

Allianz Hrvatska d.d.

Annual report for 2022

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Management Report

Management Report

After strong rebound in economic activity in 2021, with an excellent GDP growth of 13.1%, 2022 has also been a year of significant GDP growth. Croatian Bureau of Statistics published a figure of 6.3% (real) GDP growth in 2022. All categories of economic growth have risen, while the most important one, household consumption, grew by 4.5% on average. However, due to cost inflation concerns, as well as higher base effect, growth was somewhat weaker in second half of the year.

Investment activity kept the good pace from 2021, growing on average by 5.9% in 2022 and interestingly, showing stronger figures in second half of the year. On sector basis, retail & accommodation and food service sector showed the highest annual improvement, which was in line with another great touristic season and low base effect in first half of the year.

The biggest concern was and still is the high inflation rate. In 2022 average inflation rate stood at 10.8%, significantly higher than initially expected and also somewhat higher than in euro area. Labor market was tight and unemployment rate fell further. In December 2022 unemployment rate was at 6.4% (Eurostat), which was 0.3 p.p. lower than in December 2021 and 0.2 p.p. lower than the average figure for the euro area. Employment increased by 1.4% on an annual basis. Gross nominal wage increased by 8.3% in 2022.

At the end of 3Q 2022 current account recorded a deficit of 1.2% of GDP (sum of the last 4 quarters) compared to the C/A surplus of 1.8% in whole 2021. In total terms, export grew by roughly 26% on an annual basis, while total import expanded by roughly 25%. Both a strong touristic season and a continuation of pace in export of goods contributed to export growth. Looking only at export of goods, we may notice the expansion of 30.5% on annual, while in the same time import of goods grew by 46.5%, leading to export-import coverage ratio of 57.6% (in 2021 ratio was at 66.7%). The last figure reveals the high dependence on imported goods.

Budget deficit should come around 1.5% of GDP in 2022, better than initially planned figure. Reasons for relatively better fiscal performance are the large increase in nominal GDP as well as higher fiscal revenue due to almost full recovery in services sector. Public debt was at 70.4% of GDP in 3Q 2022, a decrease of 11.1 p.p. relative to 3Q 2021. The decline in ratio is primary due to considerably higher nominal GDP.

Although in February and March, after the start of Russian aggression towards Ukraine, Croatia debt securities were hit pretty hard (as was the case for almost all CEE countries) in rest of the year Croatian bonds returned the initial spread widening and in whole 2022 spread of Croatian (euro)bonds remained stable and even decreased on the shorter end of the curve. MoF did not have any issues with debt refinancing and with issuances of new bonds. Croatia issued one new eurobond in 2022, with maturity of 10 years and in the total amount of EUR 1.25bn (YTM at issuance was 2.98%). The main purpose was the refinancing of the maturing USD eurobond. Also, in 2022 Croatia issued 3 new local bonds with maturities of 4, 8 and 10 years in the total amount of EUR 2.2bn. After the official confirmation of entrance in euro area in 2023, Croatia has received significant rating upgrade from major credit rating agencies. Croatia now has IG status at all 3 major credit rating agencies with investment rating of BBB+ (stable outlook) at S&P and Fitch and Baa2 (stable outlook) at Moody's. Apart from entrance in euro area, improvement in institutional strength can also be seen through the acceptance of Croatia in Schengen area (also at the start of 2023).

Apart from occasional episodes of increased volatility and spread widening, Croatian eurobonds have generally followed core EUR rate developments. In the second half of the year, spreads have generally narrowed and spread levels remained at pretty much the same levels as was the case at the end of 2021. Local bonds have followed the development of more liquid eurobonds and by the end of the year local yields converged to eurobond levels. FX rate for entrance in euro area was set at 1 EUR = 7.5345 HRK, and in whole 2022 FX rate was stable.

EC expects GDP growth of 1.2% in 2023, while CNB expects GDP growth of 1.4%. On the negative side there is deteriorated export outlook and lower inflation-burdened private consumption. NGEU funds and other EU disbursements should act positively on growth outlook in near and medium term and may spur new investments in sustainable production as well as in higher value-added (digital) services. Banking sector is very well-capitalized with average capital adequacy ratio of around 24%. Although, inflation has taken some part of disposable income in Europe, there are still positive expectations of touristic season in 2023, which should then support the whole economic activity.

Management Report (continued)

Inflation is projected in the range of 6.5%-7.5% in 2023 (EC and CNB), but in harmony with global easing of supply bottlenecks and higher base, inflation should become more subdued in the second half of the year. Labor market should stay strong and further growth of tourism and services sector will likely lead to higher levels of employment, while there may also be some increased wage growth pressures. Public finances are likely to continue the positive trend from 2021 and 2022 and relative indebtedness should at least stay at the levels of 70% of GDP. MoF is planning a budget deficit of 2.4% of GDP in 2023.

Bond yields should follow core rate developments as well as trends in BBB investment rating category. Still, due to strong macroeconomic fundamentals and stable fiscal picture, there is a room for another episode of spread tightening. Local bonds (now in EUR) may still offer somewhat higher liquidity premium due to lower turnover in local market. Equity market had a negative performance in 2022, with leading index (CROBEX) down by 4.8%. Compared to leading global equity indices, local market managed to do far better in 2022. Even after global equity correction, there is still a sizeable valuation discount relative to DM peers which can be explained by lack of liquidity and weaker market efficiency. This discount may shrink with the entrance in euro area and with further capital market developments. Majority of the local blue-chip companies are characterized as stable companies with the value tilt, while hotel&leisure companies offer a good exposure to further recovery and growth in the tourism sector and are now in more matured phase than before corona virus pandemic. After significant growth in last couple of years, residential real estate market should stabilize as higher mortgage rates (as well as deposit rates) will likely dampen one part of excess demand.

The Group continues to duly monitor the changes and potential risks from the capital markets, as well as changes in portfolio needs and liabilities, and is ready to react in order to minimize market effects on business activities. Current market environment is somewhat more positive for long-term interest income generation due to higher yields, although yields are still relatively low when compared to historical values. As market volatility is likely to stay in the short term, the Group continues with prudent and conservative investment activities in order to achieve a stable income and cash flow. Also, Group always ensures the adequate liquidity position through all available money market instruments. Group is focused on maximizing life insurer's profit per given level of risk, while protecting shareholders' and policyholders' assets. Timely and effectively solving all claims and needs remains the core of the business operations.

Group has an internationally diversified portfolio, comprising mostly of IG fixed-income assets (denominated in EUR). Dilligent and gradual expansion of investment opportunity set has led to decrease of the concentration risk to Croatian Government bonds that was previously present due to historical regulatory reasons. Investments take into account macroeconomic, credit and all other specific risks of the particular investment and are viewed in the context of the whole portfolio with the aim of improving the risk and return profile. Group is also managing assets in order to match liabilities and to provide high degree of liabilities immunization.

The Company continued by expanding the business on the Slovenian market where it operates through the branch established in July 2018. The Company has significant expectations in future premium growth both in retail and corporate segment due to high share of insurance premium in GDP on Slovenian market, good services recognized under Allianz brand and support by experienced Croatian team. Achieved premium growth on the Slovenian market in 2022 indicates the market's potential as the Company's continues to work on improving the processes and building a solid foundation for growth and market share increase in the future.

Management Report (continued)

During 2022, the majority of the Company's resources were focused on the introduction of EUR currency from January 1, 2023 and on the preparation for the introduction of the new International Accounting Standards 17 and 9, which the Company is obliged to apply from January 1, 2023. Focus continued to be on technical excellence and the implementation of digitalization.

In accordance with the rules and regulations that apply to our profession, we still plan to attend to careful running of the entire business of the company through simplification of our products and processes, satisfying the needs of our clients, minimizing risks, achieving planned profitability and maintaining the adequate capital position in order to prevent the impairment of the financial stability of the Company at any time and in order to ensure the active, constructive and fair role of the Company on the insurance market and the financial market in the Croatia and Slovenia.

Business results achieved in 2022 and during the previous years prove that we are on a good way to achieve our medium-term business plans and strengthen the position of Company both in the Croatian insurance market and Slovenia as well, all in line with the position of the Company brand in the global market.

In addition to achieving good business results, our main objective in the future will be to be recognized by our clients as the leading and digitally modernized insurance company that provides safety and support in the future, while maintaining mutual confidence as well as the assurance that our employees make a difference. In this way we shall continue to increase the market competitiveness, satisfaction and number of customers.

We shall remain and continue to be the financial institution that clients trust the most owing to our professional, moral and ethical behaviour and business management.

Management Report (continued)***2022 financial performance***

In 2022, the Company achieved a total gross premium in the amount of HRK 1.476,6 million (including impairment of receivables), which is 20,1% higher versus previous year.

In non-life insurance, Company generated gross premium income in the amount of HRK 904,6 million (including net bad debt provision), which represents growth compared to previous year of 14,2%. Premium growth comes from all lines of business, mostly from Fire and other damage to property insurance, General liability and MOD insurance.

Increase of total premium income generated in Slovenia coming from non-life business which is primarily driven by property, motor and liability insurance. Life premium in Slovenia grew compared to previous year, indicating potential for future growth in life segment.

Gross premium income from life insurance in 2022 was HRK 572,0 million which represents an increase of 30,8% compared to previous year. Growth of life insurance premium is coming from unit-linked and is generated through the bank assurance channel, one of the most important distribution channels for the life business.

The Group's gross profit in 2022 amounted to 156,5 million (Company: HRK 156,2 million), which increased in relation to the last year by 24,8% (Company: 24,9%). Growth in profitability is coming from both segments of the business.

In non-life insurance, the Company achieved strong growth of gross profit in 2022. Improvement of the result is visible on all lines of business with emphasis on property, MTPL, travel and accident.

The Company realized combined ratio (net of reinsurance) in non-life insurance business of 89,2%, including both markets in Croatia and Slovenia which represents better expense ratio of 1,6% compared to 2021.

At the same time, the solvency ratio, which is an important business and financial quality indicator, decreased to 189% (2021: 201%) primarily due to the increase of Solvency Capital Requirement; particularly increase for spread and concentration risk due to buying of Croatian eurobonds. As Croatian Eurobonds are risk free in 2023 this effect was temporary and will not be seen in 2023. Our solvency ratio remains strong even with upcoming transition to EUR curve calculation.

Management Report (continued)

Expected future development

When comparing the Croatian market with markets in the rest of Europe, we can freely say that the Croatian insurance industry is still underdeveloped, which is particularly pronounced in the segment of life insurance with the share of insurance premium in GDP of around 1%. Taking these facts into account, the Croatian insurance market is characterized by a significant growth potential that the Company intends to take advantage of. Life insurance taking into account ageing population and the greater need of provision of pensions, represents high potential for growth, but it is still a question when this potential will be achieved through rise of awareness of the population about needs for life insurance.

A supplement to the life insurance product is the savings in the third pension pillar, and we see the growth potential in this segment over the next decade.

Regarding the life insurance, the growth is still expected to be achieved through the bank assurance channel, the development of new products and as part of other activities, thereby raising the level of services in distribution through its own sales network and other channels.

Focus remains to be development and sales of "unit linked" and "risk" products, and further education and development of the sales channels in this segment.

In non-life insurance, the goal is to further improve the technical excellence supporting the profitable growth in motor and work on further simplification of products and services to our clients.

By entering the new market in 2018, the Company intends to acquire a 3% of the Slovenian insurance market in next three years through non-life and life insurance. Increase in market share intends to be achieved in the following manner:

- by offering wide product portfolio within the retail and corporate business segment;
- using geographic interconnection of two countries, acquired knowledge in the local market and immediate operational support and
- advantages of linguistic and cultural similarities, as well as existing commercial connections between Slovenia and Croatia.

There are significant expectations of growth in the next period in relation to Slovenian branch and sources of growth expected are both retail and commercial segments.

For growth on Slovenian market and achieving the business plan, the Company has strong preconditions in using the experience of Croatian team, developed partnerships as well as strong Allianz brand. Large growth potential is expected in bank insurance channel on both markets by strengthening the cooperation with Zagrebačka banka d.d. and Unicredit bank Slovenia d.d. under the umbrella of the Allianz & Unicredit regional partnership and exclusive contract signed for period of 15 years. Long-term experience in the sales of bank assurance on Croatia market and cooperation with the leading bank creates the prerequisites for the successful development of bank assurance business also in Slovenia.

Management Report (continued)***Research and development activities***

The Company regularly develops innovative products designed for the insurance market. Company is also regularly developing his own core software which supports growing demands on the insurance products.

Shares of the Company

The share capital is divided into 254,306 ordinary shares with a nominal value of HRK 400 each. At the reporting date, the only shareholders of the Company is Allianz Holding eins GmbH, a limited liability company seated in Austria, with 100% of share in the share capital and voting rights of the Company. As of 14 October 2022 Allianz Holding eins GmbH acquired 16.84% minority share held by Zagrebačka banka d.d. till October 7, 2021, when ceased to exist due to the acquisition by Allianz Holding eins GmbH, the majority shareholder of the Company was Allianz New Europe Holding GmbH with 83.2% of share in the share capital and voting rights of the Company. Shares of the Company are not listed on the capital market. The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

Information on the purchase of own shares

Till the end of 2022 the Company did not acquire and release any treasury shares.

The Company subsidiaries

The Company has 3 subsidiaries and 3 open-ended investment fund which are fully consolidated in the group financial statements as follows:

Allianz Invest, d.o.o., za upravljanje investicijskim fondovima, managing Allianz Short Term Bond, open-ended investment fund, Allianz Portfolio, open-ended investment fund and Allianz Equity, open-ended investment fund, AZ Servisni centar d.o.o. za procjenu i usluge and Autoelektro tehnički pregledi d.o.o. za trgovinu i usluge.

Total investment in subsidiaries at the end of 2022 amounted to HRK 250,679 million. There were no new acquisitions in 2022, only changes in share of the investment funds. Details about tructure of the ownership are shown under note 1.14.

Post balance sheet events

Post balance sheet events have been disclosed in Note 1.41.

Non financial report

The Company is according to Accounting law, article 21 a., paragraph 7., exempt from non financial reporting as it is included as a subsidiary in consolidated non- financial reporting of Allianz SE which is prepared and issued in english located on web www.allianz.com/nf-report.

Management Report (continued)***The objectives and policies related to the management of financial risks***

Market risk for the Company consists of the following risk types: the risk of lower equity prices, real estate risk, interest rate risk, currency risk and volatility risks including the volatility of equity, real estate and interest rates. Each of these risks can lead to negative developments in the valuation of assets and liabilities. Due to the amount of assets under management and the amount of mathematical provisions and guarantees given to policyholders of life insurance, the Company is exposed to movements in financial markets.

The Company is exposed to currency risk through transactions in foreign currencies related to credit, deposit and other investment activities, as well as from premium income, primarily by life insurance, calculation of related technical provisions, settlement of claims on insurance policies linked to foreign currency and the payment of reinsurance premiums. The Company is mainly exposed to Euro.

The Company monitors the exposure to currency risk and seeks to align currency assets and liabilities denominated in foreign currencies or with currency clause.

On the assets side, it is important to emphasize that the decision on the allocation of the investment portfolio takes into account the currency exposure of the product and thus determines the currency exposure of the investment portfolio.

The exposure of the Company to interest rate changes within the market risk is driven by both investment portfolio and liabilities arising from life insurance.

Interest rate risk is linked to financial instruments with a fixed and variable interest rate. In another words assets and liabilities with variable interest rates expose the Company to changes in the future cash flows, while assets and liabilities with fixed rates expose the Company to fair value of interest rate risk. The risk of future cash flows is limited since the most investments are allocated at a fixed rate.

The Company is managing the asset portfolio by matching it with the liabilities taking into account the inherent interest rate as well as current and expected market conditions. Insurance liabilities that primarily expose the Company to interest rate risk are mathematical reserves under long-term contracts of life insurance.

The interest rate used in the calculation of mathematical reserves is lower or equal to the technical interest rate included in the price of premiums and interest rates prescribed by the legislation. Thus, fully complying the life insurance portfolio with the relevant legislation.

The Company regularly performs modelling and estimation of cash flows, as well as the impact of interest rate fluctuations related to investment portfolio and technical provisions of the models prepared by the parent company. The goal is to limit the net changes in the value of assets and liabilities arising from changes in interest rates, as well to assess the compliance of future income and liabilities under insurance contract.

The effect of change in interest rate is reduced by determining duration of the portfolio of securities with fixed income. Decision on duration of portfolio investments is made within strategic asset allocation framework, based on the impact analysis of changes in interest rates on the asset portfolio and the maturity of the liabilities.

The Company monitors continuously the investment portfolio and market conditions to address the movement of interest rates in order to manage interest rate risk within investment decision making.

For the purposes of risk management in equity prices and investment funds, the Company invests in a diversified portfolio of high-quality liquid securities.

The portfolio's holdings are diversified across industries, while the concentration of a single entity and the overall size of the portfolio is limited by parameters aligned the Finance Committee or legislation.

The portfolio is monitored and analysed daily.

The Company has other measures for reducing market risk, such as diversification of investment portfolios reducing the concentration of the exposure to the Croatian government bonds. Before decision on the change in allocation, the estimation of the impact on the capital position of the Company is performed (Solvency II). Moreover, the Company has been actively dedicated to reduce the guarantee in the portfolio of life insurance including activities to gradually reshape the structure of the portfolio.

Management Report (continued)***The objectives and policies related to the management of financial risks (continued)***

Market risks are identified and measured through an established process for top risks assessment, although such risks are already addressed within Solvency II Standard formula as a part of market risk capital requirements. Most significant market risks identified for Company are interest rate risk, equity risk and currency risk, monitored on quarterly basis.

The Company is managing its asset by matching investments with liabilities maturity structure, foreign exchange structure and liquidity. The main financial instruments to which asset is invested are government and corporative bonds, treasury bills, shares, investment funds, bank deposits as well as loans to insurer and companies.

The Company has adopted investment policies and procedures in order to manage risks. They contain the protection measures from larger losses (stop loss scenario), whose purpose is to minimize risk and ensure adequate yield.

Exposure to the price risk, credit risk, liquidity risk and the risk of the cash flow

The Company holds strong liquidity position having higher cash inflow than cash outflow generating liquidity surplus supporting further investments.

Transactions of the financial instruments lead to overtaking financial risks such as market risk, credit risk (including reinsurance credit risk) and liquidity risk.

The Company holds liquid assets in the portfolio as a part of the strategy for liquidity risk management insuring business continuity within given regulatory conditions. Significant investments in government securities classified as available for sale (bonds and treasury bills) and investment funds, including investments in bank deposits with the clause of early termination represent highly liquid financial instruments with daily inflows to cash accounts. Thus, allowing the Company a strong liquidity position with limited exposure to liquidity risk while complying with legal liquidity requirements.

A key area in which the Company is exposed to credit risk are investments in financial assets, primarily in fixed income securities, mortgage loans, deposits, and other short-term and long-term investments. The Company applies a low-risk investment policy by investing its assets mainly in investments with good credit rating with the majority of the portfolio relating to the securities of the Republic of Croatia and EU member states. Term deposits are invested in leading Croatian banks owned by international banking groups. Allocation of asset in investment funds including exposure to leading banks are mitigating credit risk and increasing portfolio diversification.

The Company continuously monitors the credit risk exposure. The portfolio manager actively manages the portfolio on a daily basis in line with market trends while considering further transactions on purchase / sale. Transactions of purchase / sales are limited by internal and legal regulations and decisions of the Finance Committee. Through regular meetings, Finance Committee ensures proper credit risk management is implemented at the operational level in daily business.

The Company considers prudent investment policy when granting loans by issuing a separate policy assessing customer credit scoring and assuming collateral before the loan is originated, prolonged or paid.

To reduce the risk of reinsurers not settling the obligations on time and in accordance with the contractual obligations, the Company complies with the Allianz Group standards to conduct business with high-quality reinsurers. Credit risks are also identified and measured through an established process for top risks, although such risks are already addressed within Solvency II Standard formula as a part of capital requirements. One of the identified most significant risks is the risk of lower credit rating of government bonds the Company has in a portfolio, primarily Croatia, Romania, Indonesia and Mexico.

Management Report (continued)

Statement on the corporate governance Code

Effective corporate governance is a necessary precondition for the success of the Company. The same is accomplished through setting strategic goals, providing infrastructure that allows their implementation, establishing clear lines of responsibility, personal integrity and expertise of the Management Board and employees. The Company applies the applicable regulations and internal policies and monitors the compatibility of the organizational structure.

General Assembly

The General Assembly is generally convened by the Management Board.

The General Assembly may only adopt valid decisions if Shareholders representing at least 51% of the Company share capital attend the session in person or via proxies.

Decisions at the General Meeting shall be adopted by a simple majority of the cast votes, unless a qualified majority is required for the adoption of certain decisions pursuant to the Companies Act, Statute or fulfillment of additional conditions. Each share in the nominal amount of 400.00 HRK entitles to one vote.

The General Assembly decides on the election and revocation of the Supervisory Board members, profit distribution, the listing of the Company's shares on the regulated market for trading and withdrawal of shares from the market, approval of conduct to members of Supervisory Board and members of Management Board, appointment of the company's auditor, change of the Statute, increasing and decreasing of the share capital of the Company, appointment of auditors to examine the actions performed in the establishment of the Company or management of the Company, the appointment and revocation of members of the Audit Committee as well as about the remuneration for their contribution. Company's membership in the insurance associations, termination of the Company and on all other matters as are prescribed by law and the Statute.

The Supervisory Board

The Supervisory Board consists of 3 (three), 5 (five) or 7 (seven) members. The Supervisory Board members are elected by the General Assembly and may be re-elected after their mandates expire. Number of The Supervisory Board members must be odd number. The Supervisory Board elects the Chairman and the Deputy Chairman of the Supervisory Board among its members.

Pursuant to the Insurance Act, a supervisory board member of an insurance company may be a person who meets the prescribed conditions of expertise and suitability to perform that function at all times. Given the above, the expertise and suitability of the members of the Supervisory Board of the Company is regularly assessed and confirmed by a decision of the General Assembly.

Meetings of the Supervisory Board are generally convened quarterly, and minimum once in every six months.

The Supervisory Board may pass valid decisions if at least the majority of elected Supervisory Board members are participating in adoption of the decision. Supervisory Board's decisions shall be adopted by the majority of given votes. If the Supervisory Board consists of 3 (three) members, at least 2 (two) members must participate in the decision-making process. If the Supervisory Board consists of 3 (three) members and only 2 (two) members participate in the decision-making process, valid decisions can only be taken unanimously. Each member of the Supervisory Board shall have one vote.

Management Report (continued)***The Supervisory Board (continued)***

In addition to the competences and obligations of the Supervisory Board defined by Companies Act and the Statute of the Company, in accordance with the Insurance act the Supervisory Board: gives approval on the Management Board on the business policy and strategic goals of the Company; on the financial plan of the Company; on strategies and policy of underwriting and risk management; on own risk and solvency assessment; on the internal control system; on the framework annual program of internal audit and to decide on other matters specified by the Insurance Act.

The Supervisory Board members are obliged to monitor the adequacy of the procedures and the effectiveness of internal audit; fulfill their obligations taking into account the facts found by the Croatian Financial Services Supervisory Agency (hereinafter: the Agency), the tax authorities and other supervisory bodies during the supervision of the Company; monitor the implementation and effectiveness of the system of governance; monitor the implementation of the business policy of the Company, strategic goals and strategies and policy of underwriting and risk management; monitor procedure of publishing information; examine the financial statements of Company and submit a written report to the General Assembly on their findings; to explain to the General Assembly of shareholders their opinion on annual internal audit report and annual Management Board report.

The Supervisory Board member is obliged to inform the Agency on appointment or revocation of his or her function on the Company and on membership in Supervisory Board and Board of Management of other legal entities; to inform the Agency of the legal affairs on the basis of which, either a member of the Supervisory Board, or a members of his immediate family has acquired, directly or indirectly, stocks and shares in a legal entity on the basis of which member of the Supervisory Board together with his family member reaches or exceeds the qualifying holding in that legal person, or their share falls below the qualifying holding.

The Supervisory Board members are obliged, without delay, to notify in writing the Agency of any information which may affect the revocation of the approval for the Management Board Member to carry out its function and on the termination and the reasons for termination of mandate of Member of the Management Board.

Members of the Supervisory Board for business year 2022 and up to the date of issuing of these financial statements were as follows:

- Mr. Petros Papanikolaou, Chairman of the Supervisory Board,
- Ms. Tamara Kolega, Supervisory Board Member,
- Mr. Mario Ferrero, Supervisory Board Member.

Management Board of the Company

The Management Board consists of minimum 2 (two) and maximum 5 (five) members one of whom one is appointed as President of the Management Board. Management Board Members must be full time employed in the Company. Supervisory Board shall appoint Management Board Members for a period up to five years. Reappointment is permitted. Appointment/ reappointment of Management Board Members will be possible after the Agency gives its prior approval for appointment/ reappointment of the candidates as insurance company' Management Board Members.

Pursuant to the Insurance Act, a management board member of an insurance company may be a person who meets the prescribed conditions of expertise and suitability to perform that function at all times. Given the above, the expertise and suitability of the members of the Management Board of the Company is regularly assessed and confirmed by a decision of the Supervisory Board.

Management Report (continued)***Management Board of the Company (continued)***

Management Board's decisions shall be adopted by majority of given votes unless it is differently stipulated by Companies Act, other applicable laws and bylaws or Company's Statute. If the Management Board of the Company consists of an even number of members, and the votes of the members of the Management Board are so divided that a simple majority of the votes cast cannot be obtained when making a decision of the Management Board, the President of the Management Board has a deciding vote.

In addition to its authority and obligations specified in the Companies Act, members of the Management Board shall ensure the Company's compliance with the provisions of the Insurance Act and regulations adopted pursuant to the Insurance Act, or pursuant to other laws regulating the business of insurance companies and regulations adopted pursuant these laws.

Management Board is responsible to inform the Supervisory Board in writing and without delay, of a threat to liquidity of the Company; if there is reason for expiry of the authorization to carry on insurance business, or if there is a reason to revoke the authorization to carry on insurance business, or to prohibit the carrying out of operations under all or individual lines of insurance; if the financial situation of Company changes to the extent that the Company is no longer aligned with the necessary Solvency Capital Requirement or it is not aligned with the Minimum Capital Requirement, or when there is a risk that this incompatibility appears in next three months and of all measures of the Agency and other supervisory authorities issued in the procedure of monitoring of the insurance company.

Members of the Management Board shall inform the Supervisory Board, in writing and without delay, on his or her appointment or revocation in the supervisory board or management board of other legal entities; on legal affairs on the basis of which either a Management Board member or a member of his immediate family, has , directly or indirectly, acquired stocks or business shares of legal persons on the basis of which member of the board along with members of his immediate family reaches or exceeds a qualifying holding in that legal person, or if their share falls below the qualifying holding; on termination of Management Board function; on termination of conditions for performing the function of Management Board Member and on the conflict of interest he or she is involved in; and of all others events and facts in accordance with the Insurance Act and other laws regulating the business of insurance companies and regulations adopted pursuant these laws.

Members of the Management Board for business year 2022 were the following:

- Mr. Daniel Matić, President of the Management Board
- Mr. Slaven Dobrić, member of the Board,
- Mr. Lukas Oliver Pavić, member of the Board until December 14. 2022
- Mr. Wassim El Helou, member of the Board until November 30. 2022
- Ms. Marijana Jakovac, member of the Board

The Audit Committee

According to the Audit Law, the Company has an Audit Committee consisting of three (3) members who are elected and recalled by the General Assembly.

In the fiscal year 2022, the members of the Audit Committee were:

- Ms. Sanja Sever Mališ, Chairman of the Audit Committee
- Ms. Ivana Dražić Lutilsky, Member of the Audit Committee
- Mr. Mario Ferrero, Member of the Audit Committee

Management Report (continued)

The Audit Committee (continued)

Ms. Sanja Sever Mališ and Ms. Ivana Dražić Lutilsky are independent members of the Company's Audit Committee and receive remuneration for their work.

The Audit Committee has, among other, the following responsibilities:

1. reports to the Supervisory Board on the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and explains the role of the Audit Committee in this process
2. monitors the financial reporting process and submits recommendations or proposals to ensure its integrity
3. regarding to financial reporting, monitors the effectiveness of internal quality controls, risk management systems and internal audit, without violating its own independence
4. supervises the execution of the statutory audit of the annual financial statements and the annual consolidated financial statements
5. examines and monitors the independence of the audit firm, and in particular, the appropriateness of providing non-audit services subject to Committee's prior approval
6. is responsible for the selection process of the audit firm and proposes the appointment of an audit firm.

Financial Committee

Financial Committee considers relevant questions about the investment strategy of the Company, accompanied by investment process and provides guidance and recommendations related to the investment company's assets.

Governance and control Committee (GovCC)

In order to ensure structured and institutionalized cooperation on governance and control matters, the Company has established a Governance and Control Committee (further on referred to as GovCC). GovCC consists of key functions holders (including Legal and Accounting and Reporting as additional functions). The main objective of the GovCC is to discuss, prepare and propose to the Management Board decisions related to implementation and maintenance of governance and control system. Existence of this Committee does not affect nor diminish in any way responsibilities of the members of the Management Board arising from their regular roles in the Company.

Key functions

In order to implement and maintain effective governance and internal and risk control system Company has also established the following key functions:

- compliance function,
- actuarial function,
- risk management function and
- internal audit function

Management Report (continued)***Conflict of interest***

Rules, internal acts of the organization and operations as well as the individual contracts of employment have clearly specified duties and responsibilities of each employee.

In addition, in accordance with the Companies Act, member of the Management Board may not, without the consent of the Supervisory Board participate in the decision or the conclusion of a legal transaction if he or she is:

- 1) a representative under law, legal representative, proxy or attorney of the counterparty,
- 2) if the counterparty or its representative under law, legal representative, proxy or attorney counterparty is blood relative of the Member of the Management board in a direct line to any degree, in the collateral line to the second degree or his spouse, common-law spouse or in-laws to the second degree, regardless of whether the marriage is ended or not, or the adoptive parent or adopted child of the other contracting party, its representative under law, legal representative, proxy or attorney,
- 3) associated with the legal transaction to be decided upon or concluded which makes a conflict of interest between the members of the Management Board and Company. No matter how member of Management Board participates in the decision or conclusion of a legal transaction, a Management Board member shall immediately inform about the those circumstances other members of the Management Board and Supervisory Board and in the notification he or she shall state all relevant facts about the nature of his relationship with a counterparty and his or hers assessment of conflict of interest.

Transactions with related parties

Pursuant to Article 497, paragraph 3 of the Companies Act, and in addition to the aforementioned legal affairs and actions, the Management Board of Allianz Hrvatska d.d. gives the following statement:

We believe that for all legal transactions and actions taken during 2022, and according to the circumstances that were known at the time when a particular legal transaction or action with related companies was undertaken or when it was missed to be undertaken, it received appropriate counteraction and without damages for the Company regardless of whether any action was taken or missed.

*Member of the Management
Board*
Marijana Jakovac

*Member of the Management
Board*

Josipa Parać Bistović

*Member of the Management
Board*
Slaven Dobrić

*President of the Management
Board*

Daniel Matic

Responsibilities of the Management and Supervisory Boards for the preparation and approval of the annual financial statements, Management Report and HANFA schedules

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

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently, making judgements and estimates that are reasonable and prudent, and preparing the separate and consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report on the Company and Group together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The separate and consolidated financial statements set out on pages 22 to 141 together with the schedules prepared in accordance with the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20) ("the Schedules"), presented on pages 142 to 158, and the reconciliation, presented on pages 159 to 170, of the Schedules with the financial statements were authorised by the Management Board on 25th April 2023 for issue to the Supervisory Board and are signed below to signify this.

The Management Board is also responsible for the preparation and content of the other information (Management Report as required by the Croatian Accounting Act and Corporate Governance Information). The Management Report set out on pages 1 to 13 were authorised by the Management Board on 25th April 2023 and signed accordingly.

Member of the Management Board

Marijana Jakovac



Member of the Management Board

Josipa Parać Bistović



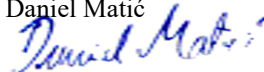
Member of the Management Board

Slaven Dobrić



President of the Management Board

Daniel Matić





Independent Auditor's Report

To the Shareholders of Allianz Hrvatska dioničko društvo za osiguranje d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

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

Our opinion is consistent with our additional report to the Audit Committee dated 25 April 2023.

What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

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

Basis for opinion

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

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

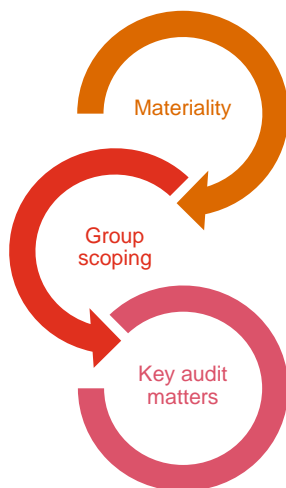
Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Our audit approach

Overview



- Overall Company materiality: HRK 11.8 million, which represents 0,8% of gross written premium.
 - Overall Group materiality: HRK 11.8 million, which represents 0,8% of gross written premium.
-
- We audited the parent company, and five domestic direct subsidiaries.
 - Our audit scope addressed over 99% of the Group's revenues and over 99% of the Group's absolute value of underlying profit.
-
- Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT).

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

Materiality

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

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

Overall materiality for the Company and the Group	The Company: HRK 11.8 million The Group: HRK 11.8 million
How we determined it	The Company: 0,8 % of gross written premiums The Group: 0,8 % of gross written premiums
Rationale for the materiality benchmark applied	We chose gross written premium as the appropriate benchmark because it is the benchmark against which the performance of the Company and the Group is measured, in terms of both its market share and customer base.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)</i></p> <p>Refer to note 1.6 'Principal assumptions that have the greatest effect on recognized insurance assets, liabilities, income and expenses', note 1.7 "Liability adequacy test" and note 1.20 'Insurance contract liabilities'.</p> <p>Insurance contract liabilities are an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry, the Company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may increase the inherent risk as a result of inadequate / incomplete data or the design or application of the models.</p> <p>Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions.</p> <p>The Company's IFRS liability adequacy test was performed in order to confirm that insurance contract liabilities were adequate in the context of expected future cash outflows.</p>	<p>In particular, our audit was focused on the more complex models and/or requiring significant judgement in determining the assumptions used in calculating technical provisions or performing the liability adequacy test.</p> <p>We used our own actuarial specialists to assist us in performing our audit procedures.</p> <p>We obtained an understanding of the internal actuarial process and assessed how management determined and approved economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, the specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied and comparing them with applicable industry practices.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the product features. We also assessed whether the models comply with the applicable accounting standards.</p> <p>Furthermore, in our recalculations we determined whether the technical provisions calculations performed by the models and systems are accurate and complete.</p> <p>We tested the validity of the management's liability adequacy testing, which is a key test performed to verify whether the liabilities are adequate as compared to expected future contract liabilities. The inputs used were reconciled with the accounting records.</p> <p>All our procedures were performed on a sample basis.</p> <p>Our work on the liability adequacy tests included challenging the assumptions in projected cash flows adopted both by the Group and the Company considering industry practices and specific product features.</p>



How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises the Management Report and Forms in accordance with Regulatory Requirements but does not include the separate and consolidated financial statements and our auditor's report thereon.

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

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

With respect to the Management Report we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act.

