

Allianz Hrvatska d.d.

Annual report for 2023

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Management Report

Management Report

After strong (real) GDP growth of 6.3% in 2022, economic expansion continued also in 2023 with GDP growth of 2.8% for the whole year. Due to economic slowdown in euro area and resilient economic environment at home, Croatia is one of the countries with highest GDP growth in 2023. Still, the last quarter of the year brought a significant economic expansion with GDP growth of 4.3% in annual terms. In 2023 household consumption as well as strong touristic season supported the economy, while investments remained as another growth engine throughout the year. Although smaller, government consumption also positively affected GDP growth. Both exports and imports declined, but overall exports slowed down less than imports, hence providing another positive contribution to overall economy.

Looking at different sectors of the economy, construction and financial sector most significantly contributed to economic growth, while the construction sector not only kept the growth pace in last quarter of the year, but actually expanded even further.

Inflation cooled down in second half of the year, but it is still the main challenge for the economy. In 2023 average rate of inflation stood at 8.4% (in 2022 10.8%), which is still too high and above euro area average. Some government measures and base effect in last quarter managed to push the inflation rate down, and expectations for 2024 point to the further cooling of headline rate.

Unemployment rate was at 6.4% in December 2023 (Eurostat), 0.3 p.p. lower than in December 2022. Labor market is strong and current lack of workforce is supportive for wage increases. Average net wage in December 2023 increased by 13.9% annually. Looking at whole 2023, average net wage growth stood at 13.0% suggesting a real growth in wages (above inflation rate) of 4.6%. However, there are some elevated risks to economic stability and growth due to the shortage of labor force (especially in mid and long term, although even in short run there are some obstacles in specific sectors).

The current and capital account of the balance of payments ran a surplus of EUR 5.8bn in 3Q 2023, which is an improvement of EUR 1.4bn compared to 3Q 2022. In 3Q 2023 (T12M result) Croatia had a CA deficit equal to 0.1% of GDP (in whole 2022 deficit reached 1.6% of GDP). Both (together) Current and Capital account (T12M result) reached a surplus equal to 3.7% of GDP in 3Q 2023 (after a surplus of 1.0% of GDP in whole 2022). As usual, tourism sector is a huge export-oriented service sector which improves the net export picture. When looking only into export and import of goods, the export-to-import coverage ratio stood at 58.0% in 2023 after 57.6% in 2022.

In 2022 there was a positive surprise regarding the budget development due to budget surplus of 0.4% of GDP. In 2023 budget deficit should be around 0.5% of GDP, although due to very strong GDP growth in 4Q 2023 and resilient consumption which leads to higher tax revenues, there may still be another positive surprise. Last available data suggest Debt-to-GDP ratio at 64.4% (3Q23), -5.4 p.p. yoy, which is in line with previous projections. As was the case for the rest of euro area government bonds, in December 2023 yields dropped significantly, hence leading to lower YTM on Croatia 10y bond at the end of 2023 than at the end of 2022. Spreads have also narrowed, reflecting the fundamental strength of Croatia (favorable macroeconomic and fiscal picture), but also reflecting the market expectations of entrance into A rating. Croatia has IG status at all 3 largest credit rating agencies (S&P, Fitch, Moody's rating equivalent to BBB+) and in 2H 2023 all three credit rating agencies improved outlook from stable to positive.

Croatia issued one new eurobond in 2023, with maturity of 12 years and in the total amount of EUR 1.5bn with YTM at issuance of 4.05%. In 2023 MoF issued a retail bond with maturity of 2 years and total bond size of EUR 1.85 bn, of which EUR 1.35 bn was purchased by retail investors. Also, at the end of the year there was an issuance of 1 year T-bill for retail clients, and this practice will likely continue into 2024. In November 2023, MoF issued new 10 year local bond (for institutional investors) with total size of EUR 1.25 bn (YTM at issuance was 3.81%). Overall in 2023 and 2024 focus was and will be on deploying citizens cash into government bonds which may further support lower spread levels due to lower supply for institutional investors.

Worth mentioning is the entrance into euro area from January 1, 2023 and entrance in Schengen area. Apart from stable public finances and good macroeconomic developments, those two events point to institutional strength and development of Croatia.

EC expects GDP growth of 2.6% in 2024, while CNB expects GDP growth of 3.0%. NGEU funds and other EU disbursements should act positively on growth outlook in near and medium term and may spur new investments into sustainable production and in higher value-added (digital) services. Banking sector is very well-capitalized with average capital adequacy ratio of around 23%.

Management Report (continued)

Although, inflation took some part of disposable income in Europe, there are still positive expectations of touristic season in 2024, which should support the whole economic activity.

Inflation is projected between 2.5% - 3.5% in 2024 (EC and CNB), which is achievable, but may be optimistic. 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. On the negative side, lack of available workforce and worsening of demographic picture, may act as a brake on economic growth and especially negative on certain sectors. Public finances are likely to continue the positive trend from last years and relative indebtedness should move toward 60% of GDP. MoF is planning a budget deficit of 1.9% of GDP in 2024. Political situation is stable and despite super election year in 2024, no major changes in political landscape are expected.

Bond yields should follow core rate developments while spreads should be stable. Recent spread narrowing reflected market expectations of entrance into A rating. However due to strong macro and fiscal situation in Croatia, as well as favorable technicals (low international supply of bonds) there might still be potential for slight spread narrowing. Although in recent years there has been more activity in corporate debt area, companies are still not eager to enter financial markets and prefer to take loans from banks. Equity market had a great performance in 2023, with leading index (CROBEX) up by 28%. Compared to leading global equity indices, local market managed to do far better in 2022 and 2023 as valuation gap relative to global peers narrowed and companies in general had robust results. Lack of liquidity and visibility is the main challenge for local equity market. 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 growth and development in the tourism sector. Residential real estate market kept growing with average price growth of almost 13% in first 9 months of 2023 (after 14.8% in 2022). International demand as well as general passion for real estate investing in Croatia should mitigate the effect of higher mortgage rates.

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 more positive for long-term interest income generation due to higher yields, although it may seem that yields passed the peak. As certain level of 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 managing its assets conservatively and only small fraction of total assets is invested in other asset classes in order to enhance the portfolio yield, but always with the consideration of risk-return profile of particular investment.

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 2023 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.

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.

Management Report (continued)

Business results achieved in 2023 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)

2023 financial performance

In 2023, the Company achieved a total gross premium in the amount of EUR 204.6 million (including impairment of receivables), which is 4.4 % higher versus previous year.

In non-life insurance, Company generated gross written premium in the amount of EUR 146.6 million (including net bad debt provision), which represents growth compared to previous year of 22.1%. Premium growth comes from all lines of business, mostly from Fire and other damage to property insurance, General liability, MOD and MTPL insurance.

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

Gross written premium from life insurance in 2023 was EUR 58.0 million which represents a decrease of 23.6% compared to previous year. Drop of life insurance premium is coming from unit-linked within the bancassurance channel.

The Group's gross profit in 2023 amounted to 24.6 million (Company: EUR 24.2 million), which increased in relation to the last year by 31.7% (Company: 30.8%). Growth in profitability is coming from both segments of the business.

In non-life insurance, the Company's gross profit grew by EUR 1.3 million compared to 2022 as a result of higher insurance revenues and investment result despite the impact of two natural catastrophe events (storm in Croatia and flood in Slovenia). The natural catastrophe events primarily impacted property but is visible in MOD as well. In all other lines of business, result improvement was achieved in MTPL, liability and travel coming from increase of insurance revenues and stable claims result.

Gross profit in life segment for the Company increased by EUR 4.3 million compared to the previous year and is a consequence of increased income from insurance contracts and lower expenses from insurance contracts.

The Company realized combined ratio (including reinsurance) in non-life insurance business of 91.2%, including both markets in Croatia and Slovenia which represents a higher combined ratio of 1.9% compared to 2022.

At the same time, the solvency ratio, which is an important business and financial quality indicator, increased to 202% (from 189% in 2022) primarily due to the decrease in Solvency Capital Requirement - particularly decrease for market risks spread and concentration risk, due to Republic of Croatia joining eurozone. For the same reason, the Company's own funds have decreased as technical reserves have increased with euro curve introduction.

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 below 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 2% 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.

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.

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

On the reporting date, the Company's share capital is divided into 254,306 ordinary shares with a nominal value of EUR 53 per share, and the Company's sole shareholder is Allianz Holding eins GmbH, a limited liability company with residence in Austria that has 100% of the Company's share capital and voting rights. 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, whose shares are listed on the capital market.

With regard to the provisions of the Act on the introduction of the euro as the official currency in the Republic of Croatia and the provisions of the Companies Act, in December 2023 the Company adjusted the share capital of the Company and the nominal amount of the Company's shares with regard to the introduction of the euro, namely:

- by reducing the share capital of the Company to the extent that it was necessary to bring the amount of share capital and the nominal amount of shares into line with the provisions of Art. 161, 162 and 163 of the Companies Act and
- by reducing the nominal amount of each share of the Company from the amount of EUR 53.09 to the amount of EUR 53.00.

After conversion into euro, adjustment and record in the court register, the Company's share capital amounts to EUR 13,478,218.00 and is divided into 254,306 ordinary shares with a nominal amount of EUR 53.00, which are registered. The number of shares remained unchanged.

Information on the purchase of own shares

Till the end of 2023 the Company did not acquire and release any treasury shares.

The Company subsidiaries

On the reporting date 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 2023 amounted to EUR 26.3 million. There were no new acquisitions in 2023, only changes in share of the investment funds. Details about structure of the ownership are shown under note 1.12.

Post balance sheet events

Post balance sheet events have been disclosed in Note 1.36.

Non financial report

The Company is according to Accounting law, article 21a., 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.

Sustainability Report

Group Annual Sustainability Report is prepared by Allianz SE and available at: <https://www.allianz.com/en/sustainability/sustainability-report-and-other-publications.html>

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 insurance contract liability and guarantees given to policyholders of life insurance, the Company is exposed to movements in financial markets.

Due to Croatia entering eurozone the Company is not significantly exposed to currency risk. Exposure can come 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 insurance contract liability, settlement of claims on insurance policies linked to foreign currency and the payment of reinsurance premiums. The Company is mainly exposed to USD.

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 is life insurance contract liability under long-term contracts of life insurance.

The Company regularly performs modelling and estimation of cash flows, as well as the impact of interest rate fluctuations related to investment portfolio and insurance contract liability 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 the Solvency II Standard formula as a part of the market risk capital requirements. Most significant market risks identified for Company are interest rate risk, spread risk and concentration 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 at fair value through other comprehensive income (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 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 the Solvency II Standard formula as a part of the 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 Romania 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.

The Company's bodies are the Management Board, the Supervisory Board and the General Meeting of the Company, and the Company's Audit Committee was established and operates as an auxiliary body of the Supervisory Board.

General Meeting

The General Meeting shall consist of the Shareholders.

The General Meeting shall be convened by the Management Board's Decision taken by simple majority.

The General Meeting shall be convened in all cases provided by the Companies Act, special regulations and the Statute, or at any time when the Company's interest requires it, but at least once a year.

The General Meeting 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 fulfilment of additional conditions.

The General Meeting shall decide on all issues determined by the Companies Act, special regulations and the Statute, which shall especially include: election and revocation of Supervisory Board members, unless they are not appointed to that board; appropriation of profits; approval of conduct of the Management Board and the Supervisory Board members; appointment of the Company's auditor; amendments of the Statute; increase and reduction of the Company's share capital; appointment of special auditors for the examination of Company's management and determination of the remuneration of the special auditors; appointment and revocation of members of the Audit Committee, who is entitled to regulate their work by internal rules, and remuneration for performing their duties; the listing the Company's shares on the regulated market for trading and withdrawal of shares from the market and all other issues that are expressly assigned to the decision-making process under the laws, special regulations or 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 Meeting and may be re-elected after their mandates expire. Exact number of Supervisory Board members is determined by the General Meeting. 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 during her/his mandate. 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 Meeting.

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 to the Management Board on the business policy and strategic goals of the Company; on the financial plan of the Company; on risk-management strategies and policies;; on own risk and solvency assessment; on the internal control system; on the framework annual program of internal audit operations and decides on other matters specified by the Companies Act and special regulations.

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 risk-management strategies and policies; monitor procedure of publishing information; examine the financial statements of Company and submit a written report to the General Meeting on their findings; to explain to the General Meeting 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 in 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 2023 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 and Deputy Chairman until July 17, 2023,
- Mr. Jakša Krišto, Supervisory Board Member as of July 18, 2023 and Deputy Chairman as of July 19, 2023,
- Mr. Mario Ferrero, Supervisory Board Member.

Management Board of the Company

The Management Board manages business of the Company and represents 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's 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 during her/his mandate. 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 2023 were the following:

- Ms. Marijana Jakovac, member of the Board and President of the Board as of October 2, 2023
- Mr. Daniel Matić, President of the Management Board until September 30, 2023
- Mr. Slaven Dobrić, member of the Board,
- Ms. Josipa Parać Bistrović, member of the Board as of March 3, 2023
- Mr. Hrvoje Filipović, member of the Board as of May 8, 2023.

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 Meeting.

In the fiscal year 2023, 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)

For the purpose of achieving structural and quality cooperation related to governance and internal control, the Company has established a Governance and Control Committee (GovCC). The Committee is composed of the Company's key function holders, the Legal and Accounting functions, as well as additional functions and the representative of the member of the Management Board in charge of operations. The purpose of the Governance and Control Committee is to discuss and propose to the Management Board decisions of relevance to the Company's overall governance and control system.

The tasks of the Governance and Control Committee are as follows:

- providing support to the Company's Management with respect to legal, organisational and management requirements regarding the Company's management system and internal controls
- facilitating collaboration between key control functions in topics related to the management system and internal controls
- monitoring and supervising the consistent application of the internal control system framework
- providing a structured flow of information the on governance and internal control system.

The establishment of the Board and its tasks do not affect or diminish the liability of individual committee members arising from their regular roles in the Company. Also, although the implementation and coordination of the review process of the governance system as well as the process of documenting the aforementioned process are delegated to the Governance and Control Committee, the responsibility for the review and assessment of the Company's governance system remains with the Company's Management.

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

In addition, according to the rules on the management system of the Group, the Company has established a legal and accounting function (accounting and reporting 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.

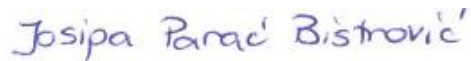
In addition, in accordance with the Companies Act, member of the Management Board may not, without the consent of the Supervisory Board participate in the decision or the conclusion of a legal transaction if he or she is:

- 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.



Member of the Management Board

Slaven Dobrić



Member of the Management Board

Josipa Parać Bistović



Member of the Management Board

Hrvoje Filipović



President of the Management Board

Marijana Jakovac

Allianz 
1
Allianz Hrvatska d.d.

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 137 together with the schedules prepared in accordance with the Regulation of the Croatian Financial Services Supervisory Agency on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 20/23) ("the Schedules"), presented on pages 138 to 151, and the reconciliation, presented on pages 152 to 159, of the Schedules with the financial statements were authorised by the Management Board on 25th April 2024 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 14 were authorised by the Management Board on 25th April 2024 and signed accordingly.



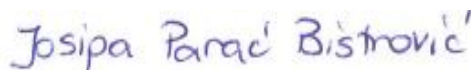
Member of the Management Board

Slaven Dobrić



Member of the Management Board

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Marijana Jakovac

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Independent Auditor's Report

To the Shareholder of Allianz Hrvatska d.d.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Allianz Hrvatska d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2023, and the Company's and the Group's consolidated and separate financial performance and consolidated and separate 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 26 April 2024.

What we have audited

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

- the consolidated and separate statements of financial position as at 31 December 2023;
 - the consolidated and separate statements of comprehensive income for the year then ended;
 - the consolidated and separate statements of changes in equity for the year then ended;
 - the consolidated and separate statements of cash flows for the year then ended; and
 - the notes to the consolidated and separate financial statements, comprising material accounting policy information and other explanatory information.
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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 consolidated and separate 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 2023 to 31 December 2023.

Our audit approach

Overview

	<ul style="list-style-type: none"> • Overall Company materiality: EUR 1,647 thousand, which represents 1% of a sum of net assets and contractual service margin (CSM) • Overall Group materiality: EUR 1,651 thousand, which represents 1% of a sum of net assets and contractual service margin (CSM) <hr/> <ul style="list-style-type: none"> • 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. <hr/> <ul style="list-style-type: none"> • Measurement of insurance contract liabilities
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated and separate 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 consolidated and separate financial statements as a whole.

Overall Company and Group materiality	The Company: EUR 1,647 thousand The Group: EUR 1,651 thousand
How we determined it	The Company: 1% of a sum of net assets and contractual service margin (CSM) The Group: 1% of a sum of net assets and contractual service margin (CSM)
Rationale for the materiality benchmark applied	Net assets is the benchmark which is closely monitored and there is a strong focus on regulatory compliance measured by the adequacy of the capital. CSM represents expected future profits to be generated from current in-force business, which amortises over the contracts' coverage unit. It is one of key metrics to measure insurance business results under IFRS 17. Combined, these two metrics provide an expectation of the future total equity of the company that is relevant to users of financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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>Measurement of insurance contract liabilities</i></p> <p>Refer to note 1.3.g “Insurance contract liabilities”, note 1.4 “Accounting estimates and judgements”, note 1.5 “Insurance risk management” and note 1.17 “Insurance contract liabilities” to the consolidated and separate financial statements for detailed information on the insurance contract liabilities.</p> <p>Insurance contract liabilities consist of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) of EUR 451,565 thousand and EUR 96,162 thousand, respectively.</p> <p>Models used by the Company for the measurement of the insurance contracts and related LRC and LIC are General measurement model (GMM), Premium allocation approach (PAA) and Variable fee approach (VFA).</p> <p>The GMM and VFA models are based on the following building blocks: a current estimate of future cash flows expected to arise during the life of the contract; an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a contractual service margin (CSM) representing the unearned profit from the contract.</p> <p>The VFA model is applied only for eligible products with direct participation features.</p> <p>The PAA model is simplified approach that comprises unearned premium in the LRC and the fulfilment cash flows related to past service and discounted to reflect the time value of money in the LIC.</p> <p>Measurement models involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and assumptions applied in the models, and therefore we considered it a key audit matter for our audit.</p> <p>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 discount rates and actuarial assumptions such as mortality, longevity, customer behaviour, attributable expenses and loss ratio are key inputs used to estimate these liabilities. Significant judgment is applied in setting these assumptions.</p>	<p>Our audit approach was the following:</p> <ul style="list-style-type: none"> • We gained our understanding of the insurance contract liabilities calculation methodology applied by the Company. We engaged our own actuarial experts to assist us in performing our audit procedures. • We evaluated significant control activities in the actuarial processes and tested operating effectiveness of key controls. • We considered the appropriateness of measurement models used, depending on the product and/or the product features. • We tested on a sample basis accuracy of the critical data of the measurement models in the source systems and reconciled it with the input in the insurance contract liabilities calculation engine. • We assessed how management determined and approved economic and non-economic actuarial assumptions used in the measurement models. Our assessments included challenging, as necessary, management’s rationale for the specified economic and non-economic actuarial assumptions and judgments applied. • We challenged the assumptions in projected cash flows adopted by the Company considering specific product features. • We recalculated on a sample basis projected cash flows used in the calculation of the insurance contract liabilities. • We performed substantive analytical procedures to determine whether the insurance contract liabilities calculated in the models and systems are accurate and complete. We reconciled the output of the insurance contract liabilities calculation engine with the accounting records. • We have assessed the disclosures related to the insurance contract liabilities in the financial statements, with respect to their adequacy, completeness and compliance with the IFRS requirements.

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

Management is responsible for the other information. The other information comprises the Management Report included in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate 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 consolidated and separate 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 Articles 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 consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act;

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 and Corporate Governance Statement and other information 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 consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's and 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 consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 consolidated and separate 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 16 June 2023, representing a total period of uninterrupted engagement appointment of 6 years.

