	2023	2022
Opening balance	**3,703**	**7,153**
Change in fair value of financial assets, net	**11,685**	**-**
Change in fair value of financial assets	14,250	-
Recognize deferred tax in comprehensive income	(2,565)	-
Change in fair value of financial assets, net	**10,497**	**(3,740)**
Change in fair value of financial assets	12,801	(4,560)
Recognize deferred tax in comprehensive income	(2,304)	821
The net amount transferred to the profit and loss statement	***126***	**289**
The amount transferred to the profit and loss statement	154	353
Cancellation of deferred tax liability	(28)	(64)
Closing balance	**26,011**	**3,703**

21. REVALUATION RESERVES BY PROPERTY

	GROUP AND COMPANY	GROUP AND COMPANY
	2023	**2022**
Opening balance	**47,067**	**46,167**
Change in fair value of property, net	***1,942***	**1,621**
Change in fair value of property	2,368	1,977
Recognize deferred tax in comprehensive income	(426)	(356)
Release of revaluation reserve	**(762)**	**(721)**
Closing balance	**48,247**	**47,067**

(all amounts in thousands of EUR)

22. LEGAL RESERVES

	GROUP AND COMPANY 31 Dec 2023	GROUP AND COMPANY 31 Dec 2022
Legal reserves	23,072	22,906
	23,072	**22,906**

Legal reserves refer to reserves determined by the Insurance Act, formed before January 1, 2006, and represent allocations of 1/3 of the net profit of each business year ending on December 31, 2005. The company established legal reserves in accordance with the Companies Act and can use them to pay dividends or cover losses in accordance with the Companies Act. The amount of reduction of share capital of EUR 166 thousand, as a result of compliance with the provisions of the Companies Act due to the change of the official currency from kuna to euro, was transferred to the Company's reserves.

23. INSURANCE AND REINSURANCE CONTRACTS

	GROUP AND COMPANY 31 Dec 2023	GROUP AND COMPANY 31 Dec 2022 (restated)
Insurance contracts (non-life)		
Obligations from the insurance contract	81,707	73,720
	197,822	***182,111***
Reinsurance contracts (non-life)		
Assets from reinsurance contracts	3,383	2,705
	3,383	***2,705***

Movement of insurance and reinsurance contracts

The following shows the reconciliation of the book amounts of insurance contracts and reinsurance contracts between two reporting dates as a result of cash flows and recognized amounts in the statement of comprehensive income (income statement and other comprehensive income).

(all amounts in thousands of EUR)

23. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis of trends in liabilities from the insurance contract (liability for remaining coverage and liability for incurred claims)

GROUP AND COMPANY

	31 December 2023					
	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
in 000 EUR	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	TOTAL
Insurance contract liabilities – as at 1 January 2023	**73.720**	**-**	**-**	**102.634**	**5.756**	**182.111**
Changes in the statement of profit or loss and OCI	-	-	-	-	-	**-**
Insurance service income	(221.008)	-	-	-	-	**(221.008)**
Incurred claims and other insurance service expenses	87.035	-	-	110.935	2.742	**200.713**
Amortization of insurance acquisition costs	-	-	-	-	-	**-**
Losses and reversals of losses on onerous contracts	-	-	-	-	-	**-**
Adjustments to liabilities for incurred claims	-	-	-	4.634	(2.570)	**2.064**
Insurance service expenses	**87.035**	**-**	**-**	**115.570**	**172**	**202.777**
Insurance service result	**(133.973)**	**-**	**-**	**115.570**	**172**	**(18.231)**
Net finance income/expenses from insurance contracts	-	-	-	5.660	-	**5.660**
Total changes in the statement of profit or loss and OCI	**(133.973)**	**-**	**-**	**121.230**	**172**	**(12.571)**
Cash flows	-	-	-	-	-	**-**
Premiums received	228.995	-	-	-	-	**228.995**
Claims and other insurance service expenses paid	(76.169)	-	-	(113.677)	-	**(189.846)**
Insurance acquisition cash flows	(10.867)	-	-	-	-	**(10.867)**
Total cash flows	**141.960**	**-**	**-**	**(113.677)**	**-**	**28.282**
Liabilities from insurance contracts as at 31 December	**81.707**	**-**	**-**	**110.187**	**5.928**	**197.822**

(all amounts in thousands of EUR)

23. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	31 December 2022 (restated)					
	Liabilities for remaining coverage		**Liabilities for incurred claims**			
				Contracts under PAA		
in 000 EUR	**Excluding loss component**	**Loss component**	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	**TOTAL**
Insurance contract liabilities – as at 1 January 2023	**64.817**	**-**	**-**	**107.211**	**8.318**	**180.347**
Changes in the statement of profit or loss and OCI	-	-	-	-	-	**-**
Insurance service income	(199.116)	-	-	-	-	**(199.116)**
Incurred claims and other insurance service expenses	82.175	-	-	93.176	2.531	**177.882**
Amortization of insurance acquisition costs	-	-	-	-	-	**-**
Losses and reversals of losses on onerous contracts	-	-	-	-	-	**-**
Adjustments to liabilities for incurred claims	-	-	-	7.791	(5.093)	**2.698**
Insurance service expenses	**82.175**	**-**	**-**	**100.968**	**(2.562)**	**180.580**
Insurance service result	**(116.941)**	**-**	**-**	**100.968**	**(2.562)**	**(18.536)**
Net finance income/expenses from insurance contracts	-	-	-	(9.837)	-	**(9.837)**
Total changes in the statement of profit or loss and OCI	**(116.941)**	**-**	**-**	**91.130**	**(2.562)**	**(28.373)**
Cash flows	-	-	-	-	-	**-**
Premiums received	208.019	-	-	-	-	**208.019**
Claims and other insurance service expenses paid	(73.226)	-	-	(95.707)	-	**(168.934)**
Insurance acquisition cash flows	(8.949)	-	-	-	-	**(8.949)**
Total cash flows	**125.844**	**-**	**-**	**(95.707)**	**-**	**30.137**
Liabilities from insurance contracts as at 31 December	**73.720**	**-**	**-**	**102.634**	**5.756**	**182.111**

(all amounts in thousands of EUR)

23. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Reinsurance contracts for the non-life portfolio

Analysis of trends in assets from the insurance contract (liability for remaining coverage and liability for incurred claims)

	31 Dec 2023			
		Assets for incurred claims		
in 000 EUR	**Assets for remaining coverage excluding loss component**	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	**TOTAL**
Assets from insurance contracts – as at 31 December	**1.729**	**943**	**33**	**2.705**
Changes in the statement of profit or loss and OCI	-	-	-	**-**
Reinsurance contracts expenses	(5.206)	-	-	**(5.206)**
Share of reinsurance in incurred claims	-	845	-	**845**
Change in liabilities for incurred claims - share of reinsurance	-	517	11	**528**
Reinsurance service result	**(5.206)**	**1.362**	**11**	**(3.833)**
Net finance income/expenses from insurance contracts	-	40	-	**40**
Total changes in the statement of profit or loss and OCI	**(5.206)**	**1.402**	**11**	**(3.793)**
Cash flows	-	-	-	**-**
Premiums surrendered to reinsurance, net of commission	5.316	-	-	**5.316**
Payments received from reinsurers	-	(845)	-	**(845)**
Total cash flows	**5.316**	**(845)**	**-**	**4.471**
Assets from insurance contracts – as at 31 December	**1.839**	**1.499**	**44**	**3.383**