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

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent, in all material respects, with the separate and consolidated financial statements,
- the Management Report has been prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act; and

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report or in the Forms in accordance with Regulatory Requirements that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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

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

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

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



Auditor's responsibilities for the audit of the separate and consolidated financial statements

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

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 7 December 2017. Our appointment has been renewed annually by shareholder resolution with the most recent reappointment on 14 April 2022, representing a total period of uninterrupted engagement appointment of 5 years.

Forms in accordance with Regulatory Requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), "Ordinance"), the Management Board of the Company prepared the forms presented in Appendix 1, entitled the Statement of financial position of the Company as at 31 December 2022, and the Statement of comprehensive income, Statement of Cash flow and Statement of changes in equity of the Company for the year then ended together with information to reconcile the Forms to the Company's financial statements as presented in Appendix 2. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the forms is derived from the Company's separate audited financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.
Heinzlova 70, Zagreb
25 April 2023

This version of our report is a translation from the original, which was prepared in 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 our report takes precedence over this translation.

Statements of financial position

As at 31 December

	<i>Note</i>	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Assets					
Property and equipment	1.10	72,820	83,693	69,291	80,747
Investment property	1.11	21,995	23,254	21,995	23,254
Intangible assets				-	
- Deferred acquisition costs	1.12	72,597	70,212	72,597	70,212
- Other intangible assets	1.13	141,854	149,971	139,897	147,978
Investments in subsidiaries	1.14	-	-	250,679	195,553
Held-to-maturity investments	1.15	537,277	118,378	480,546	61,724
Available-for-sale financial assets	1.15	2,741,330	3,681,796	2,741,330	3,681,796
Financial assets at fair value through profit or loss	1.15	993,116	950,914	821,819	779,360
Loans and receivables	1.15	17,846	31,636	20,116	34,039
Reinsurers' share of insurance contract liabilities	1.16	172,130	198,315	172,130	198,315
Deferred tax asset	1.17	89,080		89,080	
Insurance contracts and other receivables	1.18	216,898	198,639	215,326	196,088
Cash and cash equivalents	1.19	285,173	234,581	208,226	182,126
Total assets		5,362,116	5,741,389	5,303,032	5,651,192
Liabilities					
Insurance contract liabilities	1.20	4,377,409	4,269,703	4,377,409	4,269,703
Insurance and other payables and deferred income	1.21	285,856	352,734	229,055	264,424
Lease liabilities	1.35	42,682	53,086	42,682	53,086
Deferred tax liability	1.17	-	44,836	-	44,836
Current income tax liability		28,462	1,571	28,449	1,572
Total liabilities		4,734,409	4,721,930	4,677,595	4,633,621
Equity attributable to owners of the Company					
Issued share capital	1.22 (a)	101,722	101,722	101,722	101,722
Share premium	1.22 (b)	112,001	112,001	112,001	112,001
Fair value reserve	1.22 (c)	(231,749)	288,273	(231,749)	288,273
Legal reserve	1.22 (d)	25,053	25,053	25,053	25,053
Retained earnings		620,553	492,397	618,410	490,522
		627,580	1,019,446	625,437	1,017,571
Non-controlling interests		127	13	-	-
Total equity		627,707	1,019,459	625,437	1,017,571
Total liabilities and equity		5,362,116	5,741,389	5,303,032	5,651,192

Statements of comprehensive income

For the year ended 31 December

	Note	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Gross premiums written	1.23	1,476,650	1,229,511	1,476,650	1,229,511
Written premiums ceded to reinsurers	1.23	(130,796)	(116,547)	(130,796)	(116,547)
Net premiums written	1.23	1,345,854	1,112,964	1,345,854	1,112,964
Change in the gross provision for unearned premiums	1.23	(60,616)	(8,383)	(60,616)	(8,383)
Reinsurers' share of change in the provision for unearned premiums	1.23	8,605	6,630	8,605	6,630
Net earned premiums	1.23	1,293,843	1,111,211	1,293,843	1,111,211
Fee and commission income	1.24	6,121	7,010	6,121	7,010
Investment income	1.25	143,984	153,306	137,887	140,261
Other operating income	1.26	14,049	15,028	9,496	11,438
Net operating income		1,457,997	1,286,555	1,447,347	1,269,920
Claims incurred	1.27	(815,269)	(794,580)	(815,269)	(794,580)
Reinsurers' share of claims incurred claims incurred	1.27	33,445	43,245	33,445	43,245
Net policyholder claims incurred claims incurred	1.27	(781,824)	(751,335)	(781,824)	(751,335)
Acquisition costs	1.28	(201,911)	(185,241)	(201,818)	(184,613)
Administrative expenses	1.29	(175,024)	(178,816)	(167,175)	(170,249)
Other operating expenses	1.30	(20,627)	(18,619)	(21,078)	(18,030)
Financial expenses	1.31	(129,263)	(22,616)	(126,959)	(15,878)
Net foreign exchange translation gains/(losses) on financial assets	1.32	7,192	(4,489)	7,677	(4,751)
Profit before income tax		156,540	125,439	156,170	125,064
Income tax expense	1.33	(28,270)	(18,549)	(28,282)	(18,514)
Profit for the year		128,270	106,890	127,888	106,550
Profit attributable to:					
- Owners of the Company		128,156	106,984	127,888	106,550
- Non-controlling interests		114	(94)	-	-
		128,270	106,890	127,888	106,550

Statements of comprehensive income (continued)

For the year ended 31 December

	Group 2022	Group 2021	Company 2022	Company 2021
	HRK'000	HRK'000	HRK'000	HRK'000
Profit for the year	128,270	106,890	127,888	106,550
Other comprehensive income for the year				
<i>Items that may be reclassified subsequently to profit or loss:</i>	(520,022)	(93,359)	(520,022)	(93,335)
Change in fair value of available-for-sale financial assets, net of amounts realised and net of deferred tax (Note 1.22c)	(520,022)	(93,359)	(520,022)	(93,335)
Total comprehensive income for the year	(391,752)	13,531	(392,134)	13,215
Attributable to:				
- Owners of the Company	(391,866)	13,625	(392,134)	13,215
- Non-controlling interests	114	(94)	-	-
	(391,752)	13,531	(392,134)	13,215

Statements of changes in equity

For the year ended 31 December

Group

	Attributable to owners of the Company					Total	Non controlling interests	Total equity
	Issued share capital	Share premiu m	Fair value reserve	Legal reserve	Retained earnings			
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January 2021	101,722	112,001	381,632	25,053	587,959	1,208,367	107	1,208,474
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(113,847)	-	-	(113,847)	-	(113,847)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	20,488	-	-	20,488	-	20,488
<i>Total other comprehensive income</i>	-	-	(93,359)	-	-	(93,359)	-	(93,359)
<i>Profit for the year</i>			-		106,984	106,984	(94)	106,890
Total comprehensive income for the year	-	-	(93,359)	-	106,984	13,625	(94)	13,531
Transactions with owners recognised directly in equity								
Paid dividend	-	-	-	-	(202,546)	(202,546)	-	(202,546)
At 31 December 2021	101,722	112,001	288,273	25,053	492,397	1,019,446	13	1,019,459
At 1 January 2022	101,722	112,001	288,273	25,053	492,397	1,019,446	13	1,019,459
Total comprehensive income for the year								
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(634,173)	-	-	(634,173)	-	(634,173)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	114,151	-	-	114,151	-	114,151
<i>Total other comprehensive income</i>	-	-	(520,022)	-	-	(520,022)	-	(520,022)
<i>Profit for the year</i>			-		128,156	128,156	114	128,270
Total comprehensive income for the year	-	-	(520,022)	-	128,156	(391,866)	114	(391,752)
At 31 December 2022	101,722	112,001	(231,749)	25,053	620,553	627,580	127	627,707

Statements of changes in equity

For the year ended 31 December

Company

	Issued share capital HRK'000	Share premium HRK'000	Fair value reserve HRK'000	Legal reserve HRK'000	Retained earnings HRK'000	Total HRK'000
At 1 January 2021	101,722	112,001	381,608	25,053	586,518	1,206,902
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(113,823)	-	-	(113,823)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	20,488	-	-	20,488
<i>Total other comprehensive income</i>	-	-	(93,335)	-	-	(93,335)
<i>Profit for the year</i>	-	-	-	-	106,550	106,550
Total comprehensive income for the year	-	-	(93,335)	-	106,550	13,215
Transactions with owners recognised directly in equity						
Paid dividend	-	-	-	-	(202,546)	(202,546)
At 31 December 2021	101,722	112,001	288,273	25,053	490,522	1,017,571
At 1 January 2022	101,722	112,001	288,273	25,053	490,522	1,017,571
Total comprehensive income for the year						
Change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.22c)	-	-	(634,173)	-	-	(634,173)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realised and impairment (Note 1.17; 1.22c)	-	-	114,151	-	-	114,151
<i>Total other comprehensive income</i>	-	-	(520,022)	-	-	(520,022)
<i>Profit for the year</i>	-	-	-	-	127,888	127,888
Total comprehensive income for the year	-	-	(520,022)	-	127,888	(392,134)
At 31 December 2022	101,722	112,001	(231,749)	25,053	618,410	625,437

Cash flow statement

For the year ended 31 December		Group 2022	Group 2021	Company 2022	Company 2021
	Notes	HRK'000	HRK'000	HRK'000	HRK'000
Cash flow from operating activities					
Profit after tax		128,270	106,890	127,888	106,550
Adjustments for:		-	-	-	-
- Tax	-	28,293	18,550	28,283	18,514
- Depreciation of property and equipment	1.29	13,019	13,845	12,908	13,633
- Depreciation of investment property	1.31	1,259	1,270	1,259	1,270
- Amortisation of other intangible assets	1.29	17,889	20,228	16,859	18,317
- Net foreign exchange losses/(gains) on financial assets	1.32	7,192	4,489	7,677	4,751
-Loss on intangible assets write off	1.10	-	414	-	414
- Gains on disposal of property and equipment		(24)	(809)	(25)	(809)
- Net loss/(gain) from financial assets at fair value through profit or loss and AFS	1.25, 1.31	85,644	(31,534)	71,705	(23,037)
- Impairment losses on financial assets	1.31	9,439	5,968	9,439	5,968
- Impairment losses/(reversal of) on insurance receivables and other assets	1.18	3,911	(420)	3,911	(420)
- Interest income and dividend income	1.25	(96,403)	(103,906)	(94,189)	(90,501)
Changes in operating assets and liabilities					
- Change in deferred acquisition costs	1.28	(2,385)	3,898	(2,385)	3,898
Net increase in held-to-maturity investments		(414,973)	-	(416,718)	-
Net decrease in available-for-sale financial assets		353,998	51,847	355,764	51,847
Net (increase)/decrease in financial assets at fair value through profit or loss		(152,826)	68,353	(140,583)	42,378
Net decrease in loans and receivables		13,511	53,500	13,911	53,614
Net decrease in reinsurance share in technical provisions		26,185	37,358	26,185	37,358
Net increase in insurance receivables and other assets		(83,395)	10,696	(83,316)	(6,802)
Net increase/(decrease) in insurance contract provisions		107,705	(82,254)	107,705	(82,254)
Net (decrease)/increase in insurance and other payables		(12,384)	56,917	23,983	71,869
Net cash from operating activities before income tax paid		33,925	235,300	70,261	226,558
Interest received		52,876	101,498	50,682	99,736
Dividend received		7,302	12,705	7,302	12,705
Income tax paid		(21,211)	(12,591)	(21,171)	(12,591)
Net cash from operating activities		72,892	336,912	107,074	326,408
Cash flows from investing activities					
Purchase of property and equipment	1.10	(1,654)	(427)	(676)	(397)
Purchase of other intangible assets	1.13	(9,490)	(3,868)	(8,775)	(3,764)
Proceeds from sale of property and equipment		21	1,185	21	1,185
Increase in investment in subsidiaries carried at fair value	1.14	-	-	(156,205)	(118,747)
Decrease in investment in subsidiaries carried at fair value	1.14	-	-	95,838	119,937
Cash flows from investing activities		(11,123)	(3,110)	(69,797)	(1,786)
Cash flows from financing activities					
Repayment of lease liabilities		(11,177)	(10,908)	(11,177)	(10,908)
Dividend paid	1.22 (g)	-	(202,546)	-	(202,546)
Net cash from financing activities		(11,177)	(213,454)	(11,177)	(213,454)
Net (decrease)/increase in cash and cash equivalents		50,592	120,348	26,100	111,168
Cash and cash equivalents at 1 January		234,581	114,233	182,126	70,958
Cash and cash equivalents at 31 December	1.19	285,173	234,581	208,226	182,126

1. Notes to the financial statements

1.1 Reporting entity

Allianz Hrvatska d.d. (the “Company”) whose registered address is at Heinzelova 70, Zagreb is a joint stock company incorporated and domiciled in Croatia. The Company is the parent of Allianz Hrvatska Group (“the Group”).

The Company is a composite insurer offering life and non-life insurance products in Croatia, regulated by the Croatian Financial Services Supervision Agency (“HANFA” or “Agency”).

The Company’s only shareholder (100 % of voting rights) is Allianz Holding eins GmbH, Wien, Austria (2020: Allianz New Europe Holding GmbH, Austria with 83,2% of voting rights). As of 14 October 2022 Allianz Holding eins GmbH acquired 16.84% minority share held by Zagrebačka banka d.d. On 7 October 2021, a status change of merger was carried out in the register of the Vienna Commercial Court, merging Allianz New Europe Holding GmbH with Allianz Holding eins GmbH. As a result, Allianz Holding eins GmbH, as the universal legal successor of the merged company, became a shareholder in the Company, and Allianz New Europe Holding GmbH ceased to exist. Ultimate parent company is Allianz SE, which is a joint stock company, incorporated and domiciled in Germany.

1.2 Basis of preparation

a) Statement of compliance

These financial statements comprise both the consolidated and separate financial statements of the Company.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS as adopted by EU” or “EU IFRS”).

The financial statements were authorised for issue by the Management Board on 25 April 2023. The financial statements are prepared in English and Croatian language.

b) Basis of measurement

These financial statements are prepared on a historical or amortised cost basis, except for the following assets which are measured at their fair value: financial assets held for trading, financial assets designated upon initial recognition as valued at fair value through profit or loss, available-for-sale financial assets and some investments in subsidiaries measured at fair value (investment funds).

c) Functional and presentation currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Croatian kuna („HRK“), which is Allianz Hrvatska d.d. functional and presentation currency.

d) Use of estimates and judgements

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

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

Information about judgments made by management in the application of IFRS as adopted by the EU that have significant effect on the financial statements and information about estimates that have a significant risk of resulting in a material adjustment within the next year are included in Note 1.4.

1.2 Basis of preparation (continued)

e) Consolidation

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards), then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company has investments in investment funds managed by the Company’s subsidiary Allianz Invest d.o.o. The Company reassessed its previous conclusion to consolidate funds managed by the subsidiary company Allianz Invest d.o.o. Based on the fact that the Company in terms of IFRS 10 has control over these funds through ownership of Allianz Invest and either holding majority of investment stakes or being the largest individual investment stake holder, the Company continues to consolidate these funds.

In its separate financial statements, the Company accounts for its investments in investment funds at fair value and classifies them as financial assets designated by management as at fair value through profit or loss at inception or as available-for-sale investments. The accounting policies applicable to subsidiaries measured at fair value are disclosed in Note 1.3 d). Other subsidiaries are carried at cost less any impairment in the separate financial statements of the Company.

All notes in the financial statements that are related to insurance contracts are the same for the Company and the Group.

The Company entered Slovenian market in 2018 operating through a foreign branch. Financial statements of the branch in Slovenia are fully merged with the Company.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1.2 Basis of preparation (continued)

e) Consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction and are not retranslated. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available for sale equity instruments, which are recognised in other comprehensive income (refer below).

Changes in the fair value of monetary (debt) securities denominated in or linked to foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences are recognised in income as a part of the foreign exchange gains or losses on the revaluation of monetary assets and liabilities presented as a separate item in the profit or loss. Other changes in the carrying amounts are recognised in other comprehensive income. The translation differences on revaluation of non-monetary financial assets denominated in or linked to foreign currency classified as available for sale are recognised in other comprehensive income, along with other changes in their fair value.

The most significant currency in which the Group holds assets and liabilities is Euro. The exchange rates used for translation at 31 December 2022 was EUR 1 = HRK 7,5345 (31 December 2021 was EUR 1 = HRK 7,517174) and USD 1 = HRK 6,643548 (31 December 2021: USD 1 = HRK 6,643548).

1.3 Significant accounting policies

(a) Property and equipment

Property and equipment are tangible assets that are held for use in the provision of services or administrative purposes.

Recognition and measurement

Items of property and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property.

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and assets acquired but not brought into use are not depreciated.

1.3 Significant accounting policies (continued)

(a) Property and equipment (continued)

The estimated useful lives are as follows:

	2022	2021
• Buildings	40 years	40 years
• Motor vehicles	5 years	5 years
• Furniture	5 years	5 years
• Other equipment	4 years	4 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date.

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

(b) Leased assets

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

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

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

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

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

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

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

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

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

- right of use for the office building 15 years
- right of use for the cars 5 years.

1.3 Significant accounting policies (continued)

(b) Leased assets (continued)

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

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

Low-value assets comprise computers, tablets, mobile phones and small items of office furniture. At the reporting date, as short-term leases Group also considered lease of cars, therefore the lease payments associated with those leases were recognised as an expense on a straight-line basis over the lease term. The total amount of Company's lease commitments for low-value assets equals to HRK 1,352 thousand.

(c) Intangible assets

Deferred acquisition costs – insurance contracts

Acquisition costs comprise all direct and indirect costs arising from the conclusion of new insurance contracts and the renewal of the existing contracts.

Deferred acquisition costs for non-life business comprise commissions paid to the external sales force and salaries of the internal sales force incurred in concluding insurance policies during a financial year but which relate to a subsequent financial year, and other variable underwriting and policy issue costs. General selling expenses are not deferred.

For non-life insurance business the deferred acquisition cost asset at the reporting date has been calculated by comparing the provision for unearned premiums at the reporting date with gross premiums written during the year and deferring a comparable proportion of deferrable acquisition costs, subject to their recoverability.

For life assurance business, acquisition costs are taken into account in calculating life assurance provisions by means of Zillmerisation. As such, a separate deferred acquisition cost for the life assurance business is not recognised at the reporting date.

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

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred. The Group capitalises only development expenditure related to software. Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses, if any, same as for the purchased software.

Goodwill

Goodwill arising on acquisitions represents the excess of the costs of acquisition over the fair value of the Group's share or the underlying net identifiable assets including intangible assets, at the date of acquisition. Goodwill on acquisition of subsidiary is included in intangible assets. Goodwill is tested for impairment at least annually. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.3 Significant accounting policies (continued)

(c) Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible asset consist of internally developed software, computer software and exclusive distribution right.

Exclusive distribution right represents an exclusive right for 15-years distribution of insurance products through a bank channel initially recognised in the amount of non-refundable upfront fee.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Assets acquired but not brought into use are not amortized. The estimated useful lives are as follows:

	2022	2021
● Internally developed software	5 years	5 years
● Computer software	5 years	5 years
● Exclusive distribution right	15 years	15 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the related asset, and are included in profit or loss.

(d) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation.

Investment property is carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is provided on all investment property, except for investment property not yet brought into use and land forming part of the investment property, on a straight-line basis over the estimated useful life of the asset as follows:

	2022	2021
● Investment property	40 years	40 years

1.3 Significant accounting policies (continued)

(e) Financial instruments

Classification

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other financial liabilities. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. The management determines the classification of financial assets and financial liabilities at initial recognition and, where appropriate, re-evaluates this designation at every reporting date.

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

Financial assets and financial liabilities at fair value through profit or loss are financial assets which are classified as held for trading or on initial recognition designated by the Group as at fair value through profit or loss. Derivatives are classified as held for trading. The Group does not apply hedge accounting.

As stated above this category has two sub-categories: financial instruments held for trading, and those designated by management as at fair value through profit or loss at inception. Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

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

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

Financial instruments at fair value through profit or loss include investments in investment fund units, debt securities and equity linked securities, both for the Group's own and for the account of policyholders.

Loans and receivables

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

- those that the entity intends to sell immediately or in the near term, which are classified as held for trading, and those that the management upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale,

Loans and receivables arise when the Group provides money to a debtor with no intention of trading with the receivable and include deposits with banks, mortgage loans and advances to policyholders from the life assurance provision.

1.3 Significant accounting policies (continued)

(e) Financial instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments include debt securities.

Available-for-sale financial assets

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

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are not designated at fair value through profit or loss. The Group does not have financial liabilities designated at fair value through profit or loss except those related to the index-linked products described in accounting policy 1.3 (w) and the share of the net assets of investment funds attributable to unitholders in those funds, which are classified as a financial liability and measured at fair value based on the value of investment portfolio of the funds. Payables arising from insurance contracts are accounted for under *IFRS 4 Insurance Contracts*. Other financial liabilities are disclosed in the statement of financial position under line item "Insurance and other payables and deferred income".

Reclassification

During 2021, there was no reclassification of debt securities from available for sale to held to maturity. In previous years the Group reclassified part of its available-for-sale financial assets, for which it has the intent and ability to hold to maturity, in the category of held-to-maturity investments. On reclassification of the available-for-sale financial assets to held-to-maturity category, the fair value of financial asset available for sale immediately prior to the reclassification becomes the new amortised cost. Following reclassification of a financial asset with a fixed maturity, any gain or loss previously recognised in other comprehensive income, and the difference between the newly established cost and the maturity amount are both amortised over the remaining term of the financial asset using the effective interest method. For a financial asset with no stated maturity, any gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss only when the financial asset is disposed of or impaired. The impact of this reclassification is shown in Note 1.15 (b).

Recognition and derecognition

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

The Group derecognises financial assets (in full or part) when the contractual rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Group transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered or have expired.

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Initial and subsequent measurement

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

After initial recognition, the Group measures financial instruments at fair value through profit or loss and available for sale at their fair value, without any deduction for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reasons, the fair value cannot be reliably measured by market price, the Group establishes fair value by using valuation techniques. These include the use of prices achieved in recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis. Equity instruments classified as available for sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment.

Loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. Other financial liabilities are measured at amortised cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses

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

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

For non-monetary financial assets available for sale all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of available-for-sale financial assets, all cumulative gains or losses are transferred from other comprehensive income to profit or loss.

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

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

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

In accordance with the HANFA valuation rules and as permitted under IFRS 13 the following prices are used:

- closing Bloomberg Generic (BGN) price for debt and equity securities
- prices quoted per unit by investment management companies for units in investment funds.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. At the reporting date the Company did not have such financial instruments.

Impairment of financial assets

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

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

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rates. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest income on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale debt securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income decreased by previously recognised impairment losses to profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of interest income.

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

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Specific instruments

Embedded derivatives within insurance contracts

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

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

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

Embedded derivatives, which satisfy the definition of an insurance contract, do not need to be separated from their host contract, and the Group took advantage of the exemptions available within IFRS 4:

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

Debt securities

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

Deposits with banks

Deposits with banks (with original maturity over 3 months) are classified as loans and receivables and are carried at amortised cost less any impairment.

Loans to customers

Loans to customers are classified as loans and receivables and are carried at amortised cost less impairment allowances to reflect the estimated recoverable amounts.

Loans and receivables from policyholders

Loans to and receivables from policyholders are classified as loans and receivables and are presented net of impairment allowances to reflect the estimated recoverable amounts.

Equity securities

Equity securities classified as available-for-sale financial assets and financial assets at fair value through profit or loss and carried at fair value, unless if for available-for-sale equity securities there is no reliable measure of the fair value, in which case they are stated at cost, less impairment.

1.3 Significant accounting policies (continued)

e) Financial instruments (continued)

Investments in funds

Investments in open and close ended funds (other than investments funds which represent subsidiaries of the Company) are classified as financial assets at fair value through profit or loss or available-for-sale financial assets and are carried at current fair value. Funds are debt and equity funds.

Investments held for the account and at risk of life assurance policyholders

Investments held for the account and at risk of life assurance policyholders comprise policyholders' investments in unit-linked and equity index-linked products and are classified as financial assets at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less any impairment.

Investments in subsidiaries

Investment in subsidiaries that relate to investment funds are classified at fair value through profit or loss or as available for sale, while all other subsidiaries are stated at their cost less any impairment in the separate financial statements.

All investments in subsidiaries are fully consolidated in the consolidated financial statements.

Trade and other payables

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(f) Cash and cash equivalents

For the purpose of the statement of financial position and cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits with banks, and other short-term highly liquid investments with original maturities of three months or less.

(g) Employee benefits

Pension obligations

For defined contribution plans, the Group pays contributions to State-owned management companies, in accordance with legal requirements or individual choice. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense in profit or loss as incurred.

1.3 Significant accounting policies (continued)

g) Employee benefits (continued)

Share-based payment transactions

Restricted stock units (“RSU”) of the company Allianz SE are granted to the Management Board. The fair value of the amount payable to employees in respect of these cash-settled share based transactions is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date to its fair value, with all changes recognised immediately in the profit or loss as Administrative expenses (cash settled share-based payment related personnel expenses).

The main terms and conditions of the RSUs include the following:

- Service period: 5 years,
- Vesting period: 4 years after final grant,
- Exercise period: None – Allianz will exercise on the first day succeeding the vesting period,
- Performance conditions: None,
- Limits on value: the payout is capped at 300% share price growth over the price at grant,
- Settlement: cash settlement is anticipated

Allianz Group treats the AEI plan as a cash-settled share-based award. The individual companies that grant RSUs must accrue a liability, and recognize a corresponding compensation expense, as of each balance sheet date in accordance with the treatment for cash-settled share-based awards. The total RSU liability is measured based on the fair value of the RSUs at each balance sheet date, and is accrued over the 5-year service period. This liability is adjusted as the fair value of the RSUs fluctuates due to changes in the Allianz share price.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and statutory termination benefits, are recorded as the net present value of the liability for defined benefits at the balance sheet date. The projected credit unit method is used for the calculation of the present value of the liability

(h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or non-current liabilities.

1.3 Significant accounting policies (continued)

(i) Provisions

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

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. Accounting policy for insurance contracts is disclosed under accounting policy Note 1.3 (q) *Unexpired risk reserve*.

(j) Equity

Issued share capital

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

Share premium

Share premium represents the excess of the paid-in amount over the nominal value of the issued shares.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

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

Legal reserve

The legal reserve represents accumulated appropriations from retained earnings in compliance with the Insurance Law, which was effective until 31 December 2005, and required at least one third of the net profit for the year to be transferred to non-distributable legal reserves, until they reach half of the average gross written premium in the preceding two years. Those requirements no longer exist in the subsequent versions of the Insurance Law, effective post 1 January 2006. However, as required by the Companies Act, a company is required to appropriate 5% of its annual net profit into legal reserves until they, together with capital reserves, reach 5% of issued share capital. Legal and capital reserves formed under the Companies Act can be used for covering prior period losses up to 5% of issued capital, if they are not covered by profit in the current period or if other reserves are not available.

Fair value reserve

The fair value reserve represents unrealised net gains and losses arising from a change in the fair value of available-for-sale financial assets, net of impairment and related deferred tax.

Retained earnings

Any profit for the year retained after appropriations is transferred to reserves based on the shareholder's decision or left in the retained earnings. Retained earnings are available for distribution to shareholders.

1.3 Significant accounting policies (continued)

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred acquisition costs (see accounting policy 1.3 (c)), financial assets (see accounting policy 1.3 (e)) and deferred tax assets (see accounting policy 1.3 (h)), are tested for impairment at each reporting date.

If any indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date. At the reporting date the Group did not have such assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from the Group's other assets and liabilities. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Revenue

The accounting policy in relation to revenue recognition from insurance contracts is disclosed in accounting policy 1.3 (o).

Investment income

Interest income is recognised in the profit or loss as it accrues for all interest bearing financial assets measured at amortised cost, using the effective interest rate method; i.e. the interest rate that discounts expected future cash flows to net present value during the period of the contract or at the currently effective variable interest rate. Interest income from monetary assets classified as at fair value through profit or loss is recognised at the coupon interest rate.

Investment income also includes positive foreign exchange differences resulting from the translation of monetary assets and liabilities using the exchange rate applicable at the reporting date; dividends; gains on the change in the fair value of financial assets at fair value through profit or loss; and realised gains from derecognition of financial assets available for sale.

Dividend income is recognised in the profit or loss on the date when the dividend is declared. The accounting policy in relation to investment income recognition is disclosed in Note 1.3 (e) under "*Gains and losses*".

Income from investment property comprises realised gains triggered by derecognitions, rental income and other income related to investment property. Rental income from investment properties is recognised in the profit or loss on a straight-line basis over the term of each lease.

Fee and commission income

Commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies. Fee and commission income includes reinsurance commission income. Non-life reinsurance commissions that meet the definition as acquisition costs are accounted for in accordance with the deferred acquisition costs accounting policy.

1.3 Significant accounting policies (continued)

(m) Expenses

Operating expenses

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

Acquisition costs

Acquisition costs comprise all direct costs arising from the conclusion of insurance contracts such as sales representatives' commission, salaries of sales personnel, marketing and advertising expenses.

Non-life commission expenses are recognised on an accrual basis, while life commission expenses are recognised on a cash basis consistent with the related income recognition criteria as described in accounting policy 1.3 (p).

The Group's accounting policy for deferred acquisition costs is disclosed in accounting policy 1.3 (c).

Administrative expenses

Administrative expenses include personnel expenses, depreciation of property and equipment, rent costs and other costs. Other costs consist mainly of costs of premium collection, policy termination costs, portfolio management costs and administrative expenses related to reinsurance.

Financial expenses

Financial expenses include interest expenses recognised using the effective interest rate method, and net negative foreign exchange differences resulting from translating monetary assets and liabilities using 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 profit or loss and net realised losses on derecognition of financial assets available for sale. The accounting policy in relation to financial expense recognition is disclosed in accounting policy Note 1.3 (e) under "Gains and losses".

(n) Classification of contracts

For classification of contracts the Group uses Group Accounting Manual from Allianz Group.

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

To distinguish significant insurance risk, Group use general guidelines as follows, the significance of insurance risk should be determined based upon the relationship between the death benefit and surrender or maturity value of the particular contract. $\text{Significance of insurance risk (\%)} = (\text{Death Benefit}) / (\text{Surrender of Maturity Value})$. If the calculated percentage is greater than 110%, the contract is classified as an insurance contract. If the calculated percentage is between 105% and 110%, the contract should be subject to further analysis based on its specific terms and conditions. The surrender value should be exclusive of any related explicit surrender charge.

Generally, a contract has significant insurance risk, if the death benefit could vary significantly in response to capital market volatility.

Generally, unless the death benefit was a set percentage of the surrender value (e.g. 101% of surrender value), contracts that provide death and surrender or maturity benefits are insurance contracts, as at the outset of the contract the surrender value may be negligible and the death benefit is significant.

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

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts. At the reporting date the Group did not have any such investment contracts.

1.3 Significant accounting policies (continued)

(n) Classification of contracts (continued)

Contracts with discretionary participation features

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

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

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

At the reporting date the Group accounted for HRK 36,9 million of provision for discretionary profit participation bonuses (2021: HRK 36,7 million) which is included within the life assurance provision. From this amount HRK 6,6 million (2021: HRK 3,5 million) is not allocated to individual policyholders.

(o) Premiums

Non-life business written premiums are recognised as premium from the inception of the insurance coverage except for prolonged warranty insurance (other liability) which is recognised as premium from inception of the insurance contract. Receipts for other insurance products before that date are treated as a liability for an advance payment. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums.

Premiums written include adjustments to reflect impairment of amounts due from policyholders (older than 120 days) e.g.: change of the premium amount in the following year and the movement in impairment allowances for premiums due from policyholders.

The earned portion of premiums received, including policies not yet closed, is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outwards reinsurance premiums are treated as prepayments.

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

(p) Unearned premium reserve

Unearned premium reserve comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method ("pro rata temporis"), adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premium reserve in respect of life assurance is included within the life assurance provision.

Unearned premium reserve for individual insurance contract is formed in the amount of the part of written premium which relates to insurance coverage for the insurance period after the accounting period for which the provision is calculated. For the calculation of gross unearned premium for non-life insurance with equal risk dispersion, the method of individual calculation in time is used.

The reinsurance share in unearned premium reserve is calculated according to reinsurance contracts.

1.3 Significant accounting policies (continued)

(q) Unexpired risk reserve

Provision is made for unexpired risks arising from non-life business where the expected value of claims and expenses (including deferred acquisitions costs and administrative expenses likely to arise after the end of the financial year) attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, before taking into account relevant investment returns. Liability adequacy testing for both life and non-life and related assets is disclosed in more details in accounting policy Note 1.3 (w) and in Note 1.7.

(r) Claims provisions

The claims provisions represent the estimated ultimate cost of settling all claims, including direct and indirect settlement costs, arising from events that occurred up to the reporting date and include the provision for reported, but not settled claims, the provision for incurred but unreported claims and the provision for claims handling costs.

Other non-life insurance provisions include provisions for bonuses and discounts. The provision for bonuses and discounts is formed in the amount to which the insurers are entitled based on their participation in profit as a result of their insurance contract or as a future partial reduction of the premium based on the insurance contract.

(s) Life assurance provisions

The life assurance provision has been computed by the Group's actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by HANFA. The life assurance provision has been computed on an in-force premium basis, applying a Zillmer type valuation method, and taking into account actual acquisition, collection and administrative costs as well as all guaranteed benefits and bonuses already declared and proposed. A prospective net premium valuation method has been adopted with the exception of unit-linked products where provision is based on the fair value of the underlying assets.

The Group uses Zillmer factor range from 0% to 3,5% of sum insured or annual amount of annuities dependent upon the product and distribution channel. The applied Zillmer rate is within the limits prescribed by HANFA.

The life assurance provision for unit-linked products is stated at the fair value of the related investment.

The provision is initially measured using the assumptions used for calculating the corresponding premiums and remains unchanged except where liability inadequacy occurs, or if otherwise prescribed by HANFA.

A liability adequacy test ("LAT") is performed at each reporting date by the Group's actuaries using current estimates of future cash flows under its insurance contracts (refer to accounting policy 1.3 (w) and Notes 1.7 and 1.8. If those estimates show that the carrying amount of the provision is insufficient in the light of the estimated future cash flows, the difference is recognised in the profit or loss with a corresponding increase to the life assurance provision.

The amount of bonus to be allocated to policyholders has been irrevocably fixed at the reporting date and is presented within the life assurance provision. The Group does not have a policy to decrease the provision for discretionary bonuses, in favour of the Group, once the provision has been formed. The amount of bonus to be allocated to policyholders is determined at the reporting date and is presented within the life assurance provision.

1.3 Significant accounting policies (continued)

(t) Claims

Claims arising from non-life business

Claims incurred in respect of non-life business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims settled are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims settled are increased by claims handling costs. Collected claims recoverable from third parties and claims recoverable from third parties that are anticipated to be collected are deducted from claims settled.

Claims outstanding based on case estimates and statistical methods comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred up to but unpaid at the reporting date whether reported or not, together with related internal and external claims handling expenses and an appropriate prudential margin. The provision for reported but not settled claims is determined based on the individual assessment of each reported claim. The provision for incurred but not reported claims is determined based on the statistical data and actuarial methods, taking into account the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

In respect of Motor Third Party Liability ("MTPL") insurance, a part of the claims payment is in the form of an annuity. The provision for such claims is established at the present value of the expected payments over the whole period of entitlement of the claimants using wage index on each and every payment and amount reserved. With the exception of annuities, the Group does not discount provisions for outstanding claims.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are adequately stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately, if significant. The methods used, and the estimates made, are reviewed regularly, which is further discussed in Note 1.6.