Forms in accordance with the Ordinance

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 20/23, "Ordinance"), the Management Board of the Company prepared the Forms, entitled the Statement of financial position of the Company as at 31 December 2023, Statement of comprehensive income, Statement of cash flow and Statement of changes in equity of the Company for the year then ended ("Forms") together with information to reconcile the Forms to the Company's financial statements. The Company's management is responsible for the preparation of these Forms and information on reconciliation and they do not represent an integral part of these audited financial statements, but contain information required by the Ordinance. The financial information in the Forms is derived from the Company's audited financial statements prepared in accordance with International Financial Reporting Standards as adopted 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.
Heizelova 70, Zagreb
29 April 2024

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

		Group	Group	Group	Company	Company	Company
	Note	2023	2022 (restated)	As of 1 January 2022 (restated)	2023	2022 (restated)	As of 1 January 2022 (restated)
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets							
Property and equipment	1.9	8,174	9,667	11,108	7,753	9,198	10,718
Investment property	1.10	2,752	2,919	3,086	2,752	2,919	3,086
Intangible assets	1.11	17,274	18,838	19,932	17,036	18,578	19,649
Investment in subsidiaries	1.12	-	-	-	26,261	33,271	25,954
Financial assets at amortized cost	1.13	3,185	7,292	-	-	-	-
Financial assets at fair value through other comprehensive income or loss	1.13	459,077	413,551	500,456	459,361	413,616	471,253
Financial assets at fair value through profit or loss	1.17	154,967	145,935	137,151	131,017	123,200	133,869
Reinsurance contract assets	1.17	36,000	20,575	25,970	36,000	20,575	25,970
Deferred tax assets	1.14	-	1,118	-	-	1,118	-
Current tax assets		5,141	218	-	5,141	218	-
Other receivables and prepaid expenses	1.15	6,824	4,955	9,830	6,432	4,747	9,641
Cash and cash equivalents	1.16	21,001	37,837	29,144	14,882	27,625	24,162
Total assets		714,395	662,905	736,677	706,635	655,065	724,302
Liabilities							
Insurance contract liabilities	1.17	547,727	499,472	574,243	547,727	499,472	574,243
Other liabilities, accrued expenses and deferred income	1.18	22,991	21,780	39,072	15,707	14,089	27,266
Provisions	1.19	848	1,265	1,230	848	1,265	1,230
Lease liabilities	1.34	4,752	5,654	7,500	4,752	5,654	7,033
Deferred tax liabilities	1.14	2,644	-	867	2,644	-	867
Current income tax liability		6	3,723	105	-	3,722	104
Total liabilities		578,968	531,894	623,017	571,678	524,202	610,743
Equity attributable to owners of the Company							
Issued share capital	1.20 (a)	13,478	13,501	13,501	13,478	13,501	13,501
Share premium	1.20 (b)	14,888	14,865	14,865	14,888	14,865	14,865
Reserves	1.20 (c) (d) (e)	35,936	38,563	36,926	35,936	38,563	36,926
Retained earnings	1.20 (f)	71,025	64,003	48,302	70,655	63,934	48,267
		135,327	130,932	113,594	134,957	130,863	113,559
Non-controlling interests		100	79	66	-	-	-
Total equity		135,427	131,011	113,660	134,957	130,863	113,559
Total liabilities and equity		714,395	662,905	736,677	706,635	655,065	724,302

Statements of comprehensive income

For the year ended 31 December

	<i>Note</i>	Group 2023	Group 2022 (restated)	Company 2023	Company 2022 (restated)
		EUR'000	EUR'000	EUR'000	EUR'000
Insurance revenue	1.21	144,846	122,225	144,846	122,225
Insurance expenses	1.22	(122,269)	(94,824)	(122,269)	(94,824)
Net income/expenses from reinsurance contract held	1.23	2,235	(10,681)	2,235	(10,681)
Insurance service result		24,812	16,719	24,812	16,719
Interest income		13,362	11,725	13,038	11,557
Net gains/losses on financial assets at fair value through profit and loss		10,898	(16,470)	8,101	(14,868)
Net realized losses on financial assets at fair value through other comprehensive income and loss		(1,813)	(17)	(1,813)	(17)
Net credit impairment result		16	145	17	146
Net expense from investment property		(141)	(133)	(141)	(133)
Other investment expense/(income)		(3,180)	2,631	(67)	1,191
Net investment income	1.24	19,142	(2,120)	19,135	(2,126)
Finance expense/income from insurance contract issued		(11,889)	10,717	(11,889)	10,717
Finance income form reinsurance contract held		30	28	30	28
Net insurance finance expenses		-	-	-	-
Net insurance and investment result	1.24	32,095	25,343	32,088	25,338
Fee and commission income	1.25	597	286	298	408
Other income	1.26	1,775	1,607	1,225	1,400
Other expenses	1.27	(9,730)	(8,428)	(9,309)	(8,411)
Other finance cost		(145)	(141)	(104)	(120)
Income before income taxes		24,592	18,670	24,197	18,617
Income taxes expense	1.28	(4,440)	(3,460)	(4,369)	(3,455)
Profit for the year		20,152	15,209	19,829	15,162
Net income attributable to:					
- Owners of the Company		20,131	15,196	19,829	15,162
- Non-controlling interests		21	13	-	-

Statements of comprehensive income (continued)

For the year ended 31 December

	Group 2023 EUR'000	Group 2022 (restated) EUR'000	Company 2023 EUR'000	Company 2022 (restated) EUR'000
Profit for the year	20,152	15,209	19,829	15,162
Other comprehensive income for the year	(2,464)	2,142	(2,464)	2,142
<i>Items that may be reclassified subsequently to profit or loss:</i>	(2,674)	4,047	(2,674)	4,047
Net gains on investments in debt securities measured at FVOCI	22,089	(81,135)	22,089	(81,135)
Finance expenses from insurance contracts issued	(25,452)	85,894	(25,452)	85,894
Finance expenses from reinsurance contracts issued	179	(348)	179	(348)
Income tax relating to these items	510	(364)	510	(364)
<i>Items that will not be reclassified subsequently to profit or loss:</i>	210	(1,905)	210	(1,905)
Net gains on investments in equity securities measured at FVOCI with no recycling to profit and loss	175	(1,905)	175	(1,905)
Income tax relating to these items	35	-	35	-
Total comprehensive income for the year	17,688	17,351	17,365	17,304
Attributable to:				
- Owners of the Company	17,667	17,338	17,365	17,304
- Non-controlling interests	21	13	-	-
	17,688	17,351	17,365	17,304

Statements of changes in equity

For the year ended 31 December

Group

	Issued share capital	Share premium	Reserves				Retained earnings	Non controlling interests	Total
			Fair value reserve	Insurance finance reserve	Legal reserve	Statutory reserve			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2022	13,501	14,865	38,261	-	1,115	2,210	65,352	2	135,306
Adjustments of initial application of IFRS 9 and 17, net of tax	-	-	(3,433)	(1,227)	-	-	(17,050)	64	(21,646)
Restated 1 at January 2022	13,501	14,865	34,828	(1,227)	1,115	2,210	48,302	66	113,660
									-
Total comprehensive income for the year									-
Change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Note 1.20c)	-	-	(83,039)	-	-	-	-	-	(83,039)
Deferred tax on change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Notes 1.14; 1.20c)	-	-	15,038	-	-	-	-	-	15,038
Finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.20c)	-	-	-	85,545	-	-	-	-	85,545
Deferred tax on finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Notes 1.14; 1.20d)	-	-	-	(15,402)	-	-	-	-	(15,402)
<i>Total other comprehensive income</i>	-	-	(68,001)	70,143	-	-	-	-	2,142
<i>Profit for the year</i>	-	-	-	-	-	-	15,196	13	15,209
Total comprehensive income for the year	-	-	(68,001)	70,143	-	-	15,196	13	17,351
Transactions with owners recognised directly in equity									-
									-
Net realised gains losses directly recognized in retained earnings, net of tax	-	-	(505)	-	-	-	505	-	-
Paid dividend	-	-	-	-	-	-	-	-	-
At 31 December 2022	13,501	14,865	(33,678)	68,916	1,115	2,210	64,003	79	131,011

Statements of changes in equity (continued)

For the year ended 31 December

Group

	Issued share capital	Share premium	Fair value reserve	Insurance finance reserve	Legal reserve	Statutory reserve	Retained earnings	Non controlling interests	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2023	13,501	14,865	(30,758)	-	1,115	2,210	82,362	17	83,312
Adjustments of initial application of IFRS 9 and 17, net of tax	-	-	(2,920)	68,916	-	-	(18,359)	62	47,699
Restated 1 at January 2023	13,501	14,865	(33,678)	68,916	1,115	2,210	64,003	79	131,011
									-
Total comprehensive income for the year									-
Change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Note 1.20c)	-	-	22,263	-	-	-	-	-	22,263
Deferred tax on change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Notes 1.14; 1.20c)	-	-	(4,008)	-	-	-	-	-	(4,008)
Finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.20c)	-	-	-	(25,271)	-	-	-	-	(25,271)
Deferred tax on finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Notes 1.14; 1.20d)	-	-	-	4,552	-	-	-	-	4,552
<i>Total other comprehensive income</i>	-	-	18,255	(20,719)	-	-	-	-	(2,464)
<i>Profit for the year</i>	-	-	-	-	-	-	20,131	21	20,152
Total comprehensive income for the year	-	-	18,255	(20,719)	-	-	20,131	21	17,688
									-
Share capital adjustment due to euro conversion	(23)	23	-	-	-	-	-	-	-
Net realised gains losses directly recognized in retained earnings, net of tax	-	-	(163)	-	-	-	163	-	-
Paid dividend	-	-	-	-	-	-	(13,272)	-	(13,272)
At 31 December 2023	13,478	14,888	(15,586)	48,197	1,115	2,210	71,025	100	135,427

Statements of changes in equity

For the year ended 31 December

Company

	Issued share capital	Share premium	Reserves			Statutory reserve	Retained earnings	Total
			Fair value reserve	Insurance finance reserve	Legal reserve			
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2022	13,501	14,865	38,261	-	1,115	2,210	65,103	135,055
Adjustments of initial application of IFRS 9 and 17, net of tax	-	-	(3,433)	(1,227)	-	-	(16,836)	(21,496)
Restated 1 at January 2022	13,501	14,865	34,828	(1,227)	1,115	2,210	48,267	113,559
Total comprehensive income for the year								-
Change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Note 1.20c)	-	-	(83,039)	-	-	-	-	(83,039)
Deferred tax on change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Notes 1.14; 1.20c)	-	-	15,038	-	-	-	-	15,038
Finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.20c)	-	-	-	85,545	-	-	-	85,545
Deferred tax on finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.14; 1.20d)	-	-	-	(15,402)	-	-	-	(15,402)
<i>Total other comprehensive income</i>	-	-	(68,001)	70,143	-	-	-	2,142
<i>Profit for the year</i>	-	-	-	-	-	-	15,162	15,162
Total comprehensive income for the year	-	-	(68,001)	70,143	-	-	15,162	17,304
Net realised gains losses directly recognized in retained earnings, net of tax	-	-	(505)	-	-	-	505	-
Paid dividend	-	-	-	-	-	-	-	-
At 31 December 2022	13,501	14,865	(33,678)	68,916	1,115	2,210	63,934	130,863

Statements of changes in equity (continued)

For the year ended 31 December

Company

	Issued share capital	Share premium	Fair value reserve	Insurance finance reserve	Legal reserve	Statutory reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2023	13,501	14,865	(30,758)	-	1,115	2,210	82,077	83,010
Adjustments of initial application of IFRS 9 and 17, net of tax	-	-	(2,920)	68,916	-	-	(18,143)	47,853
Restated 1 at January 2023	13,501	14,865	(33,678)	68,916	1,115	2,210	63,934	130,863
								-
Total comprehensive income for the year								-
Change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Note 1.20c)	-	-	22,263	-	-	-	-	22,263
Deferred tax on change in fair value of financial assets at fair value through other comprehensive income and net expected credit losses, net of realized amounts (Notes 1.14; 1.20c)	-	-	(4,008)	-	-	-	-	(4,008)
Finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.14; 1.20d)	-	-	-	(25,271)	-	-	-	(25,271)
Deferred tax on finance income/(expense) from insurance and reinsurance contract issued/held through other comprehensive income (Note 1.14; 1.20d)	-	-	-	4,552	-	-	-	4,552
<i>Total other comprehensive income</i>	-	-	18,255	(20,719)	-	-	-	(2,464)
<i>Profit for the year</i>	-	-	-	-	-	-	19,829	19,829
Total comprehensive income for the year	-	-	18,255	(20,719)	-	-	19,829	17,365
Share capital adjustment due to euro conversion	(23)	23	-	-	-	-	-	-
Net realised gains losses directly recognized in retained earnings, net of tax	-	-	(163)	-	-	-	163	-
Paid dividend	-	-	-	-	-	-	(13,271)	(13,271)
At 31 December 2023	13,478	14,888	(15,586)	48,197	1,115	2,210	70,655	134,957

Cash flow statement

For the year ended 31 December

	Note	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Cash flow from operating activities					
Profit after tax		19,464	15,897	19,829	15,162
Adjustments for:					
-Tax		4,289	3,611	4,363	3,462
-Depreciation of property and equipment	1.9	1,795	1,745	1,738	1,713
-Depreciation of investment property	1.24	167	167	167	167
-Amortisation of other intangible assets	1.11	2,455	2,338	2,388	2,237
-Net foreign exchange losses/(gains) on financial assets	1.24	(546)	(1,802)	(546)	(1,736)
-Loss on intangible assets write off	1.11	-	(1)	-	-
-Gains on disposal of property and equipment		25	(4)	25	(4)
-Net loss/(gain) from financial assets at fair value through profit or loss and other comprehensive income or losses	1.24	(6,288)	14,885	(6,288)	14,885
-Net credit impairment losses (reversal) on financial asset	1.24	(16)	148	(17)	(146)
-Net credit impairment losses (reversal) on receivables and cash	1.24	33	(7)	33	7
-Interest income	1.24	(13,440)	(11,560)	(13,434)	(11,557)
Changes in operating assets and liabilities					
Net increase in financial assets at fair value through profit or loss		(24,255)	(3,972)	(24,392)	(4,195)
Net decrease in financial assets at fair value through other comprehensive income or losses		3,577	64,384	570	64,368
Net (increase)/ in insurance contract liabilities		27,978	(73,973)	27,146	(73,141)
Net (increase)/ in reinsurance contract asset		(15,277)	5,394	(15,277)	5,394
Net decrease in other receivables and prepaid expenses		5,864	6,742	6,769	6,769
Net increase in other liabilities, accrued expenses and deferred income		(4,392)	(13,794)	(6,689)	(13,183)
Net increase in provision		(417)	35	(417)	35
Net cash from operating activities before income tax paid		1,015	10,233	(4,034)	10,237
Interest received		5,594	4,999	5,450	4,710
Dividend received		396	601	396	601
Interest paid		(145)	(141)	(103)	(109)
Income tax paid		(9,221)	(2,045)	(9,221)	(2,040)
Net cash from operating activities		(2,361)	13,646	(7,511)	13,399
Cash flows from investing activities					
Purchase of property and equipment	1.9	(269)	(391)	(269)	(262)
Purchase of intangible assets	1.11	(857)	(1,259)	(846)	(1,164)
Proceeds from sale of property and equipment	1.9	588	76	555	76
Increase in investment in subsidiaries carried at fair value	1.12	-	-	(500)	(20,036)
Decrease in investment in subsidiaries carried at fair value	1.12	-	-	9,900	12,720
Net cash flows from investing activities		(538)	(8.890)	8.840	(8.666)

Cash flow statement (continued)

For the year ended 31 December

		Group	Group	Company	Company
		2023	2022	2023	2022
	<i>Note</i>	EUR'000	EUR'000	EUR'000	EUR'000
Cash flows from financing activities					
Repayment of lease liabilities		(665)	(1,266)	(799)	(1,271)
Dividend paid	1.20g	(13,272)	-	(13,272)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash from financing activities		(13,938)	(1,407)	(14,071)	(1,271)
		<hr/>	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(16,837)	8,693	(12,743)	3,463
Cash and cash equivalents at 1 January		37,837	29,144	27,625	24,162
		<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at 31 December	1.16	21,001	37,837	14,882	27,625
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 (2022: Allianz Holding eins GmbH with 100% of voting rights). As of 14 October 2022 Allianz Holding eins GmbH acquired 16.84% minority share held by Zagrebačka banka d.d. Ultimate parent company is Allianz SE, 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”). Within these consolidated and separate financial statements, the Company has applied all standards and interpretations issued by The International Accounting Standards Board (IASB) and endorsed by the EU that are compulsory as of 31 December 2023.

In these consolidated financial statements, the Company has applied IFRS 9 (“Financial instruments) and IFRS 17 (“Insurance contracts”) for the first time. The related changes in significant accounting policies are described in note 1.3.

The consolidated financial statements have been prepared for the year ended 31 December 2023. The Company’s presentation currency is the euro (€). Amounts are rounded to the nearest million (€ mn) unless otherwise stated.

The financial statements were authorised for issue by the Management Board on 25 April 2024. 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, financial assets at fair value through other comprehensive income, some investments in subsidiaries measured at fair value (investment funds), insurance and reinsurance contracts by evaluating the estimated cash flows and contractual service margin.

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 euros („EUR“), which is Allianz Hrvatska d.d. functional and presentation currency.

On 1 January 2023, the euro (“EUR”) was introduced instead of the Croatian kuna (“HRK”) and became the official monetary currency and legal tender in the Republic of Croatia. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency.

On 1 January 2023, all items of assets, liabilities and equity were converted from HRK to EUR using a fixed conversion rate determined by the Croatian government (published fixed rate of HRK 7.53450 per EUR 1). The change in the functional currency is applied prospectively from the specified date.

Furthermore, the presentation currency of these financial statements has changed as of January 1, 2023, and the comparative periods have been converted to euro for the aforementioned reason. Since the financial statements of the previous period were presented in Croatian kuna, the change in the presentation currency of the comparative period in this year’s financial statements represents a change in the Group’s accounting policy. Regarding the change in accounting policy, the Group presents three statements of the financial position in this year’s financial statements, as at 1 January 2022, 31 December 2022 and 31 December 2023.

During 2022, there was no significant fluctuation in the exchange rate between the euro and the Croatian kuna, therefore the Group’s Management believes that the application of a fixed conversion rate for all comparative periods is appropriate under the given circumstances.

The most significant foreign currency in which the Group holds assets and liabilities is USD (2022: EUR). The exchange rates used for translation at 31 December 2023 was EUR 1 = USD 1,1038 (2022: was EUR 1 = USD 1,0727).

1.2 Basis of preparation (continued)

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.

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 at fair value through profit or loss at inception. 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.

1.2 Basis of preparation (continued)

e) Consolidation (continued)

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.

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.

1.3 Material 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.

Reclassification to investment property

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

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.

The estimated useful lives are as follows:

	2023	2022
● Buildings	40 years	40 years
● Motor vehicles	5 years	5 years
● Furniture	5 years	5 years
● Other equipment	4 years	4 years

(b) Rights of use assets and lease liabilities

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

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.

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

1.3 Material accounting policies (continued)

(c) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets consists 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.