(all amounts in thousands of EUR)

23. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Reinsurance contracts for the non-life portfolio

Analysis of trends in assets from the insurance contract (liability for remaining coverage and liability for incurred claims)

	31 Dec 2022 (restated)			
		Assets for incurred claims		
in 000 EUR	**Assets for remaining coverage excluding loss component**	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	**TOTAL**
Assets from insurance contracts – as at 31 December	**1.726**	**2.078**	**71**	**3.875**
Changes in the statement of profit or loss and OCI	-	-	-	**-**
Reinsurance contracts expenses	(4.916)	-	-	**(4.916)**
Share of reinsurance in incurred claims	-	1.148	-	**1.148**
Change in liabilities for incurred claims - share of reinsurance	-	(1.057)	(38)	**(1.095)**
Reinsurance service result	**(4.916)**	**91**	**(38)**	**(4.863)**
Net finance income/expenses from insurance contracts	-	(78)	-	**(78)**
Total changes in the statement of profit or loss and OCI	**(4.916)**	**13**	**(38)**	**(4.941)**
Cash flows	-	-	-	**-**
Premiums surrendered to reinsurance, net of commission	4.919	-	-	**4.919**
Payments received from reinsurers	-	(1.148)	-	**(1.148)**
Total cash flows	**4.919**	**(1.148)**	**-**	**3.771**
Assets from insurance contracts – as at 31 December	**1.729**	**943**	**33**	**2.705**

(all amounts in thousands of EUR)

24. FINANCIAL LIABILITIES AT AMORTISED COST

	GROUP 31 Dec 2023	COMPANY 31 Dec 2023	GROUP 31 Dec 2022	COMPANY 31 Dec 2022
Credits and loans	14,547	14,547	16,136	16,136
	14,547	**14,547**	**16,136**	**16,136**

Austrian Anadi Bank AG, FN 245157 a, Domgasse 5, A - 9020 Klagenfurt am Wörthersee on June 19, 2018 approved a loan at 1.8% interest for the purchase of an office building in Klagenfurt, Austria. Instalment 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 December 31, 2023 is EUR 3.4 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 (repayment in May 2032 with an interest rate of 2.125%).

Company with Agram life insurance d.d. has concluded a loan agreement in the amount of EUR 3,204 thousand with the application of the middle exchange rate of the CNB. The contract is in nature from the redemption value of the life insurance policy, with all the rights that belong to it from the policies. The agreed interest rate is 4.50%, calculated monthly and added to the principal of the loan. The extension of the term of the loan until December 31, 2024 was approved by the addendum to the contract.

	Currency	Maturity	Interest rate %	GROUP 31 Dec 2023	COMPANY 31 Dec 2023
Long-term loans	€	2032	2.125	3,602	3,602
Long-term loans	€	2026	1.8	3,369	3,369
Long-term loans	€	2024	4.5	1,938	1,938
Short-term loans	€	2024	3.3	1,330	1,330
				10,239	**10,239**
Lease obligations	€ /HRK	2024/2032	2.0 /8.0	4,308	4,308
				14,547	**16,136**

	Currency	Maturity	Interest rate %	GROUP 31 Dec 2022	COMPANY 31 Dec 2022
Long-term loans	€	2032	2.125	3,827	3,827
Long-term loans	€	2026	1.8	4,717	4,717
Long-term loans	HRK	2023	4.5	3,204	3,204
				11,748	**11,748**
Lease obligations	€ /HRK	2023/2032	2.00/8.00	4,388	4,388
				16,136	**16,136**

(all amounts in thousands of EUR)

25. PROVISIONS

	GROUP AND COMPANY 31 Dec 2023	GROUP AND COMPANY 31 Dec 2022
Provisions for liabilities	1,011	1,206
	1,011	**1,206**

The movement of provisions for expenses is as follows:

	Group 2023	Company 2023	Group 2022	Company 2022
Opening balance	**1,206**	**1,206**	**1,150**	**1,150**
Revenue	(206)	(206)	(26)	(26)
New provisions	11	11	82	82
Ending balance	**1,011**	**1,011**	**1,206**	**1,206**

26. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Group 31 Dec 2023	Company 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2022
Liabilities based on share in the result	1,186	1,186	791	791
Premium tax	15,524	15,524	18,075	18,075
Liabilities towards the Croatian Insurance Office	4,053	4,053	4,409	4,409
Liabilities for advances received for the insurance premium	13	13	157	157
Liabilities for claims from coinsurance and reinsurance	6	6	1,031	1,031
Accounts payable	3,003	3,003	3,982	3,957
Liabilities due to employees	2,261	2,261	2,293	2,293
Reinsurance liabilities	962	962	970	970
Liabilities for commissions	941	941	853	853
Other liabilities	713	688	467	458
	28,662	**28,637**	**33,028**	**32,994**

27. 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 2023, 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.

27. 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.

28. 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.

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 has no significant assets and liabilities in foreign currencies. The following table shows the accounting amounts of the Company's monetary assets and monetary liabilities in foreign currency as of the reporting date.
Foreign currency account – Agram Banka d.d. = USD 10,795 = EUR 10,109

Interest rate risk management

The company has no significant exposure to interest rate risk, there are no assets with variable interest. Changes in interest rates cannot significantly affect the Company's operations, since the total interest expenses on loans (note 7) in the amount of EUR 861 thousand (in 2022: EUR 854 thousand) constitute 5% of the total net profit for the year ending on December 31, 2023. (in 2022: 4.8%). Management estimated that a change of 50 basis points would not have a materially significant impact on the Company's operations.

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 siginificant.

(all amounts in thousands of EUR)

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 Dec 2023	**31 Dec 2022**
Bonds	60,247	34,924
Credits and receivables	85,559	85,580
Guarantee deposit for lease contracts	922	1,072
Bank deposits	48,214	34,354
Premium receivables	41,003	49,765
Reinsurance share in technical provisions	3,383	2,705
Credit cards and checks receivables	5,735	5,224
Other receivables	12,952	18,606
Cash at bank and in hand	13,349	36,797
	271,364	**269,027**

(all amounts in thousands of EUR)

28. 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 Dec 2023	31 Dec 2022
BB – government bonds and treasury bills	59,672	29,862
Group 1 – corporate bonds	575	5,062
Group 2 – investment funds	1,877	1,842
Total securities at fair value through other comprehensive income	**62,124**	**36,766**
Group 2	85,509	85,465
Group 3	50	115
Total loans	**85,559**	**85,580**
Group 2	922	1,072
Total guarantee deposits under lease agreements	**922**	**1,072**
Group 2	48,214	34,354
Total deposits in banks	**48,214**	**34,354**
Group 1	2,806	3,196
Group 2	37,396	45,797
Group 3	801	773
Total claims on premiums	**41,003**	**49,765**
Group 2	13,349	36,797
Total cash and cash equivalents	**13,349**	**36,797**

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 2023 and 31 December 2022, the Company was operating pursuant to those requirements.