Claims and benefits arising from life assurance business

Life assurance business claims reflect the cost of all claims and benefits arising during the year, including policyholder bonuses allocated in anticipation of a bonus declaration.

(u) Reinsurance

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

Premiums ceded and benefits reimbursed are presented in the profit and loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are recorded using the deposit method of accounting. During 2022 and 2021 the Group had no such contracts. The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date applying the same methodology as applied for loans and receivables as described in accounting policy 1.3 (e). The Group records an allowance for estimated irrecoverable reinsurance assets, if any. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

1.3 Significant accounting policies (continued)

(u) Reinsurance (continued)

Reinsurance commissions and profit participations

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

(v) Liabilities and related assets under the liability adequacy test

Insurance contracts are tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Where a shortfall is identified, an additional provision is made and the Group recognises the deficiency in the profit or loss.

IFRS 4 requires a test for the adequacy of liabilities arising from insurance contracts. The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under all of its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (increased by related deferred acquisition costs) are inadequate in the light of the estimated future cash flows, the entire deficiency is charged to profit and loss. The estimates of future cash flows are based on realistic actuarial assumptions taking into consideration claim occurrence experience, most recent demographic tables, aspects of mortality, morbidity, investment return, expenses and inflation.

(w) Measurement of liabilities in respect of unit-linked and index-linked insurance contracts

Liabilities in relation to unit-linked and index-linked contracts are insurance contracts and those contracts are held at fair value through profit and loss. Transaction costs and front-end fees in respect of financial liabilities measured at fair value are not included in the initial measurement amount and are recognised in profit or loss as incurred. The related financial liability is measured based on the carrying value of the assets that are held to back the contract.

(x) Insurance receivables and payables

Insurance receivables and payables include receivables and payables arising from insurance and reinsurance contracts entered by the Group. Insurance receivables are recognized at their nominal contractual value. Insurance receivables are subsequently measured at amortized cost less any impairment allowance. An impairment allowance in the full amount is established for premium receivables that are overdue more than 120 days. Insurance payables are recognized at their nominal value due under the contract.

1.3 Significant accounting policies (continued)

(y) Adoption of New or Revised Standards and interpretations

The following amended standards became effective from 1 January 2022, they have been endorsed by the EU, but did not have a material impact on the Company and the Group:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

(z) New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have been endorsed by the EU and which the Company and the Group has not early adopted.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The new standards and interpretations are not expected to affect significantly the Company's and the Group's financial statements except for IFRS 17/9 which has been described in Note 1.3. (aa).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, which have not been endorsed by the EU and which the Company and the Group has not early adopted.

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

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

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation

IFRS 17, Insurance contracts. In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts that are in the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, introducing various changes to assist entities implementing the Standard, and moving an effective date to 1 January 2023.

In November 2021, IFRS 17 and the subsequent amendments to IFRS 17 were endorsed by the EU with the 1 January 2023 effective date. However, the EU endorsement regulation provides, in specified circumstances, an optional exemption from applying the IFRS 17 annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss.

The Group previously applied a temporary exemption from IFRS 9, stipulated by IFRS 4. Adoption of IFRS 17 will also require the Group to apply IFRS 9 from 1 January 2023. The Group intends to restate the comparative period to provide consistent financial information for the 2022 comparative period.

Scope. IFRS 17 applies to the following contracts: (a) insurance contracts issued by the Group, (b) reinsurance contracts held by the Group and (c) investment contracts with discretionary participation features issued by the Group. IFRS 17 generally applies to the whole set of rights and obligations created by an insurance contract. Cash flows generated by such rights and obligations should normally be incorporated in the measurement of assets and liabilities associated with an insurance contract. However, an insurance contract can also contain components which are excluded from the scope of IFRS 17 and should be accounted for under different standards, subject to specific criteria: (a) embedded derivatives, (b) investment components, and (c) promises to transfer to a policyholder distinct goods or services other than insurance contract services.

Level of aggregation. IFRS 17 requires identifying portfolios of insurance contracts. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios should be further disaggregated into profitability-based groups of insurance contracts that are, on initial recognition: (a) onerous, if any, (b) profitable, with no significant possibility of subsequently becoming onerous, if any, and (c) remaining contracts, if any. IFRS 17 prohibits to include contracts issued more than one year apart in the same group, a requirement commonly referred to as annual cohort requirement. For the non-life segment, insurance portfolio issued is aggregated into 18 groups of insurance contracts the same as for IFRS 4 reporting following annual cohort and profitability requirements. The same approach is used for reinsurance contracts. On the life side, insurance contract issued are aggregated into 10 group of the contracts based on the similar risks and contract view. Profitability -based criteria is applied while one annual cohort is applied allowed by Fair approach which Company uses for the valuation of life portfolio on transition date.

Contract boundary. The contract boundary concept is used to determine which cash flows should be considered in the measurement of an insurance contract. Cash flows that are not within the boundary of an insurance contract relate to future insurance contracts. The Group generally determines the contract boundary with a reference to its ability to reprice the insurance contract as a whole. For the whole portfolio of the company the contract boundary is linked to the duration of a policy.

Expected future cash flows. Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Regarding life insurance contracts, expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation (continued)

Discount rates. The estimates of future cash flows should be adjusted to reflect the time value of money and the financial risks related to future cash flows, such as currency and liquidity risk associated with those cash flows, to the extent that the financial risks have not been included in the estimates of cash flows. The discount rates should: (a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts, (b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity, and (c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Group will apply a bottom-up approach to determine applicable discount rates by establishing a reference portfolio of assets for each group of insurance contracts. Yield curves reflecting the current market rates of return for such reference portfolios will be further adjusted to reflect differences between the characteristics of the reference portfolio and the groups of insurance contracts being measured. . Discount curve is generated using bottom up approach, and is defined as EIOPA EUR risk free rate increased by credit risk adjustment with illiquidity adjustment for traditional life portfolio and EIOPA EUR/USD risk free rate increased by credit risk adjustment for Unit/Index-Linked business. For valuation of non-life portfolio at transition date EIOPA HRK curve increased by credit risk adjustment, Cash flows are discounted using curve relevant to portfolio document currency.

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is included in the expected cash flows to represent compensation required for bearing the non-financial risk arising from uncertainty in future cash flows. Under IFRS 17 requirements, the risk adjustment for non-financial risk includes: (a) the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk, and (b) both favourable and unfavourable outcomes in a way that reflects the entity's degree of risk aversion. The Group will use Cost of Capital approach for risk adjustment determination. In IFRS 4 there is no RA value recognized.

Contractual service margin. The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the entity will recognize as it provides insurance contract services under the insurance contracts in the group. Pattern of CSM recognition would be thus determined based on the coverage units, reflecting the pattern under which the insurance contract service benefit is transferred to the policyholder of the insurance contracts.

Insurance contract services are the services that the Group provides to a policyholder of an insurance contract and comprise: (a) coverage for an insurance event (insurance coverage), (b) the generation of an investment return (investment-return services) for insurance contracts without direct participation features, and (c) the management of underlying items on behalf of the policyholder (investment-related services) for insurance contracts with direct participation features. Coverage units used for release pattern reflect the quantity of benefits and expected coverage duration. CSM is allocated equally to each coverage unit and is released accordingly.

Measurement approaches. IFRS 17 allows to apply following measurement approaches to insurance contracts issued and reinsurance contracts held: (a) general model, (b) premium allocation approach and (c) variable fee approach.

General model. This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach.

Premium allocation approach. This approach is an optional simplification of the measurement of the liability for remaining coverage, for insurance contracts with short-term coverage. A group of insurance contracts is eligible for the premium allocation approach if, at inception: (a) each contract in the group has a coverage period (that is, the period in which the entity provides insurance contract services) of one year or less; or (b) the measurement of the liability for remaining coverage for the group using the premium allocation approach is reasonably expected to produce a measurement which is not materially different from using the general model or the variable fee approach. The Company applied PAA valuation model to all non-life Group of Contracts (GoC) as it is proved that all Company's non-life contracts are PAA eligible.

Variable fee approach. This approach is applied to insurance contracts with direct participation features. Such contracts are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. This approach cannot be used for the measurement of reinsurance contracts issued or held. The Company applies this approach for Unit-Linked and Index-Linked contracts which represent 26,82% of the sum of total mathematical and fund reserve as at 31.12.2022. (25,30% as at 31.12.2021.). Underlying item is fund value for relevant contract.

Insurance finance income and expenses. Insurance finance income or expenses reflect the changes in the carrying amount of the group of insurance contracts that relate to financial risks. They comprise the effect of the time value of money (that is, the accretion of interest on all of the fulfilment cash flows, the risk adjustment for non-financial risk and the contractual service margin) as well as the effect of financial risk and changes in financial risks. IFRS 17 allows, as an accounting policy, to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income. The Company and the Group applies allowed disaggregation.

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation (continued)

Reinsurance contracts held. IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. Reinsurance contracts held for life insurance measured by BBA are recognized using simplification. In general the Company and the Group elected to present reinsurance transactions separately for generation and reduction of expense. This is different compared to IFRS 4 where every item, asset or liability, arising from reinsurance contract held was displayed to be offset against insurance contract.

IFRS 17 Transition

Adoption of IFRS 17 will significantly affect financial reporting processes and procedures of the Group, as applications of the core principles outlined above will require additional information to be gathered and processed, as well as additional significant judgements to be made by the management. To ensure smooth and timely adoption of IFRS 17, the Group launched a separate implementation project AOF. The AOF project team is composed of employees from different Departments of the Company, Actuaries, Accounting, Controlling, Risk management and Assets management and reports directly to the CFO. The Management Board performs general oversight over the implementation project.

After the transition to IFRS 17 the Group will use following measurement approaches, depending on the type of contract

	Product classification	Measurement model
Contracts issued		
With profit participation	Insurance contracts	General model
Other	Insurance contracts	General model
Unit/Index Linked	Insurance contracts	Variable fee approach
Non-life contracts	Insurance contracts	Premium allocation approach
Reinsurance contracts held		
Life reinsurance contracts (excluding XL)	Reinsurance contract held	General model
Life reinsurance contracts XL	Reinsurance contract held	Premium allocation approach
Non-life reinsurance contracts	Reinsurance contract held	Premium allocation approach

Transition approaches applied in the Company are fair value approach (FVA) and full retrospective approach (FRA) for PAA contracts. OCI option applied.

The Group will apply the fair value transition approach to all life insurance contracts and insurance contracts with direct participation features that were issued before 1 January 2022. Under the fair value approach, the contractual service margin is determined as the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, and its fulfilment cash flows at the transition date. The amounts payable on demand do not represent a floor when determining fair value for this purpose and management determined fair value as a price for which the liability could be transferred to an unrelated party.

Applying the FVA the Company aggregates its life portfolio into groups of contracts and for each group one annual cohort is used.

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation (continued)

IFRS 9 transition

IFRS 9 implies significant changes in the Target Closing Process of Allianz compared to IAS 39, particularly with respect to the introduction of the so-called “SPPI-Test” in the context of Classification and Measurement and the requirement to calculate Expected Credit Losses (ECL) in the context of Impairment. For both of these new requirements Allianz Group has set up central engines to ensure consistent performance of the SPPI Test and ECL calculations all over the Group.

IFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition, presented in the table below:

Change in credit quality since initial recognition

Stage 1 – (Still) performing	Stage 2 – Underperforming	Stage 3 – Non-performing
<ul style="list-style-type: none"> No significant increase in credit risk since initial recognition, or Low credit risk 	<ul style="list-style-type: none"> Significant increase in credit risk since initial recognition Rebuttable presumption: payments are more than 30 days past due 	<ul style="list-style-type: none"> Credit-impaired or loss incurred (similar to IAS 39 criteria)

Measurement basis for impairment

12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
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Determination of interest income

Gross basis Effective interest w/o expected credit losses	Gross basis Effective interest w/o expected credit losses	Net basis Effective interest net of expected credit losses
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IFRS 9 particularly covers financial assets that are classified as equity or debt instruments and derivatives. For insurance companies, the Business Model “Hold and Sell” is to be chosen. The new classification approach for financial instruments is based on the nature of the financial instruments’ contractual cash flows and the business model in which the investment is held.

Equity securities may only be classified as or FVOCI without recycling. Debt instruments may be accounted for as at fair value through OCI if the contractual agreements give rise to solely principal and interest (‘SPPI test’). The SPPI test is therefore decisive for Allianz to classify debt investments at FVOCI since choosing this categorization is no longer a nearly unrestricted option as with the current AfS category under IAS 39. When the SPPI test failed FVPL treatment is mandatory.

The SPPI test covers all financial debt instruments as well as cash (and -equivalent), receivable and unconsolidated fund positions in scope of IFRS 9. Derivatives are not in scope of the SPPI test; they have to be accounted for as FVPL. Off-balance positions such as guarantees and commitments that are in scope of IFRS 9 will not be subject to the SPPI test. Nevertheless, they will have to be included in the ECL calculations.

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation (continued)

Estimated impact of the initial application of IFRS 17 and IFRS 9 .

As a part of the implementation project, the Company finalized the restated balance sheet as of 1 January 2022, which is an IFRS 17 and IFRS 9 transition date:

<i>in thousands of HRK</i>	1 January 2022	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
ASSETS		
Cash and cash equivalents	182,126	182,053
Investment assets		
- <i>Investment in subsidiary</i>	195,553	195,553
- <i>Held-to-maturity investments</i>	61,724	
- <i>Available-for-sale investments</i>	3,681,796	
- <i>Investments at fair value through profit or loss</i>	779,360	
- <i>Loans and receivables</i>	34,039	
- <i>Investments at FVOCI</i>		3,537,557
- <i>Investments at FVTPL</i>		1,021,220
Insurance contract receivables	154,522	-
Reinsurance contract assets	198,315	196,584
Investment property	23,254	23,254
Property and equipment	29,232	29,232
Intangible assets	218,190	147,978
Right of use assets	51,515	51,515
Other assets	41,566	39,103
TOTAL ASSETS	5,651,192	5,424,049
LIABILITIES		
Insurance contract liabilities	4,269,703	4,419,936
- <i>life contracts</i>	3,308,399	3,612,325
- <i>property and casualty contracts</i>	961,304	807,611
Investment contract liabilities		
Lease liabilities	53,086	53,086
Other financial liabilities	310,832	95,428
TOTAL LIABILITIES	4,633,621	4,568,450
EQUITY		
Issued share capital	101,722	101,722
Share premium	112,001	112,001
Fair value reserve	288,273	259,733
Insurance contract reserve	-	(9,246)
Expected credit losses	-	2,671
Legal reserve	25,053	25,053
Retained earnings	490,522	363,665
TOTAL EQUITY	1,017,571	855,599
TOTAL LIABILITIES AND EQUITY	5,651,192	5,424,049

1.3 Significant accounting policies (continued)

(aa) IFRS 17 and IFRS 9 implementation (continued)

As a part of the implementation project, the Group finalized the restated balance sheet as of 1 January 2022, which is an IFRS 17 and IFRS 9 transition date:

<i>in thousands of HRK</i>	1 January 2022	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
ASSETS		
Cash and cash equivalents	234,581	234,508
Investment assets		
- Investment in subsidiary	-	-
- Held-to-maturity investments	118,378	-
- Available-for-sale investments	3,681,796	-
- Investments at fair value through profit or loss	950,914	-
- Loans and receivables	31,636	-
- Investments at AC	-	56,654
- Investments at FVOCI	-	3,537,557
- Investments at FVTPL	-	1,190,361
Insurance contract receivables	154,522	-
Reinsurance contract assets	198,315	196,584
Investment property	23,254	23,254
Property and equipment	32,178	32,178
Intangible assets	220,183	149,971
Right of use assets	51,515	51,515
Other assets	44,117	41,654
TOTAL ASSETS	5,741,389	5,514,236
LIABILITIES		
Insurance contract liabilities	4,269,703	4,419,936
- <i>life risk contracts</i>	2,500,273	3,612,325
- <i>property and casualty contracts</i>	961,304	807,611
- <i>participating contracts</i>	808,126	
Lease liabilities	53,086	53,086
Other financial liabilities	399,141	183,727
TOTAL LIABILITIES	4,721,930	4,656,749
EQUITY		
Issued share capital	101,722	101,722
Share premium	112,001	112,001
Fair value reserve	288,273	259,733
Insurance contract reserve	-	(9,246)
Expected credit losses	-	2,671
Legal reserve	25,053	25,053
Retained earnings	492,397	365,540
EQUITY	1,019,446	857,474
NON CONTROLLING INTEREST	13	13
TOTAL EQUITY	1,019,459	857,487
TOTAL LIABILITIES AND EQUITY	5,741,389	5,514,236

1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 1.37) and insurance risk management (Note 1.5).

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgements relating to insurance contract liability represent the major source of uncertainty and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.4.1 Key sources of estimation uncertainty

Estimation of uncertainty in relation to reserving for the Company

The most significant estimates in relation to the Company's financial statements relate to insurance contracts reserving. The Company takes a reasonably prudent approach to reserving and applies HANFA regulations. The Company employs certified actuaries.

The Company's policy is to make provision for unexpired risks arising from non-life insurance business where the claims, deferred acquisition costs and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums available under those contracts. The management believes that at the reporting date such provisions have been adequately assessed.

Major assumptions in calculating the life assurance provision are set out in Note 1.6. Insurance risk management is discussed in detail in Note 1.5. whilst insurance contract liabilities are analysed in Note 1.20.

Estimation of uncertainty in relation to court claims for the Group and the Company

A significant source of estimation uncertainty stems from court claims. At 31 December 2022, the Group was involved in 610 (2021: 625) court cases for which HRK 101,196 thousand (2021: HRK 98,832 thousand) was provided as part of the claims reserve for reported but not yet settled claims.

1.4.2 Critical accounting judgements in applying the Group's accounting policies

Financial asset and liability classification for the Group and the Company

The Group's accounting policies provide the scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 1.3 (e).

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (e). The Group designates financial assets and liabilities at fair value through profit or loss when the assets or liabilities are managed, evaluated and reported internally on a fair value basis.

Reclassification of financial assets and liabilities at fair value through profit or loss is allowed in certain rare circumstances and is explained in accounting policy 1.3 (e) under paragraph "Reclassification".

Held-to-maturity investments can be classified as such only if the Company has the positive intention and ability to hold these investments to maturity.

Control over Allianz Invest managed, open ended investment funds

The Company's stakes in Allianz Portfolio at 31 December 2022 was 11% (along with unit linked investments 82,64%) (2021: 9,5% and 76,6%), in Allianz Short Term Bond 88,66% (2021: 74,9%) and in Allianz Equity 39,59% (2021: 32,7%).

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one of the open-ended funds at 31 December 2022, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor.

1.5 Insurance risk management

The Group is exposed to actuarial and underwriting risk arising from a wide range of life and non-life products offered to customers: participating traditional life products, annuities, unit-linked, index linked and all lines of non-life products (property, accident and health, motor vehicle- MTPL and motor hull, third party liability, marine, aviation and transport).

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

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

Non-life underwriting risk includes also catastrophe risk, which streams from irregular events that are not sufficiently covered by premium and reserve. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid up status (cessation of premium payment) and surrenders.

Risk management

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance.

The Group underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years which reduces the variability of the outcome. Non-life contracts are annual in nature and the underwriter has the right to refuse renewal or to change the terms and conditions of the contract at renewal.

The Group reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources.

The Group contracts a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure for an individual risk or event, depending on line of business, but with a maximum net exposure of EUR 1,0 million equivalent to HRK 7,5 million). For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 151 million equivalent to HRK 1,137 billion of losses exceeding the first EUR 1,5 million equivalent to HRK 11,25 million .

Ceded reinsurance contains credit risk and such reinsurance recoverable are reported after deductions for known uncollectible items. The Group monitors the financial condition of reinsurers and enters into reinsurance agreements with minimum A- rated reinsurers by Standard & Poor's.

The adequacy of liabilities is assessed taking into consideration the supporting assets (fair and book value, currency and interest sensitivity), changes in interest rates and exchange rates and developments in mortality, morbidity, non-life claims frequency and amounts, lapses and expenses as well as general market conditions. Specific attention is paid to the adequacy of provisions for the life business. For a detailed description of the liability adequacy test refer to accounting policy 1.3 (v) and Note 1.7.

1.5 Insurance risk management (continued)

Concentration of insurance risk

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

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

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

The concentration of insurance risk before and after reinsurance in relation to the type of insurance risk accepted is summarised below, with reference to the value of the claims incurred (gross and net of reinsurance) arising from insurance contracts:

	2022 Group and Company			2021 Group and Company		
	Gross claims incurred HRK'000	Reinsurers' share of claims incurred HRK'000	Net claims incurred HRK'000	Gross claims incurred HRK'000	Reinsurers' share of claims incurred HRK'000	Net claims incurred HRK'000
<i>Non-life insurance business</i>						
Motor (third party)	(67,787)	(902)	(68,688)	(65,524)	(530)	(66,054)
Motor (other classes)	(97,257)	67	(97,190)	(85,694)	402	(85,292)
Property	(162,340)	25,810	(136,530)	(177,828)	36,787	(141,041)
Personal lines	(57,075)	7,318	(49,757)	(45,468)	4,835	(40,633)
Other	(9,805)	759	(9,046)	(5,692)	1,035	(4,657)
Total non-life	(394,265)	33,053	(361,212)	(380,206)	42,529	(337,677)
<i>Life assurance business</i>						
Periodic premiums	(223,932)	392	(223,540)	(215,297)	715	(214,581)
Single premiums	(197,071)	-	(197,071)	(199,058)	-	(199,058)
Total life	(421,004)	392	(420,612)	(414,355)	715	(413,640)
<i>Thereof unit linked and index linked</i>	(216,023)	-	(216,023)	117,245	-	117,245
Grand total	(815,269)	33,445	(781,824)	(794,561)	43,244	(751,317)

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

The greatest likelihood of significant losses to the Group arises from catastrophe events, such as flood, hail, storm or earthquake damage. The techniques and assumptions that the Group uses to calculate these risks are as follows:

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

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

Non-life insurance

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The liability for reported claims (“RBNS” or “NOCR”) is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Claims reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions are predominantly assessed by the Group’s certified actuaries.

The key methods, which remain unchanged from prior years, are:

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- Bornhuetter-Ferguson method, which combines the estimated ratio of losses and the projection method, It therefore improves on the crude use of a loss ratio by taking account of the information provided by the latest development pattern of the claims, whilst the addition of the loss ratio to a projection method serves to add some stability against distortions in the development pattern;
- expected loss ratio methods, which use the Group’s expectation of the loss ratio for a class of business,

The actual method or blend of methods used varies by accident year being considered, the class of business and observed historical claims development.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

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

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The assumptions which have the greatest effect on the measurement of non-life insurance liabilities are as follows:

Expected claims ratio

The expected claims ratio represents the ratio of expected claims incurred to premiums earned. The assumptions in respect of expected claims ratios for the most recent accident year, per class of business, have a significant influence on the level of provisions.

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

Non-life insurance (continued)

Tail factors

For long-tail business, the level of provision is significantly influenced by the estimate of the development of claims from the latest development year for which historical data is available to ultimate settlement. These tail factors are estimated prudently using mathematical curves, which project observed development factors or are based on actuarial judgment.

Discounting

With the exception of annuities, non-life claims provisions are not discounted.

Annuities

Claims outstanding include provisions for MTPL claims payable as annuities, which are stated at estimated net present value based on a discount rate of 0,8% per annum (2021: 0,8%). Annuities are calculated using the Republic of Croatia mortality tables from 2010-12. Annuity claims are fixed at their nominal value over the length of the period of payment.

Claims handling provisions

The provision for claims handling expenses is computed as a certain percentage (percentage is based on information on the ratio of claims handling expenses and settled claims) of the NOCR provision and the IBNR provision. For computing the provision for claims handling expenses as at 31 December 2022 a percentage of 6% (2021: 6%) was used for both provisions except for claims greater than HRK 6,5 million, which are provided for individually.

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

Life assurance

The life assurance provision is calculated by a prospective net premium method. In accordance with guidelines issued by HANFA, the newest mortality tables are used unless other mortality tables give higher mathematical provision.

For MZ4, MZ4-J tariffs the Group elects to use Republic of Croatia mortality tables which are used in calculation of premiums (MT RH 1989-91), not the latest official mortality tables (MT RH 2010-12). Using of older mortality tables results in a larger life assurance provision than it would be calculated if the 2010-12 mortality tables were utilised in the calculation. For the same reason in case of annuity tariffs RM1, RND-150, for mathematical reserve calculation are also used mortality tables which are used in calculation of premiums.

According to the same guidelines issued by HANFA, maximum interest rate for insurance reserve calculation is:

- 3,3% for portfolio issued before 2010
- 3% for policies issued in 2010
- 2,75% for policies issued between 1 January 2011 and 30 June 2016
- 1,75% for policies issued between 1 July 2016 and 31 December 2017
- 1% for policies issued after 1 January 2018

Technical rates used in determining the premium rates vary from 0% to 5%.

The principal assumptions underlying the calculation of the significant components of the life assurance provision are presented below:

Product	Rates of interest for calculating reserve at 31 December 2022	Mortality tables used in 2022	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021
M1, M2, M2-J	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
M1-J	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
MZ1	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
S1, S1-J	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
S1, S1-J	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
S3, S3-J, SDJ03	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
S3U, S3U-J, SDJU03	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
S3U, S3U-J, SDJU03	1,75%	MT RH 2000-02	1,75%	MT RH 2000-02
M3, M3-J	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
MZ2	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
MZ2-J	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
M4, M4-J, M6J, M6DJ	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
MZ4, MZ4-J	2,60%	MT RH 1989-91 (less 30% smoothed)	2,60%	MT RH 1989-91 (less 30% smoothed)
M5	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
M5-50	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
MZ5	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2022	Mortality tables used in 2022	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021
MZ5-50	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
MB1-J	2,50%	MT RH 2000-02	2,50%	MT RH 2000-02
M5U, M4U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
M5U-50	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
MZ5U, MZ4U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
MZ5U-50	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
M7U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
M6U, M8U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
MZ6U, MZ8U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
MB1U-J	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
MB2U-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
M5U-J, MZ5U-J, M6UJ, M6DUJ	2,60%	MT RH 2000-02, unisex	2,60%	MT RH 2000-02, unisex
M9U-J	0,74%	MT RH 2010-12, unisex	0,74%	MT RH 2010-12, unisex
D1	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
D1	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
DJ01, DJ01-J	2,60%	MT RH 2010-12	2,60%	MT RH 2010-12
DJ02, DJ02-J	2,50%	MT RH 2010-12, unisex	2,50%	MT RH 2010-12, unisex
DJ03, DJ03-J	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
RM1	2,60%	Mix of German tables DAV1994R and MT RH 1989-91	2,60%	Mix of German tables DAV1994R and MT RH 1989-91
RND-100, RND-150	2,50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	2,50%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP-150	2,50%	MT RH 2000-02, unisex	2,50%	MT RH 2000-02, unisex
RND1-100, RND1-150, RND2-100, RND2-150	0,00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex	0,00%	Mix of German tables DAV2004R and MT RH 2000-02, unisex
RNP1-150	0,00%	MT RH 2000-02, unisex	0,00%	MT RH 2000-02, unisex
TB1, DJTB01, DJTB01-J	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia
TBZ1	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,60%	MT RH 2010-12, incidence rates from Republic of Slovakia
TB5, TB5-U	2,60%	MT RH 2010-12, incidence rates from GenRe	2,60%	MT RH 2010-12, incidence rates from GenRe
TBZ5, TBZ5-U	2,60%	MT RH 2010-12, incidence rates from GenRe	2,60%	MT RH 2010-12, incidence rates from GenRe
DJTB02, DJTB02-J	2,50%	MT RH 2010-12, incidence rates from Republic of Slovakia	2,50%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB02, DJTB02-J	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia
DJTB03	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia	1,75%	MT RH 2010-12, incidence rates from Republic of Slovakia

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

Life assurance (continued)

Product	Rates of interest for calculating reserve at 31 December 2022	Mortality tables used in 2022	Rates of interest for calculating reserve at 31 December 2021	Mortality tables used in 2021
TB5U, TB5U-U, TBZ5U, TBZ5U-U	1,75%	MT RH 2010-12, incidence rates from GenRe, unisex	1,75%	MT RH 2010-12, incidence rates from GenRe, unisex
TBZ5, TBZ5-U	2,50%	MT RH 2010-12, incidence rates from GenRe, unisex	2,50%	MT RH 2010-12, incidence rates from GenRe, unisex
TB6UJ-U	0,00%	MT RH 2010-12, incidence rates from GenRe, unisex	0,00%	MT RH 2010-12, incidence rates from GenRe, unisex
IL, SPI-01	2,60%	MT RH 2000-02	2,60%	MT RH 2000-02
ULNZ, ULR	0,00%	MT RH 2010-12, unisex	0,00%	MT RH 2010-12, unisex
ULD	1,00%	MT RH 2010-12, unisex	1,00%	MT RH 2010-12, unisex
BD1	2,60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health	2,60%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health
BD1U	2,50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	2,50%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
BD1U	1,75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex	1,75%	MT RH 2010-12, incidence rates derived from data given by Croatian national institute of public health, unisex
S4UN, S4UN-J	1,00%	MT RH 2010-12	1,00%	MT RH 2010-12
S4UP, S4UP-J	1,00%	MT RH 2010-12, adjusted for smoking according to WHO	1,00%	MT RH 2010-12, adjusted for smoking according to WHO
SS1US	1,00%	MT from Swiss RE, adjusted, unisex	1,00%	MT from Swiss RE, adjusted, unisex
SS1UN, SS1UPN	1,00%	MT SLO 2007	1,00%	MT SLO 2007
STB1UN, STB1UPN	1,00%	MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex	1,00%	MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex
STB1US	1,00%	MT SLO 2007, adjusted, MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex	1,00%	MT SLO 2007, adjusted, MT from Swiss RE, adjusted, incidence rates from Swiss RE, unisex
ILD1	0,00%	MT RH 2010-12, unisex		
ILE1	0,00%	MT RH 2010-12, unisex		
ILE2	0,00%	MT RH 2010-12, unisex		

Policyholder bonuses

Discretionary bonuses

Policyholders or beneficiaries of endowment policies (M1, M1-J, M2, M2-J, M3, M3-J, M4, M4-J, MZ1, MZ1-J, MZ2, MZ2-J, MZ4, MZ4-J, M5-50, M5-100, M5-200, M5-300, MZ5-50, MZ5-100, MZ5-200, MZ5-300, M6J-100, M6J-150, M5U-50, M5U-100, M5U-200, M5U-300, MZ5U-50, MZ5U-100, MZ5U-200, MZ5U-300, M6U-50, M6U-100, M6U-200, M6U-300, MZ6U-50, MZ6U-100, MZ6U-200, MZ6U-300, M6UJ-100, M6UJ-150, M4U-J, MZ4U-J, M5U-J, MZ5U-J, M7U-J, M8U-J), pure endowment policies (D1, DJ01, DJ01-J, DJ02, DJ02-J, DJ03, DJ03-J) and annuity policies (RM1, RND-100, RND-150, RNP-150, RND1-100, RND1-150, RNP1-150) are entitled to a share in the profits of the Group reported in the management of life assurance funds, The entitlement is calculated on 31 December each year following the expiry of the second year of insurance, and may not exceed 90% or 80% (depending on the contract) of reported profits (in the management of life assurance funds). In the event of maturity, the share in profits is paid along with the sum insured. In the case of death, the Group pays the sum insured and the share in the profits accounted for by that time. The Group provides for bonuses allocated to policyholders within the life assurance provision.

Guaranteed bonus

The Group is liable to pay a guaranteed profit to each policyholder or beneficiary of endowment policies under old tariffs (M1, M1-J, M2, M2-J, M3, M3-J, MZ2, MZ2-J, M4-J and MZ4-J in Sve 5 Paket, M5U-J, MZ5U-J M6J-100, M6J-150, M6UJ-100, M6UJ-150). The guaranteed profit at policy maturity is determined to be equal to a certain percentage of the sum assured dependent upon the tariff and the policy duration. In case of M6J-100, M6J-150, M6UJ-100, M6UJ-150 tariffs total amount of guaranteed profit will be paid also in case of death. All guaranteed benefits are included within the calculation of the life assurance provision.

1.7 Liability adequacy test

Life assurance

Life assurance provision is tested at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of relevant factors: future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses, expenses and exercise of policyholder options. The Group made certain changes in the methodology, aligned with the parent company instructions and guidelines, and from 2015 uses the Best Estimate Liabilities (“BEL”) calculation from the cash flow model, which is signed off and approved by the parent company.

Where reliable market data is available, assumptions are derived from observable market prices.

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

Due to the levels of uncertainty in the future development of insurance markets and the Group’s portfolio, the Group uses conservative margins for risk and uncertainty within the liability adequacy test.

Input assumptions are revised and updated annually based on recent experience.

The methodology of testing considers current estimates of all future contractual cash flows including cash flows from embedded options and guarantees. This methodology enables quantification of the correlation between all risk factors,

The principal assumptions used are:

Segmentation

The Group segments the products into several homogenous groups according to the characteristics of individual products (type of product and guaranteed interest rates). Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining the additional liability to be established.

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

Mortality and morbidity

Mortality and morbidity are usually based on data supplied by the Croatian Statistical Bureau and adjusted by the Group based on a statistical analysis of the Group’s own mortality experience.

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

Persistency

Future contractual premiums are included without any allowance for premium indexation. Lapses and surrenders are estimated based on the Group’s past experience (split by type of product and policy durations). The Group regularly analysis its actual persistence rates by product type and duration and adjusts its assumptions accordingly.

The assumptions as derived above are adjusted by a margin for risk and uncertainty.

Expenses

Estimations of future renewal and maintenance expenses included in the liability adequacy test are derived from the Group’s current experience. For future periods cash flows for expenses have been increased by a factor equal to the Group’s estimate of annual inflation (2023: 6,3%, 2024: 3,4%, 2025: 2,3%, 2026+:1,85%).

1.7 Liability adequacy test (continued)

Life assurance (continued)

Expected investment return and discount rate

Future investment returns are based on the expected return on the existing portfolio of financial assets assuming a reinvestment rate. The reinvestment rate presents result of monitoring existing bonds on the world capital market that meet certain criteria: they have an investment rating, their currency is in EUR and they have a fixed duration. Geographical diversification is also taken into account. The yield (reinvestment rate) is optimized on such a set of bonds, taking into account the Company's limit framework, strategic asset allocation and the Company's capital position.

Interest rate guarantee

The Group makes an additional allowance for the potential volatility of actual investment returns compared to the guaranteed technical interest rate and the risk free rate. The interest rate guarantee is mainly influenced by the volatility of investment returns.

Profit sharing

Whilst, for most life assurance policies, the amount and timing of the bonus to policyholders is at the discretion of the Group, the assessment of liability adequacy takes into account future discretionary bonuses, calculated as a fixed percentage of the excess of the credited rate over the guaranteed technical interest rate on individual policies,

The percentage applied is consistent with the Group's current business practice for bonus allocation.

LAT result

At year end the Company recognised HRK 882 thousand (2021: HRK 934 thousand) as a result of liability adequacy test for life assurance related to annuity product RM1.

Non-life insurance

Insurance liabilities connected with non-life insurance are calculated by using current (not historical) assumptions.

The liability adequacy test for non-life insurance is therefore limited to the unexpired portion of existing contracts. The Group performs LAT by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of deferred acquisition costs. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur.