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:

	2023	2022
● 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:

	2023	2022
● Investment property	40 years	40 years

(e) Financial instruments

Classification

The Company and the Group classifies its financial assets into the following categories:

Type of financial instruments	Classification	Reason
Cash and cash equivalents	Amortized cost	SPPI, hold and sell business model
Government bonds	Fair-value through other comprehensive income	SPPI, hold and sell business model
Government bonds	Fair-value through profit or loss	No SPPI or hold and sell business model, trading
Other debt securities	Fair-value through other comprehensive income	SPPI, hold and sell business model
Other debt securities	Fair-value through profit or loss	No SPPI or hold and sell business model, trading
Equity securities	Fair-value through other comprehensive income without recycling	Option
Derivatives	Fair-value through profit or loss	Mandatory
Loans	Fair-value through other comprehensive income	SPPI, hold and sell business model
Loans	Fair-value through profit or loss	No SPPI or hold and sell business model, trading
Deposits	Fair-value through other comprehensive income	SPPI, hold and sell business model
Other financial liabilities	Amortized cost	Mandatory

1.3 Material accounting policies (continued)

e) Financial instruments (continued)

The Group classifies its financial assets into the following measurement categories:

- Amortized cost;
- Fair-value through other comprehensive income
- Fair-value through profit or loss

Debt instruments, deposits with maturity longer than three months and loans

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds. The classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

The chosen business model for Allianz Group is the hold and sell model with FVOCI as the relevant measurement approach due to the centralized ALM/SAA process that steers investment decisions based on insurance liabilities and risk/returns considerations. The involvement of group bodies ensures consistency and alignment across segments, supported by the responsibility of the Allianz SE Board of Management and the Investment Management Board. Recommendations from the IMB are binding for OEs, showcasing the central role of group-level decision-making. This model is deemed appropriate given its effectiveness in covering insurance liabilities from a group perspective, minimizing the need for differentiation between P/C and L/H segments.

Based on these factors, the Group classifies its instruments into one of the following three measurement categories:

At fair-value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's AC, which are recognised in profit or loss. ECL is recognized in profit and loss through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net return on investments and other investment income (except for equity securities for which is option with no recycling through profit and loss). Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method. Amounts presented in other comprehensive income for equity instruments are not subsequently transferred to profit or loss. Instead, the Group accounting policies foresee that the cumulative amounts are transferred directly within equity upon derecognition of an investment in an equity instrument that is measured at fair value through other comprehensive income. Financial assets designated as fair value through other comprehensive income 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. Fair value through other comprehensive income include equity securities, debt securities, loans and deposits with maturity longer than three months.

At amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at AC. The carrying amount of these assets is adjusted by ECL allowance. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the EIR method.

At fair-value through profit or loss (FVTPL)

Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL.

A gain or loss on investment that is subsequently measured at FVTPL is recognised and presented in the profit or loss within net gains on FVTPL investments in the period in which it arises. Financial assets are held for collection of contractual cash flows and for selling the assets, when the assets' cash flows don't pass SPPI.

1.3 Material accounting policies (continued)

e) Financial instruments (continued)

Business model

The business model reflects how the Group manages assets in order to generate cash flows. That is, it reflects whether the Group's objective is solely to collect the contractual cash flows from assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the other business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the investments underlying direct participating contracts is to hold to collect and sell contractual cash flows. The proceeds from the contractual cash flows of the financial assets are used to settle insurance contract liabilities as they become due. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the other business model and measured at FVTPL.

Solely payments of principal and interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets).

The Group subsequently measures all equity investments at FVOCI. The Group chooses to apply the FVOCI option for equity instruments that are not held for trading with to no recycling to profit and loss.

Other financial liabilities

Other financial liabilities comprise all financial liabilities which are measured at amortised cost except 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. Insurance contracts liabilities are accounted for under IFRS 17 Insurance Contracts, leases under IFRS 16 Leases, provisions under IAS 37 Provisions. Other financial liabilities are disclosed in the statement of financial position under line item "Other liabilities, accrued expenses and deferred income".

Initial and subsequent measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

1.3 Material accounting policies (continued)

Other financial liabilities

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.

Amortised cost (AC) and effective interest rate

AC is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss. Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC or FVOCI.

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 assets through other comprehensive income 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 fair value through other comprehensive income monetary assets are recognised in the profit or loss.

For equity instruments measured at fair value through other comprehensive income all changes in fair value, including those related to translation difference, are recognised in other comprehensive income. Upon sale or other de-recognition of financial assets measured at fair value through other comprehensive income, all cumulative gains or losses are transferred from fair value reserve to retained earnings.

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 and when expected credit loss is recognized.

Apart from gains and losses arising from the change in fair value financial assets measured at fair value through other comprehensive income 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 item "Investment income", Note 1.24.

Fair value measurement

. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument using :

- 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

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at AC and FVOCI. The Group recognises a loss allowance for such losses at each reporting date.

Note 1.33 provides more detail on how the ECL allowance is measured.

1.3 Material accounting policies (continued)

e) Financial instruments (continued)

Derecognition

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.

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.

Specific instruments

Embedded derivatives within insurance contracts

Certain derivatives are embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in accounting policy 1.3 (e).

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.

Debt securities

Debt securities are classified as financial assets at fair value through other comprehensive income and fair value through profit or loss depending on SPPI result (Solely payments of principal and interest).

Deposits with banks

Deposits with banks (with original maturity over 3 months) are measured at fair value through other comprehensive income.

Loans to customers

Loans to customers are classified as fair value through other comprehensive income and fair value through profit or loss depending on SPPI result.

Loans to policyholders

Loans to policyholders are classified at fair value through other comprehensive income and fair value through profit or loss depending on SPPI result

Equity securities

Equity securities are measured as financial assets at fair value through other comprehensive income.

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 and are carried at current fair value. Investments into funds include UCITS funds (fixed income funds, equity funds and balanced funds) as well as private debt and real estate 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.

Investments in subsidiaries

Investment in subsidiaries that relate to investment funds are classified at fair value through profit or loss, 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

1.3 Material accounting policies (continued)

e) Financial instruments (continued)

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 with maturity up to three months and other short-term highly liquid investments with original maturities of three months or less.

g) Insurance contract liabilities

Classification of contracts

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.

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.

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. Significance of insurance risk (%) = (Death Benefit)/(Surrender or 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.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

As IFRS 17 does not provide any threshold for determining whether a share or proportion is substantial, this assessment requires judgment. Group has set up a group-wide process for assessing insurance contracts based on qualitative and quantitative criteria in order to appropriately reflect the individual contract specifics. For this assessment, the terms “substantial share” and “substantial proportion” have been applied by using 50 % as rebuttable presumption. Insurance contracts with direct participation features are accounted for under the VFA. Insurance contracts without direct participation features are measured under the GMM or the PAA, if the respective eligibility criteria for the PAA are fulfilled.

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

The Group generally applies the same accounting policies and rules to reinsurance contracts issued as to insurance contracts issued.

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, 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 liability for remaining coverage on the way that guaranteed liabilities are increased by discretionary bonuses. The provision for discretionary bonus within the liability for remaining coverage 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.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

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

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

An insurance contract is derecognised when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met

Separation of components

IFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services at inception of a contract, if certain conditions are met. The separated components need to be accounted for separately according to IFRS 9 (embedded derivatives, investment components) or IFRS 15 (non-insurance goods and services). The Group has not identified material performance obligations embedded in insurance contracts to provide non-insurance goods and services.

The Group applies IFRS 9 to determine whether there is an embedded derivative to be separated and, if so, how to account for that derivative, unless the derivative is itself a contract within the scope of IFRS 17.

The majority of embedded derivatives identified in insurance contracts issued by the Group have been considered closely related or to include significant insurance risk, because there are usually strong interdependencies with other components of the contract such as contractual options, policyholder behavior, contractual surplus sharing, and mortality.

IFRS 17 defines investment components as the amounts that an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

An investment component is classified as being distinct or non-distinct. The Group has not identified material distinct investment components.

Investment components that are non-distinct are not to be separated from the host insurance contract but are excluded from insurance revenue and insurance service expenses. For most common life insurance products, the Group defines the cash surrender value as the non-distinct investment component. Generally, property-casualty contracts do not have a surrender or maturity value and only have a benefit payment when a claim occurs. Therefore, a standard property-casualty contract without additional guaranteed payment features does not include any investment component.

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

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 19 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 value approach which Group uses for the valuation of life portfolio on transition date.

Expected future cash flow

Included in the measurement of each group of contracts within the scope of IFRS17 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. In estimating these future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. 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.

The estimates of future cash flows comprise all cash flows expected to arise as the insurance contract is fulfilled. In Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which the Group has discretion over the amount or timing. These include premiums from policyholders, payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling the contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.

Depending on the type of services provided, other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Group will incur in providing investment services;
- vices;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- personal income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

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 applied 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.

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

For valuation of non-life portfolio at transition date was used EIOPA HRK curve increased by credit risk adjustment. Cash flows are discounted using the curve in corresponding currency.

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. Reinsurance contracts held for life insurance measured by GMM are recognized using the simplification. The Group use following measurement approaches, depending on the type of contract:

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

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

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 provides 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. Underlying item is fund value for relevant contract.

Risk adjustment for non-financial risk

The risk adjustment reflects the compensation an entity would require for bearing non-financial risks, i.e. the uncertainty of cash flows that arise from insurance contracts, other than the uncertainty arising from financial risks. Such non-financial risks include insurance risks, lapse and expense risk. IFRS 17 does not prescribe a specific approach for determining the risk adjustment. Allianz applies a Cost of Capital approach with a Cost of Capital rate of currently 6 % as under Solvency II. The main differences in terms of disclosure are that IFRS 17 requires a separate presentation of the risk adjustment for non-financial risk for gross and ceded business, as well as a split for LRC and LIC. The main valuation differences are the reflection of diversification across Group subsidiaries in the risk adjustment of individual entities, which is not allowed in the Solvency II risk margin. Further differences are the exclusion of operational risk in the risk adjustment, differences in discounting, and the smoothing of risk inputs to address cross effects with financial risks not in scope of the risk adjustment. The risk adjustment for LIC for property-casualty corresponds to a confidence level in the range of 55 % to 65 %; the risk adjustment for LRC for life/health corresponds to a confidence level of 64 % to 84 %. Both property-casualty and life/health confidence levels are calculated based on distribution assumptions consistent to Solvency II (where applicable). For property-casualty, this is based on the ultimate distribution underlying the Solvency II one-year-view used in the Cost of Capital methodology for the calculation of the risk adjustment for the LIC, aggregated and diversified at Group level.

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

Likewise, for life/health an ultimate distribution is estimated based on the Solvency II one-year-view used in the Cost of Capital methodology for calculation of the risk adjustment for the LRC, projected to ultimate horizon per entity and aggregated to diversified group level. Both for property-casualty and life/health respectively, the confidence level is derived as the quantile of the Group net of reinsurance risk adjustment in the ultimate distribution of the Group. 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.

Liability for remaining coverage under the GMM/VFA

The liability for remaining coverage (LRC) under the GMM consists of the fulfillment cash flows related to future services and the contractual service margin (CSM). The fulfillment cash flows represent the risk-adjusted present value of Allianz's rights and obligations to the policyholders, comprising the building blocks of estimates of expected future cash flows, discounting, and an explicit risk adjustment for non-financial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognize as it provides services over the coverage period. Each building block is measured separately, both on initial recognition and for subsequent measurement.

Contractual service margin (CSM)

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.

At initial recognition, the CSM is measured to result in no income or expenses arising from the fulfillment cash flows, any cash flows arising from the contracts in the group at that date, and the derecognition at the date of initial recognition of any asset for insurance acquisition cash flows and any other asset. If the fulfillment cash flows lead to a negative CSM at inception, it will be set to zero and the negative amount will be recorded immediately in the statement of profit and loss. At subsequent measurement, the CSM is adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the CSM is recognized in profit or loss each period to reflect the services provided in that period based on "coverage units". IFRS 17 only provides principle-based guidance on how to determine these coverage units. Group defines coverage units as fund reserve, sum insured, mathematical reserve, depending of the portfolio.

The VFA is a mandatory modification of the GMM regarding the treatment of the CSM in order to accommodate direct participating contracts. The assessment of whether an insurance contract meets the VFA eligibility criteria is made at inception of the contract and not revised subsequently, except in case of a substantial modification of the contract. For contracts with direct participation features, the CSM is adjusted for changes in the amount of the entity's share of the fair value of the underlying items. No explicit interest accretion is required since the CSM is effectively remeasured when it is adjusted for changes in financial risks.

Changes to contractual service margin

Changes in the fulfillment cash flows (FCF) relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

Liability for remaining coverage (LRC) under the Premium Allocation Approach (PAA)

The Group uses the PAA for measuring contracts with a coverage period of one year or less. In addition to the contracts with coverage of less than one year, the PAA is applied for the measurement of groups of contracts where it is reasonably expected that the measurement of the LRC does not differ materially from the one that would be produced by applying the GMM or the VFA. The PAA eligibility per Group of Contract is regularly assessed. This assessment takes into account qualitative and quantitative factors which are determined at the Group level. The qualitative factors include but are not limited to the volatility of financial variables, related embedded derivatives, and the average length of the coverage period. For the quantitative test, the Group provides detailed scenarios including interest rate shocks per selected currency. Overall, the PAA is applied for the Group's property-casualty business (gross and ceded).

If facts and circumstances (e.g. an expected combined ratio above 100 %) indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or subsequently becomes onerous, the Group increases the carrying amount of the LRC recognized in insurance service expenses and a loss component established for the amount of the loss recognized. Subsequently, the loss component is remeasured at each reporting date.

Unearned premium reserve within LRC 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 liability for remaining coverage.

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.

Insurance acquisition cash flow asset

At the Group, insurance acquisition cash flows are not expensed as incurred, but deferred over the coverage period for all measurement models. IFRS 17 foresees two levels of deferral (pre-coverage DAC and in-coverage DAC, DAC = deferred acquisition costs). Firstly, when insurance acquisition cash flows are incurred before the group of contract is recognized (pre-coverage), and secondly, when the contracts are recognized following IFRS 17.38 (c) and IFRS 17.B125, where the insurance acquisition cash flows are implicitly deferred over the coverage period of the contracts to which the insurance acquisition cash flows relate.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period; and
- decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

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.

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.

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.

The recoverable amount of deferred acquisition costs is assessed at each reporting date as part of Loss component..

1.3 Material accounting policies (continued)

g) Insurance contract liabilities (continued)

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC and the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

Liability for incurred claims (LIC)

The LIC is measured at the fulfillment cash flows relating to incurred claims. It comprises the fulfillment cash flows related to past service at the reporting date. It is calculated at a level of aggregation, which is determined at the local level based on relevant factors, e.g. line of business. The LIC consists of the present value of future cash flows relating to incurred claims and the risk adjustment for non-financial risk. For the insurance contracts measured under the PAA, the Group decided to discount the future cash flows relating to incurred claims, even if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

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. To that amount also liability for settled but yet not paid claims and unpaid recourses are added.

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.

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. 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.

1.3 Material accounting policies (continued)

h) Reinsurance contract assets

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 2023 and 2022 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.

To measure a group of reinsurance contracts held, the Group applies the same accounting policies that are applied to insurance contracts issued without direct participation features, with the following modifications:

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

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.

i) Measurement of liabilities in respect of unit-linked and index-linked insurance contracts under VFA

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.

Variable fee 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.

j) Insurance receivables and payables

The insurance contract receivables and payables/liabilities include receivables and payables arising from insurance and reinsurance contracts entered by the Group. The insurance contract liabilities or assets are measured on a cash basis and therefore include all receivables and payables to counterparties and expenses modelled in the future cash flows, until they are actually paid.

Insurance premium receivables are recognized at their nominal contractual, fair value and 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, fair value and subsequently measured at amortized cost. Insurance premium receivables are recognized within Liability for remaining coverage as well commission payables and commission accruals. Claims payables are recognized within Liability for incurred claims.

k) 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. Expenses for pension obligations are allocated to insurance contracts (insurance expense. Note 1.27 "Attributable Employee expenses")

1.3 Material accounting policies (continued)

k) 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.

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.

(l) Provisions

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 (g) Insurance contract liabilities.

(m) Income tax

Income tax expense comprises current and deferred tax.

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 not recognised for the temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. 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 Material accounting policies (continued)

(n) Equity

Issued share capital

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

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. Expected credit losses for non equity investments measured at fair value through other comprehensive income are recognized through other comprehensive income within Fair value reserve and profit and loss.

Insurance finance reserve

Insurance finance income or expense arising from effect of and changes the time value of money arising from the passage of time, i.e. difference between the current discount rate as fulfilment cash flows are done at current market rates and the locked in rate are recognized through other comprehensive income in Insurance finance reserve.

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.

(o) 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.

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.

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.

1.3 Material accounting policies (continued)

(p) Insurance revenue

Insurance revenue under the PAA

In applying the PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period. As such, for contracts measured under the PAA at the Group, the expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used. Insurance revenue include adjustments to reflect impairment of amounts due from policyholders (older, due more than 120 days).

Insurance revenue under the GMM/VFA

The Group recognizes insurance revenue as it provides services under groups of insurance contracts. For contracts measured under the GMM or VFA, the insurance revenue relating to services provided for each reporting period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year, excluding amounts allocated to a potential loss component, repayments of investment components, insurance acquisition expenses, and amounts that relate to transaction-based taxes collected on behalf of third parties.

Other amounts, including experience adjustments for premium receipts for current or past services.

The Group furthermore distinguishes between direct costs and overhead costs.

(q) Insurance expenses

These expenses consist of claims and other insurance service expenses incurred during the period as well as the amortization of insurance acquisition cash flows, but exclude repayments of investment components. Furthermore, they include the changes in the fulfillment cash flows relating to the LIC, the losses on onerous groups of contracts and reversals of such losses and the impairment loss on the assets for the pre-coverage acquisition cash flows and the reversals of such losses. For the insurance contracts with direct participation features, it also includes an adjustment for experience adjustments of the non-financial underlying items.

Insurance service expenses include only costs that relate directly to the fulfillment of the insurance contracts.

Insurance service expenses include incurred claims and benefits excluding investment component, other incurred directly attributable insurance service expenses, amortisation of insurance acquisition cash flows, changes that relate to past service (i.e. changes in the FCF relating to the LIC) and changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Directly attributable insurance service expenses include attributable acquisition 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.

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

In applying the PAA, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period. As such, for contracts measured under the PAA at the Group, the expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used. Insurance revenue include adjustments to reflect impairment of amounts due from policyholders (older, due more than 120 days). *Insurance revenue under the GMM/VFA* Directly attributable insurance service expenses include attributable administrative expenses, technical expenses and other operating expenses which include personnel expenses, depreciation of property and equipment, rent costs, audit fee, legal and other professional fees, parafiscal levies – technical expenses, IT expenses, bank fees, maintenance and utility costs and other and other costs.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

1.3 Material accounting policies (continued)

(q) Insurance expenses (continued)

Other expenses not meeting the above categories are included in other operating expenses in profit or loss as presented in Note 1.27 “*Other expenses and expenses by nature*”.

(r) Reinsurance result

The Group applies the accounting policy option to present income and expenses from a group of reinsurance contracts held, other than insurance finance income and expenses, as a single amount

(s) Net Investment income

The accounting policy in relation to recognition Net gains on financial assets at fair value through profit and loss, Net realized gains on financial assets at fair value through other comprehensive income is disclosed in Note 1.3 (e) under “*Gains and losses*”.

The accounting policy in relation to recognition Net credit impairment losses is disclosed in Note 1.3 (e) under “*Impairment of financial assets*”.

Other investment income includes dividends, distribution profits, kick-back fees, net gains from foreign exchange differences.

Other investment expense include investments intermediaries and handling costs such as broker, custody fee and similar costs.

Net income from investment property

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

(t) Net insurance finance expenses

Net insurance finance expenses consist of finance income or expenses from insurance contracts issued and the finance income or expenses from reinsurance contracts held including the effect of time value of money and the effect of financial risk.

Generally, the Group chooses to disaggregate the insurance finance income or expenses other than those arising from the risk mitigation option between profit or loss and other comprehensive income (OCI) based on a systematic allocation. Furthermore, the Group chooses to disaggregate the change in risk adjustment for non-financial risk between a change related to non-financial risk and the effect of the time value of money and changes in the time value of money, which are included in net insurance finance expenses.