(all amounts in thousands of EUR)

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Remaining contractual maturity of assets and liabilities

2023	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
Investments in subsidiaries	-	-	-	-	-	3,442	3,442
Reinsurance contracts assets	3,383	-	-	-	-	-	3,383
Financial assets at fair value through other comprehensive income	112,897	22,183	20,495	7,296	-	-	162,871
Financial assets at amortized cost	61,688	21,088	35,540	15,457	-	-	133,773
Other assets	30,392	9,126	1,535	-	-	-	41,053
Cash and cash equivalents	13,345	-	-	-	-	-	13,345
	221,705	**52,397**	**57,570**	**22,753**	**-**	**3,442**	**357,867**
Liabilities from direct insurance business	131,024	41,102	17,081	5,255	1,300	2,060	197,822
Financial liabilities at amortized cost (Long-term loans)	4,746	3,155	2,338	-	-	-	10,239
Financial liabilities at amortized cost (Lease liabilities)	1,386	2,424	498				4,308
Provisions	607	82	92	89	141	-	1,011
Deferred tax liability	5,963	-	-	-	-	10,597	16,560
Current income tax liability	1,103	-	-	-	-	-	1,103
Accounts payable and other liabilities	28,637	-	-	-	-	-	28,637
	173,466	**46,763**	**20,009**	**5,344**	**1,441**	**12,657**	**259,680**

(all amounts in thousands of EUR)

28. 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
Investments in subsidiaries	-	-	-	-	-	3,442	3,442
Reinsurance contracts assets	2,705	-	-	-	-	-	2,705
Financial assets at fair value through other comprehensive income	26,020	68,047	11,328	496	-	-	105,891
Financial assets at amortized cost	47,223	21,406	36,803	14,502	-	-	119,934
Other assets	40,273	3,684	365	142	-	-	44,464
Cash and cash equivalents	36,785	-	-	-	-	-	36,785
	153,006	**93,137**	**48,496**	**15140**	**-**	**3,442**	**313,221**
Liabilities from direct insurance business	119,155	39,866	16,118	4,525	1,216	1,231	182,111
Financial liabilities at amortized cost (Long-term loans)	1,521	7,595	2,632	-	-	-	11,748
Financial liabilities at amortized cost (Lease liabilities)	1,338	2,117	934	-	-	-	4,388
Provisions	1,206	-	-	-	-	-	1,206
Deferred tax liability	10,275	-	-	-	-	-	12,613
Current income tax liability	594	-	-	-	-	-	594
Accounts payable and other liabilities	32,889	-	-	-	-	-	32,994
	166,978	**49,578**	**19,684**	**4,525**	**1,216**	**1,231**	**245,654**

(all amounts in thousands of EUR)

28. 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).

31 Dec 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	4,618	-	93,894	98,512
Bonds	59,673	-	574	60,247
Investment funds	1,877	-	-	1,877
Total securities at fair value through other comprehensive income	**66,168**	**-**	**94,468**	**160,636**

31 Dec 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	431	-	68,694	69,125
Bonds	29,860	-	5,064	34,924
Investment funds	1,842	-	-	1,842
Total securities available for sale	**32,133**	**-**	**73,758**	**105,891**

There was no reclassification between levels during the period.

Valuations of equity securities that are not actively traded on the markets used valuation models and techniques primarily based on market inputs based on the concepts of the market method where comparable companies (peer group) were used to calculate multipliers.

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

(all amounts in thousands of EUR)

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

In 2023, the PEER method of comparable companies and DDM was used for part of the valuations. The valuation method based on 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. The above methods were used because we believe it best reflects the fair value of the above companies. Equity securities valued using this method have a total value of 88,655 thousand euros.

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

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

Description	Fair value 2023	Assessment method	Relevant parameters not available on the market	Relevant parameter scope	Relationship of relevant parameters to fair value
Equity securities	88,655	Method of comparable companies /DDM	*Non-liquidity discount*	10.9%	The higher the parameter, the lower the fair value
			Discount rate	8.09%-9.30%	*The higher the parameter, the lower the fair value*
			Residual growth rate	3.53%	*The higher the parameter, the lower the fair value*
			Beta	0.83-1.05	*The higher the parameter, the lower the fair value*

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	44,206	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*

29. 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 EUR)

29. 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 2023

GROUP AND COMPANY

2023	**Gross**	**Share of reinsurance**	**Net of reinsurance**
Liability insurance for the use of motor vehicles	134,178	(109)	134,069
Other motor vehicle insurances	32,124	(1)	32,123
Fire insurance and other property insurance	11,775	(2,444)	9,331
Income protection insurance	9,067	(237)	8,830
Other liability insurance	6,048	(290)	5,758
Help insurance (assistance)	383	-	383
Insurance of various financial losses	1,891	(60)	1,831
Marine insurance, aircraft insurance and transport insurance	1,564	(242)	1,322
Medical expense insurance	245	-	245
Credit insurance and guarantee insurance	499	-	499
Legal expenses insurance	48	-	48
	197,822	**(3,383)**	**194,439**

(all amounts in thousands of EUR)

29. INSURANCE RISK MANAGEMENT (CONTINUED)

Insurance risk concentration (continued)

For the year ended 31 December 2022

GROUP AND COMPANY

2022	Gross	Share of reinsurance	Net of reinsurance
Liability insurance for the use of motor vehicles	126,047	(186)	125,861
Other motor vehicle insurances	28,052	(1)	28,051
Fire insurance and other property insurance	8,343	(1,461)	6,882
Income protection insurance	9,099	(596)	8,503
Other liability insurance	6,034	(305)	5,729
Help insurance (assistance)	525	-	525
Insurance of various financial losses	2,046	(54)	1,992
Marine insurance, aircraft insurance and transport insurance	984	(102)	882
Medical expense insurance	321	-	321
Credit insurance and guarantee insurance	599	-	599
Legal expenses insurance	61	-	61
	182,111	**(2,705)**	**179,406**

(all amounts in thousands of EUR)

29. INSURANCE RISK MANAGEMENT (CONTINUED)

Claims development

Analysis of claims trends as of December 31, 2023

Development of cumulative claims for non-life insurance on a gross basis (before reinsurance)

	in 000 EUR			
Assessment of undiscounted cumulative damages (gross, only contracts valued according to the PAA model)	**Before 2022**	**2022**	**2023**	**Total**
Assessment of cumulative damages at the end of the accident year	-	104,979	119,685	
1 year later	-	105,090	-	
2 years later	-	-	-	
Assessment of accumulated claims	**-**	**105,090**	**119,685**	**224,775**
Accumulated payments	-	86,905	63,592	**150,497**
Remaining estimated damages by years of damage occurrence	-	18,185	56,093	**74,277**
Remaining estimated damages for previous years of damage occurrence	48,983	-	-	**48,983**
Effect of discounting	-	-	-	**(13,074)**
Increase to adjust for non-financial risk	-	-	-	**5,928**
Value recognised in the statement of financial position of the current year				**116,115**

29. INSURANCE RISK MANAGEMENT (CONTINUED)

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

The main source of uncertainty in insurance operations stems from the uncertainty of estimating future cash flows. An unbiased estimate of future cash flows includes all reasonable and reliable information available without undue cost and effort regarding the amount, timing and uncertainty of those future cash flows at the reporting date. This information includes both internal and external historical claims data and other experience data, updated to reflect current expectations of future events.

The main source of uncertainty that affects the amount and timing of future cash flows stems from the uncertainty of the occurrence of future damages as well as the uncertainty related to their amounts. Given that there is no product in non-life insurance that guarantees unlimited coverage, the maximum amount for which the insurer can be liable under an individual policy due to the occurrence of a single adverse event is always limited by the contracted insurance amount. An exception is car liability insurance for damages in green card system countries that have unlimited coverage. The Company transfers this risk through reinsurance of excess damages above 1.5 million euros.