The test is performed by product groups which comprise insurance contracts with a similar risk profile.

For annuities, the assumptions used to establish the provision include all future cash flows with changes being recognised immediately in the profit or loss. As such no separate liability adequacy test is required to be performed.

At year end no reserves for unexpired risk have been recognized as a result of liability adequacy testing (2021: none).

1.8 The sensitivity of best estimate liabilities to change in significant variables

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, lapse rate, expense rate and discount rates used in the liability adequacy testing.

In 2022 the Group has estimated the impact on the Best Estimate Liabilities (“BEL”) at the end of the year of changes in key variables that may have a material effect, aligned with the parent company instructions and guidelines. For each time in the projection period cash flows are calculated and BEL were calculated as best estimated liabilities.

Life assurance

Company	Impact on the Best Estimate Liabilities	Impact on the Best Estimate Liabilities
	2022	2021
	HRK'000	HRK'000
Risk free rate +100bp	(105,542)	(146,878)
Risk free rate –100bp	113,158	162,756
Mortality (for products with death risk) +15%	5,314	6,196
Policy maintenance expenses +10%	21,548	28,192
Expense inflation +1%	12,027	17,441

The Group uses BEL calculation to manage sensitivity of insurance risk to market conditions.

Base run means calculation with best estimate assumptions. Base run represents Best estimate liabilities (“BEL”) calculated using the assumptions described under Note 1.7 during liability adequacy testing. For each policy income is calculated from premium while expenses are calculated from both administration expenses and claims.

Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the reporting date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios.

The analysis has been prepared for a change in a single variable with all other assumptions remaining unchanged and excludes changes in values of the related assets.

Sensitivity to changes in mortality was calculated by estimating the effect on BEL of an increase in mortality for products with death risk, while sensitivity to changes in expense rate was calculated by estimating the effect on BEL of a 10% increase in policy maintenance expenses.

The profit or loss and insurance liabilities (as evidenced by BEL above) are highly influenced by a change in the risk free rate in both directions. Hence, changes in risk free rate are stated in 100 basis points for both directions.

Non-life insurance

In non-life the insurance variables which would have the greatest impact on insurance liabilities relate to expense changes as per the policy and Mother third party liability (“MTPL”) court claims. Court claims related liabilities are sensitive to legal, judicial, political, economic and social trends. Management believes it is not practicable to quantify the sensitivity of non-life reserves to changes in these variables.

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

Non-life insurance contracts

The Group offers many types of non-life insurance, including motor, property, liability, marine, aviation, transport, health and accident insurance. Non-life insurance contracts may be concluded for a fixed term of one year or on a long-term basis for a term of several years or up to cancellation. Regardless of the agreed insurance term, either party has the option to cancel the contract at 3 months notice. Given the stated conditions, the Group retains the option of analysis and reassessment of all conditions under which an insurance contract is concluded, including the evaluation of the adequacy of risk prices in intervals not longer than one year. In addition to potential adjustments of the insurance price, there is a possibility of introducing deductibles as well as introducing other restrictive measures, if such approach is required by the nature of the risk or changes thereof.

The main source of uncertainty affecting the amount and the timing of future cash flows arises from the uncertainty of future claims and the uncertainty related to their amounts.

The portfolio of non-life insurance does not include products, which guarantee unlimited coverage and the maximum amount for which the insurer can be liable under an individual insurance policy arising from a claim is always limited by the contractual insurance amount. An exception to this rule is the motor third party liability insurance ("MTPL") in member countries of the Green Card system, which have unlimited coverage. Based on legal regulations, which prescribe the usage of sum insured of the country in which the claim occurred (with respect to MTPL), this risk cannot be avoided altogether, but it can be transferred through adequate reinsurance contracts.

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

Motor insurance

The Group motor portfolio comprises both MTPL and motor hull (casco) insurance. MTPL covers the liability of the owner, i.e. the user of the motor vehicle for claims caused to third parties in case the use of a motor vehicle resulted in bodily injury claims and property claims. MTPL is valid in the European Union and countries within the Green Card system.

Property damage under MTPL and casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalize and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The amount of claims relating to bodily injury and related losses of earnings are influenced by directives set by the Supreme Court which influences court practice. With respect to MTPL, there is an additional impact on the uncertainty of future liabilities of the insurer in case of a potential change in the existing court practice.

MTPL is regulated by the Act on Compulsory Insurance within the Transport Sector.

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

Property insurance

This is broadly split into industrial, commercial and personal lines. For industrial lines and large commercial risks the Group uses underwriting techniques to identify risks and analyze losses and hazards and also cooperates with reinsurers. Personal property insurance consists of standard buildings and contents insurance.

Claims are normally notified promptly and can be settled without delay.

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

Non-life insurance contracts (continued)

Liability insurance

These covers all types of liability and include public liability, liability towards employees, liability for the use of products and a number of professional liabilities either required by law or on voluntary basis. Claims with respect to all types of liability insurance are paid on a claims-occurrence basis, i.e. the Group is responsible for all claims arising during the term of the insurance contract, regardless of whether they are reported after the expiry of the contract. The Group undertakes all adequate measures for securing all necessary information relating to claim exposure. However, there is still an uncertainty with respect to the assessment of the final claim amount, particularly with respect to court claims.

Accident insurance

Accident insurance is traditionally sold as an add-on to life products or to MTPL products offered by the Company, but are also sold as a standalone product.

Life assurance contracts

Bonuses

About 69,26% (2021: 72,16%) of the Group's life assurance contracts include an entitlement to receive a bonus. Bonuses to policyholders are granted at the discretion of the Group and are recognised when proposed and approved by the Board of Directors in accordance with the relevant legal requirements. Once allocated to policyholders bonuses are guaranteed.

Premiums

There is a currency clause for all life products (amount of premium and sum assured is given in EUR or USD) and may be payable in regular installments or as a single premium at inception of the policy. The premium is paid and sum assured payable in Croatian kuna with EUR or USD currency clause. Some endowment and pure endowment - type insurance contracts contain a premium indexation option which may be exercised at the discretion of the policyholder annually. Where the option is not exercised, premiums and sum assured are not increased with inflation.

Term life insurance products

Traditional term life insurance products comprise risks of death, accident rider and critical illness rider. Premium is paid regularly or as a single premium. Policies offer a fixed sum assured for death, and the riders offer short to long-term protection. Death benefits are paid only if the policyholder dies during the term of insurance.

Endowment products

These are also traditional life assurance products providing life-long financial protection. Many long-term policies give the insurers the option to finance their needs in retirement. Capital life insurance products for regular or single premium offer cover for risks of death, endowment and the waiver of premium in case of permanent disability. The premium is payable at once or in installments. Accident or critical illness insurance can be added as a rider to the main endowment coverage. Insurance benefits are usually paid as a lump-sum.

The Group also offered Capital Efficient Alternative Guarantee, ("CEAG" endowment product, which is a single premium product with guarantee of paid premium at maturity. The product offered potential upside at maturity on the Equity Index via a long-dated Call option.

Pure endowments

These are also traditional life insurance products providing life-long financial protection at maturity. These products give an insured person the possibility to finance their needs in retirement or some life events (in the case of child insurance). The premium under this product is paid as single or as regular and it covers risk of endowment.

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

Life assurance contracts (continued)

Unit-linked and index-linked life assurance

Unit-linked life assurance combines traditional term life assurance, with risk of death and possibility to invest regular premium or extra single premium into certain investment funds. The policyholder defines the fund where payments are to be invested and can change the fund during the contract. The policyholder can pay an additional single premium or withdraw a part of an extra single premium.

Equity index linked life assurance is linked to the average performance of Euro Stoxx 50, S&P 500 and the Nikei 225 index with maturity benefit guarantee and minimum death benefit guarantee.

Annuity insurance

The Group does not actively sell annuity products.

In the portfolio the Group has immediate lifelong annuity, immediate temporary risk annuity, both with single premium payment, and deferred lifelong annuity product. Policyholders can regularly pay premiums for deferred lifelong annuity under the existing contracts.

1.10 Property and equipment

Group

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets – cars HRK'000	Right-of-use assets - building HRK'000	Total HRK'000
Cost						
At 1 January 2021	41,114	1,944	34,244	5,936	77,684	160,922
Additions	-	-	440	-	-	440
Disposals	(1,554)	(1,531)	(11,187)	-	-	(14,272)
At 31 December 2021	39,560	413	23,497	5,936	77,684	147,090
At 1 January 2022						
At 1 January 2022	39,560	413	23,497	5,936	77,684	147,090
Additions	-	-	1,372	-	783	2,155
Disposals	-	-	(573)	-	-	(573)
At 31 December 2022	39,560	413	24,296	5,936	78,467	148,672
Depreciation						
At 1 January 2021	9,911	1,944	31,346	821	20,039	64,061
Depreciation charge for the year (Note 1.29)	775	-	1,097	1,207	10,038	13,117
Disposals	(1,086)	(1,531)	(11,187)	-	-	(13,804)
At 31 December 2021	9,600	413	21,256	2,028	30,077	63,374
At 1 January 2022						
At 1 January 2022	9,600	413	21,256	2,028	30,077	63,374
Depreciation charge for the year (Note 1.29)	867	-	964	1,207	9,981	13,019
Disposals	-	-	(541)	-	-	(541)
At 31 December 2022	10,467	413	21,679	3,235	40,058	75,852
Carrying amounts						
At 1 January 2021	31,203	-	2,898	5,115	57,645	96,861
At 31 December 2021	29,960	-	2,241	3,908	47,607	83,716
At 1 January 2022						
At 1 January 2022	29,960	-	2,241	3,908	47,607	83,716
At 31 December 2022	29,093	-	2,617	2,701	38,409	72,820

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,874 thousand (2021: HRK 4,874 thousand).

During 2022 and 2021 there were no capitalized borrowing costs related to the acquisition of property and equipment.

Property and equipment of the Group are not pledged as collateral for any purpose.

Right-of-use assets refers to Office buildings with parking in lease and cars.

The depreciation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.10 Property and equipment (continued)

Company

	Land and buildings HRK'000	Motor vehicles HRK'000	Equipment and furniture HRK'000	Right-of-use assets – cars HRK'000	Right-of-use assets - building HRK'000	Total HRK'000
Cost						
At 1 January 2021	37,357	1,944	32,301	5,936	77,684	155,222
Additions	-	-	410	-	-	410
Disposals	(1,554)	(1,531)	(11,188)	-	-	(14,273)
At 31 December 2021	35,803	413	21,523	5,936	77,684	141,359
At 1 January 2022	35,803	413	21,523	5,936	77,684	141,359
Additions	-	-	700	-	783	1,483
Disposals	-	-	(572)	-	-	(572)
At 31 December 2022	35,803	413	21,651	5,936	78,467	142,270
Depreciation and impairment losses						
At 1 January 2021	8,971	1,944	29,729	821	20,039	61,504
Depreciation charge for the year (Note 1.29)	696	-	964	1,207	10,038	12,905
Disposals	(1,086)	(1,531)	(11,180)	-	-	(13,797)
At 31 December 2021	8,581	413	19,513	2,028	30,077	60,612
At 1 January 2022	8,581	413	19,513	2,028	30,077	60,612
Depreciation charge for the year (Note 1.29)	788	-	932	1,207	9,981	12,908
Disposals	-	-	(541)	-	-	(541)
At 31 December 2022	9,369	413	19,904	3,235	40,058	72,979
Carrying amounts						
At 1 January 2021	28,386	-	2,572	5,115	57,645	93,718
At 31 December 2021	27,222	-	2,010	3,908	47,607	80,747
At 1 January 2022	27,222	-	2,010	3,908	47,607	80,747
At 31 December 2022	26,434	-	1,747	2,701	38,409	69,291

Included within land and buildings is non-depreciable land with a carrying value of HRK 4,288 thousand (2021: HRK 4,288 thousand).

During 2022 and 2021 there were no capitalised borrowing costs related to the acquisition of property and equipment.

Property and equipment of the Company are not pledged as collateral for any purpose.

Right-of-use assets refers to Office buildings with parking in lease and cars.

The depreciation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29)

1.11 Investment property

	Group and Company HRK'000
Cost	
At 1 January 2021	51,800
Disposals	(840)
At 31 December 2021	50,960
<hr/>	
At 1 January 2022	50,960
At 31 December 2022	50,960
<hr/>	
Depreciation	
At 1 January 2021	27,276
Depreciation charge for the year (Note 1.31)	1,270
Disposals	(840) (840)
At 31 December 2021	27 27,706
<hr/>	
At 1 January 2022	27,706
Depreciation charge for the year (Note 1.31)	1,259
At 31 December 2022	28,965
<hr/>	
Carrying amounts	
At 1 January 2021	24,524
At 31 December 2021	23,254
<hr/>	
At 1 January 2022	23,254
At 31 December 2022	21,995
<hr/>	

The rental income arising during the year amounted to HRK 3,299 thousand (2021: HRK 3,285 thousand), which is recognised in “Investment income” (Note 1.25). The depreciation charge is recognised in profit or loss under “Financial expenses” (Note 1.31). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to HRK 1,743 thousand (2021: HRK 956 thousand) and are recognised in profit or loss within “Financial expenses” (Note 1.31).

The fair value of investment property is higher than carrying amount and amounts to HRK 27,327 thousand (2021: HRK 31,903 thousand).

The depreciation charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

Table below shows rental income from investment property in next 5 years:

HRK'000	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years
Group	1,259	1,259	1,259	1,258	1,258	1,258
Company	2,777	2,777	2,777	2,777	1,511	1,258

1.12 Deferred acquisition costs

As part of the Group's and the Company's insurance business, certain acquisition costs are deferred. For life assurance business, acquisition costs are taken into account in calculating life assurance provisions by means of Zillmerisation as a result of which a separate deferred acquisition cost asset for life assurance business is not recognised at the reporting date. For segment reporting purposes life rider business is classified under life assurance business.

An analysis of these deferred costs is set out below:

Group and Company

	Non-life		Life rider		Total	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
At 1 January	69,187	72,771	1,025	1,339	70,212	74,110
Capitalization of acquisition costs	71,956	65,505	342	469	72,298	65,974
Amortization of acquisition costs	(69,308)	(69,089)	(605)	(783)	(69,913)	(69,872)
Net change recognised in profit or loss (Note 1.28)	2,648	(3,584)	(263)	(314)	2,385	(3,898)
At 31 December	71,835	69,187	762	1,025	72,597	70,212

1.13 Other intangible assets

Group

	Goodwill HRK'000	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost						
At 1 January 2021	24	66,831	50,832	187	165,702	283,576
Additions	-	2,010	1,371	2,644	-	6,025
Transfer into use	-	98	-	(98)	-	-
Write off	-	(821)	-	-	-	(821)
At 31 December 2021	24	68,118	52,203	2,733	165,702	288,780
At 1 January 2022	24	68,118	52,203	2,733	165,702	288,780
Additions	-	3,767	1,033	5,920	-	10,720
Transfer into use	-	2,794	-	(2,794)	-	-
Write off	-	-	(6,430)	-	-	(6,430)
At 31 December 2022	24	74,679	46,806	5,859	165,702	293,070
Amortisation						
At 1 January 2021	-	49,606	46,391	-	23,939	119,936
Amortisation charge for the year (Note 1,29)	-	6,388	2,789	-	11,051	20,228
Write off	-	(407)	-	-	-	(407)
At 31 December 2021	-	55,587	49,180	-	34,990	139,757
At 1 January 2022	-	55,587	49,180	-	34,990	139,757
Amortisation charge for the year (Note 1,29)	-	4,977	1,858	-	11,054	17,889
Write off	-	-	(6,430)	-	-	(6,430)
At 31 December 2022	-	60,564	44,608	-	46,044	151,216
Carrying amounts						
At 1 January 2021	24	17,225	4,441	187	141,762	163,640
At 31 December 2021	24	12,531	3,023	2,733	130,712	149,023
At 1 January 2022	24	12,531	3,023	2,733	130,712	149,023
At 31 December 2022	24	14,115	2,198	5,859	119,658	141,854

During 2022 and 2021 there were no capitalized borrowing costs related to the acquisition of software.

The amortization charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.13 Other intangible assets (continued)

Company

	Internally developed software HRK'000	Purchased computer software HRK'000	Computer software under development HRK'000	Exclusive distribution right HRK'000	Total HRK'000
Cost					
At 1 January 2021	66,833	41,210	187	165,702	273,932
Additions	2,010	930	2,644	-	5,584
Transfer into use	98	-	(98)	-	0
Write off	(821)	-	-	-	(821)
At 31 December 2021	68,120	42,140	2,733	165,702	278,695
At 1 January 2022	68,120	42,140	2,733	165,702	278,695
Additions	3,630	318	4,827	-	8,775
Transfer into use	2,794	-	(2,794)	-	0
Write off	-	(6,432)	-	-	(6,432)
At 31 December 2022	74,544	36,026	4,766	165,702	281,038
Amortisation					
At 1 January 2021	49,606	39,256	-	23,940	112,802
Amortisation charge for the year (Note 1.29)	6,390	876	-	11,051	18,317
Write off	(407)	-	-	-	(407)
At 31 December 2021	55,589	40,132	-	34,991	130,712
At 1 January 2022	55,589	40,132	-	34,991	130,712
Amortisation charge for the year (Note 1.29)	4,840	966	-	11,053	16,859
Write off	-	(6,430)	-	-	(6,430)
At 31 December 2022	60,429	34,668	-	46,044	141,141
Carrying amounts					
At 1 January 2021	17,227	1,954	187	141,762	161,130
At 31 December 2021	12,531	2,008	2,733	130,711	147,983
At 1 January 2022	12,531	2,008	2,733	130,711	147,983
At 31 December 2022	14,115	1,358	4,766	119,658	139,897

During 2022 and 2021 there were no capitalized borrowing costs related to the acquisition of software.

The amortization charge is recognised in profit or loss under “Administrative expenses” (Note 1.29).

1.14 Investments in subsidiaries

a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2022	Group ownership at 31 December 2021
<i>Investments in subsidiaries - held at cost</i>				
Allianz Invest d.o.o.	Investment	Croatia	100%	100%
AZ Servisni centar d.o.o.	Claim evaluation and IT services	Croatia	100%	100%
Autoelektro tehnički pregledi d.o.o.	Car evaluation services	Croatia	49%	49%
<i>Investments in subsidiaries - held at fair value through profit or loss</i>				
Allianz Short Term Bond, open-ended investment fund	Investment	Croatia	88,7%	74,9%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	82,6%	76,6%
<i>Investments in subsidiaries – available for sale</i>				
Allianz Equity, open-ended investment fund	Investment	Croatia	39,6%	33%

The subsidiaries are fully consolidated in the Group financial statements. The Company has a control over Autoelektro tehnički pregledi d.o.o. through voting rights and recognises this investment as subsidiary and not as associate despite ownership stake below 50%.

Classification of open-ended investment fund subsidiaries is initially performed in accordance with the Company's investment strategy. Despite having less than 50% ownership stakes in one open-ended fund at 31 December 2021 and 31 December 2022, the management believes it is appropriate to conclude that all funds are subsidiaries as the Company controls the asset manager and is by far the biggest single investor. Investment in Allianz Portfolio relates also to investments made through unit linked products. At 31 December 2022 total investment in Allianz Portfolio, related to unit linked investments, amounted to HRK 69,526 thousands (2021: HRK 82,573 thousands).

b) Investments in subsidiaries are as follows:

	Company 2022 HRK'000	Company 2021 HRK'000
<i>Investments in subsidiaries - held at cost</i>		
Allianz Invest d.o.o.	5,000	5,000
AZ Servisni centar d.o.o.	200	200
Autoelektro tehnički pregledi d.o.o.	488	488
Total subsidiaries at cost	5,688	5,688
<i>Investments in subsidiaries - designated at fair value through profit or loss</i>		
Allianz Short Term Bond, open-ended investment fund	152,925	82,996
Allianz Portfolio, open-ended investment fund	80,201	94,283
Total subsidiaries at fair value through profit or loss	233,126	177,279
<i>Investments in subsidiaries - available for sale</i>		
Allianz Equity, open-ended investment fund	11,865	12,586
Total subsidiaries available for sale	11,865	12,586
	250,679	195,553

1.14 Investments in subsidiaries (continued)

c) Movements in investments in subsidiaries was as follows:

	<i>Investments in subsidiaries - held at cost</i>	<i>Investments in subsidiaries - designated at fair value through profit or loss</i>	<i>Investments in subsidiaries - available for sale</i>	Total
At 1 January 2021	5,688	169,814	10,450	185,952
Acquisition	-	118,747	-	118,747
Disposal	-	(119,937)	-	(119,937)
Fair value gains/loss	-	8,655	2,136	10,791
At 31 December 2021	5,688	177,279	12,586	195,553
At 1 January 2022	5,688	177,279	12,586	195,553
Acquisition	-	144,005	12,200	156,205
Disposal	-	(83,638)	(12,190)	(95,828)
Fair value gains/loss	-	(4,520)	(731)	(5,251)
At 31 December 2022	5,688	233,126	11,865	250,679

d) Non-controlling interest

The following is summarized financial information for the Autoelektro tehnički pregledi d.o.o. The information is before intercompany eliminations with other companies in the Group:

	2022 HRK'000	2021 HRK'000
Revenue	647	607
Profit	223	193
Profit attributable to NCI	114	94
Current assets	813	650
Non-current assets	2,675	2,758
Current liabilities	(11)	(136)
Non-current liabilities	(2,306)	(2,302)
Net assets	1,171	970
Net assets attributable to NCI	574	495
	2022 HRK'000	2021 HRK'000
Profit	223	192
Adjustment for:		
Amortization	83	83
Interest expense	142	149
Decrease/increase in receivables	(22)	(7)
Net cash from operating activities	(22)	(7)
Loan repayment	(285)	(264)
Net cash from finance activities	(285)	(264)
Net increase in cash and cash equivalents	141	153
Cash and cash equivalents at 1 January	578	425
Cash and cash equivalents at 31 December	719	578

1.15 Financial investments

	Group 2022	Group 2021	Company 2022	Company 2021
	HRK'000	HRK'000	HRK'000	HRK'000
Held-to-maturity investments (Note 1.15c)	537,277	118,378	480,546	61,724
Available-for-sale financial assets (Note 1.15c)	2,741,330	3,681,796	2,741,330	3,681,796
	<hr/>	<hr/>	<hr/>	<hr/>
Financial assets at fair value through profit or loss (Note 1.15c)	993,116	950,913	821,819	779,360
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and receivables (Note 1.15a; 1.15c)	17,846	31,636	20,116	34,039
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	4,289,569	4,782,723	4,063,811	4,556,919
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Table below analyses financial investments exposed to credit risk:

	Group 2022				Group 2021			
	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000
Held-to-maturity investments	537,277	-	-	537,277	118,378	-	-	118,378
Available-for-sale debt securities	2,741,330	-	-	2,741,330	3,331,561	-	-	3,331,561
Debt securities at fair value through profit or loss	105,406	-	-	105,406	74,418	-	-	74,418
Loans and receivables	16,549	1,297	513	18,359	29,257	1,852	528	31,637
Impairment	-	-	(513)	(513)	-	-	(528)	(528)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,400,562	1,297	-	3,401,859	3,553,614	1,852	-	3,555,466
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Company 2022				Company 2021			
	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000	Neither past due nor impaired HRK'000	Past due but not impaired HRK'000	Impaired HRK'000	Total HRK'000
Held-to-maturity investments	480,546	-	-	480,546	61,724	-	-	61,724
Available-for-sale debt securities	2,741,330	-	-	2,741,330	3,331,561	-	-	3,331,561
Debt securities at fair value through profit or loss	-	-	-	-	-	-	-	-
Loans and receivables	18,306	1,297	513	20,116	31,659	1,852	527	34,038
Impairment	-	-	(513)	(513)	-	-	(527)	(527)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,240,182	1,297	-	3,241,479	3,424,944	1,852	-	3,426,796
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1.15 Financial investments (continued)

a) Loans and receivables

Loans and receivables consist of deposits with banks and loans to customers net of impairment allowance for loans to customers as follows:

	Group	Group	Company	Company
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Deposits with banks	5,500	5,500	5,500	5,500
Loans to customers and policyholders	12,859	26,663	12,823	26,638
Subordinated loan to subsidiary	-	-	2,306	2,428
Impairment allowance on loans to customers	(513)	(527)	(513)	(527)
	<u>17,846</u>	<u>31,636</u>	<u>20,116</u>	<u>34,039</u>

Loans to customers mainly consist of loans to policyholders which are predominantly collateralised by the redemption value of life assurance policies or by real estate.

Movement in impairment allowance for loans and receivables during the year was as follows:

	Group	Group	Company	Company
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
At 1 January	527	539	527	539
Impairment losses on loans	-	5	-	5
Release of impairment allowance	(14)	(17)	(14)	(17)
	<u>(14)</u>	<u>(12)</u>	<u>(14)</u>	<u>(12)</u>
Net reversal of impairment losses recognised in profit or loss (Note 1.31)	(14)	(12)	(14)	(12)
	<u>513</u>	<u>527</u>	<u>513</u>	<u>527</u>
At 31 December	513	527	513	527

1.15 Financial investments (continued)

b) Reclassifications

From 2008 to 2013 upon decision of the Company's Management Board, the Company reclassified available-for-sale financial assets to held-to-maturity investments. The Company has the intent and ability to hold the reclassified assets to maturity. The following table shows the amount of the remaining balance of reclassified assets (that have not yet matured) in the Group's and Company's portfolio:

Reclassification date	Net book value at the reclassification date HRK'000	Effective interest rate at the reclassification date %	Other comprehensive income up to the reclassification date HRK'000
21 August 2008	127,607	5,66	(9,173)
6 October 2008	99,367	5,66	(1,306)
26 March 2010	156,691	6,06	8,518
4 July 2011	77,388	6,06	4,047
10 October 2011	57,927	6,96	(356)
Total	518,980	5,87	(1,730)

	At the reclassification date		31 December 2022		31 December 2021	
	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000	Net book value HRK'000	Fair value HRK'000
Assets reclassified in 2008:						
Debt securities	226,974	226,974	-	-	-	-
Assets reclassified in 2010:						
Debt securities	156,691	156,691	-	-	-	-
Assets reclassified in 2011:						
Debt securities	135,315	135,315	0	0	61,724	64,066
	518,980	518,980	0	0	61,724	64,066

The following table shows the amounts recognised in profit or loss and other comprehensive income from reclassified assets:

	2022		2021	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	2,183	-	3,912	-
Amortisation of premium	145	-	245	-
Amortisation of fair value reserve to profit or loss	(18)	-	(32)	-
Fair value reserve balance, net of income tax	-	(26)	-	(26)
	2,310	(26)	4,125	(26)

1.15 Financial investments (continued)

b) Reclassifications (continued)

The following table shows the amounts that would have been recognised in profit or loss and other comprehensive income from reclassified assets in 2022 and 2021 if there had been no reclassification:

	2022		2021	
	Profit or loss HRK'000	Other comprehensive income HRK'000	Profit or loss HRK'000	Other comprehensive income HRK'000
Available-for-sale financial assets reclassified to held-to-maturity investments 2008 to 2013				
Interest income	2,183	-	3,912	-
Amortisation of premium	145	-	245	-
Change in fair value reserve, net of income tax	(18)	(26)	-	(4,200)
	<u>2,310</u>	<u>(26)</u>	<u>4,157</u>	<u>(4,200)</u>

1.15 Financial investments (continued)

c) Breakdown Group

	Held-to-maturity investments	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivables	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
31 December 2022					
Shares	-	15,810	61,209	-	77,019
Shares relating to share-based payments	-	-	8,030	-	8,030
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	537,277	1,786,010	47,899	-	2,371,186
Bonds – Governments of EU member states – listed	-	649,969	57,480	-	707,449
Bonds – Governments of other states – listed	-	167,731	-	-	167,731
Foreign and domestic corporate bonds – listed	-	15,634	27	-	15,661
	537,277	2,619,344	105,406	-	3,262,027
Investment funds – quoted					
Open – ended investment funds	-	-	30,738	-	30,738
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	779,029	-	779,029
Close – ended investment funds – quoted	-	106,176	606	-	106,782
	-	106,176	810,373	-	916,549
Call option /i/			8,098		8,098
Loans and receivables					
Deposits with credit institutions	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	9,662	9,662
Other loans	-	-	-	2,684	2,684
	537,277	2,741,330	993,116	17,846	4,289,569
31 December 2021					
Shares	-	-	87,689	-	87,689
Shares relating to share-based payments	-	-	8,386	-	8,386
Call option /i/	-	-	9,410	-	9,410
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	118,378	2,225,679	50,313	-	2,394,370
Bonds – Governments of EU member states – listed	-	862,931	27,419	-	890,350
Bonds – Governments of other states – listed	-	230,905	-	-	230,905
Foreign and domestic corporate bonds – listed	-	12,046	32	-	12,078
	118,378	3,331,561	77,764	-	3,527,703
Investment funds – quoted					
Open – ended investment funds	-	128,311	42,111	-	170,422
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	725,553	-	725,553
Close – ended investment funds – quoted	-	100,485	-	-	100,485
	-	228,796	767,664	-	996,460
Loans and receivables					
Deposits with credit institutions	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	10,185	10,185
Mortgage loans	-	-	-	13,050	13,050
Other loans	-	-	-	2,876	2,876
	118,378	3,560,357	950,913	31,611	4,661,259

Fair value Call option in the amount of 8,098 thousand HRK (2002: - HRK) has been valued at fair value, level 3.

1.15 Financial investments (continued)

c) Breakdown (continued)

Company	Investments in subsidiaries at cost HRK '000	Held-to- maturity investments HRK '000	Available-for- sale financial assets HRK '000	Financial assets at fair value through profit or loss HRK '000	Loans and receivables HRK '000	Total HRK '000
31 December 2022						
Shares	-	-	15,810	-	-	15,810
Shares relating to share-based payments	-	-	-	8,030	-	8,030
Call option	-	-	-	8,098	-	8,098
Investments in subsidiaries	250,679	-	-	-	-	250,679
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	480,546	1,786,010	-	-	2,266,556
Bonds – Governments of EU member states – listed	-	-	649,970	-	-	649,970
Bonds – Governments no EU member states – listed	-	-	167,731	-	-	167,731
Foreign and domestic corporate bonds – listed	-	-	15,634	-	-	15,634
	-	480,546	2,619,344	-	-	3,099,891
Investment funds - quoted						
Open – ended investment funds	-	-	-	26,055	-	26,055
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	779,029	-	779,029
Close – ended investment funds – quoted	-	-	106,176	606	-	106,782
	-	-	106,176	805,690	-	911,866
Loans and receivables						
Deposits with credit institutions	-	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	-	9,662	9,662
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	-	2,306	2,306
Other loans	-	-	-	-	2,648	2,648
	250,679	480,546	2,741,330	821,819	20,116	4,314,490
31 December 2021						
Shares	-	-	121,439	-	-	121,439
Shares relating to share-based payments	-	-	-	8,386	-	8,386
Call option	-	-	-	9,410	-	9,410
Investments in subsidiaries	5,688	-	12,586	177,279	-	195,553
Bonds – fixed interest rate - listed						
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	61,724	2,225,679	-	-	2,287,403
Bonds – Governments of EU member states – listed	-	-	-	-	-	862,931
Bonds – Governments of other states – listed	-	-	862,931	230,905	-	230,905
Foreign and domestic corporate bonds – listed	-	-	12,046	-	-	12,046
	5,688	61,724	3,465,586	195,075	-	3,728,073
Investment funds - quoted						
Open – ended investment funds	-	-	128,311	36,011	-	164,322
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	-	725,553	-	725,553
Close – ended investment funds – quoted	-	-	100,485	-	-	100,485
	-	-	228,796	761,564	-	990,360
Loans and receivables						
Deposits with credit institutions	-	-	-	-	5,500	5,500
Loans to policyholders	-	-	-	-	10,185	10,185
Mortgage loans	-	-	-	-	13,050	13,050
Subordinated loan to subsidiary (ATP;AZSC)	-	-	-	-	2,428	2,428
Other loans	-	-	-	-	2,876	2,876
	195,553	61,724	3,681,796	779,360	34,039	4,752,472

1.15 Financial investments (continued)

c) Breakdown (continued)

Bonds issued by governments of EU member states include bonds of the Republic of Germany of HRK 134,853 thousand (2021: HRK 170,748 thousand), Republic of Poland of HRK 13,064 thousand (2021: 18,314 thousand), Slovak Republic of HRK 141,386 thousand (2021: 102,860 thousand) and the Kingdom of Spain of 125,968 thousand (2021: HRK 172,937 thousand), Romania of HRK 159,272 thousand (2021: HRK 215,037 thousand), Portugal of HRK 40,053 thousand (2021: HRK 73,408 thousand), Austria of HRK 71,544 thousand (2021: HRK 89,776 thousand).

1.16 Reinsurers' share of insurance contract liabilities

Group and Company

	<i>Note</i>	2022 HRK'000	2021 HRK'000
Non-life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	106,139	97,400
Reinsurance share in notified outstanding claims reserve	1.20 b)	36,965	68,640
Reinsurance share in incurred but not reported claims reserve	1.20 c)	28,433	31,288
		<hr/>	<hr/>
Total non-life insurance		171,537	197,328
		<hr/>	<hr/>
Life insurance			
Reinsurance share in unearned premium reserve	1.20 a)	35	113
Reinsurance share incurred but not reported claims reserve	1.20 c)	444	500
Reinsurance share in life assurance provision	1.20 d)	114	372
		<hr/>	<hr/>
Total life insurance		593	985
		<hr/>	<hr/>
Total reinsurance share of insurance		172,130	198,313
		<hr/> <hr/>	<hr/> <hr/>

1.17 Deferred tax asset

Group

	Total deferred tax asset on temporary differences	Financial assets at fair value through profit or loss	Impairment losses on financial assets AFS	AFS financial assets in fair value reserve	Impairment losses on investment property	Impairment losses on receivables for overdue securities	Total deferred tax liabilities on temporary differences
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance as at 1 January 2021	-	2,409	5,879	(83,769)	2,687	1,848	(70,946)
Recognised in profit or loss (Note 1.33)	-	5,574	47	-	-	-	5,621
<i>Total recognised in profit and loss</i>	-	5,574	47	-	-	-	5,621
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	-	-	-	20,488	-	-	20,488
Balance as at 31 December 2021	-	7,983	5,926	(63,281)	2,687	1,848	(44,837)
Balance as at 1 January 2022	(44,837)	7,983	5,926	(63,281)	2,687	1,848	-
Recognised in profit or loss (Note 1.33)	19,766	2,174	-	17,592	-	-	-
<i>Total recognised in profit and loss</i>	19,766	2,174	-	17,592	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	114,151	-	-	114,151	-	-	-
Balance as at 31 December 2022	89,080	10,157	5,926	68,462	2,687	1,848	-

Company

	Total deferred tax asset on temporary differences	Financial assets at fair value through profit or loss	Impairment losses on financial assets AFS	AFS financial assets in fair value reserve	Impairment losses on investment property	Impairment losses on receivables for overdue securities	Total deferred tax liabilities on temporary differences
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Balance as at 1 January 2021	-	2,409	5,879	(83,769)	2,687	1,848	(70,946)
Recognised in profit or loss (Note 1.33)	-	5,574	47	-	-	-	5,621
<i>Total recognised in profit and loss</i>	-	5,574	47	-	-	-	5,621
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	-	-	-	20,488	-	-	20,488
Balance as at 31 December 2021	-	7,983	5,926	(63,281)	2,687	1,848	(44,837)
Balance as at 1 January 2022	(44,837)	7,983	5,926	(63,281)	2,687	1,848	-
Recognised in profit or loss (Note 1.33)	19,766	2,174	-	17,592	-	-	-
<i>Total recognised in profit and loss</i>	19,766	2,174	-	17,592	-	-	-
Deferred tax on net gains from change in fair value, net of amounts realized (Note 1.22c)	114,151	-	-	114,151	-	-	-
Balance as at 31 December 2022	89,080	10,157	5,926	68,462	2,687	1,848	-

1.18 Insurance receivables and other assets

	Group	Group	Company	Company
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Receivables arising from insurance contracts				
- from contract holders (from policyholders)	185,963	156,499	185,963	156,499
Receivables from reinsurance				
- for claims recoveries	22,626	30,627	22,626	30,627
- for reinsurance commission	1,151	1,625	1,151	1,625
- for reinsurance receivables	40	-	40	-
Other receivables and prepayments	45,545	47,361	43,973	44,810
Impairment allowance				
- for insurance receivables	(32,929)	(33,101)	(32,929)	(33,101)
- for reinsurance receivables	(1,128)	(1,128)	(1,128)	(1,128)
- for other receivables	(4,370)	(3,244)	(4,370)	(3,244)
	216,898	198,639	215,326	196,088

The analysis of insurance receivables and other receivables is given below:

	Group	Group	Company	Company
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Neither past due nor impaired	177,492	149,758	176,858	148,412
Past due 0-30	18,229	18,047	18,097	17,797
Past due 31-60	7,200	7,616	7,148	7,510
Past due 61-90	4,469	5,725	4,437	5,645
Past due 91-120	3,738	6,493	3,711	6,403
Past due more than 120 days	43,820	48,473	43,502	47,794
Impairment allowance	(38,050)	(37,473)	(38,427)	(37,473)
	216,898	198,639	215,326	196,088

1.18 Insurance receivables and other assets (continued)

Movement in impairment allowance for insurance receivables during the year was as follows:

	Group and Company 2022 HRK'000	Group and Company 2021 HRK'000
At 1 January	<u>33,101</u>	<u>39,701</u>
Increase in impairment losses	10,415	10,133
Collection of amounts previously provided	<u>(7,630)</u>	<u>(9,434)</u>
Impairment losses recognised in profit or loss (Note 1.23)	2,785	699
Amounts written off	<u>(2,957)</u>	<u>(7,299)</u>
At 31 December	<u>32,929</u>	<u>33,101</u>

Impairment losses for insurance receivables are netted against gross premiums written presented in Note 1.23.