For groups of insurance contracts accounted for under the GMM, the systematic allocation for the finance income or expenses is determined using the discount rates by which estimated future cash flows have been discounted on initial recognition, i.e. the “locked-in” interest rate. For Life/Health entities, the Group applies a cash-flow-weighted average of interest curves through the quarters. It means averaging each quarterly interest curve for each maturity over the cash flows with maturity over the quarters. For the finance income or expenses arising from the CSM, a systematic allocation is determined using the “locked-in rate”.

For groups of insurance contracts with direct participation features accounted for under the VFA, the Group generally holds the underlying items. The insurance finance income or expense included in profit or loss is the amount that exactly matches the income or expenses included in profit or loss for the underlying items (i.e., the current period book yield of the underlying items), resulting in the net of the separately presented items being nil.

For groups of insurance contracts accounted for under the PAA, the systematic allocation for the finance income or expenses is determined using the discount rates at the date of the incurred claim, i.e. the “locked-in” interest rate based on accident year. For Property-Casualty entities, the Allianz approach is the simple average of interest curves through the quarters weighted by ¼ each.

(u) Fee and commission income

Fees which are recognized when the service is provided. For those fees, the service is considered to be provided periodically. Performance fees may not be recognized as fee income before the respective benchmark period is completed. Before its completion, the obligation to pay the fee is conditional, the fund performance is regularly not reliably estimable, and the related service is not fully performed.

(v) Other income and other operating expense

Other income and expense include income, acquisition and administrative expenses which are not directly attributable to fulfilling insurance contracts or are consolidated of non-insurance entities within Group.

(w) Other finance cost

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.

1.3 Material accounting policies (continued)

(x) Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2023, they have been endorsed by the EU:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfillment cash flows) that incorporates all of the available information about the fulfillment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. Description of the impact on the financial statements resulting from the first-time application of a standard should Group disclosed in accounting policy 1.3 (z).

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). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfillment cash flows; and selected transition reliefs and other minor amendments.

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 amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.

1.3 Material accounting policies (continued)

(x) Adoption of New or Revised Standards and Interpretations (continued)

The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9. Description of the impact on the financial statements resulting from the first-time application of a standard should Group disclosed in accounting policy 1.3 (z).

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). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

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). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

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

(y) New Standards and Interpretations

i. Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, which have been endorsed by the EU and which the Group/Company has not early adopted.

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). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Group is currently assessing the impact of the amendments on its financial statements.

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). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional.

1.3 Material accounting policies (continued)

(y) New Standards and Interpretations (continued)

The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The Group is currently assessing the impact of the amendments on its financial statements.

ii. Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, which have not been endorsed by the EU yet:

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. Description of the impact (only applicable in a first-time adopter's first financial statements under IFRS).

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). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements. Impact of IFRS 17 and) has been described through the Note z.

1.3 Material accounting policies (continued)

(z) IFRS 17 and IFRS 9 implementation

IFRS 17, Insurance contracts

The Allianz Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance contracts and financial instruments.

IFRS 17 supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features.

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 required the Group to apply IFRS 9 from 1 January 2023. The Group restated the comparative period to provide consistent financial information for the 2022 comparative period.

IFRS 17 supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held, and investment contracts with discretionary participation features.

Fulfillment cash flows are determined prospectively at every reporting date, including the date of initial application. However, the contractual service margin is rolled-forward over time, a split of profits between equity (“earned profits”) and contractual service margin (“unearned profits”) is required but is often judgmental. If a full retrospective application is impracticable, an entity can choose between a modified retrospective approach or a fair value approach. This accounting policy choice for the transition approach was made on a group of Contract level. The decision involved the consideration of multiple criteria, such as availability of reliable and objective information, operational complexity, or the reasonableness of the split between earned and unearned profits. For contracts measured under the variable fee approach, the Group has generally applied the fair value approach using the fair value of the underlying items as the basis from which to determine the contractual service margin at transition. 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.

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

The Group applied 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.

Conceptually, the contractual service margin usually reflects the insurer’s expected future profits from writing business (entry price concept). Under the fair value approach, however, the contractual service margin reflects the margin an average market participant would require taking over the contracts (exit price concept). Therefore, when determining the fair value of a group of contracts, the Group replaces entity-specific assumptions with objective assumptions that an average market participant would use for pricing the liability. For this, the Group has determined the exit price either based on a real-world projection of the present value of future profits of the group of contracts or using an internal rate of return methodology based on distributable earnings. For most groups of contracts for which the internal rate of return methodology was applied, the Group used an internal rate of return of 10 %. Besides the determination of the contractual service margin, another crucial key topic at transition the determination of historic interest rates. The Group makes use of the introduction of Solvency II, which is the general basis for the interest rates. Applying the FVA the Company aggregates its life portfolio into groups of contracts and for each group one annual cohort is used.

1.3 Material accounting policies (continued)

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

IFRS 9 transition

IFRS 9, Financial Instruments, issued by the IASB in July 2014, fully replaces IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward-looking impairment model for debt instruments and provides new rules for hedge accounting.

Given the strong interrelation between the measurement of direct participating insurance contracts and the underlying assets held, the Group decided to use the option to defer the full implementation of IFRS 9 until annual reporting periods beginning on or after 1 January 2023 when IFRS 17 came into effect. Upon transition to IFRS 17 and IFRS 9, the Group has elected to restate the comparative information of financial assets for IFRS 9. This includes the application of the classification overlay to all financial assets derecognized in the comparative period. In connection with the classification overlay, the Group also applies the impairment requirements of IFRS 9 to all financial assets in scope.

Transition from IAS 39 to IFRS 9 for the Company

	IAS 39 carrying amount 31 December 2022	Reclassifications	Remeasurements	Accrued Interest	IFRS 9 carrying amount 1 January 2023
<i>Fair value through profit or loss</i>					
From available for sale (IAS 39)	-	14,122	-	2	14,124
From held to maturity (IAS 39)	-	-	-	-	-
From fair value through profit or loss (IAS 39)	-	109,074	-	-	109,074
From loans and advances to banks and customers (IAS 39)	-	-	-	-	-
Total fair value through profit or loss	-	123,196	-	2	123,198
<i>Fair value through other comprehensive income</i>					
From available for sale (IAS 39)	-	349,713	-	-	349,713
From held to maturity (IAS 39)	-	62,864	(2,544)	915	61,235
From fair value through profit or loss (IAS 39)	-	-	-	-	-
From loans and advances to banks and customers (IAS 39)	-	2,670	-	-	2,670
Total fair value through other comprehensive income	-	415,247	(2,544)	915	413,618
<i>Categories according to IAS 39</i>					
Fair value through profit or loss (IAS 39)	109,074	-	-	-	-
Available for sale (IAS 39)	363,837	-	-	-	-
Held to maturity (IAS 39)	63,779	-	-	-	-
Loans and advances to banks and customers (IAS 39)	2,670	-	-	-	-
Receivables (in Other assets) (IAS 39)	-	-	-	-	-
Total financial assets balances (affected by IFRS 9)	539,360	-	-	-	-

1.3 Material accounting policies (continued)

(z) 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 EUR</i>	1 January 2022	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
ASSETS		
Cash and cash equivalents	24,172	24,162
Investment assets		
- <i>Investment in subsidiary</i>	25,954	25,954
- <i>Held-to-maturity investments</i>	8,192	-
- <i>Available-for-sale investments</i>	488,658	-
- <i>Investments at fair value through profit or loss</i>	103,439	-
- <i>Loans and receivables</i>	4,518	-
- <i>Investments at fair value through other comprehensive income</i>	-	471,253
- <i>Investments at fair value through profit or loss</i>	-	133,869
Insurance contract receivables	20,509	-
Reinsurance contract assets	26,321	25,970
Investment property	3,086	3,086
Property and equipment	3,880	3,880
Intangible assets	28,959	19,651
Right of use assets	6,837	6,837
Other assets	5,517	9,645
TOTAL ASSETS	750,042	724,307
LIABILITIES		
Insurance contract liabilities	566,687	574,243
- <i>life contracts</i>	439,100	469,317
- <i>property and casualty contracts</i>	127,587	104,926
Investment contract liabilities	-	-
Lease liabilities	7,046	7,046
Other financial liabilities /i/	41,254	29,459
TOTAL LIABILITIES	614,987	610,748
EQUITY		
Issued share capital	13,501	13,501
Share premium	14,865	14,865
Fair value reserve	38,260	34,474
Insurance contract reserve	-	(1,227)
Expected credit losses	-	355
Legal reserve	3,325	3,325
Retained earnings	65,103	48,267
TOTAL EQUITY	135,055	113,559
TOTAL LIABILITIES AND EQUITY	750,042	724,307

/i/ Change has been described in Note 1.3 (j).

1.3 Material accounting policies (continued)

(z) 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 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 EUR</i>	1 January 2022	1 January 2022, as restated following IFRS 17 and IFRS 9 adoption
ASSETS		
Cash and cash equivalents	31,134	29,144
Investment assets		
- <i>Investment in subsidiary</i>	-	-
- <i>Held-to-maturity investments</i>	15,711	-
- <i>Available-for-sale investments</i>	488,658	-
- <i>Investments at fair value through profit or loss</i>	126,208	-
- <i>Loans and receivables</i>	4,199	-
- <i>Investments at fair value through other comprehensive income</i>	-	500,456
- <i>Investments at fair value through profit or loss</i>	-	136,830
Insurance contract receivables	20,509	-
Reinsurance contract assets	26,321	25,970
Investment property	3,086	3,086
Property and equipment	4,271	4,271
Intangible assets	29,223	19,916
Right of use assets	6,837	6,837
Other assets	5,855	9,956
TOTAL ASSETS	762,013	736,466
LIABILITIES		
Insurance contract liabilities	566,687	574,244
- <i>life risk contracts</i>	331,843	469,318
- <i>property and casualty contracts</i>	127,587	104,926
- <i>participating contracts</i>	107,257	-
Lease liabilities	7,046	7,046
Other financial liabilities	52,975	41,516
TOTAL LIABILITIES	626,708	622,806
EQUITY		
Issued share capital	13,501	13,501
Share premium	14,865	14,865
Fair value reserve	38,260	34,473
Insurance contract reserve	-	(1,227)
Expected credit losses	-	355
Legal reserve	3,325	3,325
Retained earnings	65,352	48,302
NON CONTROLLING INTEREST	1	66
TOTAL EQUITY	135,305	113,660
TOTAL LIABILITIES AND EQUITY	762,013	736,466

1.4 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 1.32) 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.

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 1.17.

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 2023, the Group was involved in 604 (2022: 610) court cases for which EUR 12,884 thousand (2022: EUR 13,431 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 as set out in accounting policy 1.3 (e).

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).

Control over Allianz Invest managed, open ended investment funds

The Company's stakes in Allianz Portfolio at 31 December 2023 was 8,15% (along with unit linked investments 82,75%) (2022: 11% and 82,64%), in Allianz Short Term Bond 93,44% (2022: 88,66%) and in Allianz Equity 93,44% (2022: 39,59%).

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 2023, 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 life insurance contract liability 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 life insurance contract liability 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.

For climate risk Group has implemented qualitative and a quantitative process of risk assessment. Qualitative risk assessment is to be done annually by the Company as part of ORSA process. Assessment is done on highest represented Non-life and Life Lobs. Company has assessed physical and transition risk on various transmission channels (Technology risk, Legal risk, Policy risk, Human behaviour risk, Acute risk, Chronic risk) and for different risk drivers. Risks are assessed qualitatively, on short to mid term and on long-term basis, with views on revenues, costs, asset value (grades from Strongly negative to Strongly positive). Additionally, risks will also be assessed quantitatively for the first time in 2024 ORSA with a Group tool. This tool aims to assess the impacts from physical climate change risk on P&C liabilities. Risks are considered under up to four RCP scenarios. For 2024, scope will be limited to inland flood and tropical cyclone.

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. For the accumulation of net property losses arising out of one occurrence, a reinsurance catastrophe treaty provides cover for EUR 179 million (2022: EUR 151 million) of losses exceeding the first EUR 3,0 million (2022: EUR 1,5 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.

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:

	2023 Group and Company			2022 Group and Company		
	Gross claims incurred EUR'000	Reinsurers' share of claims incurred EUR'000	Net claims incurred EUR'000	Gross claims incurred EUR'000	Reinsurers' share of claims incurred EUR'000	Net claims incurred EUR'000
<i>Non-life insurance business</i>						
Motor (third party)	(10,608)	(329)	(10,937)	(8,997)	(120)	(9,116)
Motor (other classes)	(17,488)	1,111	(16,377)	(12,908)	9	(12,899)
Property	(42,863)	12,030	(30,834)	(21,546)	3,426	(18,121)
Personal lines	(9,280)	1,029	(8,252)	(7,575)	971	(6,604)
Other	(1,656)	257	(1,398)	(1,301)	101	(1,201)
Total non-life	(81,896)	14,098	(67,798)	(52,328)	4,387	(47,941)
<i>Life assurance business</i>						
Periodic premiums	(24,430)	11	(24,420)	(29,721)	52	(29,669)
Single premiums	(29,291)	-	(29,291)	(26,156)	-	(26,156)
Total life	(53,721)	11	(53,711)	(55,877)	52	(55,825)
<i>Thereof unit linked and index linked</i>	(22,767)	-	(22,767)	(28,671)	-	(28,671)
Grand total	(135,617)	14,109	(121,509)	(108,205)	4,439	(103,766)

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

Group uses the PAA for measuring non-life insurance contracts, calculation of the liability for remaining coverage (LRC).

The liability for incurred claims (LIC) is measured at the fulfillment cash flows relating to incurred claims. It comprises the fulfillment cash flows related to past service at the reporting date. The LIC consists of the present value of future cash flows relating to incurred claims and the risk adjustment for non-financial risk.

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.

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. Risk adjustment calculation reflects the projection of the capital requirement in future periods. For contracts with longer duration than single year (if present in the portfolio), this is reflected already in the volume measure as a basis for capital requirement in the period. For long-tail lines of business with long settlement period, the projection of capital requirements in future periods take the unexpired volume of risk (proportionate to the expected remaining reserve volumes) into account, leading to higher risk margin for long-tail lines of business.

Discounting

According to IFRS 17, all future cash flows must be discounted. The IFRS 17 requirements for the interest curves used in the discounting are principle-based. Group uses observable market data based on a risk-free base curve. Group applies a bottom-up approach in which the basic risk-free liquid yield curves are usually derived from swap rates or government yields for the specific currency and adjusted for remaining credit risk. Non-life claims provisions are discounted.

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

Non-life insurance (continued)

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 (2022: 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 2023 a percentage of 6% (2022: 6%) was used for both provisions except for claims greater than EUR 862,698 which are provided for individually.

Life assurance

The liability for remaining coverage (LRC) under the GMM consists of the fulfillment cash flows related to future services and the contractual service margin (CSM). The fulfillment cash flows represent the risk adjusted present value of Group's rights and obligations to the policyholders, comprising the building blocks of estimates of expected future cash flows, discounting, and an explicit risk adjustment for non financial risk. The CSM represents the unearned profit from in-force contracts that an entity will recognize as it provides services over the coverage period. Each building block is measured separately, both on initial recognition and for subsequent measurement.

The estimates of future cash flows comprise all cash flows expected to arise as the insurance contract is fulfilled. In estimating these future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which the Group has discretion over the amount or timing. These include premiums from policyholders, payments to (or on behalf of) policyholders, insurance acquisition cash flows, and other costs incurred in fulfilling the contracts.

Included in the measurement of each group of contracts in the scope of IFRS 17 are all 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.

Group uses assumptions on claims trends like lapse rates, mortality, expenses, inflation, discount curve. We use our own internal historical data for actuarial assumptions, additionally considering recommendations from the insurance industry, supervisory authorities, and actuarial associations. The derivation of our actuarial assumptions is based on generally accepted actuarial methods.

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

Discounting

According to IFRS 17, all future cash flows must be discounted. The IFRS 17 requirements for the interest curves used in the discounting are principle-based. Group uses observable market data based on a risk-free base curve and portfolio-specific adjustments to reflect the illiquidity of insurance obligations in determining the interest curves. Group applies a bottom-up approach in which the basic risk-free liquid yield curves are usually derived from swap rates or government yields for the specific currency and adjusted for remaining credit risk. These risk-free liquid yield curves are then adjusted to reflect illiquidity of the underlying insurance liabilities based on reference portfolios.

Lapses

The Group derives assumptions about lapse and surrender rates based on the Group's own experience. Historical lapse and surrender rates are derived from the Group's policy administration data. An analysis is then performed on the Group's historical rates in comparison to the assumptions previously used. Analysis is performed and assumptions are set by major product line and sales channel. Methods used to derive these assumptions have not changed in 2023 compared to 2022.

Possible changes in lapse and surrender rates may increase or decrease estimates of future cash outflows and thus decrease or increase the CSM depending on the product specifics.

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

Mortality

The Group derives mortality rates assumptions from the recent credible national mortality tables MT HR 2010-12. Mortality tables are adjusted based on a Group's experience. Adjustments for the first five policy years use the data from recent ten years. For the rest, the whole past experience is used. Assumptions and methods used to derive mortality assumptions have not changed in 2023.

A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM.

The Group projects estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 using forecast expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads. The Group has not changed its methods used to project unit cost assumptions in 2024.

Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM.

Inflation

The expense inflation assumption is based on Statista publishing. The Group has not changed its methods used to project inflation in 2023.

Possible increases in expense inflation assumptions increase estimates of future cash outflows and thus decrease the CSM.

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 insurance contract liability.

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 insurance contract liability.

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

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

Life assurance

In 2023 the Group has estimated the impact on the fulfilment cash flows (FCF) and CSM 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.

Changes in variables represent reasonable possible changes which, had they occurred, would have led to changes in insurance contract 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.

2023	FCF as at 31 December EUR'000	CSM as at 31 December EUR'000	Total EUR'000	Impact on FCF EUR'000	Impact on CSM EUR'000	Total increase (decrease) in insurance contract liabilities EUR'000	Remaining CSM EUR'000	Impact on profit before income tax EUR'000
Life Risk								
Insurance contract liabilities as at 31 December								
Insurance contract liabilities (net)	(1,612)	1,595	(17)					
Reinsurance contract assets (net)								
Net insurance contract liabilities	(1,612)	1,595	(17)					
Mortality rate - 1% increase								
Insurance contract liabilities (net)				9	(7)	(2)	1,593	(3)
Reinsurance contract assets (net)								
Net insurance contract liabilities				9	(7)	(2)	1,593	(3)
Lapse/surrender rates - 10% decrease								
Insurance contract liabilities (net)				(52)	68	(16)	1,579	(2)
Reinsurance contract assets (net)								
Net insurance contract liabilities				(52)	68	(16)	1,579	(2)
Expenses - 5% increase								
Insurance contract liabilities (net)				18	(15)	(3)	1,592	(5)
Reinsurance contract assets (net)								
Net insurance contract liabilities				18	(15)	(3)	1,592	(5)
Savings								
Insurance contract liabilities (net) as at 31 December	257,580	14,450	272,030					
Mortality rate - 1% increase				49	(84)	36	14,486	36
Lapse/surrender rates - 10% decrease				(492)	(551)	1,044	15,494	170
Expenses - 5% increase				865	(911)	45	14,496	(92)
Participating - Investment contracts with DPF								
Insurance contract liabilities (net) as at 31 December	112,331	13,659	125,990					
Lapse/surrender rates - 10% increase				275	(175)	(101)	13,559	(4)
Expenses - 5% increase				419	(246)	(173)	13,487	(5)

1.7. The sensitivity of best estimate liabilities to change in significant variables (continued)

Sensitivity to changes in mortality was calculated by estimating the effect on insurance contract liabilities of an increase in mortality of 1% increase for products with death risk, while sensitivity to changes in expense rate was calculated by estimating the effect on of 1% increase of a 5% increase in policy maintenance expenses and sensitivity to changes in lapse rate was calculated by estimating the effect on insurance contract liabilities of a 10% decrease in lapse rates.