When estimating future cash flows, current expectations of events that could affect cash flows are taken into account. However, expectations of future changes in legislation that would alter or terminate a current obligation or create new obligations under existing contracts are not taken into account until the change in legislation is actually enacted.

Cash flows within the limits of the contract are those directly related to the performance of the contract, including those for which the Group has discretion as to amount and timing. This includes premiums, payments to the policyholder (or on his behalf), cash flows from the acquisition of insurance and other costs incurred in the performance of the contract. Cash flows from the acquisition of insurance and other costs arising from the performance of the contract include direct costs and the distribution of fixed and variable general costs that can be directly attributed to the performance of the insurance contract (so-called allocable costs).

Cash flows of costs are allocated to groups of contracts using systematic and meaningful methods that are consistently applied to all costs with similar characteristics.

Other costs that are not allocable are not allocated to groups of insurance contracts and are reported in the financial statements separately from the items of the technical result, i.e. the result from the insurance contract.

On the reporting date, a calculation is made of the best estimate of the final cost of settlement of all incurred damages resulting from events that occurred up to that date together with the corresponding costs of claims processing, minus the amounts already paid.

The liability for reported claims is estimated separately for each individual claim taking into account the circumstances of the claim, available information from assessors and historical evidence of similar claim amounts. Individual claims are regularly reviewed and the reserve is regularly updated when new information appears. The obligation for reported claims is part of the set of input data that is used when determining the total amount of the best estimate of the final cost of settlement of the incurred claims.

29. INSURANCE RISK MANAGEMENT (CONTINUED)

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

Depending on the characteristics of a particular type of insurance, the Group's portfolio and the form and quality of the available data, the best estimate of the final cost of settlement of incurred damages is determined by the most suitable actuarial method and the calculation is done by homogeneous risk groups.

A key method is the chain ladder method, which uses historical data to estimate the share of previously incurred and unreported claims in the final cost of claims.

The actual lump sum or actuarial method or combination of methods used depends on the year of occurrence of the claim being considered, the type of insurance and the observed historical development of claims.

To the extent that these methods use historical claims development, it is assumed that the historical claim development pattern will repeat itself in the future. There are reasons why this may not be the case, which, to the extent they can be determined, have been taken into account through the adjustment of methods. Such reasons include:

- economic, legal, political and social trends (which cause a different level of inflation compared to the expected one);
- Changes in the combination of types of insurance contracts that are obtained;
- random variations, including the impact of large damages.

Discount rates

The Group discounts cash flows from non-life insurance contracts that are measured in accordance with the general measurement model and for which the premium distribution model is applied, cash flows from the execution of contracts related to claims are also discounted. Applicable discount rates are determined as previously stated in note 3.1.

Value adjustment for non-financial risk

The correction or value adjustment for non-financial risk is determined to reflect the compensation the Group requires for bearing the non-financial risk and its degree of risk aversion.

In accordance with accounting policies, the cost of capital method is used to calculate the allowance for non-financial risk. The risk measurement approach is aligned with the Solvency II methodology. The company uses a cost of capital rate of 6% per year. According to the method, the adjustment for non-financial risk is determined by applying the stated rate to the present value of the projected capital related to the non-financial risk. The default confidence level of the non-financial risk adjustment is 99.5%.

Sensitivity analysis

The components that have the greatest impact on insurance obligations in non-life insurance relate to court cases, mainly from automobile liability insurance, which is the "long tail" insurance. They are susceptible to economic, legal, judicial, political and social trends, as a result of which obligations related to legal damages are also sensitive to them. Management has qualified that it is not feasible to quantify the sensitivity of non-life insurance to changes in these variables.

(all amounts in thousands of EUR)

30. 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

	2023	**2022**
Payments and compensations	427	485

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:

	2023		**2022**	
	Income	**Expenses**	**Income**	**Expenses**
Other related companies	18,010	24,868	17,244	22,777
Other related companies	**18,010**	**24,868**	**17,244**	**22,777**

	31 Dec 2023		**31 Dec 2022**	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Other related companies	110,316	4,579	105,487	6,337
	110,316	**4,579**	**105,487**	**6,337**

As of 31 December 2023, shares in associates amounted to 94,930 thousand euros (2022: 70,007 thousand euros).

(all amounts in thousands of EUR)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31 Dec 2023			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	-	1,930	3,384	5,271
Agram life d.d.	25	1,938	3,112	4,027
Agram banka Zagreb d.d.	15,487	26	1,467	790
Agram TIS d.o.o.	42,408	-	4,446	7,918
Auto -Dubrovnik d.d.	62	1	30	175
Autoslavonija d.d.	-	81	124	133
Euro daus d.d.	27,660	3	2,239	1,503
Agram invest d.d.	18	28	41	-
Agramleasing d.o.o.	15,709	-	584	2,055
Agram brokeri d.d.	-	5	1	53
Specijalna bolnica Agram	223	-	1,127	1
Autocentar Agram d.d.	270	-	78	281
Agram Yachting d.o.o.	150	-	104	230
Autoservisni centar d.d.	39	12	34	114
Strukturiranja d.o.o. Zagreb	-	20	2	27
MEDORA hoteli i ljetovališta d.d.	1,530	-	118	10
MTT d.o.o. Rijeka	1	1	371	17
Agram d.d. Ljubuški	-	-	140	-
Agram nekretnine d.d. Mostar	61	-	8	-
Agram Invest d.o.o. Mostar	-	-	6	-
Adriatic osiguranje d.d. Sarajevo	-	58	5	283
Autocentar Vrbovec d.o.o.	10	-	120	139
Euroherc osiguranje d.d. Sarajevo	-	476	204	840
Adriatic Makler GmbH	405	-	15	7
Euroagram GmbH	767	-	28	983
KFZ Adriatic Zulassungen GmbH	2,475	-	86	11
Krivić d.o.o.	3,015	-	136	-
TOTAL	**110,316**	**4,579**	**18,010**	**24,868**

(all amounts in thousands of EUR)

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Company	31 Dec 2022			
	Receivables	Liabilities	Income	Expenses
Adriatic osiguranje d.d. Zagreb	-	2,206	3,895	5,063
Agram life d.d.	2,162	3,285	2,126	3,716
Agram banka Zagreb d.d.	10,458	20	1,228	786
Agram TIS d.o.o.	44,505	25	4,508	7,032
Auto -Dubrovnik d.d.	415	1	43	128
Autoslavonija d.d.	5	21	112	119
Euro daus d.d.	29,292	15	2,274	1,394
Agram invest d.d.	50	28	69	-
Agramleasing d.o.o.	12,071	-	522	1,845
Agram brokeri d.d.	-	43	1	44
Specijalna bolnica Agram	197	-	1,117	2
Autocentar Agram d.d.	601	1	94	330
Agram Yachting d.o.o.	174	84	111	435
Autoservisni centar d.d.	356	2	77	84
Strukturiranja d.o.o. Zagreb	-	2	2	36
MEDORA hoteli i ljetovališta d.d.	1,503	-	116	1
MTT d.o.o. Rijeka	1	-	298	17
Agram d.d. Ljubuški	-	-	172	-
Agram nekretnine d.d. Mostar	53	-	-	-
Agram Invest d.o.o. Mostar	-	-	-	-
Adriatic osiguranje d.d. Sarajevo	-	76	-	354
Autocentar Vrbovec d.o.o.	15	9	120	120
Euroherc osiguranje d.d. Sarajevo	-	519	210	1,117
Adriatic Makler GmbH	63	-	2	2
Euroagram GmbH	126	-	3	149
KFZ Adriatic Zulassungen GmbH	361	-	6	3
Krivić d.o.o.	3,079	-	138	-
UKUPNO	**105,487**	**6,337**	**17,244**	**22,777**

31. CONTINGENT LIABILITIES

There are several pending legal disputes against the Group and the Company, with legal claims for which the Group, on 31 December 2023, has reserved assets in the total amount of 200 thousand euros.