Movement in impairment allowance for reinsurance and other receivables and prepayments during the year was as follows:

	Group and Company 2022 HRK'000	Group and Company 2021 HRK'000
At 1 January	<u>4,372</u>	<u>5,500</u>
Increase in provisions for other receivables	1,428	71
Collection of amounts previously provided	<u>(302)</u>	<u>(1,154)</u>
Impairment losses recognised in profit or loss (Note 1.30)	1,126	(1,083)
Amounts written off	<u>-</u>	<u>(45)</u>
At 31 December	<u>5,498</u>	<u>4,372</u>

1.19 Cash and cash equivalents

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Cash at bank	256,469	234,581	205,588	182,126
Deposits in banks with original maturity up to three months	<u>28,704</u>	<u>-</u>	<u>2,638</u>	<u>-</u>
	<u>285,173</u>	<u>234,581</u>	<u>208,226</u>	<u>182,126</u>

1.20 Insurance contract liabilities

Group and Company

	2022 HRK'000	2021 HRK'000
Non-life insurance		
Provision for unearned premiums (Note 1.20a)	514,051	452,728
Notified outstanding claims reserve (Note 1.20b)	228,008	255,545
Incurred but not reported claims reserve (Note 1.20c)	300,485	246,882
Other provisions	7,254	6,149
Total non-life	1,049,798	961,304
Life assurance		
Provision for unearned premiums (Note 1.20a)	7,742	8,449
Life assurance provision (Note 1.20d)	2,399,629	2,425,958
Provision arising from liability adequacy test (Note 1.20d)	882	934
	2,400,511	2,426,892
Life assurance provision for unit-linked and index-linked products (Note 1.20e)	848,558	808,126
Notified outstanding claims reserve (Note 1.20b)	68,285	62,304
Incurred but not reported claims reserve (Note 1.20c)	2,515	2,629
Total life	3,327,611	3,308,399
Total insurance contract liabilities	4,377,409	4,269,703

Other provisions relate to provisions for bonuses and rebates and unexpired risk reserve. As at 31 December 2022 there is no unexpired risk reserve (2021: no unexpired risk reserve).

a) Analysis of movement on provision for unearned premium

Group and Company	2022 Gross HRK'000	2022 Reinsurance HRK'000	2022 Net HRK'000	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
<i>Non-life business</i>						
At 1 January	452,728	97,400	355,328	442,512	90,760	351,752
Premiums written during the year	907,445	127,660	779,785	792,816	115,194	677,622
Premiums earned during the year	(846,122)	(118,921)	(727,201)	(782,600)	(108,554)	(674,04)
At 31 December	514,051	106,139	407,912	452,728	97,400	355,328
<i>Life assurance business</i>						
At 1 January	8,449	113	8,336	10,282	123	10,159
Premiums written during the year	24,639	1,089	23,550	26,359	(308)	26,052
Premiums earned during the year	(25,346)	(1,167)	(24,179)	(28,192)	317	(27,875)
At 31 December	7,742	35	7,707	8,449	113	8,336

Allocations of premium for non-life insurance in the above table are presented before impairment losses.

1.20 Insurance contract liabilities (continued)

b) Analysis of movements in notified outstanding claims reserve

	Group and Company			Group and Company		
	2022 Gross HRK'000	2022 Reinsurance HRK'000	2022 Net HRK'000	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
<i>Non-life business</i>						
At 1 January	255,545	68,640	186,905	267,927	68,407	199,520
Current year claims	345,336	60,368	284,968	395,508	116,131	279,377
Change in previous year claims	(5,778)	(24,459)	18,681	1,300	(29,475)	30,775
Claims paid	(367,095)	(67,584)	(299,511)	(409,190)	(86,423)	(322,767)
At 31 December	228,008	36,965	191,043	255,545	68,640	186,905
<i>Life assurance business</i>						
At 1 January	62,304	-	62,304	80,366	-	80,366
Current year claims	431,065	-	431,065	497,069	-	497,069
Change in previous year claims	(23,995)	-	(23,995)	(39,103)	-	(39,103)
Claims paid	(401,087)	-	(401,087)	(476,028)	-	(476,028)
At 31 December	68,285	-	68,285	62,304	-	62,304

c) Analysis of movement in incurred but not reported claims reserve

	Group and Company			Group and Company		
	2022 Gross HRK'000	2022 Reinsurance HRK'000	2022 Net HRK'000	2021 Gross HRK'000	2021 Reinsurance HRK'000	2021 Net HRK'000
<i>Non-life business</i>						
At 1 January	246,883	31,288	215,595	264,822	75,444	189,378
Increase	103,043	(151)	103,194	98,628	(4,752)	103,380
Less transfer to claims reported provision	(49,441)	(2,705)	(46,736)	(116,56)	(39,404)	(77,163)
At 31 December	300,485	28,432	272,053	246,883	31,288	215,595
<i>Life assurance business</i>						
At 1 January	2,629	500	2,129	2,801	612	2,189
Increase	1,053	33	1,020	331	(84)	415
Less transfer to claims reported provision Transfer	(1,167)	(88)	(1,079)	(503)	(28)	(475)
At 31 December	2,515	445	2,070	2,629	500	2,129

1.20 Insurance contract liabilities (continued)

d) Analysis of movement in life assurance provision and provision arising from liability adequacy test

Group and Company	2022	2022	2022	2021	2021	2021
	Gross HRK'000	Reinsurance HRK'000	Net HRK'000	Gross HRK'000	Reinsurance HRK'000	Net HRK'000
At 1 January	2,426,892	372	2,426,520	2,429,584	327	2,429,257
Premium allocation	159,148	1,089	158,059	221,844	634	221,210
Release of liabilities due to benefits paid, surrenders and other terminations	(241,337)	(1,347)	(239,990)	(275,873)	(589)	(275,284)
Unwinding of discount/accretion of interest	52,424	-	52,424	53,664	-	53,664
Change in liability arising from liability adequacy test	(52)	-	(52)	(45)	-	(45)
Change in Zillmer adjustment	7,716	-	7,716	9,011	-	9,011
Allocation of discretionary and guaranteed bonuses	(3,574)	-	(3,574)	(9,343)	-	(9,343)
Change in unearned premium reserve	(706)	-	(706)	(1,950)	-	(1,950)
At 31 December	2,400,511	114	2,400,397	2,426,892	372	2,426,520

Life assurance provision amounted to HRK 2,399,630 thousand (2021: HRK 2,425,958 thousand), Provision arising from liability adequacy test amounted to HRK 881 thousand (2021: HRK 934 thousand).

In 2022, the Company achieved an annual return on investments from life assurance provision in amount of 3,45% (2021: 3,43%). Weighted average yield for the two-year period from 2021 to 2022 was 3,44% (2021: two-year period from 2020 to 2021: 3,27%).

e) Analysis of movement in life assurance provisions for unit-linked and index-linked products

Group and Company	2022	2021
	Gross and Net HRK'000	Gross and Net HRK'000
At 1 January	808,126	848,853
Premium allocation	315,590	105,257
Release of liabilities due to benefits paid, surrenders and other terminations	(166,195)	(157,336)
Net gains from change in fair value of assets backing life assurance provision for unit-linked and index-linked products	(108,963)	11,352
At 31 December	848,558	808,126

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR)

For the year ended 31 December 2022

Group and Company	Prior 2016	2016	2017	2018	2019	2020	2021	2022	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year		324,124	349,596	330,955	408,403	593,671	430,929	471,175	-
One year later		314,515	341,451	336,138	378,951	553,408	379,887		-
Two years later		304,410	324,316	315,752	367,224	541,084			-
Three years later		296,470	325,332	321,956	370,381				-
Four years later		295,212	324,090	318,407					-
Five years later		293,180	321,202						-
Six years later		296,561							-
Estimate of cumulative claims		296,561	321,202	318,407	370,381	541,084	379,887	471,175	2,698,697
Cumulative payments		277,281	299,504	288,336	328,404	467,116	304,234	239,571	2,204,446
Provisions for prior years	73,584	-	-	-	-	-	-	-	73,584
Claims handling costs	4,467	1,017	1,220	1,647	2,299	4,194	4,347	12,268	31,459
Value recognised in the statement of financial position	78,051	20,297	22,919	31,718	44,276	78,162	80,000	243,872	599,295
Non life	Prior 2016	2016	2017	2018	2019	2020	2021	2022	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year		301,975	326,046	297,264	368,626	536,991	395,010	440,308	-
One year later		304,704	330,660	318,804	366,280	540,942	369,032		-
Two years later		297,250	315,844	308,695	358,891	530,534			-
Three years later		290,206	319,895	316,361	361,448				-
Four years later		291,122	319,562	311,333					-
Five years later		289,581	316,126						-
Six years later		289,637							-
Estimate of cumulative claims		289,637	316,126	311,333	361,448	530,534	369,032	440,308	2,618,418
Cumulative payments		275,085	297,569	286,544	326,859	465,102	302,829	238,917	2,192,905
Provisions for prior years	73,584	-	-	-	-	-	-	-	73,584
Claims handling cost	4,467	875	1,126	1,488	2,077	3,938	4,064	11,361	29,396
Value recognised in the statement of financial position	78,051	15,427	19,683	26,277	36,666	69,370	70,267	212,752	528,493

1.20 Insurance contract liabilities (continued)

f) Development of claims (NOCR and IBNR continued)

For the year ended 31 December 2022

Life	Prior 2016	2016	2017	2018	2019	2020	2021	2022	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Estimate of cumulative claims at the end of accident year		22,149	23,551	33,692	39,777	56,680	35,919	30,866	-
One year later		9,811	10,791	17,335	12,671	12,465	10,854		-
Two years later		7,160	8,472	7,057	8,334	10,550			-
Three years later		6,263	5,437	5,595	8,933				-
Four years later		4,090	4,527	7,074					-
Five years later		3,598	5,076						-
Six years later		6,924							-
Estimate of cumulative claims		6,924	5,076	7,074	8,933	10,550	10,854	30,866	80,277
Cumulative payments		2,196	1,935	1,792	1,545	2,014	1,404	653	11,539
Provisions for prior years									-
Claims handling cost	-	142	94	158	222	256	283	906	2,061
Value recognised in the statement of financial position	-	4,870	3,236	5,441	7,610	8,792	9,733	31,119	70,801

1.20 Insurance contract liabilities (continued)

g) Remaining maturities of insurance liabilities

Group and Company 2022

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	407,735	107,962	5,910	171	15	-	521,793
NOCR & IBNR	343,968	152,437	55,663	22,856	10,905	13,466	599,295
Life assurance provisions, provision for unit linked products and provision arising from LAT	453,293	985,075	991,424	530,580	208,508	80,188	3,249,068
Other insurance provisions	7,253	-	-	-	-	-	7,253
Insurance liabilities	1,212,249	1,245,474	1,052,997	553,607	219,428	93,654	4,377,409

Group and Company 2021

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
UPR	355,679	103,281	1,896	254	66	-	461,176
NOCR & IBNR	294,695	167,050	55,863	25,140	11,971	12,641	567,360
Life assurance provisions, provision for unit linked products and provision arising from LAT	923,704	672,995	726,800	545,260	259,459	106,801	3,235,019
Other insurance provisions	6,149	-	-	-	-	-	6,149
Insurance liabilities	1,580,227	943,326	784,559	570,654	271,496	119,442	4,269,704

UPR stands for unearned premium reserve.

NOCR stands for notified outstanding claims reserve, also known as reported but not settled (RBNS) claims reserve.

IBNR stands for incurred but not reported claims reserve.

LAT stands for liability adequacy test.

1.20 Insurance contract liabilities (continued)

h) Analysis of claims ratio, gross

The table below presents claims ratio by line of business calculated in accordance with HANFA's Regulation on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance Companies:

Non-life insurance business	Claims ratio gross	Costs ratio gross	Combined ratio gross	Claims ratio gross	Costs ratio gross	Combined ratio gross
	2022	2022	2022	2021	2021	2021
Motor vehicle liability insurance	52,24%	38,45%	90,70%	52,28%	40,23%	92,51%
Other motor insurance	67,94%	32,03%	99,96%	62,99%	34,40%	97,40%
Fire and other damage to property insurance	41,41%	39,20%	80,61%	52,91%	39,81%	92,71%
General liability insurance	43,53%	28,67%	72,21%	44,05%	31,19%	75,24%
Marine, aviation and transport	49,99%	35,63%	85,62%	30,01%	36,32%	66,33%
Credit and suretyship insurance	29,63%	16,11%	45,74%	10,38%	23,07%	33,45%
Personal accident insurance	13,81%	37,79%	51,60%	17,48%	38,94%	56,42%
Health insurance	55,36%	28,93%	84,29%	47,82%	31,86%	79,69%
Miscellaneous financial loss	7,36%	27,31%	34,67%	21,17%	29,20%	50,36%
Assistance	33,82%	30,66%	64,48%	28,30%	39,41%	67,71%
TOTAL - NON LIFE	46,62%	34,59%	81,21%	48,45%	36,58%	85,03%

The above ratios are calculated using the formulas prescribed by the Instruction of the Regulation of the Croatian Financial Services Supervisory Agency on the Structure and Content of the Annual Financial Statements of Insurance and Reinsurance companies (Official Gazette 37/16) as follows:

Claims ratio = (claims paid, gross + change in claims reserves, gross + change in other technical reserves, gross) / (gross written premiums + premium impairment + change in gross unearned premium)*(-100)

Costs ratio = (operating expenses + other insurance-technical income, net of reinsurance + other technical insurance expenses, net of reinsurance) / (gross written premiums + premium impairment + change in gross unearned premium)*(-100)

Combined ratio = claims ratio + costs ratio

1.21 Insurance and other payables and deferred income

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Direct insurance contract payables				
- to policyholders	37,974	30,017	37,974	30,017
- to agents, brokers and intermediaries	32,927	18,565	32,927	18,565
Reinsurance contract payables	36,933	29,732	36,933	29,732
Reinsurance commission deferral	5,130	4,435	5,130	4,435
Commission expenses accrual	2,791	3,226	2,791	3,226
Provision for bonuses to employees	10,761	9,528	10,149	8,941
Liabilities for salaries	5,568	5,884	5,208	5,573
Liabilities for premium paid in advance	13,268	90,224	13,268	90,224
Liabilities for share based payments (Note 1.34)	7,242	8,384	7,210	8,384
Liabilities to investment funds non-controlling unitholders	54,181	83,118	-	-
Trade payables	2,572	6,132	2,199	5,678
Liabilities to Croatian Insurance Bureau	12,896	12,896	12,896	12,896
Accrued expenses	31,518	20,952	30,986	20,726
Other payables	32,095	29,641	31,385	26,027
	<u>285,856</u>	<u>352,734</u>	<u>229,056</u>	<u>264,424</u>

1.22 Equity

a) Issued share capital

	2022 HRK'000	2021 HRK'000
Authorised, issued and fully paid		
254,306 (2021:254,306) ordinary shares of HRK 400	<u>101,722</u>	<u>101,722</u>

The share capital of the Company is denominated in Croatian kuna. The nominal value of each share issued by the Company is HRK 400.

At the reporting date, the shareholders of the Company are as follows:

	2022 % ownership	2021 % ownership
Allianz Holding eins GmbH, Austria	100,00	83,16
Zagrebačka banka d.d. Croatia	-	16,84
	<u>100,00</u>	<u>100,00</u>

The ultimate owner of the Company is Allianz SE, a joint stock company domiciled in Germany.

b) Share premium

As a result of the shares issues in period from 1999 to 2008, the Company recognised total share premium in the amount of HRK 112,001 thousand (2021: HRK 112,001 thousand) representing the excess of the paid-in amount over the nominal value of the issued shares. In 2013 the Company increased its issued share capital by converting share premium amounting to HRK 7,500 thousand into share capital (bonus share issue) by issuing 18,750 new ordinary shares each with the nominal amount of HRK 400. New shares were awarded to the existing shareholders in proportion to their current shareholdings. There were no subsequent changes.

1.22 Equity (continued)

c) Fair value reserve

The fair value reserve represents the cumulative unrealised net change in the fair value of available-for-sale investments, net of associated deferred tax. All movements are shown in other comprehensive income in the Statement of comprehensive income, net of tax, Movements in the fair value reserve were as follows:

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
At 1 January				
Gross fair value reserve	351,554	465,401	351,554	465,377
Deferred tax (Note 1.17)	(63,281)	(83,769)	(63,281)	(83,769)
Net	288,273	381,632	288,273	381,608
Net gains from change in fair value of available-for-sale financial assets	(606,514)	(111,482)	(606,514)	(111,458)
Net gains on disposal of available-for-sale financial assets - transfer to profit or loss (Note 1.25)	(37,083)	(8,324)	(37,083)	(8,324)
Impairment loss on financial assets available for sale (Note 1.31)	9,424	5,959	9,424	5,959
	(634,173)	(113,847)	(634,173)	(113,823)
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.17)	114,151	20,488	114,151	20,488
<i>Total result net of deferred tax</i>	(520,022)	(93,359)	(520,022)	(93,335)
At 31 December				
Gross fair value reserve	(282,619)	351,554	(282,619)	351,554
Deferred tax (Note 1.17)	50,870	(63,281)	50,870	(63,281)
Net	(231,749)	288,273	(231,749)	288,273

d) Legal reserve

The legal reserve (HRK 25,053 thousand at 31 December 2022 and 2021) represents accumulated appropriations from retained earnings in accordance with Insurance Law effective until 31 December 2005, which required a minimum of one third of the Company's net profit to be transferred to a non-distributable statutory reserve until the reserve reaches half of the average of earned premium of the preceding two years.

In 2006, a new Insurance Law became effective which does not require the creation of the above reserve. However, in accordance with the Companies Law, 5% of profit for the year needs to be allocated to a legal reserve until legal reserve and non-distributable reserves, such as share premium, reach 5% of the issued share capital.

The legal reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

e) Retained earnings

The Company pays due care to the requirements of the Croatian Accounting Act for covering the net carrying amount of any development costs in advance of determining the distributable amount of retained earnings.

1.22 Equity (continued)

f) Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Company (the Company has no preference shares). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares (no treasury shares in either 2022 or 2021). The weighted average number of ordinary shares used for basic earnings per share was 254,306 (2021: 254,306). Given that there is no effect of options, convertible bonds or similar effect, the weighted average number of ordinary shares used for diluted earnings per share was the same as used to calculate basic earnings per share: 254,306 (2021: 254,306).

	Group	Group	Company	Company
	2022	2021	2022	2021
Profit attributable to ordinary shareholders of the Company for earnings per share in HRK '000	128,270	106,890	127,888	106,550
Weighted average number of ordinary shares at 31 December	254,306	254,306	254,306	254,306
Basic and diluted earnings per share attributable to equity holders of the Company in HRK	504,39	420,32	502,89	418,98

g) Dividends per share

During 2022 the Company paid no dividend (2021: HRK 202,546 thousand or HRK 796,47 per share).

1.23 Premiums

	Group and Company 2022 HRK'000	Group and Company 2021 HRK'000
<i>Non-life insurance</i>		
Gross premium written	904,660	792,126
Written premiums ceded to reinsurers	(127,660)	(115,194)
Net premiums written from non-life insurance	777,000	676,931
Change in unearned premiums, gross	(61,323)	(10,217)
Change in unearned premiums, reinsurance share	8,683	6,640
Total premium income net, (earned) from non-life insurance	724,360	673,354
<i>Life assurance</i>		
Gross premium written	571,990	437,385
Written premiums ceded to reinsurers	(3,137)	(1,353)
Net premiums written from life assurance	568,853	436,033
Change in unearned premiums, gross	706	1,833
Change in unearned premiums, reinsurance share	(78)	(10)
Total premium income net, (earned) from life assurance	569,482	437,856
Total gross premiums written	1,476,650	1,229,511
Total premiums ceded to reinsurers	(130,796)	(116,547)
Total net premiums written	1,345,854	1,112,964
Total change in the gross provision for unearned premiums	(60,616)	(8,383)
Total reinsurers' share of change in the provision for unearned premiums	8,605	6,630
Net earned premiums non-life and life	1,293,843	1,111,211

Gross premiums written for the Group and the Company have been presented after deducting net impairment losses of HRK 2,785 thousand (2021: HRK 699 thousand), as presented in Note 1.18.

1.23 Premiums (continued)

Analysis by class of business

Group and Company

2022	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisiti on costs (Note 1.28)	Administrati ve expenses (Note 1.29)	Result from reinsurance business
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	55,273	52,755	7,289	13,108	6,835	10
Health insurance	76,969	71,411	40,507	10,292	10,025	955
Insurance of motor vehicles - full comprehensive motor (casco)	152,706	142,916	96,618	27,075	18,841	623
Full comprehensive motor insurance (casco) of track vehicles	2,611	272	639	37	322	143
Hull insurance of aircrafts	497	454	722	216	60	408
Marine and inland marine hull insurance	6,626	6,935	4,543	1,571	803	493
Insurance of goods in transport	9,834	6,356	2,560	1,121	1,213	466
Insurance of property against fire and allied perils	185,822	176,089	64,178	41,507	22,635	30,357
Other property insurances	73,411	72,974	39,098	23,844	9,073	11,420
Motor third-party liability insurance	138,968	129,750	67,787	26,571	17,162	2,470
Aviation third-party liability insurance	416	372	281	40	50	358
Shipowners' liability insurance	3,710	3,816	858	689	458	606
Other liability insurances	148,448	132,956	57,883	19,761	18,299	45,795
Credit insurance	2,227	2,833	788	245	268	1,959
Suretyship insurance	5	4	53	1	1	0
Insurance of financial losses	17,550	16,003	1,182	2,137	2,169	7,675
Travel insurance	29,587	27,440	9,280	4,824	3,658	15,183
Total non life	904,660	843,337	394,266	173,039	111,873	118,921
<i>Life assurance business</i>						
Traditional life	201,637	201,637	226,385	6,576	19,682	1,089
Annuity contracts	713	713	9,610	25	71	0
Supplementary insurance	24,640	27,349	2,145	2,378	2,419	1,989
Unit linked and index-linked	345,000	342,997	162,947	19,800	33,129	136
Total life	571,990	572,696	401,087	28,779	55,302	3,214
Grand total	1,476,650	1,416,033	795,353	201,818	167,175	122,135

Acquisition costs and administrative expenses for the Group and the Company are different due to different classification and allocations. For simplicity reasons, the above table is presented only once, with acquisition costs and administrative expense figures for the Company, as only those relate to insurance business.

1.23 Premiums (continued)

Analysis by class of business (continued)

Group and Company

<i>2021</i>	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisitio n costs (Note 1.28)	Administrat ive expenses (Note 1.29)	Result from reinsuranc e business
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<i>Non-life insurance business</i>						
Personal accident insurance	51,854	51,378	8,982	12,753	7,301	30
Health insurance	68,672	61,381	29,353	9,317	9,999	735
Insurance of motor vehicles - full comprehensive motor (casco)	138,534	135,680	85,554	27,629	19,499	657
Full comprehensive motor insurance (casco) of track vehicles	-	-	(83)	-	-	-
Hull insurance of aircrafts	437	354	563	122	64	420
Marine and inland marine hull insurance	7,340	8,573	2,839	2,166	1,025	1,164
Insurance of goods in transport	4,402	4,248	976	875	619	1,107
Insurance of property against fire and allied perils	158,706	157,293	90,805	34,543	22,360	21,739
Other property insurances	70,173	73,757	32,776	24,647	9,662	10,385
Motor third-party liability insurance	126,664	125,326	65,524	26,755	17,862	2,463
Aviation third-party liability insurance	387	414	1	36	54	386
Shipowners' liability insurance	4,064	4,209	962	797	541	706
Other liability insurances	119,204	118,046	52,005	19,412	16,845	49,935
Credit insurance	3,329	3,369	355	313	487	2,744
Suretyship insurance	(1)	-	(5)	1	-	-
Insurance of financial losses	15,728	15,720	3,327	2,220	2,294	8,289
Travel insurance	22,633	22,162	6,271	4,486	3,589	14,433
Total non life	792,126	781,909	380,205	166,073	112,200	115,194
<i>Life assurance business</i>						
Traditional life	300,191	300,191	294,224	8,841	39,597	856
Annuity contracts	807	807	1,935	14	107	-
Supplementary insurance	24,526	26,359	959	2,640	3,498	494
Unit linked and index-linked	111,861	111,861	117,255	7,045	14,846	12
Total life	437,385	439,218	414,373	18,540	58,049	1,362
Grand total	1,229,511	1,221,127	794,578	184,613	170,249	116,556

1.24 Fee and commission income

	Group 2022	Group 2021	Company 2022	Company 2021
	HRK'000	HRK'000	HRK'000	HRK'000
Commission income				
Reinsurance commission	6,121	7,010	6,121	7,010
	<u>6,121</u>	<u>7,010</u>	<u>6,121</u>	<u>7,010</u>
Total fee and commission income	<u>6,121</u>	<u>7,010</u>	<u>6,121</u>	<u>7,010</u>

1.25 Investment income

	Group 2022	Group 2021	Company 2022	Company 2021
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Interest income</i>				
- Available for sale	80,038	85,015	80,038	85,015
- Held-to-maturity	7,133	4,958	6,326	4,125
- Loans and receivables	444	1,364	522	1,361
- Fair-value-through-P&L	1,496	-	-	-
	89,111	92,430	86,886	90,501
Dividend income	9,569	11,476	7,302	9,347
Rental income from investment property	2,124	3,285	3,299	3,285
Net realised gains from available-for-sale financial assets (Note 1.22c)	37,083	10,671	37,083	10,671
Net gains from fair-value-through-P&L assets	383	31,534	383	23,038
Net realized gains from fair-value-through-P&L assets	1,971	294	56	42
Other	3,743	3,616	2,878	3,377
	<u>143,984</u>	<u>153,306</u>	<u>137,887</u>	<u>140,261</u>
Total investment income	<u>143,984</u>	<u>153,306</u>	<u>137,887</u>	<u>140,261</u>

1.25 Investment income (continued)

Company	Non-life	Life	Total	Non-life	Life	Total
	2022	2022	2022	2021	2021	2021
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Net investment income						
Income from assets backing equity	5,660	9,048	14,708	4,257	1,488	5,745
Income from assets backing life assurance provision	-	93,849	93,849	-	91,977	91,977
Income from assets backing other technical provisions	24,747	2,134	26,881	18,260	3,406	21,666
Income from asset backing index linked products	-	2,449	2,449	-	20,873	20,873
	<u>30,407</u>	<u>107,480</u>	<u>137,887</u>	<u>22,517</u>	<u>117,744</u>	<u>140,261</u>

1.26 Other operating income

	Group	Group	Company	Company
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Service claims	1,981	1,696	1,981	1,696
IT Services	5,812	7,329	2,038	3,435
Other	6,256	6,003	5,477	6,307
	<u>14,049</u>	<u>15,028</u>	<u>9,496</u>	<u>11,438</u>

1.27 Net policyholder claims incurred

	Group and Company 2022 HRK'000	Group and Company 2021 HRK'000
<i>Non-life insurance</i>		
Claims paid		
Gross amount	367,095	409,190
Reinsurers' share	(67,583)	(86,423)
Change in notified outstanding claims reserve		
Gross amount	(27,537)	(12,382)
Reinsurers' share	31,675	(233)
Change in incurred but not reported claims reserve		
Gross amount	53,604	(17,939)
Reinsurers' share	2,856	44,156
Change in other technical provisions		
Gross amount	1,104	1,337
Reinsurers' share	-	-
	-----	-----
Total gross claims incurred from non-life insurance	394,266	380,206
Total reinsurance share in claims incurred from non-life insurance	(33,053)	(42,500)
	-----	-----
Total net claims incurred from non-life insurance	361,213	337,706
	=====	=====
<i>Life assurance</i>		
Claims paid (benefits and surrenders)		
Gross amount	238,141	321,722
Reinsurers' share	(708)	(781)
Claims paid for unit linked products, gross and net	162,947	154,306
Change in life assurance provision and provision arising from LAT		
Gross amount	(26,382)	(2,692)
Reinsurers' share	261	(47)
Change in life assurance provision for unit linked products, gross and net	40,429	(40,726)
Change in notified outstanding claims reserve, gross and net	5,979	(18,175)
Change in incurred but not reported claims reserve		
Gross amount	(110)	(60)
Reinsurers' share	55	112
	-----	-----
Total gross claims incurred from life assurance	421,003	414,374
Total reinsurance share in claims incurred from life assurance	(392)	(715)
	-----	-----
Total net claims incurred from life assurance	420,611	413,659
	=====	=====
Total gross claims incurred	815,269	794,580
Total reinsurers' share in claims incurred	(33,445)	(43,245)
	-----	-----
Total non-life and life	781,824	751,335
	=====	=====

1.28 Acquisition costs

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
<i>Non-life</i>				
Commission expenses paid	163,411	152,160	163,328	148,682
Other acquisition costs paid	12,370	14,122	12,359	14,122
Changes in deferred acquisition costs (Note 1.12)	(2,648)	3,269	(2,648)	3,269
Total acquisition costs, non-life	173,133	169,551	173,039	166,073
<i>Life</i>				
Commission expenses paid	25,887	13,062	25,887	15,912
Other acquisition costs paid	2,628	2,313	2,628	2,313
Changes in deferred acquisition costs (Note 1.12)	263	315	263	315
Total acquisition costs, life	28,778	15,690	28,778	18,540
	201,911	185,241	201,818	184,613

Included within acquisition costs for the Group and the Company are internal sales staff costs amounting to HRK 27 million (2021: HRK 27 million). Breakdown of total acquisition cost per line of business of the Company is also analysed in Note 1.23.

a) Breakdown of acquisition costs of the Company per lines of business

<i>For 2022</i>	Commission HRK'000	Other acquisition costs HRK'000	Change in deferred acquisition costs (+/-) HRK'000	Total acquisition costs HRK'000
Non-life insurance business				
Personal accident insurance	(13,356)	(755)	1,003	(13,108)
Health insurance	(9,616)	(1,108)	432	(10,292)
Motor hull	(26,548)	(2,081)	1,554	(27,075)
Hull insurance of track vehicles	(8)	(36)	7	(37)
Hull insurance of aircrafts	(298)	(7)	89	(216)
Marine and inland marine hull	(1,281)	(89)	(201)	(1,571)
Insurance of goods in transport	(1,421)	(134)	434	(1,121)
Insurance of property against fire and allied perils	(37,215)	(2,500)	(1,792)	(41,507)
Other property insurances	(20,248)	(1,002)	(2,594)	(23,844)
Motor third-party liability	(26,313)	(1,895)	1,637	(26,571)
Aviation third-party liability	(41)	(6)	7	(40)
Shipowners' liability insurance	(613)	(51)	(25)	(689)
Other liability insurances	(19,306)	(2,021)	1,566	(19,761)
Credit insurance	(178)	(30)	(37)	(245)
Suretyship insurance	(1)	-	-	(1)
Insurance of financial losses	(2,107)	(240)	210	(2,137)
Assistance (Travel insurance)	(4,778)	(404)	358	(4,824)
Total Non-life insurance business	(163,328)	(12,359)	2,648	(173,039)
Life insurance business				
Traditional life	(5,640)	(936)	-	(6,576)
Annuity contracts	(22)	(3)	-	(25)
Supplementary insurance	(1,999)	(116)	(263)	(2,378)
Unit linked	(18,226)	(1,574)	-	(19,800)
Total life insurance business	(25,887)	(2,629)	(263)	(28,779)
Total	(189,215)	(14,988)	2,385	(201,818)

Acquisition costs incurred by the Group members do not relate to insurance business, hence the above breakdown is presented only for the Company.

1.28 Acquisition costs (continued)

a) Breakdown of acquisition costs of the Company per lines of business (continued)

For 2021

	Commission	Other acquisition costs	Change in deferred acquisition costs (+/-)	Total acquisition costs
	HRK'000	HRK'000	HRK'000	HRK'000
Non-life insurance business				
Personal accident insurance	(11,618)	(919)	(217)	(12,754)
Health insurance	(8,852)	(1,259)	794	(9,317)
Motor hull	(24,097)	(2,454)	(1,078)	(27,629)
Track vehicles hull	(143)	(8)	29	(122)
Hull insurance of aircrafts	(1,741)	(129)	(295)	(2,165)
Marine and inland marine hull	(866)	(78)	69	(875)
Insurance of goods in transport	(34,950)	(2,814)	3,221	(34,543)
Insurance of property against fire and allied perils	(19,014)	(1,216)	(4,417)	(24,647)
Other property insurances	(23,784)	(2,248)	(723)	(26,755)
Motor third-party liability	(30)	(7)	0	(36)
Aviation third-party liability	(649)	(68)	(80)	(797)
Shipowners' liability insurance	(16,962)	(2,120)	(330)	(19,412)
Other liability insurances	(245)	(61)	(6)	(313)
Credit insurance	(1)	-	-	(1)
Suretyship insurance	(1,834)	(289)	(97)	(2,220)
Insurance of financial losses	(3,896)	(452)	(138)	(4,486)
Assistance (Travel insurance)				
Total Non-life insurance business	(148,682)	(14,122)	(3,269)	(166,073)
Life insurance business				
Traditional life	(7,263)	(1,578)	-	(8,841)
Annuity contracts	(10)	(4)	-	(14)
Supplementary insurance	(2,186)	(139)	(315)	(2,640)
Unit linked	(6,453)	(592)	-	(7,045)
Total life insurance business	(15,912)	(2,313)	(315)	(18,540)
Total	(164,594)	(16,435)	(3,584)	(184,613)

1.29 Administrative expenses (continued)

a) Breakdown of administration costs of the Company per lines of business (continued)

Administrative costs incurred by the Group members do not relate to insurance business, hence the above breakdown is presented only for the Company.