The profit or loss and insurance contract liabilities, as seen in above table, are not significantly affected by listed sensitivities on mortality, expenses and lapses.

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.

In 2023 the Group has estimated the impact on the liability for incurred claims (LIC) 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.

Sensitivity to changes in unpaid claims and expenses was calculated by estimating the effect on liability for incurred claims (LIC) of an increase in unpaid claims and expenses of 5%, while sensitivity to changes in expenses was calculated by estimating the effect on liability for incurred claims (LIC) of a 5% increase in expenses.

The profit or loss and liability for incurred claims (LIC), as seen in the table below, are more significantly affected by sensitivity of 5% increase in unpaid claims and expenses than in sensitivity of 5% increase in expenses.

	2023				2022			
	LIC as at 31 December EUR'000	Impact on LIC EUR'000	Impact on profit before income tax EUR'000	Impact on equity EUR'000	LIC as at 31 December EUR'000	Impact on LIC EUR'000	Impact on profit before income tax EUR'000	Impact on equity EUR'000
Insurance contract liabilities	81,701				65,308			
Reinsurance contract assets	(14,029)				(8,153)			
Net insurance contract liabilities	67,673				57,155			
Unpaid claims and expenses - 5% increase								
Insurance contract liabilities		4,085	(4,085)			3,265	(3,265)	
Reinsurance contract assets		(701)	701			(408)	408	
Net insurance contract liabilities		3,384	(3,384)			2,858	(2,858)	
Expenses - 5% increase								
Insurance contract liabilities		1,294	(1,294)			1,123	(1,123)	
Reinsurance contract assets								
Net insurance contract liabilities	67,673	1,294	(1,294)	-	57,155	1,123	(1,123)	-

1.8 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.

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.

1.8 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

Bonuses

About 64,21% (2022: 69,26%) 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 EUR with 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.

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 UC ESG Goods for Life Strategy Index (ILD1, ILE1, ILE2) and of Euro Stoxx 100 (ILE3) 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.

1.9 Property and equipment

Group

	Land and buildings EUR'000	Motor vehicles EUR'000	Equipment and furniture EUR'000	Right-of-use assets – cars EUR'000	Right-of-use assets - building EUR'000	Total EUR'000
Cost						
At 1 January 2022	5,251	55	3,120	788	10,310	19,524
Additions	-	-	204	-	104	308
Disposals	-	-	(76)	-	-	(76)
At 31 December 2022	5,251	55	3,248	788	10,414	19,756
At 1 January 2023						
At 1 January 2023	5,251	55	3,248	788	10,414	19,756
Additions	-	-	277	15	590	882
Disposals	(694)	(27)	(551)	-	(392)	(1,664)
At 31 December 2023	4,557	28	2,974	803	10,612	18,974
Depreciation and impairment losses						
At 1 January 2022	1,272	55	2,828	269	3,992	8,416
Depreciation charge for the year (Note 1.27)	114	-	146	160	1,325	1,745
Disposals	-	-	(72)	-	-	(72)
At 31 December 2022	1,386	55	2,902	429	5,317	10,089
At 1 January 2023						
At 1 January 2023	1,386	55	2,902	429	5,317	10,089
Depreciation charge for the year (Note 1.27)	111	-	202	161	1,317	1,795
Disposals	(119)	(27)	(544)	-	(394)	(1,084)
At 31 December 2023	1,378	28	2,560	590	6,240	10,800
Carrying amounts						
At 1 January 2022	3,979	-	292	519	6,318	11,108
At 31 December 2022	3,865	-	346	359	5,097	9,667
At 1 January 2023						
At 1 January 2023	3,865	-	346	359	5,097	9,667
At 31 December 2023	3,179	-	410	213	4,372	8,174

Included within land and buildings is non-depreciable land with a carrying value of EUR 520 thousand (2022: EUR 647 thousand).

During 2023 and 2022 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 (Note 1.27).

1.9 Property and equipment (continued)

Company

	Land and buildings EUR'000	Motor vehicles EUR'000	Equipment and furniture EUR'000	Right-of-use assets – cars EUR'000	Right-of-use assets - building EUR'000	Total EUR'000
Cost						
At 1 January 2022	4,752	55	2,858	788	10,310	18,763
Additions	-	-	93	-	104	197
Disposals	-	-	(76)	-	-	(76)
At 31 December 2022	4,752	55	2,875	788	10,414	18,884
At 1 January 2023						
At 1 January 2023	4,752	55	2,875	788	10,414	18,884
Additions	-	-	269	15	590	874
Disposals	(694)	(27)	(550)	-	(392)	(1,663)
At 31 December 2023	4,058	28	2,594	803	10,612	18,095
Depreciation and impairment losses						
At 1 January 2022	1,139	55	2,590	269	3,992	8,045
Depreciation charge for the year (Note 1.27)	104	-	124	160	1,325	1,713
Disposals	-	-	(72)	-	-	(72)
At 31 December 2022	1,243	55	2,642	429	5,317	9,686
At 1 January 2023						
At 1 January 2023	1,243	55	2,642	429	5,317	9,686
Depreciation charge for the year (Note 1.27)	100	-	161	161	1,317	1,738
Disposals	(119)	(27)	(544)	-	(393)	(1,083)
At 31 December 2023	1,224	28	2,259	590	6,241	10,342
Carrying amounts						
At 1 January 2022	3,613	-	268	519	6,318	10,718
At 31 December 2022	3,509	-	233	359	5,097	9,198
At 1 January 2023						
At 1 January 2023	3,509	-	233	359	5,097	9,198
At 31 December 2023	2,834	-	335	213	4,371	7,753

Included within land and buildings is non-depreciable land with a carrying value of EUR 442 thousand (2022: EUR 569 thousand). During 2023 and 2022 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 premises and company cars for own use as well for sublease (15% square meters of leased premises)

The depreciation charge is recognised in profit or loss (Note 1.27).

1.10 Investment property

	Group and Company EUR'000
Cost	
At 1 January 2022	6,763
Disposals	-
At 31 December 2022	6,763
	<hr/>
At 1 January 2023	6,763
	<hr/>
At 31 December 2023	6,763
	<hr/>
Depreciation	
At 1 January 2022	3,677
Depreciation charge for the year (Note 1.24)	167
Disposals	-
	<hr/>
At 31 December 2022	3,844
	<hr/>
At 1 January 2023	3,844
Depreciation charge for the year (Note 1.24)	167
	<hr/>
At 31 December 2023	4,011
	<hr/>
Carrying amounts	
At 1 January 2022	3,086
At 31 December 2022	2,919
	<hr/> <hr/>
At 1 January 2023	2,919
At 31 December 2023	2,752
	<hr/> <hr/>

The rental income arising during the year amounted to EUR 280 thousand (2022: EUR 272 thousand), which is recognised in “Net expense from investment property” (Note 1.24). The depreciation charge is recognised in profit or loss under “Net expense from investment property” (Note 1.24). Direct operating expenses (maintenance and utility) arising from investment property during the year amounted to EUR 222 thousand (2022: EUR 231 thousand) and are recognised in profit or loss within “Net expense from investment property” (Note 1.24).

The fair value of investment property is higher than carrying amount in amounts to EUR 1,338 thousand (2022: EUR 1,796 thousand).

The depreciation charge is recognised in profit or loss under “Net expenses from investment property” (Note 1.24).

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

EUR'000	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years
Group	200	200	200	200	200	200
Company	379	379	230	200	200	200

1.11 Intangible assets

Group

	Goodwill EUR'000	Internally developed software EUR'000	Purchased computer software EUR'000	Computer software under development EUR'000	Exclusive distribution right EUR'000	Total EUR'000
Cost						
At 1 January 2022	3	9,038	6,929	363	22,003	38,336
Additions	-	482	140	640	-	1,262
Transfer into use	-	98	-	(98)	-	-
Write off	-	-	(854)	-	-	(854)
At 31 December 2022	3	9,891	6,215	632	22,003	38,744
At 1 January 2023	3	9,891	6,215	632	22,003	38,744
Additions	-	593	212	102	-	907
Transfer into use	-	653	-	(653)	-	-
Write off	-	-	(118)	-	-	(118)
At 31 December 2023	3	11,137	6,309	81	22,003	39,533
Amortisation						
At 1 January 2022	-	7,378	6,381	-	4,645	18,420
Amortisation charge for the year (Note 1,27)	-	642	246	-	1,467	2,355
Write off	-	-	(853)	-	-	(853)
At 31 December 2022	-	8,020	5,774	-	6,112	19,906
At 1 January 2023	-	8,020	5,774	-	6,112	19,906
Amortisation charge for the year (Note 1,27)	-	800	188	-	1,467	2,455
Write off	-	-	(118)	-	-	(118)
At 31 December 2023	-	8,820	5,860	-	7,579	22,259
Carrying amounts						
At 1 January 2022	3	1,660	548	363	17,358	19,932
At 31 December 2022	3	1,871	441	632	15,891	18,838
At 1 January 2023	3	1,871	441	632	15,891	18,838
At 31 December 2023	3	2,317	449	81	14,424	17,274

During 2023 and 2022 there were no capitalized borrowing costs related to the acquisition of software.

The amortization charge is recognised in profit or loss (Note 1.27).

1.11 Intangible assets (continued)

Company

	Internally developed software EUR'000	Purchased computer software EUR'000	Computer software under development EUR'000	Exclusive distribution right EUR'000	Total EUR'000
Cost					
At 1 January 2022	9,038	5,594	363	22,003	36,998
Additions	482	45	640	-	1,167
Transfer into use	371	-	(371)	-	0
Write off		(854)	-	-	(854)
At 31 December 2022	9,891	4,785	632	22,003	37,311
At 1 January 2023	9,891	4,785	632	22,003	37,311
Additions	593	101	102	-	796
Transfer into use	653	-	(653)	-	0
Write off	-	(118)	-	-	(118)
At 31 December 2023	11,137	4,768	81	22,003	37,989
Amortisation					
At 1 January 2022	7,378	5,326	-	4,645	17,349
Amortisation charge for the year (Note 1.27)	642	128	-	1,467	2,237
Write off		(853)	-	-	(853)
At 31 December 2022	8,020	4,601	-	6,112	18,733
At 1 January 2023	8,020	4,601	-	6,112	18,733
Amortisation charge for the year (Note 1.27)	798	73	-	1,467	2,338
Write off	-	(118)	-	-	(118)
At 31 December 2023	8,818	4,556	-	7,579	20,953
Carrying amounts					
At 1 January 2022	1,660	268	363	17,358	19,649
At 31 December 2022	1,871	184	632	15,891	18,578
At 1 January 2023	1,871	184	632	15,891	18,578
At 31 December 2023	2,319	212	81	14,424	17,036

During 2023 and 2022 there were no capitalized borrowing costs related to the acquisition of software.

The amortization charge is recognised in profit or loss (Note 1.27).

1.12 Investments in subsidiaries

a) The Group's subsidiaries are as follows:

	Industry	Domicile	Group ownership at 31 December 2023	Group ownership at 31 December 2022
<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	93.44%	88.70%
Allianz Portfolio, open-ended investment fund	Investment	Croatia	82.75%	82.60%
Allianz Equity, open-ended investment fund	Investment	Croatia	23.88%	39.60%

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 2022 and 31 December 2023, 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 2023 total investment in Allianz Portfolio, related to unit linked investments, amounted to EUR 10,640 thousands (2022: EUR 9,228 thousands).

b) Investments in subsidiaries are as follows:

	Company 2023 EUR'000	Company 2022 EUR'000
<i>Investments in subsidiaries - held at cost</i>		
Allianz Invest d.o.o.	664	664
AZ Servisni centar d.o.o.	26	26
Autoelektro tehnički pregledi d.o.o.	65	65
Total subsidiaries at cost	755	755
<i>Investments in subsidiaries</i>		
Allianz Short Term Bond, open-ended investment fund	12,741	20,297
Allianz Portfolio, open-ended investment fund	11,803	10,645
Allianz Equity, open-ended investment fund	962	1,575
Total subsidiaries at fair value through profit or loss	25,506	32,516
	26,261	33,271

1.12 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 - fair value through profit or loss</i>	Total
At 1 January 2023	755	32,516	33,271
Acquisition	-	2,148	2,148
Disposal	-	(10,757)	(10,757)
Fair value gains/loss	-	1,599	1,599
At 31 December 2023	755	25,506	26,261
At 1 January 2022	755	25,199	25,954
Acquisition	-	19,276	19,276
Disposal	-	(11,262)	(11,262)
Fair value gains/loss	-	(697)	(697)
At 31 December 2022	755	32,516	33,271

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:

	2023 EUR'000	2022 EUR'000
Revenue	61	49
Profit	40	27
Profit attributable to NCI	21	14
Current assets	118	108
Non-current assets	344	355
Current liabilities	(2)	-
Non-current liabilities	(289)	(307)
Net assets	172	155
Net assets attributable to NCI	100	79

	2023 EUR'000	2022 EUR'000
Profit	40	27
Adjustment for:		
Amortization	11	11
Interest expense	18	19
Decrease/increase in receivables	(8)	(3)
Net cash from operating activities	(15)	9
Loan repayment	(20)	(17)
Net cash from finance activities	(20)	(17)
Net increase in cash and cash equivalents	5	18
Cash and cash equivalents at 1 January	95	77
Cash and cash equivalents at 31 December	100	95

1.13 Financial investments

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Financial assets at fair value through other comprehensive income	459,077	413,551	459,361	413,616
Financial assets at fair value through profit or loss	154,967	145,935	131,017	123,200
Financial assets at amortized cost	3,185	7,292	-	-
	<hr/> 617,229 <hr/> <hr/>	<hr/> 566,778 <hr/> <hr/>	<hr/> 590,378 <hr/> <hr/>	<hr/> 536,816 <hr/> <hr/>

1.13 Financial investments (continued)

c) Breakdown

Group	Investments in subsidiaries at cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
31 December 2023					
Shares	-	609	8,663	-	9,272
Shares relating to share-based payments	-	-	607	-	607
Call option	-	-	1,491	-	1,491
Investments in subsidiaries	-	-	-	-	-
Bonds – fixed interest rate – listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	282,952	7,634	3,185	293,771
Bonds – Governments of EU member states – listed	-	144,445	6,574	-	151,019
Bonds – Governments no EU member states – listed	-	19,294	-	-	19,294
Foreign and domestic corporate bonds – listed	-	9,516	869	-	10,385
Investment funds – quoted					
Open – ended investment funds	-	-	791	-	791
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	113,046	-	113,046
Close – ended investment funds – quoted	-	-	15,292	-	15,292
Loan					
Loans to policyholders	-	1,212	-	-	1,212
Other loans	-	306	-	-	306
Deposits					
Deposits with credit institutions	-	743	-	-	743
	-	459,077	154,967	3,185	617,229
31 December 2022					
Shares	-	2,098	8,124	-	10,222
Shares relating to share-based payments	-	-	1,066	-	1,066
Call option	-	-	1,075	-	1,075
Bonds – fixed interest rate - listed					
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	281,810	6,357	7,292	295,459
Bonds – Governments of EU member states – listed	-	102,972	7,628	-	110,600
Bonds – Governments no EU member states – listed	-	22,262	-	-	22,262
Foreign and domestic corporate bonds – listed	-	2,042	37	-	2,079
Investment funds - quoted					
Open – ended investment funds	-	-	317	-	317
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	103,396	-	103,396
Close – ended investment funds – quoted	-	-	17,935	-	17,935
Loan					
Loans to policyholders	-	1,286	-	-	1,286
Other loans	-	351	-	-	351
Deposits					
Deposits with credit institutions	-	730	-	-	730
	-	413,551	145,935	7,292	566,778

1.13 Financial investments (continued)

c) Breakdown (continued)

Company	Investments in subsidiaries at cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
	EUR '000	EUR '000	EUR '000	EUR '000
31 December 2023				
Shares	-	609	-	609
Shares relating to share-based payments	-	-	607	607
Call option	-	-	1,491	1,491
Investments in subsidiaries	26,261	-	-	26,261
Bonds – fixed interest rate - listed				
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	282,952	-	282,952
Bonds – Governments of EU member states – listed	-	144,445	-	144,445
Bonds – Governments no EU member states – listed	-	19,294	-	19,294
Foreign and domestic corporate bonds – listed	-	9,516	865	10,381
Investment funds - quoted				
Open – ended investment funds	-	-	-	0
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	113,046	113,046
Close – ended investment funds – quoted	-	-	15,008	15,008
Loan				
Loans to policyholders	-	1,212	-	1,212
Subordinated loan to subsidiary	-	284	-	284
Other loans	-	306	-	306
Deposits				
Deposits with credit institutions	-	743	-	743
	26,261	459,361	131,017	616,639
31 December 2022				
Shares	-	2,098	-	2,098
Shares relating to share-based payments	-	-	1,066	1,066
Call option	-	-	1,075	1,075
Investments in subsidiaries	33,271	-	-	33,271
Bonds – fixed interest rate - listed				
Debt securities issued by Government of the Republic of Croatia and local authorities – listed	-	281,569	-	281,569
Bonds – Governments of EU member states – listed	-	102,972	-	102,972
Bonds – Governments no EU member states – listed	-	22,262	-	22,262
Foreign and domestic corporate bonds – listed	-	2,042	33	2,075
Investment funds - quoted				
Open – ended investment funds	-	-	-	0
Open – ended investment funds – assets backing unit-linked products – quoted	-	-	103,395	103,395
Close – ended investment funds – quoted	-	-	17,631	17,631
Loan				
Loans to policyholders	-	1,286	-	1,286
Subordinated loan to subsidiary	-	306	-	304
Other loans	-	351	-	351
Deposits				
Deposits with credit institutions	-	730	-	730
	33,271	413,616	123,200	570,087

1.14. Deferred tax assets

Group

	Temporary differences						Total deferred tax liabilities on temporary differences EUR'000
	Tax losses EUR'000	Insurance finance reserves EUR'000	Financial assets at fair value through profit or loss EUR'000	Financial assets gains and losses in fair value reserve EUR'000	Impairment losses on investment property EUR'000	Expected credit losses EUR'000	
Balance as at 1 January 2022	6,512	269	(357)	(7,648)	357	-	(867)
Recognised in profit or loss (Note 1.28)	(103)	-	3,026	-	-	-	2,923
<i>Total recognised in profit and loss</i>	(103)	-	3,026	-	-	-	2,923
Deferred tax on net gains from change in fair value, net of amounts realized and expected credit losses (Note 1.20c)	-	-	-	15,038	-	-	15,038
Deferred tax on finance income/expenses on insurance and reinsurance contract issued/held (Note 1.20d)	-	(15,402)	-	-	-	-	(15,402)
<i>Total recognised in other comprehensive income</i>	-	(15,402)	-	15,038	-	-	(364)
Balance as at 31 December 2022	6,409	(15,133)	2,096	7,390	357	-	1,118
Balance as at 1 January 2023	6,409	(15,133)	2,096	7,390	357	-	1,118
Recognised in profit or loss (Note 1.28)	(3,738)	-	(700)	4	-	64	(4,370)
<i>Total recognised in profit and loss</i>	(3,738)	-	(700)	4	-	64	(4,370)
<i>Directly recognized in retained earnings</i>	36	-	-	28	-	-	64
Deferred tax on net gains from change in fair value, net of amounts realized and expected credit losses (Note 1.20c)	-	-	-	(4,008)	-	-	(4,008)
Deferred tax on finance income/expenses on insurance and reinsurance contract issued/held (Note 1.20d)	-	4,552	-	-	-	-	4,552
<i>Total recognised in other comprehensive income</i>	-	4,552	-	(4,008)	-	-	544
Balance as at 31 December 2023	2,706	(10,580)	1,396	3,414	357	64	(2,644)