(all amounts in thousands of EUR)

32. OFF-BALANCE SHEET RECORDS

	31 Dec 2023	31 Dec 2022
Guarantees received	6,050	-
Guarantees given	1,636	1,900
	7,686	**1,900**

33. EVENTS AFTER THE REPORTING PERIOD

After December 31, 2023, no additional business events or transactions occurred that would have a significant impact on the financial statements as of or for the period then ended.

34. APPROVAL OF FINANCIAL STATEMTNS

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

Statement of Comprehensive Income

EUR

No.	Sum elements	Position	Position description	Previous year Life	Previous year Non-life	Previous year Total	Cureent year Life	Cureent year Non-life	Cureent year Total
001	002 + 003 + 004	**I**	**Income from insurance contracts**		**199.115.902**	**199.115.902**		**221.008.278**	**221.008.278**
002		1	General measurement model						
003		2	Measurement model through variable compensation						
004		3	Premium distribution model		199.115.902	**199.115.902**		221.008.278	**221.008.278**
005	006+007+....+012	**II**	**Insurance contract expenses**		**-180.580.182**	**-180.580.182**		**-202.777.178**	**-202.777.178**
006		1	Damages incurred		-95.707.326	**-95.707.326**		-113.677.338	**-113.677.338**
007		2	Commission		-8.948.552	**-8.948.552**		-10.866.612	**-10.866.612**
008		3	Other expenses related to the sale of insurance		-28.109.556	**-28.109.556**		-30.870.027	**-30.870.027**
009		4	Other expenses from the provision of insurance services		-45.116.676	**-45.116.676**		-45.298.779	**-45.298.779**
010		5	Amortization of insurance acquisition costs						
011		6	Losses and release of losses on the basis of unprofitable contracts						
012		7	Change of obligations for damages		-2.698.072	**-2.698.072**		-2.064.423	**-2.064.423**
013	014 + 015	**III**	**Net result of (passive) reinsurance contracts**		**-4.863.082**	**-4.863.082**		**-3.832.613**	**-3.832.613**
014		1	Income from (passive) reinsurance contracts		1.630.909	**1.630.909**		2.061.564	**2.061.564**
015		2	Expenses from (passive) reinsurance contracts		-6.493.991	**-6.493.991**		-5.894.177	**-5.894.177**
016	001 + 005 + 013	**IV**	**Result from the insurance contract**		**13.672.639**	**13.672.639**		**14.398.487**	**14.398.487**
017	018 + 023 + 024 + 025 + 026 + 027 + 031 + 032 + 033 + 034	**V**	**Net investment result**		**4.700.541**	**4.700.541**		**6.823.824**	**6.823.824**
018	019 + 020 + 021 + 022	1	Net result of investment in land and construction facilities		3.651.528	3.651.528		2.960.733	2.960.733
019		1.1.	Profits/losses (net) from leases		4.479.298	4.479.298		4.478.389	4.478.389
020		1.2.	Realized gains/losses (net) from real estate not used for personal use		-2.886.302	-2.886.302		-2.943.985	-2.943.985
021		1.3.	Unrealized gains/losses (net) from real estate not used for own use		2.058.533	2.058.533		1.426.329	1.426.329
022		1.4.	Depreciation of land and buildings that do not serve the company to perform activities						
023		2	Interest income calculated using the effective interest rate method		3.912.330	3.912.330		5.471.203	5.471.203
024		3	Other income from interest						
025		4	Income from dividends		1.861.930	1.861.930		1.624.482	1.624.482
026		5	Unrealized gains/losses (net) from financial assets that are carried at fair value through P&L						
027	028 + 029 + 030	6	Realized gains/losses		-142.853	-142.853		-162.598	-162.598
028		6.1.	Realized gains/losses (net) from financial assets that are carried at fair value through P & L						
029		6.2.	Realized gains/losses (net) from financial assets that are carried at fair value through OSD		-142.853	-142.853		-162.598	-162.598
030		6.3.	Other realized gains/losses (net)						
031		7	Net impairment/release of impairment of the investment						
032		8	Net exchange rate differences						
033		9	Other investment income		543.637	543.637		2.007.524	2.007.524
034		10	Other investment expenses		-5.126.032	-5.126.032		-5.077.521	-5.077.521
035	036 + 037 + 038	**VI**	**Net financial expense from insurance contracts and (passive) reinsurance**		**2.294.664**	**2.294.664**		**-1.698.333**	**-1.698.333**
036		1	Net financial income/expenses from insurance contracts		2.321.773	2.321.773		-1.723.837	-1.723.837
037		2	Net financial income/expenses from (passive) reinsurance contracts		-27.109	-27.109		25.504	25.504
038		3	Change of obligation for investment contracts						
039		**VII**	**Other income**		**4.785.102**	4.785.102		**5.377.888**	**5.377.888**
040		**VIII**	**Other business expenses**		**-4.135.797**	-4.135.797		**-4.751.584**	**-4.751.584**
041		**IX**	**Other financial expenses**						
042		**X**	**Share in the profit of companies that are consolidated using the equity method, net of taxes**						
043	016+017+035+039+040+041+042	**XI**	**Profit or loss of the accounting period before tax (+/-)**		**21.317.148**	**21.317.148**		**20.150.281**	**20.150.281**
044	045 + 046	**XII**	**Tax on profit or loss**		-3.687.276	-3.687.276		-3.535.447	-3.535.447
045		1	Current tax expense		-3.773.301	-3.773.301		-4.205.861	-4.205.861
046		2	Deferred tax expense/income		86.025	86.025		670.414	670.414
047	043+ 044	**XIII**	**Profit or loss of the accounting period after tax (+/-)**		**17.629.873**	**17.629.873**		**16.614.834**	**16.614.834**
048		1	Attributed to the owners of the capital of the parent company						
049		2	Attributed to a non-controlling interest						
050	051 + 056	**XIV**	**Other comprehensive income**		**3.812.410**	**3.812.410**		**19.092.602**	**19.092.602**
051	052 + 053 + 054 + 055	1	Items that will not be classified in the profit and loss account		**-971.900**	**-971.900**		**21.446.930**	**21.446.930**
052		1.1.	Net change in fair value of equity securities (OSD)		-2.282.740	**-2.282.740**		26.119.451	**26.119.451**
053		1.2.	Actuarial gains/losses on defined benefit pension plans						
054		1.3.	Other		1.097.497	**1.097.497**		35.342	**35.342**
055		1.4.	Tax		213.344	**213.344**		-4.707.863	**-4.707.863**
056	057 + 058 + ...+ 063	2	account		4.784.309	4.784.309		-2.354.328	-2.354.328
057		2.1.	Net change in fair value of debt securities (OSD)		-1.925.019	**-1.925.019**		1.050.755	**1.050.755**
058		2.2.	Exchange rate differences arising from the recalculation of foreign operations						
059		2.3.	Effects of protection instruments						
060		2.4.	Net financial expenses/income from insurance contracts		7.515.654	**7.515.654**		-3.936.425	**-3.936.425**
061		2.5.	Net financial income/expense from (passive) reinsurance contracts		-51.054	**-51.054**		14.538	**14.538**
062		2.6.	Other						
063		2.7.	Tax		-755.272	**-755.272**		516.804	**516.804**
064	047+ 050	**XV**	**Total comprehensive income**		**21.442.282**	**21.442.282**		**35.707.436**	**35.707.436**
065		1	Attributed to the owners of the capital of the parent company						
066		2	Attributed to a non-controlling interest						
067		**XVI**	**Reclassification adjustments**						