<i>For 2021</i>	Depreciation of property and equipment and amortisation of intangible assets HRK'000	Personnel expenses and cash settled share based payments HRK'000	Other administration costs HRK'000	Total administration costs HRK'000
Non-life insurance business				
Personal accident insurance	1,031	3,443	2,827	7,301
Health insurance	1,412	4,715	3,872	9,999
Motor hull	2,754	9,195	7,550	19,499
Hull insurance of aircrafts	9	30	25	64
Marine and inland marine hull	145	483	397	1,025
Insurance of goods in transport	87	292	239	619
Insurance of property against fire and allied perils	3,158	10,544	8,658	22,360
Other property insurances	1,365	4,556	3,741	9,662
Motor third-party liability	2,523	8,423	6,916	17,862
Aviation third-party liability	8	26	21	54
Shipowners' liability insurance	76	255	209	541
Other liability insurances	2,379	7,943	6,522	16,845
Credit insurance	69	230	189	487
Insurance of financial losses	324	1,082	888	2,294
Travel insurance	507	1,693	1,390	3,589
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-life insurance business	15,848	52,909	43,443	112,200
	<hr/>	<hr/>	<hr/>	<hr/>
Life insurance business				
Traditional life	11,189	14,029	14,379	39,597
Annuity contracts	29	38	41	107
Supplementary insurance	932	1,239	1,327	3,498
Unit linked	3,954	5,260	5,632	14,846
	<hr/>	<hr/>	<hr/>	<hr/>
Total life insurance business	16,103	20,567	21,380	58,049
	<hr/>	<hr/>	<hr/>	<hr/>
Grand total	31,950	73,476	64,823	170,249
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1.30 Other operating expenses

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Health care charges from functional premiums	5,390	4,204	5,390	4,204
Charges for guarantee fund	846	784	846	784
Fire brigade contributions	2,118	1,595	2,118	1,595
Impairment losses of other receivables (Note 1.18)	1,428	71	1,428	71
Other charges	10,845	11,965	11,296	11,378
	<u>20,627</u>	<u>18,619</u>	<u>21,078</u>	<u>18,032</u>

1.31 Financial expenses

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Depreciation of investment property (Note 1.11)	1,259	1,270	1,259	1,270
Interest expense on finance lease	1,019	2,257	1,019	2,257
Impairment losses on financial assets available for sale (1.22c)	9,424	5,968	9,424	5,968
Impairment losses / (reversal) on loans to customers (Note 1.15a)	(16)	(10)	(16)	(10)
Net realised losses from available-for-sale financial assets (Note 1.22c)	5,817	2,348	5,817	2,348
Net unrealised losses from fair-value-through-P&L assets	119,264	1	103,510	1
Other expenses	6,113	2,332	5,946	4,043
Allocation (from)/to investment fund non-controlling unitholders	(13,617)	8,450	-	-
	<u>129,263</u>	<u>22,616</u>	<u>126,959</u>	<u>15,877</u>

Company

	Non-life 2022 HRK'000	Life 2022 HRK'000	Total 2022 HRK'000	Non-life 2021 HRK'000	Life 2021 HRK'000	Total 2021 HRK'000
Financial expenses						
Expenses from assets backing equity	4,149	101,908	106,057	3,225	442	3,667
Expenses from assets backing life assurance provision	-	15,754	15,754	-	11,334	11,334
Expenses from assets backing other technical provisions	4,413	734	5,148	759	117	876
	<u>8,562</u>	<u>118,396</u>	<u>126,959</u>	<u>3,984</u>	<u>11,893</u>	<u>15,877</u>

1.32 Net foreign exchange translation gains/losses on financial assets

	Group 2022	Group 2021	Company 2022	Company 2021
	HRK'000	HRK'000	HRK'000	HRK'000
<i>Net foreign exchange translation gains/losses on financial assets:</i>				
- Held-to-maturity	(314)	(159)	(314)	(159)
- Available for sale	(6,073)	(6,020)	(6,073)	(6,020)
- Fair value through profit or loss	(396)	(40)	(396)	38
- Loans and receivables	187	(738)	187	(738)
- Other	(596)	2,468	(1,081)	2,128
	<u>(7,192)</u>	<u>(4,489)</u>	<u>(7,677)</u>	<u>(4,751)</u>

Company

	Non-life 2022	Life 2022	Total 2022	Non-life 2021	Life 2021	Total 2021
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Net foreign exchange translation gains/losses on financial assets						
- from assets backing equity	(905)	(645)	(1,550)	1,353	787	2,140
- from assets backing life assurance provision	-	(5,921)	(5,921)	-	(6,555)	(6,555)
- from assets backing other technical provisions	(125)	(81)	(206)	(176)	(160)	(336)
	<u>(1,030)</u>	<u>(6,647)</u>	<u>(7,677)</u>	<u>1,177</u>	<u>(5,928)</u>	<u>(4,751)</u>

1.33 Income taxes

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Current tax expense	48,034	24,170	48,047	24,135
Deferred tax expense/(income) (Note 1.17)	(19,764)	(5,621)	(19,764)	(5,621)
Total income tax expense	<u>(28,270)</u>	<u>18,549</u>	<u>28,283</u>	<u>18,514</u>

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

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Accounting profit for the period before income taxes	156,540	125,439	156,170	125,064
Income tax at 18% (2021: 18%) /i/	(28,096)	(23,469)	(28,111)	(23,437)
Non-deductible expenses /ii/	(429)	(2,369)	(393)	(2,326)
Non-taxable income/iii/	1,510	8,202	1,476	8,162
Correction tax from previous years	-	(913)	-	(913)
Additional tax /iv/	(1,368)	-	(1,368)	-
Difference in abroad tax rates	113	-	113	-
Total income tax expense	<u>(28,270)</u>	<u>(18,549)</u>	<u>(28,283)</u>	<u>(18,514)</u>
Effective income tax rate	<u>(18%)</u>	<u>(15%)</u>	<u>(23%)</u>	<u>(15%)</u>

/i/ Slovenian tax at 19%

/ii/ Non deductible expenses are related to unrealised losses, impairment of receivables and accruals.

/iii/ Non taxable income are related to unrealised gains and dividend income.

/iv/ Additional tax on extra profit - in November 2022 the Croatian Government announced the implementation of additional income tax for companies with revenues over 300m HRK that will be applicable for 2022 and will be computed based on excess profit in 2022 compared to average last four years applying corporate income tax of 33%.

Income tax recognised in other comprehensive income:

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
On available-for-sale financial assets				
Deferred tax on net gains from change in fair value of available-for-sale financial assets, net of amounts realised and impairment losses (Note 1.22c; 1.17)	114,151	20,488	114,151	20,488

1.34 Share based payments

The Group and the Company

Restricted stock units

Restricted stock units (“RSU”) of the company Allianz SE, are granted to the Management Board. Employee services received in exchange for cash-settled share based payments are recognised at the fair value of the amount payable to the employee. The liability is re-measured at each reporting date and the settlement date to its fair value, with all changes recognised immediately in the profit or loss as staff costs.

RSUs vest at the end of a four year period after the grant date. The amount of the cash payment depends on the share price of the Allianz SE at the time of the exercise.

	Number of items	Fair value at reporting date EUR per option	Fair value at 31 December 2022 EUR ‘000	Fair value at 31 December 2022 HRK ‘000	End of vesting period
AEI 2019/RSU	1,571	200.90	315.61	2.378	03.03.2023
AEI 2020/RSU	1,464	189.66	277.66	2.092	01.03.2024
AEI 2020/2021 RSU	1,346	178.22	239.88	1.807	07.03.2025
AEI 2021/2022 RSU	1,399	166.26	232.60	1.753	06.03.2023
	Number of items	Fair value at reporting date EUR per option	Fair value at 31 December 2021 EUR	Fair value at 31 December 2021 HRK ‘000	End of vesting period
AEI 2017/RSU	1,442	207.65	299.43	2.251	04.03.2022
AEI 2018/RSU	1,571	197.03	309.53	2.327	03.03.2023
AEI 2019/RSU	1,464	185.87	272.11	2.046	01.03.2024
AEI 2020/RSU	1,346	174.18	234.45	1.762	07.03.2025

1.35 Leases

The maturity analysis of the finance lease payments receivable is as follows:

	2022
	HRK'000
No later than 1 year	11,827
Later than 1 year and no later than 5 years	30,855
	<hr/>
	42,682
	<hr/> <hr/>

1.36 Related parties

The Company is the parent of the Allianz Hrvatska Group.

The key shareholder of the Company and of the Group is Allianz Holding eins GmbH, Austria with holdings of 100% of the Company's shares at year end (2021: Allianz New Europe Holding GmbH, Austria with holdings of 83.2%). As of 14 October 2022 Allianz Holding eins GmbH acquired 16.84% minority share held by Zagrebačka banka d.d. Ultimate parent of the Company is Allianz SE, Munich, Germany. On 7 October 2021, a status change of merger was carried out in the register of the Vienna Commercial Court, merging Allianz New Europe Holding GmbH with Allianz Holding eins GmbH. As a result, Allianz Holding eins GmbH, as the universal legal successor of the merged company, became a shareholder in the Company, and Allianz New Europe Holding GmbH ceased to exist.

The Company considers that it has immediate related party relationship with its ultimate controlling party and companies under control, under common control or under influence of key management personnel and their close family members in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24).

(a) Relationship with Zagrebačka banka d.d.

Zagrebačka banka d.d. held 16.84% minority share till 14 October 2022. Group held deposits and current accounts in the amount of HRK 92,268 million (2021: HRK 174,667 million) with Zagrebačka banka d.d. with interest rate of 1%. Deposits attract standard commercial rates of interest, and are subject to standard commercial transaction and service fees and charges.

Gross written premium acquired through the Zagrebačka banka Group distribution channels till 14 October 2022 amounted to HRK 333,8 million (2021: HRK 302,7 million), Commission paid to Zagrebačka banka Group till 14 October 2022 relating to bank assurance sales amounted to HRK 18,5 million (2021: HRK 18,5 million).

Zagrebačka banka Group has property, motor, life and personal lines insurance policies contracted with the Company in amount of HRK 22,6 million (2021: HRK 24,1 million) gross written premium.

Contracts for policies and commission paid has been agreed under standard commercial terms.

In 2019, the Company signed a 15 years exclusive distribution contract with Zagrebačka banka d.d. and Unicredit bank in Slovenia under the umbrella of the Allianz & Unicredit regional partnership. The value of exclusive distribution right has been capitalized and disclosed in Note 1.13 Other intangible assets, Unicredit bank in Slovenia and Allianz Hrvatska d.d. are entities under common control.

(b) Relationship with key management personnel

Gross emoluments paid or payable by the Group to the members of the Management Board for the year ended 31 December 2022 amounted to HRK 13,2 million (2021: HRK 12,0 million), including fixed salary, accrued bonuses for 2022, RSU and SAR costs and life assurance premiums paid by the Group. Out of this amount HRK 695 thousand (2021: HRK 579 thousand) relate to pension contributions. Value of units in the Group investment funds owned by Management Board at 31 December 2022 amounted to HRK 332 thousand (31 December 2021: HRK 348 thousand).

1.36 Related parties (continued)

(c) Relationship with Allianz SE, Munich (ultimate owner)

Liabilities to Allianz SE, Munich as at 31 December 2022 amounted to HRK 385,8 thousand (31 December 2021: HRK 616,1 thousand), while expense recognised in 2022 amounted to HRK 5,266 thousand (2021: HRK 5,071 thousand) and relate to group charges for services provided.

As at 31 December 2022 Group also holds Allianz SE shares in relation to its Share based payment arrangements in amount of HRK 8,030 thousand (2021: HRK 8,386 thousand)

(d) Relationship with fellow subsidiaries of Allianz SE Group

The majority of the Group's reinsurance is ceded to Allianz SE Group companies. These transactions gave rise to reinsurance premiums and recoveries during the year and debtors and creditors at the end of the year as set out below:

	Company and Group 2022 HRK'000	Company and Group 2021 HRK'000
Premium ceded:		
Reinsurance premiums payable at beginning of year	24,338	50,236
Reinsurance premiums ceded during the year	104,249	96,620
Reinsurance premiums paid during the year	(105,466)	(122,519)
	<u>23,121</u>	<u>24,337</u>
Reinsurance recoveries:		
Statement of changes in equity	24,739	31,561
Invoiced during the year	65,271	83,797
Received during the year	(74,558)	(90,619)
	<u>15,452</u>	<u>24,739</u>
Reinsurance commission:		
At the beginning of the year	1,293	2,315
Invoiced during the year	5,709	5,791
Received during the year	(6,084)	(6,813)
	<u>918</u>	<u>1,293</u>

(e) Relationship with subsidiaries of the Company

Receivables from AZ Servisni Centar d.o.o. as at 31 December 2022 amounted to HRK 0,00 thousand (31 December 2022: HRK 0,00 thousand), while income recognised in 2022 amounted to HRK 69 thousand (2021: HRK 70 thousand) and relate to sublease of office space. Liabilities to AZ Servisni Centar d.o.o. as at 31 December 2022 amounted to HRK 0 thousand (31 December 2021: HRK 148 thousand), while expenses recognised in 2022 amounted to HRK 481 thousand (2021: HRK 481 thousand) and relate to IT services provided.

Receivables from Autoelektro tehnički pregledi d.o.o. as at 31 December 2022 amounted to HRK 2,295 thousand (31 December 2021: HRK 2,416 thousand), while income recognised in 2022 amounted to HRK 152 thousand (2021: HRK 148 thousand) and relates to the loan given.

Open receivables from Allianz Invest d.o.o. as at 31 December 2022 amounted 235 thousand HRK (31 December 2021: HRK 238 thousand), while income recognised in 2022 amounted to HRK 1,106 (2021: HRK 1,099 thousand) and relate to sublease of office space. Liabilities to Allianz Invest d.o.o. as at 31 December 2022 amounted 179 thousand (31 December 2021: 179 HRK), while expense recognised in 2022 amounted to HRK 1,720 thousand (2021: HRK 1,720 thousand) and relate to management fee.

1.36 Related parties (continued)

Group 2022	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	186	178,380	2,138	6,594
<i>Owners</i>				
Allianz Holding eins GmbH	-	-	-	885
Zagrebačka banka d.d. till 14.10.2022	92,269	-	22,692	21,150
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	177,994	186	1,327	2,139
<i>Other related companies</i>	16,369	23,121	70,979	104,249
	157	1,303	2,589	23,903
	<u>286,975</u>	<u>202,990</u>	<u>99,725</u>	<u>158,920</u>
	<u><u>286,975</u></u>	<u><u>202,990</u></u>	<u><u>99,725</u></u>	<u><u>158,920</u></u>
Company 2022	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	186	178,380	2,138	6,594
<i>Owners</i>				
Allianz Holding eins GmbH	-	-	-	885
Zagrebačka banka d.d. till 14.10.2022	92,269	-	22,692	21,150
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	-	-	69	418
Allianz Short Term Bond, open-ended investment fund	152,925	-	-	-
Alianz Portfolio, open-ended investment fund	10,675	-	-	-
Allianz Equity, open-ended investment fund	11,865	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,295	7	152	-
Allianz Invest d.o.o.	235	179	1,106	1,720
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	-	-	-	-
	16,369	23,121	70,979	104,249
<i>Other related companies</i>	157	1,303	2,589	23,903
	<u>286,975</u>	<u>202,990</u>	<u>99,725</u>	<u>158,920</u>
	<u><u>286,975</u></u>	<u><u>202,990</u></u>	<u><u>99,725</u></u>	<u><u>158,920</u></u>

1.36 Related parties (continued)

Group 2021	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	327	110,563	2,201	6,389
<i>Owners</i>				
Zagrebačka banka d.d.	174,667	-	24,053	21,199
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	109,945	327	1,317	2,202
<i>Other related companies</i>				
	26,032	24,338	89,588	96,620
	23	3,304	3,743	22,216
	310,996	138,532	120,902	148,626

Company 2021	Assets HRK'000	Liabilities HRK'000	Income HRK'000	Expense HRK'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	327	110,563	2,201	6,389
<i>Owners</i>				
Zagrebačka banka d.d.	174,667	-	24,053	21,199
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	-	148	70	482
Allianz Short Term Bond, open-ended investment fund	82,996	-	-	-
Allianz Portfolio, open-ended investment fund	11,710	-	-	-
Allianz Equity, open-ended investment fund	12,586	-	-	-
Autoelektro tehnički pregledi d.o.o.	2,416	-	147	-
Allianz Invest d.o.o.	239	179	1,100	1,720
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	-	-	-	-
	26,032	24,338	89,588	96,620
<i>Other related companies</i>				
	23	3,304	3,743	22,216
	310,996	138,532	120,902	148,626

1.37 Financial Risk Management

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

Market risk

Market risk is defined as the effect of changes in market prices on the statement of comprehensive income and statement of financial position of the Group. Basic risk factors include:

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

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

Asset and liability matching

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

The Group establishes target asset portfolios for each major business segment, which represents the investment strategies used to fund profitably its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, liquidity, asset sector concentration and credit quality. The estimates used in determining the approximate amounts and timing of payments to or on behalf of policyholders for insurance liabilities are regularly reviewed.

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates is concentrated in its investment portfolio. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts.

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

The Group does not have any debt obligations and interest rate changes also do not influence the level of non-life provisions, other than for motor third party annuities, which are not significant at the reporting date. The life assurance provision is discounted using the lower of the technical interest rate or maximum rate prescribed by HANFA, which cannot be higher than the weighted average annual return for the last three years on assets backing life assurance provision.

1.37 Financial Risk Management (continued)

Interest rate risk (continued)

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

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

An increase in 100 basis points in interest yields would be recognised as loss in other comprehensive income of the Group in the amount of HRK 164,038 thousand (2021: loss of HRK 215,083 thousand). A decrease in 100 basis points in interest yields would be recognised as gain in other comprehensive income of the Group in the amount HRK 204,783 thousand (2021: gain of HRK 270,053 thousand).

Note 1.39 discloses the effective interest rates and re-pricing analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's portfolio of marketable equity securities carried in the statement of financial position at fair value gives exposure to price risk. The Group's objective is to earn competitive returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly. The Group's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

The analysis below is performed for reasonably possible movements in key variable with all other variables held constant, showing the impact on profit and other comprehensive income resulting from financial investments.

Group	Impact on profit or loss after tax 2022 HRK'000	Impact on comprehensive income after tax 2022 HRK'000	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on	Impact on
					other	other
					components of	components of
					equity	equity
					2022	2021
					HRK'000	HRK'000
Change in price by \pm 1%	6,843/(6,843)	1,185/(1,185)	6,093/(6,093)	1,185/(1,185)		
Change in price by \pm 3%	20,528/(20,528)	3,554/(3,554)	20,528/(20,528)	3,554/(3,554)	-	3,554/(3,554)
Change in price by \pm 5%	34,214/(34,214)	5,923/(5,923)	34,214/(34,214)	5,923/(5,923)	-	5,923/(5,923)

Company	Impact on profit or loss after tax 2022 HRK'000	Impact on comprehensive income after tax 2022 HRK'000	Impact on profit or loss after tax 2021 HRK'000	Impact on other comprehensive income after tax 2021 HRK'000	Impact on	Impact on
					other	other
					components of	components of
					equity	equity
					2022	2021
					HRK'000	HRK'000
Change in price by \pm 1%	6,441/(6,441)	126/(126)	6,093/(6,093)	1,185/(1,185)	126/(126)	1,185/(1,185)
Change in price by \pm 3%	19,322/(19,322)	379/(379)	18,278/(18,278)	3,647/(3,647)	379/(379)	3,647/(3,647)
Change in price by \pm 5%	32,203/(32,203)	632/(632)	30,463/(30,463)	5,923/(5,923)	632/(632)	5,923/(5,923)

1.37 Financial Risk Management (continued)

Foreign exchange risk

The Group is exposed to currency risk through the transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency exposure arises from credit, deposit and investment activities as well as from premium income, reinsurance transactions calculation of related technical provisions and settlement of claims on insurance policies linked to foreign currency. The currency giving rise to this risk is mostly Euro,

The Group manages foreign currency risk by trying to minimize the gap between assets and liabilities denominated in or linked to foreign currency. Investments backing life assurance provision are mostly denominated in Euro, as most of the life assurance provision is denominated in Euro.

Note 1.40 discloses the currency analysis at the statement of financial position for Group's and the Company's financial assets and financial liabilities. Majority of the Group's assets and liabilities are denominated either in HRK or EUR.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit and other comprehensive income resulting from financial investments. The following table shows the sensitivity of the Company's and the Group's profit before tax, other comprehensive income and other component of the equity to potential EUR exchange rate changes in 2021 (given that the euro becomes the official currency on January 1, 2023, the data for 2022 is not relevant):

Group	Impact on profit or	Impact on other	Impact on other
	loss after tax	comprehensive	components of
EUR / HRK rate	2021	income after tax	equity
	HRK'000	2021	2021
		HRK'000	HRK'000
Change in fx rate by ± 1%	23,969 / (23,969)	1,876 / (1,876)	1,876 / (1,876)
Change in fx rate by ± 2%	47,939 / (47,939)	3,752 / (3,752)	3,752 / (3,752)

Company	Impact on profit	Impact on other	Impact on other
	or loss after tax	comprehensive	components of
EUR / HRK rate	2021	income after tax	equity
	HRK'000	2021	2021
		HRK'000	HRK'000
Change in fx rate by ± 1%	1,110 / (1,110)	2,032 / (2,032)	1,876 / (1,876)
Change in fx rate by ± 2%	2,220 / (2,220)	4,064 / (4,064)	3,752 / (3,752)

Currency structure of asset and liability is shown in detail in 1.40.

1.37 Financial Risk Management (continued)

Credit risk

In the course of its normal operations the Group is exposed to credit risk. Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It usually results from the adverse changes in a borrower's ability to repay the debt. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

The Group's portfolios of fixed income securities, mortgage loans and to a lesser extent short-term and other investments are subject to credit risk. The Group manages this risk by up-front, stringent underwriting analysis, reviews by the Investment Committee and regular meetings to review credit developments.

The Group has adopted a conservative investment policy.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all policyholders and collateral is secured prior to the disbursement or extension of approved policyholder loans. Collateral is as prescribed by the Insurance Law. At 31 December 2022 Company held collateral in total amount HRK 15,136 thousand (2021: HRK 103,880 thousand). As of 31 December 2022 and 31 December 2021 there are no insufficiently secured assets.

Company:

	Excessively secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2022				
Loans given based on life insurance policies	9,390	9,390	9,390	9,390
Loans given to legal entities	2,560	2,560	2,560	2,560
Loans given to related parties	2,306	3,186	2,306	3,186
31 December 2021				
Loans given based on life insurance policies	9,724	9,724	9,724	9,724
Loans given to legal entities	15,879	90,890	15,879	90,890
Loans given to related parties	2,428	3,186	2,428	3,186

Group:

	Excessively secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2022				
Loans given based on life insurance policies	9,390	9,390	9,390	9,390
Loans given to legal entities	2,560	2,560	2,560	2,560
Loans given to related parties	2,306	3,186	2,306	3,186
31 December 2021				
Loans given based on life insurance policies	9,724	9,724	9,724	9,724
Loans given to legal entities	15,879	90,890	15,879	90,890
Loans given to related parties	2,428	3,186	2,428	3,186

1.37 Financial Risk Management (continued)

Credit risk (continued)

Accordingly at the reporting date the Group and the Company had significant concentration of amounts due from the Republic of Croatia and local authorities as follows:

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Government bonds and bonds issued by local authorities	3,193,643	2,369,883	3,032,847	2,258,103
Investment in debt fund	1,900	56,654	-	56,654
Treasury bills	-	20,000	-	-
Accrued interest on Government bonds and bonds issued by local authorities	52,621	29,300	51,271	29,300
	3,248,164	2,475,837	3,084,118	2,344,057

The total exposure to Croatian state risk represents 52% of the total assets of the Group (2021: 50%) and 53% of the Company (2021: 48%).

Maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements is as followed:

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Debt securities				
Available for sale (Note 1.15c)	2,619,344	3,331,561	2,619,344	3,331,561
Held to maturity (Note 1.15c)	537,277	118,378	480,546	61,724
Loans and receivables				
Deposits with credit institutions (Note 1.15c)	5,500	5,500	5,500	5,500
Loans (Note 1.15c)	12,346	28,538	14,616	28,538
Investment in debt fund	-	56,654	-	56,654
Cash and cash equivalents (Note 1.19)	285,173	234,581	208,226	182,126
Insurance receivables and other assets (Note 1.18)	216,898	198,639	215,326	196,088
Reinsurers' share of insurance contract liabilities (Note 1.16)	172,130	198,315	172,130	198,315
Total assets bearing credit risk	3,848,668	4,172,166	3,715,688	4,060,506

1.37 Financial Risk Management (continued)

Credit risk (continued)

The financial assets are analysed by classes in the table below using Standard & Poors (S&P) rating. The concentration of credit risk is substantially unchanged compared to the prior year.

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Debt securities /i/				
AAA	262,350	170,749	249,037	170,749
AA	73,665	89,776	71,544	89,776
A	231,914	310,721	223,315	310,721
BBB	257,549	307,554	247,086	307,554
Below BBB	2,311,670	2,559,061	2,297,312	2,502,440
Not rated	19,473	12,078	11,597	12,046
Total debt securities	3,156,621	3,449,939	3,099,891	3,393,285
Investment in debt funds				
BBB -	-	56,654	-	56,654
	-	56,654	-	56,654
Loans and receivables**				
Below BBB or not rated	17,846	34,039	20,116	34,039
Total loans and receivables	17,846	34,039	20,116	34,039
Cash and cash equivalents*				
Below BBB or not rated	285,173	234,581	208,226	182,126
Total cash and cash equivalents	285,173	234,581	208,226	182,126
Insurance receivables and other assets				
AA	23,817	33,958	23,817	33,958
Not rated	193,081	162,681	191,509	162,130
Total Insurance receivables and other assets	216,898	196,639	215,326	196,088
Reinsurers' share of insurance contract liabilities				
AA	160,386	64,577	160,386	64,577
AA-	(55)	40,172	(55)	40,172
A+	-	2,630	-	2,630
A	-	87,566	-	87,566
BBB+	-	657	-	657
BBB	-	417	-	417
Not rated	11,799	2,297	11,799	2,297
Total reinsurance share of insurance contract liabilities	172,130	198,315	172,130	198,315
Total financial asset bearing credit risk	3,840,819	4,170,167	3,715,689	4,060,507

There are few debt securities (government bonds) classified as HTM in amount of 3 million HRK with ratings BBB, 348 million HRK BBB-, 114 million HRK AAA and 15 million HRK AA+ (2021: 62 million: BB-).

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

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

1.37 Financial Risk Management (continued)

Credit risk (continued)

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

The following is an analysis of credit quality of reinsurance receivables as at 31 December 2022:

	Company 2022 HRK'000	Company 2021 HRK'000	Financial Strength Rating
Allianz Global Automotive Division	5,783	14,729	AA
Allianz SE	4,275	6,576	AA
Allianz Global Corporate & Specialty SE	4,053	4,325	AA
Jardine Lloyd Thompson Limited	1,518	1,108	NR
Other	8,188	11,048	
	23,817	37,786	

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Group holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and legal requirements.

The Group's liquidity position is good and all statutory requirements for claims settlement were met in time during the year.

Note 1.38 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within scope of IAS 39.

Note 1.20 (g) discloses the maturity analysis of the Group's and the Company's insurance contract liabilities.

1.37 Financial Risk Management (continued)

Fair values

The main methods and assumptions for fair value estimation of financial risks are described in Note 1.3 (d).

The fair value hierarchy has the following levels:

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

The following table analyses within the fair value hierarchy the Group's financial assets measured at fair value at 31 December 2021 and 31 December 2022:

Group

For the year ended 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Investments in subsidiaries at fair value</i>				
<i>Available-for-sale financial assets</i>	11,967	2,623,183	106,180	2,741,330
-Equity securities	11,967	3,839	4	15,810
-Debt securities	-	2,619,344	-	2,619,344
-Investment funds	-	-	106,176	106,176
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	-	-	8,098	8,098
-Equity securities	54,231	-	6,978	61,209
-Debt securities	74,639	30,740	27	105,406
-Financial assets relating to share-based payments	-	-	8,030	8,030
-Investment funds	2,782	807,591	-	810,373
Total Assets	143,619	3,461,513	129,314	3,734,446

Group

For the year ended 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets	HRK'000	HRK'000	HRK'000	HRK'000
<i>Available-for-sale financial assets</i>				
-Equity securities	121,435	4	-	121,439
-Debt securities	-	3,331,561	-	3,331,561
-Investment funds	26,642	122,807	91,933	241,382
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products	-	-	9,410	9,410
-Equity securities	81,845	-	5,844	87,689
-Debt securities	42,556	10,070	32	52,658
-Financial assets relating to share-based payments	-	-	8,386	8,386
-Investment funds	9,674	938,843	-	948,517
Total Assets	282,152	4,412,695	115,605	4,810,452

Fair value of all financial liabilities approximates amortised cost.

1.37 Financial Risk Management (continued)

Fair values (continued)

Group (continued)

Group determines the fair value of financial instruments that are not traded on active market with at least one of the methods listed below, depending on asset characteristics and data available for valuation:

- Multiple (Peer group)
- Discounted Cash Flow Method

The fair value of above mentioned financial instruments is measured using different methods depending on available data. Estimated final value is calculated using the weighted average of the methods used, Valuation of funds units has been done with discounted cash flows.

Group	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	<i>Financial assets at fair value through profit or loss</i>	Available for sale	Total
	-Foreign corporate bonds backing index linked products	-Equity securities	-Debt securities	-Financial assets relating to share-based payments	Investment funds	
	in HRK'000			in HRK'000	in HRK'000	in HRK'000
31 December 2021	-	5,402	35	7,473	23,359	36,269
Net gains recognised in profit and loss				(7)	(6,485)	(6,492)
Purchase/Sale/Expiration				(1,604)	72,734	71,130
Transfers to/from level 3		(5,402)		1,653		(3,749)
						-
31 December 2022	-	-	35	7,515	89,609	97,159
Net gains recognised in profit and loss	2,689			625	2,805	6,121
Purchase/Sale/Expiration	6,721		(3)	(1,441)	(481)	4,794
Transfers to/from level 3		5,844		1,687		7,531
						-
31 December 2021	9,410	5,844	32	8,386	91,933	115,605
31 December 2022	8,098	-	-	8,030	106,176	122,304

1.37 Financial Risk Management (continued)

Fair values (continued)

Company

For the year ended 31 December 2022

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
Assets				
<i>Investments in subsidiaries at fair value</i>	-	250,679	-	250,679
<i>Available-for-sale financial assets</i>	11,967	2,623,183	106,180	2,741,330
-Equity securities	11,967	3,839	4	15,810
-Debt securities	-	2,619,344	-	2,619,344
-Investment funds	-	-	106,176	106,176
<i>Financial assets at fair value through profit or loss</i>	-	805,691	16,128	821,819
-Foreign corporate bonds backing index linked products – Call option	-	-	8,098	8,098
-Financial assets relating to share-based payments	-	-	8,030	8,030
-Investment funds	-	805,691	-	805,691
Total Assets	11,967	3,679,553	122,308	3,813,828

Company

For the year ended 31 December 2021

	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000	Total HRK'000
Assets				
<i>Investments in subsidiaries at fair value</i>	-	195,553	-	195,553
<i>Available-for-sale financial assets</i>	148,077	3,454,372	91,933	3,694,382
-Equity securities	121,435	4	-	121,439
-Debt securities	-	3,331,561	-	3,331,561
-Investment funds	26,642	122,807	91,933	241,382
<i>Financial assets at fair value through profit or loss</i>	-	938,843	17,796	956,639
-Foreign corporate bonds backing index linked products	-	-	9,410	9,410
-Financial assets relating to share-based payments	-	-	8,386	8,386
-Investment funds	-	938,843	-	938,843
Total Assets	148,077	4,588,768	109,729	4,846,574

At 31 December 2022, investments classified as Level 2 comprise approximately 94,60% (2021: 91,73%) of Group's financial assets measured as fair value on recurring basis. At 31 December 2022, investments classified as Level 2 comprise approximately 96,48% (2021: 94,68%) of the Company's financial assets measured as fair value on recurring basis. Financial assets classified as Level 3 include shares relating to share-based payments, Cordiant Emerging loan fund and Real estate fund for the Company and domestic bonds for the Group in 2021 and 2022.

Transfers between fair-value hierarchy levels are presented at the end of the reporting period.

During year 2022 two of available for sale equity securities in amount 3,839 HRK in level 1 at the year end (2021: -) were included in level 2. There were no available for sale equity securities in level 2 at the year end (2021: -) that were included in level 1 during the year.

Starting with 1st of January 2020 Company changed price policy for domestic debt securities and securities of foreign issuers. All debt securities are valuated using Allianz standard security price provided by IDS system, closing Bloomberg Generic (BGN) price which placed all debt securities in level 2 (During 2020: level 2 HRK 3,450,475 thousand).

1.37 Financial Risk Management (continued)

Fair values (continued)

There were no available for sale debt securities at year end (2021: -) and available for sale equity securities at year end (2021: -) that were during the year directly included in level 2.

Group	2022		2021	
	Book value HRK '000	Fair value HRK '000	Book value HRK '000	Fair value HRK '000
Held-to-maturity investments	537,277	516,099	61,724	64,066
Available for sale financial assets	2,741,330	2,741,330	3,681,796	3,681,796
Financial assets at fair value through profit or loss	821,819	821,819	779,360	779,360
Loans and receivables	17,846	17,846	31,611	31,611
	4,118,272	4,097,094	4,554,491	4,556,833
Investment property	21,995	35,525	23,254	27,814
	4,085,806	4,099,336	4,577,745	4,584,647
Financial liabilities (including liabilities to investment funds non-controlling unitholders)	(57,436)	(57,436)	(21,524)	(21,524)
Company				
Held-to-maturity investments	480,546	461,341	61,724	64,066
Available for sale financial assets	2,741,330	2,741,330	3,681,796	3,681,796
Financial assets at fair value through profit or loss	821,819	821,819	779,360	779,360
Loans and receivables	20,116	20,116	31,611	31,611
	4,063,811	4,044,606	4,554,491	4,556,833
Investments in subsidiaries at cost	5,688	5,688	5,688	5,688
Investments in subsidiaries at fair value	233,126	233,126	177,279	177,279
Investments in subsidiaries AFS	11,865	11,865	12,586	12,586
Investment property	21,995	35,525	23,254	27,814
	272,674	286,204	218,807	223,367
Financial liabilities	(57,436)	(57,436)	(111,587)	(111,587)

Loans and receivables are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted, and not taking into account any future losses. Fair value of loans and receivables is determined by the inputs other than quoted prices that are observable for the assets therefore these would be classified as level 3 within fair value hierarchy.