1.14 Deferred tax assets (continued)

Company

	Temporary differences						Total deferred tax liabilities on temporary differences EUR'000
	Tax losses EUR'000	Insurance finance reserves EUR'000	Financial assets at fair value through profit or loss EUR'000	Financial assets gains and losses in fair value reserve EUR'000	Impairment losses on investment property EUR'000	Expected credit losses EUR'000	
Balance as at 1 January 2022	6,512	269	(357)	(7,648)	357	-	(867)
Recognised in profit or loss (Note 1.28)	(103)	-	3,026	-	-	-	2,923
<i>Total recognised in profit and loss</i>	(103)	-	3,026	-	-	-	2,923
Deferred tax on net gains from change in fair value, net of amounts realized and expected credit losses (Note 1.20c)	-	-	-	15,038	-	-	15,038
Deferred tax on finance income/expenses on insurance and reinsurance contract issued/held (Note 1.20d)	-	(15,402)	-	-	-	-	(15,402)
<i>Total recognised in other comprehensive income</i>	-	(15,402)	-	15,038	-	-	(364)
Balance as at 31 December 2022	6,409	(15,133)	2,096	7,390	357	-	1,118
Balance as at 1 January 2023	6,409	(15,133)	2,096	7,390	357	-	1,118
Recognised in profit or loss (Note 1.28)	(3,738)	-	(700)	4	-	64	(4,370)
<i>Total recognised in profit and loss</i>	(3,738)	-	(700)	4	-	64	(4,370)
<i>Directly recognized in retained earnings</i>	36	-	-	28	-	-	64
Deferred tax on net gains from change in fair value, net of amounts realized and expected credit losses (Note 1.20c)	-	-	-	(4,008)	-	-	(4,008)
Deferred tax on finance income/expenses on insurance and reinsurance contract issued/held (Note 1.20d)	-	4,552	-	-	-	-	4,552
<i>Total recognised in other comprehensive income</i>	-	4,552	-	(4,008)	-	-	544
Balance as at 31 December 2023	2,706	(10,580)	1,396	3,414	357	64	(2,644)

1.15 Other receivables and prepaid expenses

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Other receivables and prepayments				
Receivables from card issuers	3,223	2,995	3,223	2,995
Other receivables	3,330	1,915	2,948	1,716
Prepaid expenses	907	476	897	467
Expected credit loss	(637)	(431)	(637)	(431)
	<u>6,824</u>	<u>4,955</u>	<u>6,432</u>	<u>4,747</u>

The analysis of other receivables is given below:

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Neither past due nor impaired	7,196	5,110	6,804	4,902
Past due 0-30	24	20	24	20
Past due 31-60	2	25	2	25
Past due 61-90	3	8	3	8
Past due 91-120	14	-	14	-
Past due more than 120 days	222	224	222	223
Impairment allowance	(637)	(431)	(637)	(431)
	<u>6,824</u>	<u>4,955</u>	<u>6,432</u>	<u>4,747</u>

1.15 Other receivables and prepaid expenses (continued)

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

	Group and Company 2023	Group and Company 2022
At 1 January	431	398
Increase in provisions for other receivables	245	33
Collection of amounts previously provided	-	-
Net expected credit losses recognised in profit or loss	245	33
Amounts written off	(39)	-
At 31 December	637	431

1.16 Cash and cash equivalents

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Cash at bank	10,259	34,039	9,396	27,286
Deposits in banks with original maturity up to three months	10,759	3,810	5,502	350
Expected credit loss	(16)	(12)	(15)	(12)
	21,001	37,837	14,882	27,625

At initial recognition, Group recognized cash and cash equivalents at its fair value and subsequently measured at amortised less expected credit loss allowance. Expected credit loss is described in Note 1.32.

1.17 Insurance contract liabilities

Group and Company

As of 31 December

<i>Liability for remaining coverage</i>	2023			2022		
	Non-Life EUR'000	Life EUR'000	Total EUR'000	Non-Life EUR'000	Life EUR'000	Total EUR'000
LRC	52,895	-	52,895	42,732	-	42,732
Contracts measured under the PAA	52,895	-	52,895	42,732	-	42,732
Present value of future cash flows	-	367,086	367,086	-	346,113	346,113
Risk adjustment	-	1,878	1,878	-	1,743	1,743
CSM	-	29,705	29,705	-	29,470	29,470
Contracts not measured under the PAA	-	398,669	398,669	-	377,326	377,326
Liability for remaining coverage	52,895	398,669	451,565	42,732	377,326	420,058
<i>Liability for incurred claims</i>						
Present value of future cash flows	79,366	-	79,366	63,320	-	63,320
Risk adjustment	2,335	-	2,335	1,988	-	1,988
Contracts measured under the PAA	81,701	-	81,701	65,308	-	65,308
Present value of future cash flows	-	14,461	14,461	-	14,107	14,107
Risk adjustment	-	-	-	-	-	-
Contracts not measured under the PAA	-	14,461	14,461	-	14,107	14,107
Liability for incurred claims	81,701	14,461	96,162	65,308	14,107	79,414
Total insurance contract liabilities	134,596	413,130	547,727	108,040	391,433	499,472

1.17 Insurance contract liabilities (continued)

Group and Company

Reinsurance contract assets

As of 31 December

Reinsurance asset for remaining coverage

	2023			2022		
	Non-Life EUR'000	Life EUR'000	Total EUR'000	Non-Life EUR'000	Life EUR'000	Total EUR'000
LRC RE	21,982	(47)	21,935	11,957	(10)	11,947
Contracts measured under the PAA	21,982	(47)	21,935	11,957	(10)	11,947
Reinsurance asset for remaining coverage	21,982	(47)	21,935	11,957	(10)	11,947

Reinsurance asset for incurred claims

Present value of future cash flows	13,978	-	13,978	8,161	-	8,161
Risk adjustment	202	-	202	143	-	143
Contracts measured under the PAA	14,180	-	14,180	8,304	-	8,304
Present value of future cash flows	(151)	36	(151)	(151)	475	324
Risk adjustment	-	-	-	-	-	-
Contracts not measured under the PAA	(151)	36	(151)	(151)	475	324
Reinsurance asset for incurred claims	14,029	36	14,064	8,153	475	8,628
Total reinsurance asset	36,011	(11)	36,000	20,110	465	20,575

Reconciliation of the liability for remaining coverage and the liability for incurred claims – LIFE

	2023			2022		
	LRC	Liability for incurred claims EUR'000	Total EUR'000	LRC	Liability for incurred claims EUR'000	Total EUR'000
	Excluding loss component EUR'000			Excluding loss component EUR'000		
Opening insurance contract liabilities	377,326	14,107	391,433	455,898	12,154	468,052
Opening insurance contract assets	-	-	-	-	-	-
Net balance as at 1 January	377,326	14,107	391,433	453,108	12,154	468,052
Insurance revenue	(13,317)	-	(13,317)	(11,171)	-	(11,171)
Incurred claims and other directly attributable expenses		(2,218)	(2,218)		1,401	1,401
Changes that relate to past service - adjustment to the LIC	-	(345)	(345)	-	881	881
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-
Acquisition and administrative expenses	6,882	-	6,882	8,163	-	8,163
Insurance service expenses	6,882	(2,563)	4,319	8,163	2,283	10,445
Insurance service result	(6,435)	(2,563)	(8,999)	(3,008)	2,283	(726)
Finance income/(expenses) from insurance contracts issued	34,183	(8)	34,176	(91,841)	-	(91,841)
Total amounts recognised in comprehensive income	27,748	(2,571)	25,177	(94,849)	2,283	(92,567)
Investment component	(53,400)	53,400	-	(51,832)	51,832	-
Other changes	(7,964)	2,880	(5,083)	(814)	-	(814)
Premiums received	57,985	-	57,985	75,916	-	75,916
Claims and other directly attributable expenses paid	-	(53,355)	(53,355)	-	(52,162)	(52,162)
Insurance acquisition cash flows	(3,026)	-	(3,026)	(6,993)	-	(6,993)
Cash flows	54,959	(53,355)	1,604	68,923	(52,162)	16,761
Net balance as at 31 December	398,669	14,461	413,130	377,326	14,107	391,433
Closing insurance contract liabilities	398,669	14,461	413,130	377,326	14,107	391,433
Closing insurance contract assets	-	-	-	-	-	-
Net balance as at 31 December	398,669	14,461	413,130	377,326	14,107	391,433

1.17 Insurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances – LIFE

	2023				2022			
	Present value of future cash flows EUR'000	Risk adjustment EUR'000	CSM EUR'000	Total EUR'000	Present value of future cash flows EUR'000	Risk adjustment EUR'000	CSM EUR'000	Total EUR'000
Insurance contract assets as of 1 January	-	-	-	-	-	-	-	-
Insurance contract liabilities as of 1 January	360,220	1,743	29,470	391,433	436,508	3,224	28,320	468,052
Net insurance contract liabilities as of 1 January	360,220	1,743	29,470	391,433	436,508	3,224	28,320	468,052
CSM recognized for the services provided	-	-	(4,678)	(4,678)	-	-	(2,232)	(2,232)
Change in RA, that does not relate to future or past service	-	(64)	-	(64)	-	(1,072)	-	(1,072)
Experience adjustments	7,152	-	-	7,152	33,714	-	-	33,714
Changes that relate to current service	7,152	(64)	(4,678)	2,410	33,714	(1,072)	(2,232)	30,411
Changes in estimates that adjust CSM	(14,702)	31	2,320	(12,352)	(33,935)	(625)	(626)	(35,185)
Changes in estimates that do not adjust CSM (losses on groups of onerous contracts and reversals of such losses)	-	-	-	-	-	-	-	-
Effects of contracts initially recognized in the period	(2,746)	173	2,593	20	(4,175)	215	4,008	48
Changes that relate to future service	(17,448)	204	4,912	(12,331)	(38,109)	(409)	3,382	(35,137)
Changes in fulfillment cash flows relating to incurred claims (changes in the liability for incurred claims)	(82)	-	-	(82)	(1,588)	-	-	(1,588)
Changes that relate to past service	(82)	-	-	(82)	(1,588)	-	-	(1,588)
Insurance service result	(10,378)	140	235	(10,003)	(5,983)	(1,481)	1,150	(6,314)

1.17 Insurance contract liabilities (continued)

Reconciliation of the measurement components of insurance contract balances – LIFE (continued)

	2023				2022			
	Present value of future cash flows	Risk adjustment	CSM	Total	Present value of future cash flows	Risk adjustment	CSM	Total
Finance (income) expenses from insurance contracts issued	34,176	-	-	34,176	(91,841)	-	-	(91,841)
Total amounts recognised in comprehensive income	<u>23,798</u>	<u>140</u>	<u>235</u>	<u>24,172</u>	<u>(97,824)</u>	<u>(1,481)</u>	<u>1,150</u>	<u>(98,155)</u>
Other changes	(3,811)	(5)	-	(3,815)	2,305	-	-	2,305
				-				-
Premiums received	57,985	-	-	57,985	75,916	-	-	75,916
Claims and other directly attributable expenses paid	(54,063)	-	-	(54,063)	(53,233)	-	-	(53,233)
Insurance acquisition cash flows	(2,581)	-	-	(2,581)	(3,452)	-	-	(3,452)
Cash flows	<u>1,341</u>	<u>-</u>	<u>-</u>	<u>1,341</u>	<u>19,230</u>	<u>-</u>	<u>-</u>	<u>19,230</u>
Closing insurance contract liabilities	381,548	1,878	29,705	413,130	360,220	1,743	29,470	391,433
Closing insurance contract assets								
Net balance as at 31 December	<u><u>381,548</u></u>	<u><u>1,878</u></u>	<u><u>29,705</u></u>	<u><u>413,130</u></u>	<u><u>360,220</u></u>	<u><u>1,743</u></u>	<u><u>29,470</u></u>	<u><u>391,433</u></u>

1.17 Insurance contract liabilities (continued)**Reconciliation of the liability for remaining coverage and the liability for incurred claims - NON LIFE**

	2023				2022			
	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
Excluding loss component	Loss component	Excluding loss component			Loss component			
Opening insurance contract liabilities	42,321	411	65,308	108,040	48,047	1,487	61,170	110,704
Opening insurance contract assets								
Net balance as at 1 January	42,321	411	65,308	108,040	48,047	1,487	61,170	110,704
Insurance revenue	(131,529)			(131,529)	(111,947)			(111,947)
Incurred claims and other directly attributable expenses			80,339	80,339			50,960	50,960
Changes that relate to past service - adjustment to the LIC			2,507	2,507			2,069	2,069
Losses on onerous contracts and reversal of those losses		(67)		(67)		(1,075)		(1,075)
Acquisition and administrative expenses	24,838			24,838	22,019			22,019
Insurance service expenses	24,838	(67)	82,846	107,617	22,019	(1,075)	53,029	73,972
Insurance service result	(106,691)	(67)	82,846	(23,912)	(89,928)	(1,075)	53,029	(37,975)
Finance expenses from insurance contracts issued			659	659	397			397
Total amounts recognised in comprehensive income	(106,691)	(67)	83,505	(23,253)	(89,531)	(1,075)	53,029	(37,578)
Investment component				-				-
Other changes				-				-
Premiums received	143,404			143,404	116,208			116,208
Claims and other directly attributable expenses paid			(67,111)	(67,111)			(48,891)	(48,891)
Insurance acquisition cash flows	(26,484)			(26,484)	(32,403)			(32,403)
Cash flows	116,920	-	(67,111)	49,809	83,805	-	(48,891)	34,914
Net balance as at 31 December	52,551	344	81,701	134,596	42,321	411	65,308	108,040
Closing insurance contract liabilities	52,551	344	81,701	134,596	42,321	411	65,308	108,040
Closing insurance contract assets								
Net balance as at 31 December	52,551	344	81,701	134,596	42,321	411	65,308	108,040

1.17 Insurance contract liabilities (continued)

Impact of contracts recognised in the year

	2023			2022		
	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Life - Insurance contracts issued						
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	2,971	-	2,971	2,069	-	2,069
Claims and other directly attributable expenses	33,470	-	33,470	55,806	-	55,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Estimates of the present value of future cash inflows	(41,154)	-	(41,154)	(65,667)	-	(65,667)
Risk adjustment for non-financial risk	179	-	179	215	-	215
CSM	2,593	-	2,593	4,008	-	4,008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Increase in insurance contract liabilities from contracts recognised in the period	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

1.17 Insurance contract liabilities (continued)

Expected recognition of the contractual service margin

Numbers of years until expected to be recognised	1	2	3	4	5	6-10	>10	Total
As at 31 December 2023	3.394	3.101	2.828	2.611	2.423	6.809	8.540	29.705
As at 31 December 2022	4.062	3.226	2.911	2.615	2.381	5.883	8.392	29.470

a) Gross claims development (LIC)

For the year ended 31 December 2023

Accident years	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs (gross of reinsurance, undiscounted)							
At end of accident year	43,925	54,204	78,794	57,194	62,536	98,292	-
1 year later	44,613	50,295	73,450	50,420	53,874		-
2 year later	41,907	48,739	71,814	48,833			-
3 year later	42,731	49,158	71,319				-
4 year later	42,260	50,689					-
5 year later	43,291						-
Cumulative gross claims and other directly attributable expenses paid	(39,259)	(45,723)	(64,320)	(41,836)	(42,027)	(52,638)	(285,803)
Gross cumulative claims liabilities - accident years from 2018 to 2023	4,032	4,966	6,999	6,996	11,847	45,654	80,494
Gross cumulative claims liabilities - prior accident years							15,857
Effect of discounting							(2,820)
Effect of the risk adjustment margin for non-financial risk							2,631
Gross LIC for the contracts originated							96.162

1.17 Insurance contract liabilities (continued)

b) Effects on insurance revenue and the CSM

	2023 EUR'000	2022 EUR'000
Life - Insurance contracts issued		
Insurance revenue		
New contracts and contracts measured under the full retrospective approach at transition	3,297	1,450
Contracts measured under the modified retrospective approach at transition	-	-
Contracts measured under the fair value approach at transition	10,020	9,722
	<u>13,317</u>	<u>11,171</u>
CSM as at 31 December		
New contracts and contracts measured under the full retrospective approach at transition	6,484	4,131
Contracts measured under the modified retrospective approach at transition	-	-
Contracts measured under the fair value approach at transition	23,221	25,339
	<u>29,705</u>	<u>29,470</u>

1.17 Insurance contract liabilities (continued)

c) Remaining maturities of insurance liabilities

Group and Company 2023

	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
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LRC PAA	(52,895)						(52,895)
LRC BBA	(18,869)	(68,227)	(96,157)	(59,267)	(23,505)	(5,988)	(272,013)
LRC VFA	(23,956)	(19,572)	(37,023)	(6,704)	(15,610)	(23,792)	(126,656)
LIC	(78,480)	(11,197)	(4,031)	(1,234)	(551)	(670)	(96,162)
Insurance liabilities	(174,200)	(98,996)	(137,211)	(67,204)	(39,665)	(30,450)	(547,727)

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
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
LRC PAA	(42,732)						(42,732)
LRC BBA	(13,266)	(66,667)	(82,924)	(62,192)	(26,154)	(8,301)	(259,505)
LRC VFA	(21,047)	(40,677)	(21,643)	(10,751)	(23,703)	-	(117,821)
LIC	(63,785)	(9,716)	(520)	(3,609)	(1,133)	(650)	(79,414)
Insurance liabilities	(140,830)	(117,060)	(105,087)	(76,552)	(50,990)	(8,951)	(499,472)

LRC stands for Liability for remaining coverage

LIC stands for Liability for incurred claims

PAA stands for Premium allocation approach

BBA stands for Building block approach

VFA stands for Variable fee approach

DAC stands for deferred acquisitions costs

UPR stands unearned premium provisions

1.17 Insurance contract liabilities (continued)

d) Discount rates

Product	Currency	2023					2022				
		1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
Life Risk	EUR	4.02%	2.87%	3.26%	2.86%	3.09%	4.00%	3.87%	3.95%	2.76%	3.18%
Savings	EUR	4.02%	2.87%	3.26%	2.86%	3.09%	4.00%	3.87%	3.95%	2.76%	3.18%
Investment contracts with DPF	EUR	3.46%	2.31%	2.71%	2.30%	2.95%	3.26%	3.12%	3.21%	2.02%	3.00%
Investment contracts with DPF	USD	4.76%	3.21%	3.50%	3.32%	3.29%	5.08%	3.56%	3.83%	3.11%	2.97%
Non life	EUR	3.83%	2.61%	2.66%	2.68%	2.71%	2.46%	3.30%	4.09%	4.32%	4.14%

1.18 Other liabilities, accrued expenses and deferred income

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Accrued expenses	4,262	3,303	4,116	3,153
Liabilities to investment funds non-controlling unitholders	6,635	7,408	-	-
Liabilities for salaries	1,133	797	1,078	728
Liabilities to Croatian Insurance Bureau	841	1,712	841	1,712
Other payables	1,2290	1,158	809	787
Premium advances and prepayment	2,791	2,422	2,791	2,422
Tax and contribution liabilities	889	518	732	513
Deferred income	1,178	1,167	997	1,072
Accruals for bonuses	1,672	1,711	1,671	1,711
Liabilities fort financial instrument settlement	2,361	1,584	2,673	1,991
	22,991	21,780	15,709	14,088

1.19 Provisions

	Reserves for litigation	Other employee related reserves	Liabilities for share based payments	Total
	EUR'000	EUR'000	EUR'000	
At 1 January 2022	40	220	971	1,230
Utilized during the year	-	-	(138)	(138)
Release of unused reservations	-	(201)	(212)	(413)
Additions	140	109	336	586
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net recognized in profit and loss</i>	140	(92)	125	173
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	180	129	957	1,265
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2023	180	129	957	1,265
Utilized during the year	-	-	(417)	(417)
Release of unused reservations	(7)	(109)	(584)	(700)
Additions	-	84	616	699
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net recognized in profit and loss</i>	(7)	(26)	32	(0)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	173	103	572	848
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1.20 Equity

a) Issued share capital

	2023 EUR'000	2022 EUR'000
Authorised, issued and fully paid		
254,306 (2022:254,306) ordinary shares of EUR 53	13,478	13,501
	<hr/> <hr/>	<hr/> <hr/>

The share capital of the Company is denominated in euro. The nominal value of each share issued by the Company is EUR 53.