Statement of financial position

STATEMENT OF FINANCIAL POSITION									
									EUR
No	Sum elements	Position	Position description	Previous year			Curret year		
				Life	Non-Life	Total	Life	Non-Life	Total
001	002+003	**I**	**INTANGIBLE ASSETS**		**17.907**	**17.907**		**18.285**	**18.285**
002		1	Goodwill						
003		2	Other intangible assets		17.907	**17.907**		18.285	**18.285**
004	005+006+007	**II**	**TANGIBLE ASSETS**		**66.346.301**	**66.346.301**		**67.418.665**	**67.418.665**
005		1	Land and buildings used by the Company		63.191.421	**63.191.421**		63.829.530	**63.829.530**
006		2	Equipment		2.623.041	**2.623.041**		2.967.817	**2.967.817**
007		3	Other tangible assets and inventories		531.839	**531.839**		621.319	**621.319**
008	009+010+014	**III**	**INVESTMENTS**		**355.956.548**	**355.956.548**		**425.399.881**	**425.399.881**
009		**A**	**Investments in land and buildings not used by Company**		**125.605.805**	**125.605.805**		**127.415.663**	**127.415.663**
010	011+012+013	**B**	**Investments in subsidiaries, associates and joint ventures**		**3.442.166**	**3.442.166**		**3.442.166**	**3.442.166**
011		1	Stocks and shares in subsidiaries		3.442.166	**3.442.166**		3.442.166	**3.442.166**
012		2	Stocks and shares in associates						
013		3	Stocks and shares in joint ventures						
014	015+020+025	**C**	**Financial assets**		**226.908.578**	**226.908.578**		**294.542.052**	**294.542.052**
015	16 + 017 + 018 + 01	**1**	**Financial assets valued at amortized cost**		**121.017.310**	**121.017.310**		**133.906.473**	**133.906.473**
016		1.1	Debt financial instruments						
017		1.2	Deposits with credit institutions		34.354.353	**34.354.353**		48.227.826	**48.227.826**
018		1.3.	Loans		86.662.957	**86.662.957**		85.678.647	**85.678.647**
019		1.4.	Other financial assets						
020	21 + 022 + 023 + 02	**2**	**Financial assets at fair value through other comprehensive income**		**105.891.268**	**105.891.268**		**160.635.579**	**160.635.579**
021		*2.1*	Equity financial instruments		69.125.450	**69.125.450**		98.511.752	**98.511.752**
022		*2.2*	Debt financial instruments		34.924.285	**34.924.285**		60.246.952	**60.246.952**
023		*2.3.*	Shares in investment funds		1.841.533	**1.841.533**		1.876.875	**1.876.875**
024		*2.4.*	Other financial assets						
025	026 + 027+.... +030	**3**	**Financial assets at fair value through the profit and loss**						
026		*3.1*	Equity financial instruments						
027		*3.2*	Debt financial instruments						
028		*3.3.*	Shares in investment funds						
029		*3.4.*	Derivative financial instruments						
030		*3.5*	Other financial assets						
031	032 + 036 +040	**IV**	**INSURANCE CONTRACTS ASSETS**						
032	034+035+036	1	General measurement model						
033		1.1.	- Assets for residual coverage						
034		1.2.	- Assets for cash flows from the acquisition of insurance						
035		1.3.	- Property from ckaims						
036	037+038+039	2	Measurement model through variable compensation						
037		2.1.	- Assets for residual coverage						
038		2.2.	- Assets for cash flows from the acquisition of insurance						
039		2.3.	- Property from ckaims						
040	041 +042 +043	3	Premium distribution model						
041		3.1.	- Assets for residual coverage						
042		3.2.	- Assets for cash flows from the acquisition of insurance						
043		3.3.	- Property from ckaims						
044		**V**	**REINSURANCE CONTRACTS ASSETS**		**2.704.741**	**2.704.741**		**3.382.876**	**3.382.876**
045	046 +047	**VI**	**DEFERRED AND CURRENT TAX ASSETS**		**1.571.400**	**1.571.400**		**621.804**	**621.804**
046		1	Deferred tax assets		1.571.400	**1.571.400**		621.804	**621.804**
047		2	Current tax assets						
048		**VII**	**OTHER ASSETS**		**81.578.525**	**81.578.525**		**54.890.439**	**54.890.439**
049	050 +051 +052	**1**	**Cash in bank and on hand**		**36.785.468**	**36.785.468**		**13.349.093**	**13.349.093**
050		*1.1*	*Funds in the business account*		36.777.288	**36.777.288**		13.335.596	**13.335.596**
051		*1.2*	*Funds in the asset account to cover liabilities from life insurance contracts*						
052		*1.3*	*Cash on hand*		8.180	**8.180**		13.497	**13.497**
053		**2**	**Long-term assets intended for sale and cessation of business**						
054		**3**	**Other**		**44.793.057**	**44.793.057**		**41.541.346**	**41.541.346**
055	4+008+031+044+0	**VIII**	**TOTAL ASSETS**		**508.175.423**	**508.175.423**		**551.731.952**	**551.731.952**
056		**IX**	**OFF BALANCE SHEET RECORDS**		**1.899.956**	**1.899.956**		**7.685.788**	**7.685.788**