Fair value of investment property is determined by inputs for the valuation of asset that are not based on observable market data therefore these would be classified as level 3 within fair value hierarchy. The fair value of investment property is derived primarily through the income method. The most significant inputs in this valuation were price or rent income per square meter, which were generated on the basis of comparable real estate in the immediate vicinity and which were then adjusted to the differences in key attributes.

Valuation of investment property carried at cost is based on management's best estimate of the recoverable amount of investment property. Recoverable amount is the higher of fair value less cost to sell and the value in use and is annually reassessed by chartered surveyors. The estimated fair value of investment property held by the Company and Group amounts to HRK 27,327 thousand as of 31 December 2022 (2021: HRK 31,903 thousand). Fair value is determined by an independent external valuator having an appropriate professional qualification. Fair values were determined using income method, which is based on sustainable annual income that the real estate generates or can generate due to regular operations, which would in hierarchy of fair value be classified as Level 3.

Valuation techniques used for determining fair value on Level 3

The fair value of investment property is derived primarily on the characteristics of the property including assumptions about ownership, urban planning, parts of equipment and condition and maintenance of the land.

1.37 Financial Risk Management (continued)

Fair values (continued)

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

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

Description	Fair value as at 31 December 2022	Fair value as at 31 December 2021	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2022	2021
Company and Group	27,327	31,903	Income approach	Capitalization rate	7,00%	8,25%
			Income approach	Average price per m2 (HRK)	74,52	71,41

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

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

The increase in the estimated capitalization rate, the unit building cost and the average price per sqm +/- 1%, without changing the other variables would have an impact on the increase (decrease) in the fair value of real estate investments of +/- HRK 379 thousand.

1.37 Financial Risk Management (continued)

Capital management

In 2016 new Solvency II regulatory came into force,

The Group's main objectives in capital management are as follows:

- compliance with positive legislation and by-laws, as well as regulations and instructions determined by the Regulator with respect to capital management,
- securing the Group's ability to continue as a going concern,
- providing the possibility to realise profit with the intention of further investment in the Group's development.

The Group is in compliance with legislation and by-laws which regulate capital, regulatory capital, capital adequacy and solvency margin. In addition to the stated, for the purpose of securing the quality of the capital base, the Group performs a ALM tests on a regular basis, as well as an stress testing with respect to capital and its adequacy in order to prevent possible capital deficiency.

At 31 December 2022 and 2021, guarantee capital of the Company was higher than minimum core capital required by Act 19 of Insurance law, and as far from solvency margin calculated based on Act 98 Insurance law, as follows:

	Unaudited 31.12.2022. HRK'000 Company	Unaudited 31.12.2021. HRK'000 Company
Basic own funds	875,587	902,328
Ordinary share capital	101,722	101,722
Share premium account related to ordinary share capital	112,001	112,001
Reconciliation reserve	661,864	688,605
Excess of assets over liabilities	975,587	1,008,782
Total assets	4,810,069	5,293,647
Total liabilities	3,834,482	4,284,865
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	100,000	106,454
Other basic own fund items	213,723	213,723
Total available own funds to meet the SCR	875,587	902,328
Total available own funds to meet the MCR	875,587	902,328
SCR	464,353	448,125
MCR	205,889	201,656
Ratio of Eligible own funds to SCR	189%	201%
Ratio of Eligible own funds to MCR	425%	447%

Company has a strong capital base and in 2022 met all regulatory requirements for capital adequacy. As at 31 December 2022, the solvency ratio was 189% (2021: 201%) thus reducing the insolvency risk. The internally defined target solvency ratio for the Company is 144%.

As at 31 December 2022, the solvency ratio excluding the foreseeable dividend would be 210% (2021: 225%).

1.38 Maturity analysis

The tables below analyse the financial assets within scope of IAS 39 of the Group and the Company at 31 December 2022 and 31 December 2021 into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. Highly liquid investments without contractual maturity are classified as up to 6 months. Investments in subsidiaries are classified as over 5 years. Estimated remaining contractual maturities of insurance provisions are analysed in Note 1.21 h). The amounts of financial liabilities disclosed in the table (all non-interest bearing) are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected discounted cash inflows and outflows.

Group – 2022

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>						
Debt securities	14,996	30,772	-	25,998	465,512	537,277
<i>Available-for-sale financial assets</i>						
Debt securities	319,968	142,373	3,413	496,967	1,656,623	2,619,344
Equity securities	15,810	-	-	-	-	15,810
Investment funds	106,176	-	-	-	-	106,176
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	8,599	34,523	7,586	32,613	22,085	105,406
Equity securities	61,209	-	-	-	-	61,209
Foreign corporate bonds backing index linked products	-	-	-	-	8,098	8,098
Shares relating to share-based payments	2,378	-	2,092	3,560	-	8,030
Investment funds	4,682	805,691	-	-	-	810,373
<i>Loans and receivables</i>						
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,559	2,735	1,405	2,489	159	12,347
Reinsurers' share of insurance contract liabilities	38,303	41,696	35,069	48,974	8,088	172,130
Receivables	211,130	2,201	3,267	276	24	216,898
Cash and cash equivalents	285,173	-	-	-	-	285,173
Total financial assets	828,770	1,016,094	52,832	561,627	2,160,589	4,963,771
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income	261,080	-	15,891	8,885	-	285,856
Lease liabilities	6,046	5,781	11,360	19,495	-	42,682
Insurance liabilities	614,207	598,041	311,369	934,106	1,919,686	4,377,409
Financial liabilities	881,333	603,822	338,620	962,486	1,919,686	4,705,947
Maturity gap	(52,563)	412,272	(285,788)	(400,859)	240,903	257,824

1.38 Maturity analysis (continued)

Group – 2021

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>						
Debt securities	66,776	-	31,014	10,169	10,419	118,378
<i>Available-for-sale financial assets</i>						
Debt securities	5,270	195,362	147,408	802,423	2,181,098	3,331,561
Equity securities	-	-	121,439	-	-	121,439
Investment funds	-	228,796	-	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	20,158	54,033	74,191
Equity securities	-	-	-	-	87,689	87,689
Foreign corporate bonds backing index linked products	-	-	-	-	9,410	9,410
Shares relating to share-based payments	2,251	-	2,327	3,808	-	8,386
Investment funds	203,461	547,541	1,967	2,718	15,550	771,238
<i>Loans and receivables</i>						
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,270	3,033	1,967	2,718	13,147	26,136
Reinsurers' share of insurance contract liabilities	61,950	58,560	32,774	37,454	7,577	198,315
Receivables	171,361	7,565	19,711	-	-	198,637
Cash and cash equivalents	234,581	-	-	-	-	234,581
Total financial assets	756,420	1,040,857	358,607	879,449	2,378,923	5,414,257
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income	397,911	-	1,210	-	-	399,121
Lease liabilities	5,950	5,886	11,376	29,875	-	53,086
Insurance liabilities ⁰	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Total financial liabilities	1,193,975	796,000	248,148	737,370	1,746,151	4,721,911
Maturity gap	(358,462)	244,857	67,202	142,079	632,772	800,310

1.38 Maturity analysis (continued)

Company – 2022

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	233,126	233,126
AFS	-	-	-	-	11,865	11,865
<i>Held-to-maturity investments</i>						
Debt securities	14,996	-	-	15,955	449,596	480,546
<i>Available-for-sale financial assets</i>						
Debt securities	319,968	142,373	3,413	496,967	1,656,623	2,619,344
Equity securities	15,810	-	-	-	-	15,810
Investment funds	106,176	-	-	-	-	106,176
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	8,098	8,098
Shares relating to share-based payments	2,378	-	2,092	3,560	-	8,030
Investment funds	-	805,691	-	-	-	805,691
<i>Loans and receivables</i>						
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,559	2,735	1,405	2,489	2,428	14,616
Reinsurers' share of insurance contract liabilities						
	38,303	41,696	35,069	48,974	8,088	172,130
Cash and cash equivalents						
	208,226	-	-	-	-	208,226
Receivables						
	204,222	4,869	5,935	276	24	215,326
Total financial assets	921,138	997,364	47,914	568,221	2,375,536	4,910,172
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income						
	208,951	-	12,896	7,210	-	229,056
Lease liabilities						
	6,046	5,781	11,360	19,495	-	42,682
Insurance liabilities						
	614,207	598,041	311,369	934,106	1,919,686	4,377,409
Total financial liabilities	829,204	603,822	335,625	960,811	1,919,686	4,649,147
Maturity gap	91,934	393,542	(287,711)	(392,590)	455,850	261,025

1.38 Maturity analysis (continued)

Company – 2021

	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	177,279	177,279
AFS	-	-	-	-	12,586	12,586
<i>Held-to-maturity investments</i>						
Debt securities	61,724	-	-	-	-	61,724
<i>Available-for-sale financial assets</i>						
Debt securities	5,270	195,362	147,408	802,423	2,181,098	3,331,561
Equity securities	-	-	121,439	-	-	121,439
Investment funds	-	228,796	-	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products	-	-	-	-	9,410	9,410
Shares relating to share-based payments	2,251	-	2,327	3,808	-	8,386
Investment funds	-	761,564	-	-	-	761,564
<i>Loans and receivables</i>						
Deposits with banks	5,500	-	-	-	-	5,500
Loans to customers	5,270	3,033	1,967	2,718	15,550	28,538
Reinsurers' share of insurance contract liabilities	61,950	58,560	32,774	37,454	7,577	198,315
Receivables	169,073	7,464	19,551	-	-	196,088
Cash and cash equivalents	182,126	-	-	-	-	182,126
Total financial assets	493,164	1,254,779	325,466	864,403	2,409,188	5,329,001
Financial liabilities						
Liabilities arising from insurance contracts, other liabilities and deferred income						
	156,931	107,492	-	-	156,931	264,423
Lease liabilities	5,950	5,886	11,376	29,875	-	53,087
Insurance liabilities	790,114	790,114	235,832	707,495	1,746,151	4,269,704
Financial liabilities	981,865	903,492	247,208	737,370	1,746,151	4,587,214
Maturity gap	(488,701)	351,287	78,258	127,033	663,037	741,787

1.39 Interest rate repricing analysis

The following tables present the Group's and the Company's financial assets and liabilities within scope of IAS 39 analysed according to repricing periods determined as the earlier of remaining contractual maturity and contractual repricing.

The tables are management's estimate of the interest rate risk for the Group and the Company as at 31 December 2022 and 31 December 2021 and are not necessarily indicative of the positions at other times but, taking into account the interest rate assumptions on which the calculation of mathematical reserve is based (Note 1.21 (f)), provide some indication of the sensitivities of the Group's and the Company's earnings to movements in interest rates. Earnings will also be affected by the currency of the assets and liabilities and equity. The Group and the Company have a significant proportion of interest-earning assets and interest-bearing liabilities in foreign currency.

Group – 2022

	Effective interest rate	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Other*	Total	Amounts subject to fixed rates
	%	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets									
<i>Held-to-maturity investments</i>									
Debt securities	4,34	14,996	-	-	25,998	496,284	-	537,277	537,277
<i>Available-for-sale financial assets</i>									
Debt securities	3,36	319,968	142,373	3,413	496,967	1,656,623	-	2,619,344	2,619,344
Equity securities		15,810	-	-	-	-	-	15,810	-
Investment funds		106,176	-	-	-	-	-	106,176	-
<i>Financial assets at fair value through profit or loss</i>									
Debt securities		8,599	34,523	7,586	32,613	22,085	-	105,406	105,406
Equity securities		-	-	-	-	-	61,209	61,209	-
Foreign corporate bonds backing index linked products		-	-	-	-	-	8,098	8,098	-
Shares relating to share-based payments		2,378	-	2,092	3,560	-	-	8,030	-
Investment funds		0	807,591	-	-	-	2,782	810,373	-
<i>Loans and receivables</i>									
Deposits with banks	0,02	5,500	-	-	-	-	-	5,500	5,500
Loans to customers	3,41	5,559	2,735	1,403	2,489	160	-	12,346	12,346
Reinsurers' share of insurance contract liabilities		38,303	41,696	35,069	48,974	8,088	-	172,130	-
Receivables		-	-	-	-	-	216,898	216,898	-
Cash and cash equivalents		285,173	-	-	-	-	-	285,173	285,173
Total financial assets		802,462	1,028,918	49,563	610,601	2,183,240	288,987	4,963,770	3,565,046
Financial liabilities									
Liabilities arising from insurance contracts, other liabilities and deferred income									
		211,569	-	12,896	7,210	-	54,181	285,856	285,856
Lease liabilities		6,046	5,781	11,360	19,495	-	-	42,682	42,682
Total financial liabilities		217,615	5,781	24,256	26,705	-	54,181	328,538	325,538
Repricing gap		584,847	1,023,137	25,307	583,896	2,183,240	234,806	4,635,232	3,239,508

* Relates to non-interest bearing and liabilities to investment funds non-controlling unitholders

1.39 Interest rate repricing analysis (continued)

Group – 2021

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Other*	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Held-to-maturity investments</i>									
Debt securities	5,99	66,776	-	31,014	10,169	10,419	-	118,378	118,378
<i>Available-for-sale financial assets</i>									
Debt securities	3,33	5,270	195,362	147,408	802,423	2,181,098	-	3,331,561	3,331,561
Equity securities		-	-	121,439	-	-	-	121,439	-
Investment funds		-	228,796	-	-	-	-	228,796	-
<i>Financial assets at fair value through profit or loss</i>									
Debt securities		-	-	-	20,158	54,033	0	74,191	74,191
Equity securities		-	-	-	-	-	87,689	87,689	-
Foreign corporate bonds backing index linked products	n/a	-	-	-	-	-	9,410	9,410	-
Shares relating to share- based payments	n/a	2,251	-	2,327	3,808	-	-	8,386	-
Investment funds		-	761,564	-	-	-	9,674	771,238	-
<i>Loans and receivables</i>									
Deposits with banks	0,60	5,500	-	-	-	-	-	5,500	5,500
Loans to customers	4,46	5,270	3,033	1,967	2,718	13,147	-	26,136	26,147
Reinsurers' share of insurance contract liabilities		61,950	58,560	32,774	37,454	7,577	-	198,315	-
Insurance contract liabilities		-	-	-	-	-	159,304	159,304	-
Cash and cash equivalents		234,581	-	-	-	-	-	234,581	234,581
Total financial assets		381,598	1,247,315	336,929	876,730	2,266,274	305,410	5,414,257	3,790,347
Financial liabilities									
Payables									
Other liabilities		-	-	-	-	-	105,119	105,119	-
Lease liabilities		-	-	-	-	-	159,304	159,304	-
Lease liabilities		5,950	5,886	11,376	29,875	-	-	53,087	53,087
Total financial liabilities		5,950	5,886	11,376	29,875	-	264,423	317,510	53,087
Repricing gap		375,648	1,241,429	325,553	846,855	2,266,274	40,987	5,096,747	3,737,260

* Relates to non-interest bearing and liabilities to investment funds non-controlling unitholders

1.39 Interest rate repricing analysis (continued)

Company – 2022

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>									
At cost		-	-	-	-	-	5,688	5,688	
At fair value through P&L		-	-	-	-	-	233,126	233,126	
AFS		-	-	-	-	-	11,865	11,865	
<i>Held-to-maturity investments</i>									
Debt securities	4,34	14,996	-	-	15,955	449,596	-	480,546	480,546
<i>Available-for-sale financial assets</i>									
Debt securities	3,36	319,968	142,373	3,413	496,967	1,656,623	-	2,619,344	
Equity securities		15,810	-	-	-	-	-	15,810	
Investment funds		106,176	-	-	-	-	-	106,176	
<i>Financial assets at fair value through profit or loss</i>									
Debt securities		-	-	-	-	-	-	-	
Foreign corporate bonds backing index linked products; OPCIIA		-	-	-	-	-	8,098	8,098	
Shares relating to share- based payments		2,378	-	2,092	3,560	-	-	8,030	
Investment funds		-	805,691	-	-	-	-	805,691	
<i>Loans and receivables</i>									
Deposits with banks	0,02	5,500	-	-	-	-	-	5,500	5,500
Loans to customers	3,41	5,559	2,737	1,403	2,489	2,428	-	14,616	14,616
Reinsurance share in technical provisions		38,303	41,696	35,069	48,974	8,088	-	172,130	
Receivables		-	-	-	-	-	215,326	215,326	
Cash and cash equivalents		208,226	-	-	-	-	-	208,226	
Total financial assets		716,916	992,497	41,977	567,945	2,116,735	474,103	4,910,172	500,662
Financial liabilities									
Insurance and other payables and deferred income							229,056	229,056	
Lease liabilities		6,046	5,781	11,360	19,495	-	-	42,682	42,682
Total financial liabilities		6,046	5,781	11,360	19,495	-	229,056	271,738	42,682
Repricing gap		710,870	986,716	30,617	548,450	2,116,735	245,047	4,638,434	457,980

1.39 Interest rate repricing analysis (continued)

Company – 2021

	Effective interest rate %	Up to 6 months HRK'000	6-12 months HRK'000	1-2 years HRK'000	2-5 years HRK'000	More than 5 years HRK'000	Non- interest bearing HRK'000	Total HRK'000	Amounts subject to fixed rates HRK'000
Financial assets									
<i>Investments in subsidiaries</i>									
At cost		-	-	-	-	-	5,688	5,688	
At fair value through P&L		-	-	-	-	-	177,279	177,279	
AFS		-	-	-	-	-	12,586	12,586	
<i>Held-to-maturity investments</i>									
Debt securities	3,80	61,724	-	-	-	-	-	61,724	61,724
<i>Available-for-sale financial assets</i>									
Debt securities	3,10	5,270	195,362	147,408	802,423	2,181,098	-	3,331,561	
Equity securities		-	-	121,439	-	-	-	121,439	
Investment funds		-	228,796	-	-	-	-	228,796	
<i>Financial assets at fair value through profit or loss</i>									
Debt securities		-	-	-	-	-	-	-	
Foreign corporate bonds backing index linked products; OPCIIA		-	-	-	-	-	9,410	9,410	
Shares relating to share-based payments		2,251	-	2,327	3,808	-	-	8,386	
Investment funds		-	761,564	-	-	-	-	761,564	
<i>Loans and receivables</i>									
Deposits with banks	0,01	5,500	-	-	-	-	-	5,500	5,500
Loans to customers	4,21	5,270	3,033	1,967	2,718	15,550	-	28,538	28,538
Reinsurance share in technical provisions		61,950	58,556	32,774	37,454	7,576		198,315	
Receivables		-	-	-	-	-	196,088	196,088	
Cash and cash equivalents		182,126	-	-	-	-	-	182,126	
Total financial assets		262,141	1,188,755	273,141	808,949	2,196,648	204,965	5,329,001	95,763
Financial liabilities									
Payables		-	-	-	-	-	105,119	105,119	-
Other liabilities		-	-	-	-	-	159,304	159,304	-
Lease liabilities		5,950	5,886	11,376	29,875	-	-	53,087	53,087
Total financial liabilities		5,950	5,886	11,376	29,875	-	264,423	317,510	53,087
Repricing gap		256,191	1,182,869	261,765	779,074	2,196,648	(59,458)	5,011,491	42,676

1.40 Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within scope of IAS 39 were denominated as follows as at 31 December 2022 and 31 December 2021.

Group – 2022

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Held-to-maturity investments</i>						
Debt securities	389,464	94,833	484,297	-	52,980	537,277
<i>Available-for-sale financial assets</i>						
Debt securities	1,596,435	297,994	1,894,290	-	724,915	2,619,205
Equity securities	-	-	-	-	15,810	15,810
Investment funds	106,176	-	106,176	-	-	106,176
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	97,357	-	97,357	-	8,049	105,406
Equity securities	11,765	-	11,765	-	49,444	61,209
Foreign corporate bonds backing index linked products	8,098	-	8,098	-	-	8,098
Shares relating to share- based payments	8,030	-	8,030	-	-	8,030
Investment funds	597,447	-	597,447	186,871	26,055	810,373
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	9,427	-	9,427	-	2,919	12,346
Reinsurance share in technical provisions	27,486	2,904	30,390	374	141,366	172,130
Receivables	71,272	-	71,272	-	145,626	216,898
Cash and cash equivalents	285,173	-	285,173	-	-	285,173
Total financial assets	3,208,130	395,731	3,603,722	187,245	1,172,664	4,963,631
Insurance liabilities						
Financial liabilities						
<i>Liabilities to investment funds</i>						
Insurance and other payables and deferred income	46,487	-	46,487	-	239,369	285,856
Lease liabilities	42,565	-	42,565	-	117	42,682
Financial liabilities	89,052		89,052		239,486	328,538
Currency gap on financial assets and financial liabilities	3,119,078	395,731	3,514,670	187,245	933,178	4,635,093

1.40 Currency risk analysis (continued)

Group – 2021

	EURO	EURO	EURO and	Other	HRK	Total
	HRK'000	linked	EURO	foreign	HRK'000	HRK'000
		HRK'000	linked total	currencies		
			HRK'000	HRK'000		
Financial assets						
<i>Held-to-maturity investments</i>						
Debt securities	-	61,724	61,724	-	56,654	118,378
<i>Available-for-sale financial assets</i>						
Debt securities	1,388,934	530,170	1,919,104	-	1,412,457	3,331,561
Equity securities	18,983	-	18,983	-	102,455	121,439
Investment funds	228,796	-	228,796	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	64,089	-	64,089	-	10,102	74,191
Equity securities	18,998	-	18,998	3,781	64,910	87,689
Foreign corporate bonds backing index linked products	9,410	-	9,410	-	-	9,410
Shares relating to share-based payments	8,386	-	8,386	-	-	8,386
Investment funds	771,238	-	771,238	-	-	771,238
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	10,273	-	10,273	-	15,863	26,135
	39,158	1,579	40,738	81	157,496	198,315
Reinsurance share in technical provisions						
Receivables	66,188	10,877	77,064	1,604	119,971	198,739
Cash and cash equivalents	78,880	-	78,880	86,353	148,228	234,581
Total financial assets	2,703,333	604,350	3,307,683	91,918	2,093,636	5,414,257
Insurance liabilities						
Financial liabilities						
<i>Liabilities to investment funds</i>						
Payables	33,946	-	33,946	-	71,173	105,119
Other liabilities	4,435	-	4,435	96,047	88,822	159,304
Lease liabilities	52,970	-	52,970	-	117	53,087
Financial liabilities	91,351	-	91,351	96,047	160,112	317,510
Currency gap on financial assets and financial liabilities	2,611,982	604,350	3,216,332	25,871	1,933,524	5,096,747

1.40 Currency risk analysis (continued)

Company – 2022

	EURO HRK'000	EURO linked HRK'000	EURO and EURO linked total HRK'000	Other foreign currencies HRK'000	HRK HRK'000	Total HRK'000
Financial assets						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	233,126	233,126
AFS	11,865	-	11,865	-	-	11,865
<i>Held-to-maturity investments</i>						
Debt securities	385,713	94,833	480,546	-	-	480,546
<i>Available-for-sale financial assets</i>						
Debt securities	1,596,435	297,994	1,894,290	-	724,915	2,619,205
Equity securities	-	-	-	-	15,810	15,810
Investment funds	106,176	-	106,176	-	-	106,176
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Foreign corporate bonds backing index linked products ; Call option	8,098	-	8,098	-	-	8,098
Shares relating to share-based payments	8,030	-	8,030	-	-	8,030
Investment funds	592,765	-	592,765	186,871	26,055	805,691
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	11,697	-	11,697	-	2,919	14,616
Reinsurers' share of insurance contract liabilities	27,486	2,904	30,390	374	141,366	172,130
Receivables	70,430	-	70,430	-	144,896	215,326
Cash and cash equivalents	208,226	-	208,226	-	-	208,226
Total financial assets	3,026,921	395,731	3,352,083	187,245	1,061,461	4,671,219
Financial liabilities						
Insurance and other payables and deferred income	46,042	-	46,042	-	183,014	229,056
Lease liabilities	42,565	-	42,565	-	117	42,682
Financial liabilities	88,607	-	88,607	-	183,131	271,738
Currency gap on financial assets and financial liabilities	2,938,314	395,731	3,263,476	187,245	878,330	4,399,481

1.40 Currency risk analysis (continued)

Company – 2021

	EURO	EURO linked	EURO and EURO linked total	Other foreign currencies	HRK	Total
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Financial assets						
<i>Investments in subsidiaries</i>						
At cost	-	-	-	-	5,688	5,688
At fair value through P&L	-	-	-	-	177,279	177,279
AFS	12,586	-	12,586	-	-	12,586
<i>Held-to-maturity investments</i>						
Debt securities	-	61,724	61,724	-	-	61,724
<i>Available-for-sale financial assets</i>						
Debt securities	1,388,934	530,170	1,919,104	-	1,412,457	3,331,561
Equity securities	18,983	-	18,983	-	102,455	121,439
Investment funds	228,796	-	228,796	-	-	228,796
<i>Financial assets at fair value through profit or loss</i>						
Debt securities	-	-	-	-	-	-
Equity security	-	-	-	-	-	-
Foreign corporate bonds backing index linked products ; Call option	9,410	-	9,410	-	-	9,410
Shares relating to share-based payments	8,386	-	8,386	-	-	8,386
Investment funds	621,140	-	621,140	97,856	42,568	761,564
<i>Loans and receivables</i>						
Deposits with banks	-	-	-	-	5,500	5,500
Loans to customers	12,676	-	12,676	-	15,863	28,538
Reinsurers' share of insurance contract liabilities	39,158	1,579	40,738	81	157,496	198,315
Receivables	65,474	10,759	76,233	1,685	118,168	196,088
Cash and cash equivalents	27,502	-	27,502	86,353	36,553	182,126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	2,433,045	604,232	3,037,278	185,975	2,074,536	5,329,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities						
Payables	33,946	-	33,946	-	71,173	105,119
Other liabilities	4,435	-	4,435	96,047	88,822	159,304
Lease liabilities	52,970	-	52,970	-	117	53,087
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities	91,351	-	91,351	96,047	160,112	317,510
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Currency gap on financial assets and financial liabilities	2,341,694	604,232	2,945,927	89,928	1,914,424	5,011,491
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1.41 Post balance sheet events

As of 1 January 2023, the euro became the official monetary unit and legal tender in the Republic of Croatia. The fixed conversion rate has been set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent a post balance sheet event requiring an adjustment of the amounts in these financial statements.

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1

Statement of financial position (balance sheet) 31 December 2022

ASSETS in HRK									
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003	I	INTANGIBLE ASSETS	102,962,323	45,015,940	147,978,263	94,258,469	45,638,132	139,896,601
002		1	Goodwill						
003		2	Other intangible assets	102,962,323	45,015,940	147,978,263	94,258,469	45,638,132	139,896,601
004	005+006+007	II	TANGIBLE ASSETS		80,746,927	80,746,927		69,290,732	69,290,732
005		1	Land and buildings intended for company business operations		27,221,970	27,221,970		26,434,083	26,434,083
006		2	Equipment		1,988,839	1,988,839		1,735,748	1,735,748
007		3	Other tangible assets and stock		51,536,118	51,536,118		41,120,901	41,120,901
008	009+010+014+033	III	INVESTMENTS	2,948,826,214	1,018,773,340	3,967,599,554	2,470,239,089	1,020,329,113	3,490,568,203
009		A	Investments in land and buildings not intended for company business operations		23,253,547	23,253,547		21,994,881	21,994,881
010	011+012+013	B	Investments in subsidiaries, associates and joint ventures		5,688,100	5,688,100		5,688,100	5,688,100
011		1	Shares and stakes in subsidiaries		5,688,100	5,688,100		5,688,100	5,688,100
012		2	Shares and stakes in associates						
013		3	Joint venture participation						
014	015+018+023+029	C	Financial investments	2,948,826,214	989,831,693	3,938,657,908	2,470,239,089	992,646,132	3,462,885,222
015	016+017	1	Investments held-to-maturity	61,724,098		61,724,098	316,103,011	164,443,218	480,546,230
016		1.1	<i>Debt securities and other securities with fixed revenue</i>	61,724,098		61,724,098	316,103,011	164,443,218	480,546,230
017		1.2	<i>Other investments held to maturity</i>						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

ASSETS										<i>in HRK</i>
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period			
				Life	Non life	Total	Life	Non life	Total	
018	019+020+021+022	2	Investments available-for-sale	2,837,457,958	856,924,106	3,694,382,064	1,988,515,865	764,679,011	2,753,194,876	
019		2.1	<i>Shares, stakes and other securities with variable revenue</i>	90,702,323	30,736,236	121,438,559	15,171,660	638,290	15,809,950	
020		2.2	<i>Debt securities and other securities with fixed revenue</i>	2,541,424,717	790,136,227	3,331,560,943	1,871,480,735	747,863,645	2,619,344,380	
021		2.3	<i>Investment fund units</i>	205,330,918	36,051,643	241,382,561	101,863,469	16,177,076	118,040,545	
022		2.4	<i>Other investments available for sale</i>							
023	024+025+026+027+028	3	Investments at fair value through profit and loss account	26,409,143	122,103,758	148,512,902	153,320,086	53,069,359	206,389,445	
024		3.1	<i>Shares, stakes and other securities with variable revenue</i>							
025		3.2	<i>Debt securities and other securities with fixed revenue</i>							
026		3.3	<i>Derivative financial instruments</i>	9,410,005	8,385,598	17,795,604	8,097,811	8,029,954	16,127,765	
027		3.4	<i>Investment fund units</i>	16,999,138	113,718,160	130,717,298	145,222,275	45,039,405	190,261,680	
028		3.5	<i>Other investments</i>							
029	030+031+032	4	Deposits, loans and receivables	23,235,015	10,803,829	34,038,845	12,300,128	10,454,544	22,754,672	
030		4.1	<i>Deposits with credit institutions (banks)</i>		5,500,445	5,500,445	2,638,303	5,500,445	8,138,748	
031		4.2	<i>Loans</i>	23,235,015	5,303,385	28,538,400	9,661,824	4,954,100	14,615,924	
032		4.3	<i>Other loans and receivables</i>							
033		D	Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)							
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	808,126,290		808,126,290	848,555,242		848,555,242	

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

ASSETS in HRK									
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	986,993	197,328,214	198,315,208	593,601	171,536,621	172,130,223
036		1	Unearned premiums, reinsurance share	112,792	97,399,624	97,512,416	35,277	106,138,625	106,173,903
037		2	Mathematical provision, reinsurance share	374,502		374,502	113,624		113,624
038		3	Provision for claims outstanding, reinsurance share	499,700	99,928,590	100,428,290	444,700	65,397,996	65,842,696
039		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share						
040		5	Equalisation provisions, reinsurance share						
041		6	Other insurance technical provisions, reinsurance share						
042		7	Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSET				65,691,475	23,388,433	89,079,908
044		1	Deferred tax asset				65,691,475	23,388,433	89,079,908
045		2	Current tax asset						
046	047+050+051	VII	RECEIVABLES	3,141,744	188,962,894	192,104,637	2,639,197	269,600,917	272,240,114
047	048+049	1	Receivables from direct insurance business		123,398,156	123,398,156		152,972,477	152,972,477
048		1.1	<i>From policyholders</i>		123,398,156	123,398,156		152,972,477	152,972,477
049		1.2	<i>From insurance agents, or insurance brokers</i>						
050		2	Receivables from co-insurance and reinsurance business	147,544	31,039,738	31,187,282	119,540	22,569,686	22,689,226

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

ASSETS				<i>in HRK</i>					
Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
051	052+053+054	3	Other receivables	2,994,200	34,524,999	37,519,199	2,519,657	94,058,753	96,578,410
052		3.1	Receivables from other insurance business	1,112,479	33,316,994	34,429,473	1,128,557	30,174,448	31,303,004
053		3.2	Receivables for return on investments				317	263,472	263,788
054		3.3	Other receivables	1,881,721	1,208,005	3,089,726	1,390,784	63,620,834	65,011,618
055	056+060+061	VIII	OTHER ASSETS	133,882,433	48,243,310	182,125,743	135,541,858	70,046,036	205,587,893
056	057+058+059	1	Cash at bank and in hand	133,882,433	48,243,310	182,125,743	135,541,858	70,046,036	205,587,893
057		1.1	Funds in the business account	119,703,273	48,243,310	167,946,583	48,689,065	70,046,036	118,735,101
058		1.2	Funds in the account of assets covering mathematical provision	14,179,160		14,179,160	86,852,793		86,852,793
059		1.3	Cash in hand						
060		2	Long-term assets intended for sale and business cessation						
061		3	Other						
062	063+064+065	IX	PREPAYMENTS AND ACCRUED INCOME	1,266,575	72,928,507	74,195,081	896,360	75,217,338	76,113,698
063		1	Deferred interest and rent						
064		2	Deferred acquisition costs	1,024,805	69,187,195	70,212,000	762,192	71,834,727	72,596,919
065		3	Other prepayments and accrued income	241,770	3,741,311	3,983,081	134,168	3,382,611	3,516,779
066	001+004+008 + 034 +035+043+04 6 +055+062	X	TOTAL ASSETS (A+B+C+D+E+F+G+H+I+J)	3,999,192,572	1,651,999,132	5,651,191,704	3,618,415,291	1,745,047,322	5,363,462,613
067		XI	OFF BALANCE SHEET ITEMS						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
068	069+072+073+077+081+084	XII	CAPITAL AND RESERVES	493,567,873	524,001,820	1,017,569,692	113,535,241	511,900,167	625,435,408
069	070+071	1	Subscribed capital	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
070		1.1	<i>Paid-up capital - ordinary shares</i>	30,000,000	71,722,400	101,722,400	30,000,000	71,722,400	101,722,400
071		1.2	<i>Paid-up capital - preference shares</i>						
072		2	Issued shares premiums (capital reserves)	80,500,000	31,500,600	112,000,600	80,500,000	31,500,600	112,000,600
073	074+075+076	3	Revaluation reserve	240,724,107	47,548,406	288,272,514	(186,912,391)	(44,836,977)	(231,749,368)
074		3.1	<i>Land and buildings</i>						
075		3.2	<i>Financial investments</i>	240,724,107	47,548,406	288,272,514	(186,912,391)	(44,836,977)	(231,749,368)
076		3.3	<i>Other revaluation reserves</i>						
077	078+079+080	4	Reserves	2,397,219	22,655,124	25,052,343	2,397,219	22,655,124	25,052,343
078		4.1	<i>Legally stipulated reserves</i>	1,300,066	7,098,754	8,398,820	1,300,066	7,098,754	8,398,820
079		4.2	<i>Statutory reserve</i>	1,097,153	15,556,369	16,653,523	1,097,153	15,556,369	16,653,523
080		4.3	<i>Other reserve</i>						
081	082+083	5	Transferred (retained) profit or loss	100,001,160	283,970,489	383,971,649	139,946,546	350,575,290	490,521,836
082		5.1	<i>Retained profit</i>	100,001,160	283,970,489	383,971,649	139,946,546	350,575,290	490,521,836
083		5.2	<i>Transferred loss (-)</i>						
084	085+086	6	Profit or loss of the current accounting period	39,945,387	66,604,800	106,550,187	47,603,866	80,283,731	127,887,597
085		6.1	<i>Profit of the current accounting period</i>	39,945,387	66,604,800	106,550,187	47,603,866	80,283,731	127,887,597
086		6.2	<i>Loss of the current accounting period (-)</i>						
087		XIII	SUBORDINATED LIABILITIES						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,500,272,893	961,304,072	3,461,576,965	2,479,053,734	1,049,797,331	3,528,851,065
090		1	Unearned premiums, gross amount	8,448,555	452,728,521	461,177,076	7,742,066	514,051,065	521,793,131
091		2	Mathematical provision, gross amount	2,426,892,253		2,426,892,253	2,400,511,052		2,400,511,052
092		3	Provision for claims outstanding, gross amount	64,932,084	502,426,303	567,358,387	70,800,616	528,493,442	599,294,058
093		4	Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount		6,149,248	6,149,248		7,252,824	7,252,824
094		5	Equalisation provision, gross amount						
095		6	Other insurance technical provisions, gross amount						
096		XVI	LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	808,126,290		808,126,290	848,557,530		848,557,530
097	098+099	XVII	OTHER RESERVES	458,876	1,496,720	1,955,595	632,618	1,690,055	2,322,674
098		1	Provisions for pensions and similar liabilities	360,421	1,296,827	1,657,248	185,291	781,845	967,136
099		2	Other provisions	98,455	199,893	298,348	447,328	908,210	1,355,538
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	54,152,985	(7,744,177)	46,408,808	28,040,831	408,176	28,449,007
101		1	Deferred tax liability	46,614,445	(1,778,866)	44,835,580			
102		2	Current tax liability	7,538,540	(5,965,312)	1,573,228	28,040,831	408,176	28,449,007
103		XIX	DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES		53,086,137	53,086,137	14,999,028	42,682,719	57,681,748
105		1	Liabilities on the basis of loans						
106		2	Liabilities on the basis of issued securities						
107		3	Other financial liabilities		53,086,137	53,086,137	14,999,028	42,682,719	57,681,748