With regard to the provisions of the Act on the introduction of the euro as the official currency in the Republic of Croatia and the provisions of the Companies Act, in December 2023 the Company adjusted the share capital of the Company and the nominal amount of the Company's shares with regard to the introduction of the euro, namely:

- by reducing the share capital of the Company to the extent that it was necessary to bring the amount of share capital and the nominal amount of shares into line with the provisions of Art. 161, 162 and 163 of the Companies Act and

- by reducing the nominal amount of each share of the Company from the amount of EUR 53.09 to the amount of EUR 53.00 which resulted with decrease of share capital in amount of EUR 22,886.54 in favour of increase of share premium for the same amount

After conversion into euro, adjustment and record in the court register, the Company's share capital amounts to EUR 13,478,218.00 and is divided into 254,306 ordinary shares with a nominal amount of EUR 53.00, which are registered. The number of shares remained unchanged.

1.20 Equity (continued)

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

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

	2023	2022
	% ownership	% ownership
Allianz Holding eins GmbH, Austria	100,00	100,00
	<u>100,00</u>	<u>100,00</u>

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 EUR 14,887 (2022: EUR 14,865 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 EUR 995 thousand into share capital (bonus share issue) by issuing 18,750 new ordinary shares each with the nominal amount of EUR 53. New shares were awarded to the existing shareholders in proportion to their current shareholdings. In addition Company increased it in amount of EUR 22,886,54 due to introduction od euro.

	2023	2022
	EUR'000	EUR'000
Share premium – capital reserve	14,887	14,865
	<u>14,887</u>	<u>14,865</u>

1.20 Equity (continued)

c) Fair value reserve

The fair value reserve represents unrealised net gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income, net credit expected credit losses, net of related deferred tax. Expected credit losses for non - equity investments measured at fair value through other comprehensive income are recognized through other comprehensive income within Fair value reserve and profit and loss.

	Group	Group	Company	Company
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January				
Gross fair value reserve	(41,068)	42,476	(41,071)	42,473
Deferred tax (Note 1.14)	7,390	(7,648)	7,393	(7,645)
	<hr/>	<hr/>	<hr/>	<hr/>
Net	(33,678)	34,828	(33,678)	34,828
Change in fair value OCI and ECL, net of amounts realised	22,263	(83,039)	22,263	(83,039)
Net realised gains losses directly recognized in retained earnings	(163)	(505)	(199)	(505)
	<hr/>	<hr/>	<hr/>	<hr/>
	22,100	(83,544)	22,064	(83,544)
Deferred tax on change in fair value OCI and ECL, net of amounts realised (Note 1.14)	(4,008)	15,038	(4,008)	15,038
Directly recognized retained earning	-	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total result net of deferred tax</i>	18,092	(68,506)	18,092	(68,506)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December				
Gross fair value reserve	(18,968)	(41,068)	(19,007)	(41,071)
Deferred tax (Note 1.14)	3,382	7,390	3,421	7,390
	<hr/>	<hr/>	<hr/>	<hr/>
Net	(15,586)	(33,678)	(15,586)	(33,678)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1.20 Equity (continued)

d) Insurance finance reserve

Insurance finance income or expense arising from effect of and changes the time value of money arising from the passage of time, i.e. difference between the current discount rate as fulfilment cash flows are done at current market rates and the locked in rate are recognized through other comprehensive income in Insurance finance reserve.

All movements are shown in other comprehensive income in the Statement of comprehensive income, net of tax, Movements in the insurance finance reserve were as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January				
Gross insurance finance reserve	84,049	(1,496)	84,049	(1,496)
Deferred tax (Note 1.14)	(15,133)	269	(15,133)	269
	<hr/>	<hr/>	<hr/>	<hr/>
Net	68,916	(1,227)	68,916	(1,227)
	<hr/>	<hr/>	<hr/>	<hr/>
Finance expense/income from insurance and reinsurance contract issued/held	(25,272)	85,545	(25,272)	85,545
	<hr/>	<hr/>	<hr/>	<hr/>
	(25,272)	85,545	(25,272)	85,545
Deferred tax from finance expense/income insurance and reinsurance contracts issued/held	4,552	(15,402)	4,552	(15,402)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total result net of deferred tax</i>	4,552	(15,402)	4,552	(15,402)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December				
Gross insurance finance reserve	58,777	84,049	58,777	84,049
Deferred tax (Note 1.14)	(10,581)	(15,133)	(10,581)	(15,133)
	<hr/>	<hr/>	<hr/>	<hr/>
Net	48,196	68,916	48,196	68,916
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

e) Legal reserve

The legal reserve (EUR 3,325 thousand at 31 December 2023 and 2022) 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.

f) 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.

g) 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 2023 or 2022). The weighted average number of ordinary shares used for basic earnings per share was 254,306 (2022: 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 (2022: 254,306).

1.20 Equity (continued)

g) Earnings per share (continued)

	Group 2023	Group 2022	Company 2023	Company 2022
Profit attributable to ordinary shareholders of the Company for earnings per share in EUR '000	23,199	14,094	19,141	15,850
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 EUR	91,22	55,42	75,27	62,33

h) Dividends per share

During 2023 the Company paid a dividend in the amount of EUR 13,272 thousand or EUR 52,19 per share (2022:0).

1.21 Insurance revenue

	Non life		Life		Total	
	2023	2022	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Insurance revenue from contracts measured under the PAA	131,529	111,053	-	-	131,529	111,053
Insurance revenue from contracts not measured under the PAA	-	-	13,317	11,171	13,317	11,171
Amounts relating to changes in the liability for remaining coverage	-	-	10,112	12,185	10,112	12,185
Insurance service expenses incurred	-	-	62,235	67,220	62,235	67,220
CSM recognized for services provided	-	-	4,678	2,232	3,839	3,071
Change in the risk adjustment	-	-	258	6	258	6
Investment component	-	-	(56,219)	(58,112)	(56,219)	(58,112)
Recovery of insurance acquisition cash flows	-	-	2,367	(175)	2,367	(175)
Total	131,529	111,053	13,317	11,171	144,846	122,225

1.21 Insurance revenue (continued)

Analysis by class of business

Group and Company

2023	Premium allocation approach (PAA)	Building block approach (BBA)	Variable fee approach (VFA)	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Non-life insurance business</i>				
Medical expense insurance	11,680	-	-	11,680
Income protection insurance	7,982	-	-	7,982
Workers' compensation insurance	-	-	-	-
Motor vehicle liability insurance	20,868	-	-	20,868
Other motor insurance	23,686	-	-	23,686
Marine, aviation and transport insurance	3,144	-	-	3,144
Fire and other damage to property insurance	37,055	-	-	37,055
General liability insurance	19,859	-	-	19,859
Credit and suretyship	20	-	-	20
Legal expenses insurance	-	-	-	-
Assistance	4,615	-	-	4,615
Miscellaneous financial losses	2,620	-	-	2,620
Health insurance	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total non life	131,529	-	-	131,529
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Life assurance business</i>				
Insurance with profit participation	-	8,516	-	8,516
Index-linked and unit-linked insurance	-	-	4,196	4,196
Other life insurance	-	606	-	606
	<hr/>	<hr/>	<hr/>	<hr/>
Total life	-	9,122	4,196	13,317
	<hr/>	<hr/>	<hr/>	<hr/>
Grand total	131,529	9,122	4,196	144,846
	<hr/>	<hr/>	<hr/>	<hr/>

1.21 Insurance revenue (continued)

Analysis by class of business (continued)

Group and Company

2022	Premium allocation approach (PAA)	Building block approach (BBA)	Variable fee approach (VFA)	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Non-life insurance business</i>				
Medical expense insurance	10,062	-	-	10,062
Income protection insurance	7,029	-	-	7,029
Workers' compensation insurance	-	-	-	-
Motor vehicle liability insurance	17,267	-	-	17,267
Other motor insurance	19,036	-	-	19,036
Marine, aviation and transport insurance	2,367	-	-	2,367
Fire and other damage to property insurance	31,477	-	-	31,477
General liability insurance	17,659	-	-	17,659
Credit and suretyship	369	-	-	369
Legal expenses insurance	-	-	-	-
Assistance	3,656	-	-	3,656
Miscellaneous financial losses	2,132	-	-	2,132
Health insurance	-	-	-	-
Total non life	111,053	-	-	111,053
<i>Life assurance business</i>				
Insurance with profit participation	-	7,189	-	7,189
Index-linked and unit-linked insurance	-	-	3,404	3,404
Other life insurance	-	578	-	578
Total life	-	7,767	3,404	11,171
Grand total	111,053	7,767	3,404	122,225

1.22 Insurance expense

	Non-life		Life		Total	
	2023	2022	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Incurring claims and other directly attributable expenses	67,637	49,808	(2,218)	1,401	65,419	51,210
Changes that relate to past service - adjustment to the LIC	12,609	2,069	(345)	779	12,263	2,848
Losses on onerous contracts and reversal of those losses	(67)	(1,075)	-	102	(67)	(973)
Acquisition and administrative expenses	37,771	33,577	6,882	8,163	44,653	41,740
Total	117,950	84,379	4,319	10,445	122,269	94,824

1.23 Net income/expenses from reinsurance contract held

	Non life		Life		Total	
	2023	2022	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Allocation of reinsurance premiums	(15,501)	(15,787)	(664)	-	(16,166)	(15,786)
Amounts recoverable from reinsurers for incurred claims	18,390	4,932	11	173	18,401	5,105
Total	2,889	(10,855)	(653)	173	2,235	(10,681)

1.24 Investment income

	Non life		Life		Total	
	2023	2022	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Interest income	3,241	1,943	9,797	9,614	13,038	11,557
- Fair-value-through other comprehensive income or loss	3,237	1,939	9,794	9,614	13,031	11,553
- Fair-value-through-P&L	4	4	3	-	7	4
Net gains/losses on financial assets at fair value through profit and loss	367	(177)	7,734	(14,691)	8,101	(14,868)
Net expense from investment property	(142)	(133)	-	-	(142)	(133)
- Rental income	280	272	-	-	280	272
- Depreciation	(167)	(167)	-	-	(167)	(167)
- Expense maintenance and utilities	(222)	(231)	-	-	(222)	(231)
-Net credit impairment losses on rental receivables	(33)	(7)	-	-	(33)	(7)
Net expected credit losses on financial assets	(1)	45	18	101	17	146
Net realized losses on financial assets at fair value through other comprehensive income and loss	7	-	(1,820)	(17)	(1,813)	(17)
Other investment expense	(161)	(124)	(451)	(423)	(613)	(547)
Other investment income	165	130	381	1,606	546	1,736
Net investment income (expenses) - underlying assets	3,476	1,684	15,660	(3,810)	19,135	(2,126)
Interest income	324	169	-	-	324	169
- Fair-value-through other comprehensive income or loss	324	169	-	-	324	169
Net gains/losses on financial assets at fair value through profit and loss	2,797	(1,602)	-	-	2,797	(1,602)
Net expected credit losses on financial assets	(1)	(2)	-	-	(1)	(2)
Other investment (expense)/income	(3,113)	1,441	-	-	(3,113)	1,441
-Allocation (from)/to investment fund non-controlling unitholders	(3,469)	1,138	-	-	(3,469)	1,138
-Dividend income	358	303	-	-	358	303
Net investment income (expenses) - other assets	6	6	-	-	6	6
Total net investment income	3,483	1,690	15,660	(3,810)	19,142	(2,120)
Changes in fair value of underlying assets of contracts measured under the VFA	-	-	(7,611)	13,216	(7,611)	13,216
Interest	(659)	(397)	(2,002)	(1,675)	(2,661)	(2,072)
Effect of changes in interest rates and other financial assumptions	-	-	(1,618)	(427)	(1,618)	(427)
Effect of changes in FCF at current rates when CSM is unlocked at lockedin rates	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-
Finance income (expenses) from insurance contracts issued	(659)	(397)	(11,231)	11,114	(11,890)	10,717
Interest	34	27	-	-	34	27
Effect of changes in interest rates and other financial assumptions	(4)	1	-	-	(4)	1
Effect of changes in FCF at current rates when CSM is unlocked at lockedin rates	-	-	-	-	-	-
Finance income (expenses) from reinsurance contracts held	30	28	-	-	30	28
Net insurance finance expenses	(629)	(369)	(11,231)	11,114	(11,860)	10,745

1.24 Investment income (continued)

	Non life		Life		Total	
	2023	2022	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net investment income (expenses) - underlying assets	3,476	1,684	15,660	(3,810)	19,136	(2,126)
Net investment income (expenses) - other assets	6	4	-	-	6	4
Net insurance finance expenses	(629)	(369)	(11,231)	11,114	(11,860)	10,745
Amounts recognized in profit and loss	2,853	1,319	4,429	7,304	7,282	8,623
Net investment income (expenses) - underlying assets	4,383	(12,057)	13,871	(55,944)	18,254	(68,001)
Net investment income (expenses) - other assets	-	-	-	-	-	-
Net insurance finance expenses	(1,905)	3,946	(18,815)	66,198	(20,720)	70,144
Amounts recognized in other comprehensive income	(2,534)	3,577	(30,046)	77,312	(32,580)	80,889
Summary of amounts recognized						
Insurance service result						
Net investment income	7,865	(10,369)	29,531	(59,754)	37,398	(70,123)
Net insurance finance expense	(2,534)	3,577	(30,046)	77,312	(32,580)	80,889
Net insurance and investment result	5,331	(6,792)	(515)	17,558	4,816	10,766

Other investment income include dividend income , profit distribution and rebate fee from investments in shares and investment funds.

Other investment expense include broker and custody fee and portfolio management fee.

1.25 Fee and commission income

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Fee and commission income	738	407	298	408
Asset management fee	(141)	(121)	-	-
Total	597	286	298	408

1.26 Other income

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
IT Services	746	609	337	270
Loss/(Profit) on disposal of property and equipment	(23)	3	(23)	3
Income from service claims	261	263	261	263
Rent income	164	165	164	165
Income from Croatian nuclear pool	91	114	91	114
Refund of legal enforcement collection expense and penalty interest	136	399	136	399
Income from exchange services	107	186	104	185
Other	293	(133)	155	-
Total	1,775	1,607	1,225	1,400

1.27 Other expenses and expenses by nature

a) Company

	Directly attributable	Other attributable	Non attributable	Total	Directly attributable	Other attributable	Non attributable	Total
	Expected attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses		Expected attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	
	2023	2023	2023	2023	2022	2022	2022	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Commissions	29,209	-	-	29,209	25,823	-	-	25,823
Employee expenses	-	7,310	3,255	10,566	-	6,793	3,067	9,860
Depreciation and amortisation	-	1,852	2,226	4,077	-	1,635	2,314	3,950
Audit fee /i/	-	156	56	212	-	131	47	178
Lease payments	-	464	199	663	-	597	237	834
Legal and other professional fees	-	1,351	544	1,895	-	878	370	1,248
Parafiscal levies	2,259	138	59	2,456	2,578	93	36	2,707
IT expenses	-	2,401	1,076	3,477	-	2,864	1,024	3,888
Other acquisition cost	375	848	671	1,894	2	804	535	1,340
Other expenses	299	2,272	1,222	3,793	27	1,998	780	2,804
Total	32,142	16,792	9,309	58,243	28,429	15,793	8,411	52,633

b) Group

	Directly attributable	Other attributable	Non attributable	Total	Directly attributable	Other attributable	Non attributable	Total
	Expected attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses		Expected attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	
	2023	2023	2023	2023	2022	2022	2022	2022
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Commissions	29,209	-	-	29,209	25,823	-	-	25,823
Employee expenses	-	7,310	3,381	10,721	-	6,793	3,116	9,909
Depreciation and amortisation	-	1,852	2,245	4,097	-	1,635	2,339	3,974
Audit fee /i/	-	242	93	335	-	131	69	200
Lease payments	-	464	227	692	-	597	248	845
Legal and other professional fees	-	1,351	628	1,980	-	878	391	1,269
Parafiscal levies	2,259	138	79	2,476	2,578	93	49	2,720
IT expenses	-	2,401	1,108	3,619	-	2,864	855	3,936
Other acquisition cost	375	848	709	1,932	2	804	547	1,352
Other expenses	299	2,263	1,289	3,851	27	1,998	816	2,840
Total	32,142	16,792	9,730	58,884	28,429	15,793	8,428	52,867

In 2023, the average number of employees of the Group was 394 (2022: 358). In 2023, the Group paid EUR 1.5 million (2022: EUR 1.4 million) of pension contributions into obligatory pension funds, and for the Company EUR 1.4 million (2022: EUR 1.3 million).

/i/ The contracted fee for audit services for the Company for the year 2023 amounts to 130 thousand euros, while the contracted fee for audit services for the Group for the year 2023 amounts to 147 thousand euros

1.28 Income taxes

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Current tax expense	71	6,382	-	6,377
Deferred tax expense/(income) (Note 1.14)	4,369	(2,923)	4,369	(2,923)
Total income tax expense	4,440	3,460	4,369	3,454

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

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Accounting profit for the period before income taxes	24,592	18,670	24,197	18,617
Income tax at 18% (2022: 18%) /i/	(4,427)	(3,360)	(4,355)	(3,350)
Non-deductible expenses /ii/	(494)	(133)	(494)	(52)
Non-taxable income/iii/	484	200	483	115
Additional tax /iv/	-	(182)	-	(182)
Difference in abroad tax rates	(3)	15	(3)	15
Total income tax expense	(4,440)	(3,460)	(4,369)	(3,454)
Effective income tax rate	(18%)	(19%)	(18%)	(19%)

/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 39.8 million EUR 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 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
On financial assets at fair value through other comprehensive income				
Deferred tax on net gains/losses from change in fair value, net of amounts realized and expected credit losses (Note 1.20c; 1.14)	(4,008)	15,038	(4,008)	15,038
On insurance finance income/expenses from insurance contract and reinsurance issued/held				
Deferred tax on finance income/expenses form insurance contract and reinsurance issued/held (Note 1.20d; 1.14)	4,552	(15,402)	4,552	(15,402)
Total	544	(364)	544	(364)

1.29. 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 2023 EUR '000	End of vesting period
AEI 2020/PERFRSU	332	241.93	80.32	1.3.2024
AEI 2020/RSU	499	241.93	120.72	1.3.2024
AEI 2020 2021	610	230.11	140.37	7.3.2025
AEI 2021/2022	599	217.74	130.43	6.3.2026
AEI 2022 2023/PERFRSU	662	204.55	135.41	5.3.2027

	Number of items	Fair value at reporting date EUR per option	Fair value at 31 December 2022 EUR '000	End of vesting period
AEI 2019/RSU	1,571	200.90	315.61	3.3.2023
AEI 2020/RSU	1,464	189.66	277.66	1.3.2024
AEI 2020/2021 RSU	1,346	178.22	239.88	7.3.2025
AEI 2021/2022 RSU	1,399	166.26	232.60	6.3.2026

1.30. Lease liabilities

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

	2023 EUR'000	2022 EUR'000
No later than 1 year	1,539	1,569
Later than 1 year and no later than 5 years	3,213	4,085
	<u>4,752</u>	<u>5,654</u>

1.31. Related parties

The Company is the parent of the Allianz Hrvatska Group (hereinafter: Group).

The sole 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 (2022: Allianz Holding eins GmbH of 100%). 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.