057	1+062+066+067+0	X	CAPITAL AND RESERVES		259.537.491	259.537.491		290.805.841	290.805.841
058	059 +060	1	Share capital		8.096.357	8.096.357		7.930.260	7.930.260
059		1.1	*Paid-in capital - ordinary shares*		8.096.357	8.096.357		7.930.260	7.930.260
060		1.2	*Paid-in capital - preferred shares*						
061		2	Premiums on issued shares (capital reserves)						
062	063 +064 +065	3	Revaluation reserves		50.769.716	50.769.716		74.258.872	74.258.872
063		3.1	*Land and buildings*		47.066.872	47.066.872		48.247.479	48.247.479
064		3.2	*Financial assets*		3.702.844	3.702.844		26.011.393	26.011.393
065		3.3	*Other revaluation reserves*						
066		4	Financial reserve from the insurance contract		6.120.972	6.120.972		2.905.025	2.905.025
067	068+069+070	5	Reserves		22.906.006	22.906.006		23.072.103	23.072.103
068		5.1.	*Legal reserves*		5.181.960	5.181.960		5.181.960	5.181.960
069		5.2.	*Statutory reserve*		17.724.046	17.724.046		17.890.143	17.890.143
070		5.3.	*Other reserves*						
071	072+073	6	Retained earnings or loss carried forward		154.264.890	154.264.890		166.024.747	166.024.747
072		6.1.	*Retained earnings*		154.264.890	154.264.890		166.024.747	166.024.747
073		6.2.	*Transferred loss (-)*						
074	075+076	7	Profit or loss of the current accounting period		17.379.551	17.379.551		16.614.834	16.614.834
075		7.1.	*Profit of the current accounting period*		17.379.551	17.379.551		16.614.834	16.614.834
076		7.2.	*Loss of the current accounting period (-)*						
077		XI	SECOND ORDER OBLIGATIONS (SUBORDINATED OBLIGATIONS)						
078		XII	MINORITY INTEREST						
079	080+084+088	XIII	LIABILITIES FROM THE INSURANCE CONTRACTS		182.110.651	182.110.651		197.821.985	197.821.985
080	081+082+083	1	General measurement model						
081		1.1.	- Liability for remaining coverage						
082		1.2.	- Assets for cash flows from the acquisition of insurance						
083		1.3.	- Liability for claims						
084	085+086+087	2	Measurement model through variable compensation						
085		2.1.	- Liability for remaining coverage						
086		2.2.	- Assets for cash flows from the acquisition of insurance						
087		2.3.	- Liability for claims						
088	089 +090 +091	3	Premium distribution model		182.110.651	182.110.651		197.821.985	197.821.985
089		3.1.	- Liability for remaining coverage		73.720.382	73.720.382		81.707.032	81.707.032
090		3.2.	- Assets for cash flows from the acquisition of insurance						
091		3.3.	- Liability for claims		108.390.269	108.390.269		116.114.954	116.114.954
092		XIV	LIABILITIES FROM REINSURANCE CONTRACTS						
093		XV	LIABILITIES FOR INVESTMENT CONTRACTS						
094	095+096	XVI	OTHER RESERVES		2.288.835	2.288.835		1.150.972	1.150.972
095		1	Reserves for pensions and similar obligations		2.288.835	2.288.835		1.150.972	1.150.972
096		2	Other reserves						
097	098+099	XVII	DEFERRED AND CURRENT TAX LIABILITY		14.778.475	14.778.475		18.284.765	18.284.765
098		1	Deferred tax liability		14.184.522	14.184.522		17.181.815	17.181.815
099		2	Current tax liability		593.953	593.953		1.102.949	1.102.949
100	101+102+...+105	XVIII	FINANCIAL LIABILITIES		16.926.601	16.926.601		15.732.074	15.732.074
101		1	Loan liabilities		11.748.092	11.748.092		10.238.689	10.238.689
102		2	Liabilities for issued financial instruments						
103		3	Liabilities for derivative financial instruments						
104		4	Liability for unpaid dividend		790.621	790.621		1.185.570	1.185.570
105		5	Other financial liabilities		4.387.889	4.387.889		4.307.814	4.307.814
106	107+108+109	XIX	OTHER LIAIBILITIES		32.533.369	32.533.369		27.936.315	27.936.315
107		1	Liabilities for alienation and discontinued operations						
108		2	Deferred payment of expenses and income of the future period		113.206	113.206		484.825	484.825
109		3	Other liabilities		32.420.163	32.420.163		27.451.491	27.451.491
110	079+092+093+094	XX	TOTAL CAPITAL AND LIABILITIES		508.175.423	508.175.423		551.731.952	551.731.952
111		XXI	OFF BALANCE SHEET RECORDS		1.899.956	1.899.956		7.685.788	7.685.788

Statement of Cash Flows

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

EUR

No.	Sum elements	Position	Position description	Current accounting period	Same period of the prevoious year
001	002+018+035 + 036 + 037	**I**	**CASH FLOW FROM BUSINESS ACTIVITIES**	**-13.644.250**	**32.874.122**
002	003+004	**1**	**Cash flow before changes in business assets and liabilities**	**-7.259.995**	**12.311.114**
003		1.1	Profit/loss of the accounting period	20.150.281	21.317.148
004	005+006+.....+017	1.2	Adjustments:	-27.410.276	-9.006.034
005		*1.2.1*	*Depreciation of real estate and equipment*	3.942.265	4.314.459
006		*1.2.2*	*Amortization of intangible assets*	13.791	32.446
007		*1.2.3*	*Impairment loss of intangible assets*	0	0
008		*1.2.4*	*Other financial costs*	0	0
009		*1.2.5*	*Impairment and fair value gains/losses*	-24.238.263	-10.933.038
010		*1.2.6*	*Interest expenses*	253.706	655.720
011		*1.2.7*	*Interest income*	-5.471.203	-3.912.330
012		*1.2.8*	*Profit from the sale of the subsidiary*	0	0
013		*1.2.9*	*Shares in the profits of associated companies*	0	0
014		*1.2.10*	*Equity-settled share-based payment transactions*	0	0
015		*1.2.11*	*Income tax expense*	0	0
016		*1.2.12*	*Gains/losses from the sale of tangible assets (including land and construction facilities)*	-162.598	-142.853
017		*1.2.13*	*Other adjustments*	-1.747.974	979.562
018	019+020+...+034	**2**	**Increase/decrease in business assets and liabilities**	**-8.158.501**	**19.896.069**
019		2.1	Increase/decrease in financial assets at fair value through other comprehensive income	-22.308.549	3.450.362
020		2.2	Increase/decrease of financial assets at fair value through the profit and loss account	0	0
021		2.3	Increase/decrease in financial assets valued at amortized cost	-13.873.473	-2.563.628
022		2.4	*Increase/decrease in assets/liabilities from insurance contracts*	15.711.334	5.561.738
023		2.5	*Increase/decrease in assets/liabilities from reinsurance contracts*	-678.135	1.066.714
024		2.6	Increase/decrease in tax assets	0	0
025		2.7	Increase/decrease in receivables	12.311.052	16.329.132
026		2.8	Increase/decrease in real estate investment	-1.180.607	-900.485
027		2.9	Increase/decrease in real estate for own use	0	0
028		2.10	Increase/decrease in other assets	1.451.246	1.056.156
029		2.11	*Increase/decrease of obligations from the investment contract*	0	0
030		2.12	*Increase/decrease in other reserves*	0	0
031		2.13	Increase/decrease in tax liabilities	-2.028.649	-3.205.212
032		2.14	Increase/decrease in financial obligations	0	0
033		2.15	Increase/decrease in other liabilities	2.967.088	-388.810
034		2.16	Increase/decrease in deferred payment of future period expenses and income	-529.808	-509.899
035		**3**	**Paid income taxes**	**-3.696.958**	**-3.245.391**
036		**4**	**Interest income**	**5.471.203**	**3.912.330**
037		**5**	**Receipts from dividends**	**0**	**0**
038	039+040+...+045	**II**	**CASH FLOW FROM INVESTMENT ACTIVITIES**	**-2.070.665**	**-5.030.228**
039		1	Proceeds from the sale of tangible assets	0	0
040		2	Expenditures for the acquisition of tangible assets	-1.672.966	-2.259.731
041		3	Proceeds from the sale of intangible assets	0	0
042		4	Expenditures for acquisition of intangible assets	-14.170	-7.281
043		5	Proceeds from the sale of subsidiaries, associates and joint ventures	0	0
044		6	Expenditures for the acquisition of subsidiaries, affiliates and joint ventures	0	0
045		7	Receipts/expenditures based on other investment activities	-383.529	-2.763.216
046	047+048+...+057	**III**	**CASH FLOW FROM FINANCIAL ACTIVITIES**	**-7.721.460**	**-14.742.157**
047		1	Cash receipts due to capital increase	0	0
048		2	Cash receipts from the issuance of redeemable preferred shares	0	0
049		3	Cash receipts from received short-term and long-term loans	1.330.000	0
050		4	Cash receipts from the sale of own shares	0	0
051		5	Cash receipts from the exercise of stock options	0	0
052		6	Cash outlays related to redeemable preferred shares	0	0
053		7	Cash outlays for repayment of received short-term and long-term loans	-2.839.402	-3.331.015
054		8	Cash outlays for the purchase of own shares	0	0
055		9	Cash outlays for interest paid	-253.706	-655.720
056		10	Cash outlays for dividends paid	-5.958.351	-10.755.423
057		11	Cash outlays for lease obligations	0	0
058	001+038+046	**IV**	**NET CASH FLOW**	**-23.436.375**	**13.101.736**
059		**V**	**EFFECTS OF CHANGES IN FOREIGN CURRENCIES ON MONEY AND MONEY EQUIVALENTS**	**0**	**0**
060	058+059	**VI**	**NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS**	**-23.436.375**	**13.101.736**
061		1	Cash and cash equivalents at the beginning of the period	36.785.468	23.683.732
062	**060+061**	**2**	**Cash and cash equivalents at the end of the period**	**13.349.093**	**36.785.468**