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of financial position (balance sheet) 31 December 2022 (continued)

EQUITY AND LIABILITIES

in HRK

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
108	109+110+111+112	XXI	OTHER LIABILITIES	129,581,224	69,109,898	198,691,122	111,504,761	81,414,139	192,918,900
109		1	Liabilities from direct insurance business	118,853,534	22,193,257	141,046,791	45,214,661	27,375,523	72,590,183
110		2	Liabilities from co-insurance and reinsurance business	341,856	28,168,641	28,510,497	197,691	35,542,205	35,739,896
111		3	Liabilities for sale and ceased business						
112		4	Other liabilities	10,385,834	18,748,000	29,133,834	66,092,409	18,496,411	84,588,820
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	13,032,431	50,744,663	63,777,094	22,091,548	57,154,735	79,246,283
114		1	Deferred reinsurance commission		4,435,267	4,435,267		5,130,080	5,130,080
115		2	Other accrued expenses and deferred income	13,032,431	46,309,397	59,341,828	22,091,548	52,024,654	74,116,202
116	068+087+088+089+096 +097+100+103+104+108+113	XXIII	TOTAL LIABILITIES+Equity (A+B+C+D+E+F+G+H+I+J)	3,999,192,572	1,651,999,132	5,651,191,704	3,618,415,291	1,745,047,322	5,363,462,613
117		XXIV	OFF BALANCE SHEET ITEMS						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1(continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
001	002+003+004 +005+006	I	Earned premiums (recognized in revenue)	437,856,084	673,354,384	1,111,210,469	569,482,215	724,360,184	1,293,842,399
002		1	Written gross premiums	437,385,245	792,816,009	1,230,201,254	571,989,978	907,444,267	1,479,434,245
003		2	Value adjustment and charged adjustment of insurance/co-insurance premium value		(690,345)	(690,345)		(2,784,506)	(2,784,506)
004		3	Premiums ceded to reinsurance (-)	(1,352,560)	(115,194,227)	(116,546,787)	(3,136,737)	(127,659,626)	(130,796,363)
005		4	Change in gross provisions for unearned premiums (+/-)	1,833,332	(10,216,567)	(8,383,235)	706,489	(61,322,544)	(60,616,055)
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	(9,933)	6,639,514	6,629,582	(77,515)	8,682,593	8,605,078
007	008+009+010+ 011 +012+013+014	II	Income from investments	120,681,178	20,732,928	141,414,107	114,070,849	31,435,225	145,506,074
008		1	Income from subsidiaries, associates and joint ventures						
009		2	Income from investment in land and buildings		3,284,859	3,284,859		3,298,640	3,298,640
010		3	Interest income	76,690,354	13,816,924	90,507,278	72,437,629	14,448,887	86,886,516
011		4	Unrealized profits from investment	22,270,645	766,402	23,037,047		382,741	382,741
012		5	Realized profits from investment	10,616,334	97,746	10,714,080	25,989,713	11,149,705	37,139,418
013		6	Net positive exchange rate differentials		1,151,318	1,151,318	6,647,668	1,029,410	7,677,078
014		7	Other investment profits	11,103,846	1,615,680	12,719,526	8,995,840	1,125,841	10,121,681

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
015		III	Income from commissions and fees	135,988	6,873,633	7,009,621	151,309	5,970,114	6,121,422
016		IV	Other insurance-technical income, net of reinsurance	26,749	10,601,906	10,628,655	800,252	8,672,050	9,472,301
017		V	Other income		808,593	808,593		23,732	23,732
018	019+022	VI	Expenditures for insured events, net	(457,124,688)	(336,337,892)	(793,462,580)	(406,302,584)	(360,109,139)	(766,411,723)
019	020+021	1	Settled claims	(475,246,892)	(322,738,273)	(797,985,165)	(400,379,053)	(299,511,405)	(699,890,458)
020		1.1	Gross amount (-)	(476,027,585)	(409,189,959)	(885,217,544)	(401,087,249)	(367,094,893)	(768,182,142)
021		1.2	Reinsurer share(+)	780,693	86,451,686	87,232,379	708,196	67,583,488	68,291,684
022	023+024	2	Change in provisions for claims outstanding (+/-)	18,122,204	(13,599,619)	4,522,586	(5,923,532)	(60,597,733)	(66,521,265)
023		2.1	Gross amount (-)	18,234,404	30,322,124	48,556,528	(5,868,532)	(26,067,139)	(31,935,671)
024		2.2	Reinsurer share(+)	(112,200)	(43,921,743)	(44,033,943)	(55,000)	(34,530,594)	(34,585,594)
025	026+029	VII	Change in other technical provisions, net of reinsurance	2,738,947		2,738,947	26,120,324		26,120,324
026	027+028	1	Change in mathematical provision (+/-)	2,738,947		2,738,947	26,120,324		26,120,324
027		1.1	Gross amount (-)	2,692,138		2,692,138	26,381,201		26,381,201
028		1.2	Reinsurer share(+)	46,809		46,809	(260,877)		(260,877)
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)						
030		2.1	Gross amount (-)						
031		2.2	Reinsurer share(+)						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
032	033+034	VIII	Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance (+-)	40,726,312		40,726,312	(40,429,256)		(40,429,256)
033		1	<i>Gross amount (-)</i>	40,726,312		40,726,312	(40,429,256)		(40,429,256)
034		2	<i>Reinsurer share(+)</i>						
035	036+037	IX	Expenditures for return of premium (bonuses and rebates), net of reinsurance		(1,337,560)	(1,337,560)		(1,103,575)	(1,103,575)
036		1	Depending on the result (bonuses)						
037		2	Not depending on the result (rebates)		(1,337,560)	(1,337,560)		(1,103,575)	(1,103,575)
038	039+043	X	Business expenditures (for business operations), net	(76,589,259)	(278,273,243)	(354,862,502)	(84,080,372)	(284,911,796)	(368,992,167)
039	040+041+042	1	Acquisition costs	(18,540,340)	(166,073,078)	(184,613,418)	(28,778,742)	(173,038,849)	(201,817,590)
040		1.1	<i>Commission</i>	(15,912,274)	(148,682,051)	(164,594,325)	(25,887,176)	(163,328,016)	(189,215,192)
041		1.2	<i>Other acquisition costs</i>	(2,312,965)	(14,121,730)	(16,434,696)	(2,628,953)	(12,358,364)	(14,987,317)
042		1.3	<i>Change in deferred acquisition costs (+/-)</i>	(315,101)	(3,269,296)	(3,584,397)	(262,612)	2,647,531	2,384,919
043	044+045+046	2	Administration costs	(58,048,918)	(112,200,165)	(170,249,084)	(55,301,630)	(111,872,947)	(167,174,577)
044		2.1	<i>Depreciation of tangible assets</i>	(15,459,530)	(15,847,739)	(31,307,269)	(14,899,192)	(14,866,427)	(29,765,618)
045		2.2	<i>Salaries, taxes and contributions to and from salaries</i>	(20,566,885)	(52,909,028)	(73,475,914)	(19,958,479)	(51,436,057)	(71,394,536)
046		2.3	<i>Other administration costs</i>	(22,022,503)	(43,443,399)	(65,465,902)	(20,443,960)	(45,570,463)	(66,014,423)

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
047	048+049+050+051+052+053+054	XI	Investment expenses	(17,795,997)	(3,984,012)	(21,780,009)	(118,394,357)	(8,506,670)	(126,901,028)
048		1	Depreciation (buildings not intended for business operations of the company)		(1,270,014)	(1,270,014)		(1,258,666)	(1,258,666)
049		2	Interest	(403,036)	(838,138)	(1,241,173)	(89,541)	(929,012)	(1,018,553)
050		3	Investment value adjustment (reduction)	(5,932,967)	(25,551)	(5,958,518)	(9,439,381)		(9,439,381)
051		4	Losses from sale (realization) of financial assets	(2,333,960)	(14,949)	(2,348,909)	(3,176,123)	(2,744,589)	(5,920,711)
052		5	Unrealised losses from financial investment				(102,503,948)	(900,664)	(103,404,612)
053		6	Net negative exchange rate differences	(5,902,460)		(5,902,460)			
054		7	Other investment expenses	(3,223,574)	(1,835,360)	(5,058,934)	(3,185,364)	(2,673,740)	(5,859,104)
055	056+057	XII	Other technical expenses, net of reinsurance	(3,237,101)	(14,292,670)	(17,529,771)	(4,188,485)	(15,462,322)	(19,650,807)
056		1	Expenses for preventive operations	(583,482)	(1,665,513)	(2,248,995)	(624,131)	(2,236,639)	(2,860,769)
057		2	Other technical expenses of insurance	(2,653,619)	(12,627,157)	(15,280,775)	(3,564,354)	(13,225,683)	(16,790,037)
058		XIII	Other expenses including value adjustments	(440)	(499,537)	(499,976)	(19,691)	(1,407,829)	(1,427,520)
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss of the accounting period before taxation (+/-)	47,417,775	77,646,531	125,064,307	57,210,203	98,959,974	156,170,177
060	061+062	XV	Profit or loss tax	(7,472,388)	(11,041,731)	(18,514,120)	(9,606,337)	(18,676,243)	(28,282,579)
061		1	Current tax expense	(8,626,536)	(15,509,023)	(24,135,559)	(28,040,831)	(20,006,092)	(48,046,922)
062		2	Deferred tax expense (income)	1,154,148	4,467,292	5,621,440	18,434,494	1,329,849	19,764,343

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022 (continued)

in HRK

Position No.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
063	059-060	XVI	Profit or loss of the accounting period after taxation (+/-)	39,945,387	66,604,800	106,550,187	47,603,866	80,283,731	127,887,597
064		1	Attributable to owners of the parent						
065		2	Attributable to non-controlling interests						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	559,854,148	716,838,737	1,276,692,885	702,939,119	771,791,153	1,474,730,272
067	018+025+032+035+038+047 +055+058+061	XVIII	TOTAL EXPENDITURE	(519,908,761)	(650,233,937)	(1,170,142,698)	(655,335,253)	(691,507,422)	(1,346,842,674)

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

Statement of comprehensive income (income statement) 01 January 2022 – 31 December 2022 (continued)

in HRK

Position no.	Elements of sum	Position code	Position description	Previous business period			Current business period		
				Non life	Life	Total	Non life	Life	Total
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	(90,948,126)	(2,387,756)	(93,335,883)	(427,636,498)	(92,385,384)	(520,021,882)
069		1	Profits/losses on translation of financial statements on foreign operating activities						
070		2	Profits/losses on revaluation of financial assets available for sale	(110,912,349)	(2,911,898)	(113,824,247)	(521,507,924)	(112,665,102)	(634,173,027)
071		3	Profits/losses on revaluation of land and buildings intended for business activities of the company						
072		4	Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets						
073		5	Effects from cash flow hedging instruments						
074		6	Actuarial profits/losses on defined benefit pension plans						
075		7	Share in other comprehensive income of associated companies						
076		8	Profit tax on other comprehensive income	19,964,223	524,142	20,488,364	93,871,426	20,279,718	114,151,145
077	066+067+068	XX	Total comprehensive income	(51,002,740)	64,217,044	13,214,304	(380,032,632)	(12,101,653)	(392,134,285)
078		1	Attributable to owners of the parent						
079		2	Attributable to non-controlling interests						
080		XXI	Reclassification adjustments						

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01 January 2022 – 31 December 2022

in HRK

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	442,308,349	303,984,949
002	003+004	1	Cash flow before the change in assets and liabilities	186,732,738	46,418,275
003		1.1	Profit/loss before taxation	156,170,177	125,064,307
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments	30,562,562	-78,646,032
005		1.2.1	Depreciation of real estate and equipment	14,166,553	14,261,450
006		1.2.2	Depreciation of intangible assets	16,856,934	18,315,832
007		1.2.3	Value impairment and profits/losses on reduction to fair value	92,732,253	-12,747,051
008		1.2.4	Interest expense	1,018,553	1,241,173
009		1.2.5	Interest income	-86,886,000	-90,501,488
010		1.2.6	Shares in profit of associated companies		
011		1.2.7	Profits/losses on sale of tangible assets (including land and buildings)	-23,731	-808,593
012		1.2.8	Other adjustments	-7,302,000	-8,407,355
013	014+015+...+030	2	Increase/decrease in assets and liabilities	276,746,754	270,157,613
014		2.1	Increase/decrease in investments available-for-sale	355,764,007	51,846,517
015		2.2	Increase/decrease in investment valued at fair value through profit and loss account	-64,467,793	-10,293,118
016		2.3	Increase/decrease in deposits, loans and receivables	11,275,155	53,613,555
017		2.4	Increase/decrease of deposits in insurance business ceded to reinsurance		
018		2.5	Increase/decrease in investments for the account and risk of life assurance policyholders	-136,482,854	53,862,839
019		2.6	Increase/decrease in reinsurance share in technical provisions	26,184,985	37,357,552
020		2.7	Increase/decrease in tax assets		
021		2.8	Increase/decrease in receivables	-33,100,789	102,089,638
022		2.9	Increase/decrease in other assets		
023		2.10	Increase/decrease in prepayments and accrued income	-1,918,617	4,216,683
024		2.11	Increase/decrease in technical provisions	67,274,100	-41,527,872
025		2.12	Increase decrease in life assurance technical provisions where the policyholder bears the investment risk	40,431,240	-40,726,312
026		2.13	Increase/decrease in tax liabilities		
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	-12,195,428	-12,148,979
029		2.16	Increase/decrease in other liabilities	-4,518,872	57,202,735
030		2.17	Increase/decrease in accruals and deferred income	28,501,620	14,664,375

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CASH FLOW (INDIRECT METHOD) for period 01 January 2022 – 31 December 2022

in HRK

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
031		3	Paid profit tax	-21,171,144	-12,590,939
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	-418,846,198	9,728,322
033		1	Inflows from sale of tangible assets	21,090	1,184,804
034		2	Outflows for purchase of tangible assets	-676,269	-397,192
035		3	Inflows from sale of intangible assets		
036		4	Outflows for purchase of intangible assets	-8,775,272	-3,764,380
037		5	Inflows from sale of land and buildings not intended for business operations of the company		
038		6	Outflows for purchase of land and buildings not intended for business operations of the company		
039		7	Increase/decrease in investments in subsidiaries, associates and joint ventures		
040		8	Inflows from investments held to maturity		
041		9	Outflows for investments held to maturity	-416,717,748	
042		10	Inflows from sale of securities and stakes		
043		11	Outflows for investments in securities and stakes		
044		12	Inflows from dividends and shares in profit	7,302,000	12,705,090
045		13	Inflows on the basis of payment of given short-term and long-term loans		
046		14	Outflows for given short-term and long-term loans		
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES		-202,545,593
048		1	Cash inflows on the basis of initial capital increase		
049		2	Cash inflows from received short-term and long-term loans		
050		3	Cash outflows for payment of received short-term and long-term loans		
051		4	Cash outflows for repurchase of own shares		
052		5	Cash outflows for payment of dividends		-202,545,593
053	001+032+047		NET CASH FLOW	23,462,150	111,167,678
054		IV	EFFECTS OF CHANGES IN EXCHANGE RATES FOR FOREIGN CURRENCIES ON CASH AND CASH EQUIVALENTS		
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	23,462,150	111,167,678
056		1	Cash and cash equivalents at the beginning of the period	182,125,743	70,958,065
057	055+056	2	Cash and cash equivalents at the end of the period	205,587,893	182,125,743

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CHANGES IN EQUITY for period 01 January 2022 – 31 December 2022

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
I.	Balance as at 1 January of previous year	117,224	1,126	38,168,397	2,552,343	5,322,694	54,316,548	126,999		126,999
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
II.	Balance as at 1 January of previous year (corrected)	117,224	1,126	38,168,397	2,552,343	5,322,694	54,316,548	126,999		126,999
III.	Comprehensive income/loss of the previous year			(93,335,883)			1,655,187	1,321,434		1,321,434
1.	Profit or loss of the period						1,655,187	1,655,187		1,655,187
2.	Other comprehensive income or loss of the previous year			(93,335,883)				(93,335,883)		(93,335,883)
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			(113,824,247)				(113,824,247)		(113,824,247)
2.3.	Realised gains or losses from financial assets available for sale			2,488,364				2,488,364		2,488,364
2.4.	Other non-owner changes in equity									
IV.	Transactions with owners (previous period)					(14,822,945)	(54,316,548)	(22,545,593)		(22,545,593)
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends					(22,545,593)		(22,545,593)		(22,545,593)
4.	Other distributions to owners					54,316,548	(54,316,548)	0		0
V.	Balance as at the last day of the reporting period in previous year	117,224	1,126	288,272,514	2,552,343	383,971,649	1,655,187	117,569,692		117,569,692

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)

STATEMENT OF CHANGES IN EQUITY for period 01 January 2022 – 31 December 2022

in HRK

Position code	Position description	Attributable to owners of the parent							Attributable to non-controlling interest	Total capital and reserves
		Paid-up capital (ordinary and preference shares)	Premiums for issued shares	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year	Total capital and reserves		
VI.	Balance as at 1 January of the current year	101,722,400	112,000,600	288,272,514	25.052.343	383,971,649	106,550,187	1,017,569,692		1,017,569,692
1.	Changes in accounting policies									
2.	Correction of errors from previous periods									
VII.	Balance as at 1 January of the current year (corrected)	101,722,400	112,000,600	288,272,514	25.052.343	383,971,649	106,550,187	1,017,569,692		1,017,569,692
VIII.	Comprehensive income/loss of the current year			(520,221,882)			127,887,598	(392,134,284)		(392,134,284)
1.	Profit or loss for the period						127,887,598	127,887,598		127,887,598
2.	Other comprehensive income or loss of the current year			(520,221,882)				(520,221,882)		(520,221,882)
2.1.	Unrealised gains or losses from tangible assets (land and buildings)									
2.2.	Unrealised gains or losses from financial assets available for sale			(634,417,327)				(634,417,327)		(634,417,327)
2.3.	Realised gains or losses from financial assets available for sale			114,151,145				114,151,145		114,151,145
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)									
1.	Increase/decrease in subscribed capital									
2.	Other payments by owners									
3.	Payment of shares in profit /dividends									
4.	Other transactions with owners					106,550,187	(106,550,187)			
X.	Balance as at the last day of the reporting period in the current year	101.722.400	112.000.600	231.749.368	25.052.343	490.521.836	127.887.598	625.435.408		625.435.408

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000							HRK'000	
		Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from deposits to cash and cash equivalents	Offsetting of intra-segment	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference		
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	-								
Called up capital	-								
Uncalled capital	-								
INTANGIBLE ASSETS	139,897								
Goodwill	-								
Other intangible assets	139,897							139,897	Other intangible assets
TANGIBLE ASSETS	69,291							69,291	Property and equipment
Land and buildings intended for company business operations	26,434								
Equipment	1,736								
Other tangible assets and stock	41,121								
INVESTMENTS	3,490,568								
Investments in land and buildings not intended for company business operations	21,995							21,995	
Investments in subsidiaries, associates and joint ventures	5,688					244,991		250,679	Investment property Investment in subsidiaries
Shares and stakes in subsidiaries	5,688								
Shares and stakes in associates	-								
Joint venture participation	-								
Other financial investments	3,462,885					(244,991)			
Investments held-to-maturity	480,546							480,546	Held-to-maturity investments
Debt securities and other securities with fixed revenue	480,546								

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Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency								Statutory financial statements	
HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from deposits to cash and cash equivalents	Offsetting of intra-segment	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000		
Investments available-for-sale	2,753,195						2,741,330	(11,865)	Available-for-sale financial assets
<i>Shares, stakes and other securities with variable revenue</i>	15,810								
<i>Debt securities and other securities with fixed revenue</i>	2,619,344								
<i>Investment fund units</i>	118,041								
<i>Other investments available for sale</i>	-								
Investments at fair value through profit and loss account	206,389	848,555					821,819	(233,126)	Financial assets at fair value through profit or loss
<i>Shares, stakes and other securities with variable revenue</i>	-								
<i>Debt securities and other securities with fixed revenue</i>	-								
<i>Derivative financial instruments</i>	16,128								
<i>Investment fund units</i>	190,262								
<i>Other investments</i>	-								
Deposits, loans and receivables	22,755			(2,639)			20,116		Loans and receivables
<i>Deposits with credit institutions (banks)</i>	8,139								
<i>Loans</i>	14,616								
<i>Other loans and receivables</i>	-								
<i>Deposits on the basis of insurance business transferred to reinsurance (deposits with the cedent)</i>	-								
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE ASSURANCE POLICYHOLDERS	848,555	(848,555)							

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Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued) Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by Regulation
of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from deposits to cash and cash equivalents	Offsetting of intra-segment	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	HRK'000	
REINSURANCE SHARE IN TECHNICAL PROVISIONS	172,130							172,130	Reinsurers' share of insurance contract liabilities
Unearned premiums, reinsurance share	106,174								
Mathematical provision, reinsurance share	114								
Provision for claims outstanding, reinsurance share	65,843								
Provisions for return of premiums depending and not depending on the result (bonuses and rebates), reinsurance share	-								
Equalisation provisions, reinsurance share	-								
Other insurance technical provisions, reinsurance share	-								
Life assurance technical provisions where the policyholder bears the insurance risk, reinsurance share	-								
DEFERRED AND CURRENT TAX ASSETS	89,080							89,080	Deferred tax asset
Deferred tax asset	89,080								
Current tax asset	-							-	
RECEIVABLES	272,240		3,517		(60,431)		-	215,326	Insurance receivables and other assets
Receivables from direct insurance business	152,972								
<i>From policyholders</i>	152,972								
<i>From insurance agents, or insurance brokers</i>	-								
Receivables from co-insurance and reinsurance business	22,689								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of investments for the account and risk of life assurance policyholders to financial assets at fair value through profit or loss	Transfer of prepaid expenses and other assets from prepayments to insurance receivables and other assets	Transfer of deposits with maturity over 3 months from deposits to cash and cash equivalents	Offsetting of intra-segment	Transfer from financial assets at fair value through profit or loss and available for sale to investment in subsidiaries	Rounding difference	Statutory financial statements HRK'000	
Other receivables	96,578								
<i>Receivables from other insurance business</i>	31,303								
<i>Receivables for return on investments</i>	264								
<i>Other receivables</i>	65,012								
OTHER ASSETS	205,588								
Cash at bank and in hand	205,588			2,639				208,226	Cash and cash equivalents
<i>Funds in the business account</i>	118,735								
<i>Funds in the account of assets covering mathematical provision</i>	86,853								
<i>Cash in hand</i>	-								
Long-term assets intended for sale and business cessation	-								
Other	-								
PREPAYMENTS AND ACCRUED INCOME	76,114		(3,517)						
<i>Deferred interest and rent</i>	-								
<i>Deferred acquisition costs</i>	72,597							72,597	DAC
<i>Other prepayments and accrued income</i>	3,517		(3,517)						
TOTAL ASSETS	5,363,463				(60,431)			5,303,032	Total assets
Total assets difference	-								
OFF BALANCE SHEET ITEMS	-								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Rounding difference	Statutory financial statements HRK'000	
CAPITAL AND RESERVES	625,435					625,435	Total equity
Subscribed capital	101,722					101,722	Issued share capital
<i>Paid-up capital - ordinary shares</i>	101,722						
<i>Paid-up capital - preference shares</i>	-						
<i>Called up capital</i>	-						
Issued shares premiums (capital reserves)	112,001					112,001	Share premium
Revaluation reserves	(231,749)					(231,749)	Fair value reserve
<i>Land and buildings</i>	-						
<i>Financial investments</i>	(231,749)						
<i>Other revaluation reserves</i>	-						
Reserves	25,052					25,052	Legal reserve
<i>Legally stipulated reserves</i>	8,399						
<i>Statutory reserves</i>	16,654						
<i>Other reserves</i>							
Transferred (retained) profit or loss	490,522	127,888				618,409	Retained earnings
<i>Retained profit</i>	490,522						
<i>Transferred loss (-)</i>	-						
Profit or loss of the current accounting period	127,888						
<i>Profit of the current accounting period</i>	127,888	(127,888)					
<i>Loss of the current accounting period (-)</i>	-						
SUBORDINATED LIABILITIES	-						
TECHNICAL PROVISIONS	3,528,851			848,555	2	4,377,409	Insurance contract liabilities
<i>Unearned premiums, gross amount</i>	521,793						
<i>Mathematical provision, gross amount</i>	2,400,511						
<i>Provision for claims outstanding, gross amount</i>	599,294						
<i>Provisions for return of premiums depending and not depending on the result (bonuses and rebates), gross amount</i>	7,253						
<i>Equalisation provision, gross amount</i>	-						
<i>Other insurance technical provisions, gross amount</i>	-						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of profit for the year to retained earnings	Transfer of deferred income and accrued expenses to insurance and other payables	Transfer of the assurance technical provision where the policyholder bears risk to insurance contract liabilities	Offsetting of intra-segment	Reclassification of investment liabilities	Rounding difference	HRK'000	
LIFE ASSURANCE TECHNICAL PROVISIONS WHERE THE POLICYHOLDER BEARS THE INSURANCE RISK, gross amount	848,558			(848,555)					
OTHER RESERVES	2,323		(2,323)						
Provisions for pensions and similar liabilities	967								
Other provisions	1,356								
DEFERRED AND CURRENT TAX LIABILITY	28,449							28,449	
Deferred tax liability	-							-	Deffered tax liability
Current tax liability	28,449							28,449	Current income tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE	-								
FINANCIAL LIABILITIES	57,682							42,682	
Liabilities on the basis of loans	-								
Liabilities on the basis of issued securities	-								
Other financial liabilities	57,682					(15,000)		42,682	Lease liabilities
OTHER LIABILITIES	192,919		(79,246)		(60,431)	15,000		229,056	Insurance and other payables and deferred income
Liabilities from direct insurance business	72,590								
Liabilities from co-insurance and reinsurance business	35,740								
Liabilities for sale and ceased business	-								
Other liabilities	84,589								
ACCRUED EXPENSES AND DEFERRED INCOME	79,246		(79,246)						
Deferred reinsurance commission	5,130								
Other accrued expenses and deferred income	74,116								
TOTAL LIABILITIES AND EQUITY	5,363,463				(60,431)			5,303,032	Total liabilities and equity
Total liabilities and equity difference	-								

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OFF BALANCE SHEET ITEMS

(5,363,463)

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Reclassification of FX gains losses on financial assets	Rounding difference	HRK'000	
Earned premiums (recognised in revenue)	1,293,842							1,293,842	Net earned premiums
Written gross premiums	1,479,434			(2,785)				1,476,650	Gross premiums written
Value adjustment and charged adjustment of insurance/co-insurance premium value	(2,785)			2,785					
Premiums ceded to reinsurance (-)	(130,796)							(130,796)	Written premiums ceded to reinsurers
Change in gross provisions for unearned premiums (+/-)	(60,616)							(60,616)	Change in the gross provision for unearned premiums
Change in provisions for unearned premiums, reinsurance share (+/-)	8,605							8,605	Reinsurers' share of change in the provision for unearned premiums
Income from investments	145,506					(7,677)	2	137,831	Financial income
Income from subsidiaries, associates and joint ventures	-								
Income from investment in land and buildings	3,299								
Interest income	86,887								
Unrealized profits from investment	383								
Realized profits from investment	37,139								
Net positive exchange rate differentials	7,677							7,677	Net foreign exchange translation gains on financial assets
Other investment profits	10,122								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Rounding difference	HRK'000	
Income from commissions and fees	6,121							6,121	Fee and commission income
Other insurance-technical income, net of reinsurance	9,472	(9,472)							
Other income	24	9,472						9,496	Other operating income
Expenditures for insured events, net	(766,412)								
Settled claims	(699,890)								
<i>Gross amount (-)</i>	(768,182)		768.182					(815,269)	Claims and benefits incurred
<i>Reinsurer share(+)</i>	68,292		(68.292)					33,445	Reinsurers' share of claims
Change in provisions for claims outstanding (+/-)	(66,521)								
<i>Gross amount (-)</i>	(31,936)		31.936						
<i>Reinsurer share(+)</i>	(34,586)		34.586						
Change in other technical provisions, net of reinsurance	26,120								
Change in mathematical provision (+/-)	26,120								
<i>Gross amount (-)</i>	26,381		(26.381)						
<i>Reinsurer share(+)</i>	(261)		261						
Change in other technical provisions, net of reinsurance (+/-)	-		-						
<i>Gross amount (-)</i>	-								
<i>Reinsurer share(+)</i>	-		0						
Change in life assurance technical provisions where the policyholder bears the insurance risk, net of reinsurance(+/-)	(40,429)								
<i>Gross amount (-)</i>	(40,429)		40.429						
<i>Reinsurer share(+)</i>	-								
Expenditures for return of premium (bonuses and rebate), net of reinsurance +/-	(1,104)		1.104						
<i>Depending on the result (bonuses)</i>	-								
<i>Not depending on the result (rebates)</i>	(1,104)								

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Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Rounding difference	HRK'000	
Business expenditures (for business operations), net	(368,992)								
Acquisition costs	(201,818)						-	(201,818)	Acquisition costs
Commission	(189,215)								
Other acquisition costs	(14,987)								
Change in deferred acquisition costs(+/-)	-								
Administration costs	(167,175)							(167,175)	Administrative expenses
Depreciation of tangible assets	(29,766)								
Salaries, taxes and contributions to and from salaries	(71,395)								
Other administration costs	(66,014)								
Investment expenses	(126,901)						(2)	(126,903)	Financial expenses
Depreciation (buildings not intended for business operations of the company)	(1,259)								Net foreign exchange translation gains on financial assets
Interest	(1,019)								
Investment value adjustment (reduction)	(9,439)								
Losses from sale (realization) of financial assets	(5,921)								
Unrealised losses from financial investments	-								
FX losses	-								
Other investment expenses	(5,859)								
Other technical expenses, net of reinsurance	(19,651)				(1,428)			(21,078)	Other operating expenses
Expenses for preventive operations	(2,861)								
Other technical expenses of insurance	(16,790)								
Other expenses including value adjustments	(1,428)				1,428				
Profit or loss of the accounting period before taxation (+/-)	156,170							156,170	Profit before income tax

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Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position – Assets as at 31 December 2022

Supplementary information prescribed by a decision of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	HRK'000	Transfer of other technical income to other income	Transfer of changes in claims reserves to claims and benefits incurred	Netting gross premium written with impairment losses	Transfer of other expenses to other operating expenses	Netting gains and losses on financial assets	Rounding difference	HRK'000	
Profit or loss tax	(28,283)							(28,283)	Income tax expense
Current tax expense	(48,047)								
Deferred tax expense (income)	19,764								
Profit or loss of the accounting period after taxation (+/-)	127,888							127,888	Profit for the year
Attributable to owners of the parent	-								
Attributable to non-controlling interests	-								
TOTAL INCOME	1,474,730								
TOTAL EXPENDITURE	(1,346,843)								
Other comprehensive income	(520,022)							(520,022)	Change in fair value of available for sale financial assets, net of amounts realised and net of deferred tax
Profits/losses on revaluation of available for sale financial assets	-								
Profits/losses on revaluation of other tangible and (except land and real estate) intangible assets	-								
Effects from cash flow hedging instruments	-								
Actuarial profits/losses on defined benefit pension plans	-								
Share in other comprehensive income of associated companies	-								
Profit tax on other comprehensive income	114,151								
Total comprehensive income	(392,134)							(392,134)	Total comprehensive income for the year
Attributable to owners of the parent	-								
Attributable to non-controlling interests	-								
Reclassification adjustments	-								

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of the cash flow for the year ended 31 December 2022

Statement of cash flow prepared in accordance with the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16, 96/18, 50/19, 98/20), the preparation of which is described in detail in the Instructions for completing financial statements and additional reports of insurance and reinsurance companies (“HANFA CF”) differ in the presentation from the Statement of cash flows (“CF”) forming a part of statutory financial statements.

Differences are as follows:

1. Net impairment losses and write off losses on property and equipment, intangible assets and investment property are shown in CF separately while in CF HANFA they are presented within Impairment losses and fair value gains/losses,

Change in deferred acquisition costs in CF is presented separately while in HANFA CF is presented within, Increase/decrease in accruals and deferred income .
2. Net impairment losses on financial assets and insurance and other receivables are presented separately in CF while in HANFA CF are presented within Impairment losses and fair value gains/losses.
3. Net fair value gains on financial assets are presented separately in CF and include realised and unrealised gains/losses while in CF HANFA unrealised gains are presented within Impairment losses and fair value gains/losses and realised gains are presented within Other adjustments.
4. Net foreign exchange losses are presented separately in CF while in HANFA CF are shown within Other adjustments.
5. Dividend income and cash receipts from dividends are in CF presented separately and within operating cash flow while in CF HANFA dividend income is presented within Other adjustments and dividend cash receipts within investing activities.
6. Net gain/loss on disposal of property and equipment as well investment property are shown separately in CF, while in CF HANFA they are shown together within Profit/losses on sale of tangible assets (including land and buildings).
7. Net decrease in held-to-maturity investments in CF is shown within cash flow from operating activities, while in HANFA CF within cash flow from investing activities.
8. Net decrease / (increase) in financial assets at fair value through profit and loss in CF is shown comprising investments for the account and risk of life assurance policyholders as opposed to being shown separately in HANFA CF.

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of the cash flow for the year ended 31 December 2022

9. Net (increase) / decrease in investment property in CF is shown within cash flow from operating activities while in CF HANFA is presented within cash flow from investing activities.
10. Net increase in technical provision in CF comprise Increase/decrease in technical provisions and Increase/decrease in life assurance technical provisions where the policyholder bears the investment risk which are shown separately in HANFA CF.
11. Net decrease / (increase) in receivables and other assets in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in receivables and Increase/decrease in prepayments and accrued income after deducting Interest received shown separately in CF.
12. Net decrease in insurance and other liabilities in CF are shown collectively while in CF HANFA are shown separately within Increase/decrease in deposits retained from business ceded to reinsurance. Increase/decrease in other liabilities. Increase/decrease in financial liabilities. Increase/decrease in accruals and deferred income after deducting Interest paid which is shown separately in CF.
13. (Increase) and decrease in investment in subsidiaries carried at fair value in CF is shown separately within investment activities, while in HANFA CF it is stated in Increase/decrease in investments at fair value through profit or loss within operating activities.