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY

EUR

No	Position description	Distributable to the owners of the Company								Distributable to non-controlling interests*	Total capital and reserves
		Paid in capital (regular and preferential shares)	Share premium account	Revaluation reserves	Financial reserve from the insurance contract	Capital reserves (legal, statutory, other)	Retained earnings or loss carried forward	Profit/loss of the current year	Total capital and reserves		
I.	**Balance as of January 1 of the previous year**	**8.096.356,8**	**0,0**	**53.320.131,0**	**0,0**	**22.906.005,9**	**138.859.800,8**	**16.872.091,1**	**240.054.385,6**	**0,0**	**240.054.385,6**
1.	Change in accounting policies	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.	Correction of errors of previous periods	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
II.	**Balance as of January 1 of the previous year (revised)**	**8.096.356,8**	**0,0**	**53.320.131,0**	**0,0**	**22.906.005,9**	**138.859.800,8**	**16.872.091,1**	**240.054.385,6**	**0,0**	**240.054.385,6**
III.	**The comprehensive profit or loss of the previous year**	**0,0**	**0,0**	**-2.550.415,5**	**6.120.971,7**	**0,0**	**10.873.466,9**	**507.459,9**	**14.951.483,0**	**0,0**	**14.951.483,0**
1.	Profit or loss for the period	0,0	0,0	0,0	0,0	0,0	0,0	17.379.551,0	17.379.551,0	0,0	17.379.551,0
2.	**Other comprehensive profit or loss of the previous year**	**0,0**	**0,0**	**-2.550.415,5**	**6.120.971,7**	**0,0**	**10.873.466,9**	**-16.872.091,1**	**-2.428.068,1**	**0,0**	**-2.428.068,1**
2.1.	Unrealized gains or losses from tangible assets (land and buildings)	0,0	0,0	899.946,9	0,0	0,0	0,0	0,0	899.946,9	0,0	899.946,9
2.2.	Unrealized gains or losses on financial assets at fair value through other comprehensive income	0,0	0,0	-3.450.362,4	0,0	0,0	0,0	0,0	-3.450.362,4	0,0	-3.450.362,4
2.3.	Realized gains or losses on financial assets at fair value through other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.4.	Net financial expenses/income from insurance contracts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.5.	Net financial expenses/income from (passive) reinsurance contracts	0,0	0,0	0,0	0,0	0,0	10.873.466,9	-16.872.091,1	-5.998.624,3	0,0	-5.998.624,3
2.6.	Other non-proprietary capital changes	0,0	0,0	0,0	6.120.971,7	0,0	0,0	0,0	6.120.971,7	0,0	6.120.971,7
IV.	**Transactions with owners (previous period)**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**4.531.621,8**	**0,0**	**4.531.621,8**	**0,0**	**4.531.621,8**
1.	Increase/decrease in share capital	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.	Other payments by the owner	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3.	Payment of profit share/dividend	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4.	Other distributions to owners	0,0	0,0	0,0	0,0	0,0	4.531.621,8	0,0	4.531.621,8	0,0	4.531.621,8
V.	**Balance on the last day of the reporting period in the previous year**	**8.096.356,8**	**0,0**	**50.769.715,5**	**6.120.971,7**	**22.906.005,9**	**154.264.889,5**	**17.379.551,0**	**259.537.490,4**	**0,0**	**259.537.490,4**
VI.	**Balance as of January 1 of the current year**	**8.096.356,8**	**0,0**	**50.769.715,5**	**6.120.971,7**	**22.906.005,9**	**154.264.889,5**	**17.379.551,0**	**259.537.490,4**	**0,0**	**259.537.490,4**
1.	Change in accounting policies	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.	Correction of errors of previous periods	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
VII.	**Balance on January 1 of the current year (revised)**	**8.096.356,8**	**0,0**	**50.769.715,5**	**6.120.971,7**	**22.906.005,9**	**154.264.889,5**	**17.379.551,0**	**259.537.490,4**	**0,0**	**259.537.490,4**
VIII.	**Comprehensive profit or loss for the current year**	**0,0**	**0,0**	**23.489.156,8**	**-3.215.947,2**	**0,0**	**11.759.857,8**	**-764.717,2**	**31.268.350,1**	**0,0**	**31.268.350,1**
1.	Profit or loss for the period	0,0	0,0	0,0	0,0	0,0	0,0	16.614.833,8	16.614.833,8	0,0	16.614.833,8
2.	**Other comprehensive profit or loss for the current year**	**0,0**	**0,0**	**23.489.156,8**	**-3.215.947,2**	**0,0**	**11.759.857,8**	**-17.379.551,0**	**14.653.516,3**	**0,0**	**14.653.516,3**
2.1.	Unrealized gains or losses from tangible assets (land and buildings)	0,0	0,0	1.180.607,7	0,0	0,0	0,0	0,0	1.180.607,7	0,0	1.180.607,7
2.2.	Unrealized gains or losses on financial assets at fair value through other comprehensive income	0,0	0,0	22.308.549,1	0,0	0,0	0,0	0,0	22.308.549,1	0,0	22.308.549,1
2.3.	Realized gains or losses on financial assets at fair value through other comprehensive income	0,0	0,0	0,0	0,0	0,0	11.759.857,8	-17.379.551,0	-5.619.693,3	0,0	-5.619.693,3
2.4.	Net financial expenses/income from insurance contracts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.5.	Net financial expenses/income from (passive) reinsurance contracts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2.6.	Other non-proprietary capital changes	0,0	0,0	0,0	-3.215.947,2	0,0	0,0	0,0	-3.215.947,2	0,0	-3.215.947,2
IX.	**Transactions with owners (current period)**	**-166.096,8**	**0,0**	**0,0**	**0,0**	**166.096,8**	**0,0**	**0,0**	**0,010**	**0,0**	**0,0**
1.	Increase/decrease in subscribed capital	-166.096,8	0,0	0,0	0,0	166.096,8	0,0	0,0	0,010	0,0	0,0
2.	Other payments by the owner	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3.	Payment of profit share/dividend	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4.	Other transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
X.	**Balance on the last day of the reporting period in the current year**	**7.930.260,000**	**0,000**	**74.258.872,240**	**2.905.024,510**	**23.072.102,690**	**166.024.747,280**	**16.614.833,800**	**290.805.840,520**	**0,000**	**290.805.840,520**

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).