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 Allianz Holding eins GmbH (owner)

Receivables from Allianz Holding eins GmbH as at 31 December 2023 amounted to EUR 8.9 thousand (31 December 2022: -EUR), while income recognised in 2023 amounted to EUR 154.9 thousand (2022: -EUR) and relate to activities in the finance area service support.

Liabilities to Allianz Holding eins GmbH as at 31 December 2023 amounted to EUR 219.8 thousand (31 December 2022: -EUR), while expense recognised in 2023 amounted to EUR 219.8 thousand (2022: EUR 117.4 thousand) and relate to group charges for services provided.

(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 2023 amounted to EUR 1.5 million (2022: EUR 1.7 million), including fixed salary, accrued bonuses for 2023, RSU and SAR costs and life assurance premiums paid by the Group. Out of this amount EUR 119.07 thousand (2022: EUR 92.2 thousand) relate to pension contributions. At 31 December Management Board did not hold units in the Group investment funds (31 December 2022: EUR 44.1 thousand).

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

Liabilities to Allianz SE, Munich as at 31 December 2023 amounted to EUR 100.3 thousand (31 December 2022: EUR 51.2 thousand), while expense recognised in 2023 amounted to EUR 684.2 thousand (2023: EUR 699 thousand) and relate to group charges for services provided.

As at 31 December 2023 Group also holds Allianz SE shares in relation to its Share based payment arrangements in amount of EUR 607 thousand (2022: EUR 1.066 thousand).

1.31. Related parties (continued)

(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 2023 EUR'000	Company and Group 2022 EUR'000
Premium ceded:		
Reinsurance premiums payable at beginning of year	3,069	3,230
Reinsurance premiums ceded during the year	14,625	13,836
Reinsurance premiums paid during the year	(12,672)	(13,997)
	<hr/>	<hr/>
Reinsurance premiums payable at the year end	5,022	3,069
	<hr/> <hr/>	<hr/> <hr/>
Reinsurance recoveries:		
Statement of changes in equity	2,051	3,283
Invoiced during the year	12,448	8,663
Received during the year	(4,853)	(9,895)
	<hr/>	<hr/>
Outstanding at the year end	9,646	2,051
	<hr/> <hr/>	<hr/> <hr/>
Reinsurance commission:		
At the beginning of the year	122	172
Invoiced during the year	813	758
Received during the year	(589)	(808)
	<hr/>	<hr/>
Outstanding at the year end	346	122
	<hr/> <hr/>	<hr/> <hr/>

(e) Relationship with subsidiaries of the Company

Receivables from AZ Servisni Centar d.o.o. as at 31 December 2023 amounted to EUR 516 (31 December 2022: -EUR), while income recognised in 2023 amounted to EUR 9.3 thousand (2022: EUR 9.1 thousand) and relate to sublease of office space. Liabilities to AZ Servisni Centar d.o.o. as at 31 December 2023 amounted to -EUR (31 December 2022: -EUR), while expenses recognised in 2023 amounted to EUR 80 thousand (2022: EUR 55.5 thousand) and relate to IT services provided.

Receivables from Autoelektro tehnički pregledi d.o.o. as at 31 December 2023 amounted to EUR 284.2 thousand (31 December 2022: EUR 304.5 thousand), while income recognised in 2023 amounted to EUR 19.2 thousand (2022: EUR 20.2 thousand) and relates to the loan given.

Open receivables from Allianz Invest d.o.o. as at 31 December 2023 amounted to EUR 34 thousand (31 December 2022: EUR 31.2 thousand), while income recognised in 2023 amounted to EUR 167.2 (2022: EUR 146.7 thousand) and relate to sublease of office space. Liabilities to Allianz Invest d.o.o. as at 31 December 2023 amounted EUR 23.7 thousand (31 December 2022: EUR 23.7), while expense recognised in 2023 amounted to EUR 228.3 thousand (2022: EUR 228.3 thousand) and relate to management fee.

1.31 Related parties (continued)

Group 2023	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	3,859	447	4,853	4,955
<i>Owners</i>				
Allianz Holding eins GmbH	9	220	155	220
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	15,185	24	195	308
<i>Other related companies</i>				
	6,133	4,675	8,407	10,354
	21	592	417	4,273
	<u>25,207</u>	<u>5,958</u>	<u>14,027</u>	<u>20,110</u>
Company 2023	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	3,859	447	4,853	4,955
<i>Owners</i>				
Allianz Holding eins GmbH	9	220	155	220
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	1	-	9	80
Allianz Short Term Bond, open-ended investment fund	12,741	-	-	-
Alianz Portfolio, open-ended investment fund	1,163	-	-	-
Allianz Equity, open-ended investment fund	962	-	-	-
Autoelektro tehnički pregledi d.o.o.	284	-	19	-
Allianz Invest d.o.o.	34	24	167	228
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	6,133	4,675	8,407	10,354
<i>Other related companies</i>				
	21	592	417	4,273
	<u>25,207</u>	<u>5,958</u>	<u>14,027</u>	<u>20,110</u>

1.31 Related parties (continued)

Group 2022	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	25	23,675	284	875
<i>Owners</i>				
Zagrebačka banka d.d,	12,246	-	3,012	2,807
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	2,172	3,068	9,420	13,836
<i>Other related companies</i>				
	21	173	344	3,290
	38,088	26,941	13,236	21,092

Company 2022	Assets EUR'000	Liabilities EUR'000	Income EUR'000	Expense EUR'000
<i>Key management personnel (including remuneration)</i>				
<i>Ultimate parent company</i>				
Allianz SE, Munich	25	23,675	284	875
<i>Owners</i>				
Allianz Holding eins GmbH	-	-	-	117
<i>Subsidiaries</i>				
AZ Servisni Centar d.o.o.	-	-	-	55
Allianz Short Term Bond, open-ended investment fund	20,297	-	-	-
Allianz Portfolio, open-ended investment fund	1,417	-	-	-
Allianz Equity, open-ended investment fund	1,575	-	-	-
Autoelektro tehnički pregledi d.o.o.	305	1	20	0
Allianz Invest d.o.o.	31	24	147	228
<i>Related companies</i>				
Other subsidiaries of Allianz SE Group - Reinsurers	2,171	3,068	9,420	13,838
<i>Other related companies</i>				
	21	173	344	3,172
	38,088	26,941	13,236	21,092

1.32 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.

1.32 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 EUR 26.223 thousand (2022: loss of EUR 21.772 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 EUR 29.178 thousand (2022: gain of EUR 27.179 thousand).

Note 1.34 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 2023 EUR'000	Impact on other comprehensive income after tax 2023 EUR'000	Impact on profit or loss after tax 2022 EUR'000	Impact on other comprehensive income after tax 2022 EUR'000	Impact on other components of equity	Impact on other components of equity
					2023	2022
					EUR'000	EUR'000
Change in price by \pm 1%	1,044/(1,044)	5/(5)	6,843/(6,843)	1,185/(1,185)	-	1,185/(1,185)
Change in price by \pm 3%	3,131/(3,131)	15/(15)	20,528/(20,528)	3,554/(3,554)	-	3,554/(3,554)
Change in price by \pm 5%	5,218/(5,218)	24/(24)	34,214/(34,214)	5,923/(5,923)	-	5,923/(5,923)

Company	Impact on profit or loss after tax 2023 EUR'000	Impact on other comprehensive income after tax 2023 EUR'000	Impact on profit or loss after tax 2022 EUR'000	Impact on other comprehensive income after tax 2022 EUR'000	Impact on other components of equity	Impact on other components of equity
					2023	2022
					EUR'000	EUR'000
Change in price by \pm 1%	974/(974)	5/(5)	855/(855)	17/(17)	5/(5)	17/(17)
Change in price by \pm 3%	2,923/(2,923)	15/(15)	2,564/(2,564)	50/(50)	15/(15)	50/(50)
Change in price by \pm 5%	4,872/(4,872)	24/(24)	4,274/(4,274)	84/(84)	24/(24)	84/(84)

1.32 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 1.35 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 USD 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. Euro become official currency on January 1 2023. Company holds cash and cash equivalents and one part of Index linked products in in foreign currency.

Group	Impact on profit or loss after tax	Impact on other comprehensive income after tax	Impact on other components of equity
EUR / USD rate	2023	2023	2023
	EUR'000	EUR'000	EUR'000
Change in fx rate by ± 1%	817 / (817)	-	-
Change in fx rate by ± 2%	1,634 / (1,634)	-	-
Company	Impact on profit or loss after tax	Impact on other comprehensive income after tax	Impact on other components of equity
EUR / USD rate	2023	2023	2023
	EUR'000	EUR'000	EUR'000
Change in fx rate by ± 1%	816 / (816)	-	-
Change in fx rate by ± 2%	1,632 / (1,632)	-	-

Currency structure of asset and liability is shown in detail in 1.35.

1.32 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 2023 Company held collateral in total amount EUR 1,941 thousand (2022: EUR 2,056 thousand). As of 31 December 2023 and 31 December 2022 there are no insufficiently secured assets.

Company:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in EUR'000	in EUR '000	in EUR '000	in EUR '000	in EUR '000	in EUR '000
31 December 2023						
Loans given based on life insurance policies	1,212	1,212	-	-	1,212	1,212
Loans given to legal entities	0,306	0,306	-	-	0,306	0,306
Loans given to related parties	0,284	0,423	-	-	0,284	0,423
31 December 2022						
Loans given based on life insurance policies	1,282	1,282	-	-	1,282	1,282
Loans given to legal entities	0,351	0,351	-	-	0,351	0,351
Loans given to related parties	0,306	0,423	-	-	0,306	0,423

Group:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in EUR '000	in EUR '000	in EUR '000	in EUR '000	in EUR '000	in EUR '000
31 December 2023						
Loans given based on life insurance policies	1,212	1,212			1,212	1,212
Loans given to legal entities	0,306	0,306			0,306	0,306
31 December 2022						
Loans given based on life insurance policies	1,282	1,282			1,282	1,282
Loans given to legal entities	0,351	0,351			0,351	0,351

1.32 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	Group	Company	Company
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Government bonds and bonds issued by local authorities	300,346	295,218	282,953	281,569
Investment in debt fund	-	252	-	-
Treasury bills	-	-	-	-
Accrued interest on Government bonds and bonds issued by local authorities	3,883	6,984	3,883	6,805
	304,229	302,454	286,836	288,374

The total exposure to Croatian state risk represents 57% of the total assets of the Group (2022: 52%) and 58% of the Company (2022: 53%).

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

	Group	Group	Company	Company
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Debt securities				
Financial assets at fair value through other comprehensive income	459,207	409,086	456,207	408,845
Financial assets at fair value through profit or loss	15,077	14,022	865	33
Loans and receivables				
Deposits with credit institutions	743	730	743	730
Loans (Note 1.13)	1,518	1,637	1,802	1,940
Investment in debt fund	-	-	-	-
Cash and cash equivalents	21,001	37,837	14,882	27,625
Insurance receivables and other assets				
Reinsurers' share of insurance contract liabilities	-	-	-	-
Total assets bearing credit risk	497,546	463,312	474,499	439,173

1.32 Financial Risk Management (continued)

Credit risk (continued)

Expected credit loss is a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected lifetime of the financial instrument. Given that expected credit losses take into account the amount and time of payment, a credit loss occurs even if the entity expects to be paid in full, but later than the agreed term. Assets for which the expected credit loss is calculated are assets classified as assets at amortized cost and assets at fair value through other comprehensive income. The expected credit loss amount is updated at each reporting date to maintain changes in credit risk since the initial recognition, thus arriving at timely ones information on expected credit losses.

General impairment models:

- Level 1 – initial recognition – 12 monthly ECL
- Level 2 – significant increase in credit risk since initial recognition – Lifetime ECL
- Level 3 – non-refundable placements – Lifetime ECL
- Level 4 or POCI (probability weighted loss amount) – weighted loss amount by probability – lifetime ECL

For financial assets classified as model level 4 (POCI) no valuations are performed credit risk because assets nce classified as POCI always remain in that model until sale of the same or maturity.

The following tables explain the changes in the loss allowance for FVOCI debt securities between the beginning and the end of the annual period.

	STAGE 1		STAGE 2		TOTAL	
	Carrying amount of financial asset subject to impairment	Related ECL allowance	Carrying amount of financial asset subject to impairment	Related ECL allowance	Carrying amount of financial asset subject to impairment	Related ECL allowance
Balance as at 1 January 2022	412,511	(272)	1,106	(12)	413,617	(284)
Transfer to Stage 2	-	-	-	-	-	-
Originated or purchased	82,036	23	775	(2)	82,811	21
Matured or sold	(42,429)	-	-	-	(42,429)	-
Remeasurements	5,453	-	(89)	-	5,364	-
Total ECL recognized in profit and loss		23		(2)		21
Balance as at 31 December 2023	457,571	(249)	1,792	(14)	459,362	(263)

The assessment of a significant increase in credit risk is determined according to:

- changes in external market indicators
- change in contractual conditions
- a change in the approach to credit risk management
- changes in indicators related to the internal assessment of credit risks
- a significant increase in other liabilities
- change of business
- changes in operating results
- changes in the regulatory, economic or technical environment
- problems with payment of other obligations
- a change in the value of the collateral/guarantee that affects the ability to pay
- changes in credit rating
- anticipated breach of contract
- information on days of delay

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original EIR or an approximation thereof.

1.32 Financial Risk Management (continued)

Credit risk (continued)

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per definition of default and credit-impaired assets above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation. The EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The LGD represents the Group's expectation of the extent of loss on a defaulted exposure. The LGD varies by type of borrower, type and seniority of claim and availability of collateral or other credit support. The LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGD is calculated on a 12M or lifetime basis, where the 12M LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and the lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Debt securities /i/				
AAA	58,745	32,206	58,745	32,206
AA	12,398	14,685	9,934	9,490
A	36,561	30,780	36,561	29,639
BBB	44,177	46,440	33,359	32,773
Below BBB	312,205	303,365	308,094	302,694
Not rated	10,383	2,925	10,379	2,075
Total debt securities	474,469	430,401	457,071	408,878
Investment in debt funds				
BBB -	-	-	-	-
	-	-	-	-
Loans and deposits				
BBB or not rated	2,261	2,369	2,545	2,670
Total loans and deposits	2,261	2,369	2,545	2,670
Cash and cash equivalents*				
BBB	21,001	37,837	14,882	27,625
Total cash and cash equivalents	21,001	37,837	14,882	27,625
Reinsurance contract assets				
AA	34,710	18,699	34,710	18,699
Not rated	1,289	1,877	1,289	1,877
Total reinsurance contract assets	35,999	20,576	35,999	20,576
Total financial asset bearing credit risk	533,730	491,183	510,498	459,749

* 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.

1.32 Financial Risk Management (continued)

Credit risk (continued)

To mitigate the risk of reinsurance counterparties not paying amounts due. The Group has established business and financial standards for reinsurer and broker approval are established, by 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 2023:

	Company 2023 EUR'000	Company 2022 EUR'000	Financial Strength Rating
Allianz Global Corporate & Specialty SE	4,093	538	AA
Allianz SE	3,859	567	AA
Allianz Global Automotive Division	1,667	768	AA
Jardine Lloyd Thompson Limited	186	201	NR
Other	1,411	1,087	
	11,216	3,161	

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 1.33 discloses the maturity analysis at the reporting date for the Group's and the Company's financial assets and financial liabilities within scope of IFRS 9.

Note 1.33 discloses the maturity analysis of the Group's and the Company's insurance contract liabilities.

1.32 Financial Risk Management (continued)

Fair values

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

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 2022 and 31 December 2023:

Group

<i>For the year ended 31 December 2023</i>	Level 1	Level 2	Level 3	Total
Assets	EUR'000	EUR'000	EUR'000	EUR'000
<i>Investments in subsidiaries at fair value</i>				
<i>Financial assets at fair value through other comprehensive income</i>				
-Equity securities	-	609	-	609
-Debt securities	-	456,207	-	456,207
-Investment funds	-	-	-	-
-Loans and deposits	-	-	1,518	1,518
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products - Call option	-	-	1,491	1,491
-Equity securities	8,189	-	474	8,663
-Financial assets relating to share-based payments	-	-	607	607
-Investment funds	1,075	179	14,829	16,083
-Debt securities	11,264	3,809	4	15,077
-Foreign corporate bonds backing index linked products	-	113,046	-	113,046
Total Assets	20,528	573,850	18,923	613,301
<i>For the year ended 31 December 2022</i>				
Assets	Level 1	Level 2	Level 3	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<i>Investments in subsidiaries at fair value</i>				
<i>Financial assets at fair value through other comprehensive income</i>				
-Equity securities	1,588	510	-	2,098
-Debt securities	-	409,086	-	409,086
-Investment funds	-	-	-	-
-Loans and deposits	-	-	1,637	1,637
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products - Call option	-	-	1,075	1,075
-Equity securities	7,198	-	926	8,124
-Financial assets relating to share-based payments	-	-	1,066	1,066
-Investment funds	621	4,974	12,657	18,252
-Debt securities	13,989	33	-	14,022
-Foreign corporate bonds backing index linked products	-	103,396	-	103,396
Total Assets	21,717	517,999	16,393	556,109

1.32 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>	Total
	-Foreign corporate bonds backing index linked products	-Financial assets relating to share-based payments	Investment funds	
	in EUR'000	in EUR'000	in EUR'000	in EUR'000
31 December 2022	1,075	1,066	14,092	16,233
Net gains recognised in profit and loss	416	23	(1,254)	(815)
Purchase/Sale/Expiration	-	(482)	1,992	1,510
Transfers to/from level 3	-	-	-	-
31 December 2023	1,491	607	14,830	16,928

1.32 Financial Risk Management (continued)

Fair values (continued)

Company

For the year ended 31 December 2023

	Level 1	Level 2	Level 3	Total
Assets	EUR'000	EUR'000	EUR'000	EUR'000
<i>Investments in subsidiaries at fair value</i>	-	26,261	-	26,261
<i>Financial assets at fair value through other comprehensive income</i>				
-Equity securities	-	609	-	609
-Debt securities	-	456,207	-	456,207
-Investment funds	-	-	-	-
-Loans and deposits	-	-	2,545	2,545
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products - Call option	-	-	1,491	1,491
-Financial assets relating to share-based payments	-	-	607	607
-Investment funds	-	178	14,829	15,007
-Debt securities	-	865	-	865
-Foreign corporate bonds backing index linked products	-	113,047	-	113,047
Total Assets	-	570,906	19,472	590,378

For the year ended 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets	EUR'000	EUR'000	EUR'000	EUR'000
<i>Investments in subsidiaries at fair value</i>	-	33,271	-	-
<i>Financial assets at fair value through other comprehensive income</i>				
-Equity securities	1,588	510	-	2,098
-Debt securities	-	408,848	-	408,848
-Investment funds	-	-	-	-
-Loans and deposits	-	-	2,670	2,670
<i>Financial assets at fair value through profit or loss</i>				
-Foreign corporate bonds backing index linked products - Call option	-	-	1,075	1,075
-Financial assets relating to share-based payments	-	-	1,066	1,066
-Investment funds	-	4,974	12,657	17,631
-Debt securities	-	33	-	33
-Foreign corporate bonds backing index linked products	-	103,395	-	103,395
Total Assets	1,588	517,760	17,468	536,816

At 31 December 2023, investments classified as Level 2 comprise approximately 93.50% (2022: 93.31%) of Group's financial assets measured as fair value on recurring basis. At 31 December 2023, investments classified as Level 2 comprise approximately 96.70% (2022: 96.45%) 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 , Real estate fund ,ACP Credit Fund and Allianz Global Diversified Private Debt Fund for the Company and equity securities for the Group in 2022 and 2023.

During year 2023 there were no securities in Level 1 at the year end (2022: EUR 509 thousand) that were included in Level 2. There were no equity securities at fair value through other comprehensive income in level 2 at the year end (2022: -) 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 valued using Allianz standard security price provided by IDS system, closing Bloomberg Generic (BGN) .

1.32 Financial Risk Management (continued)

Fair values (continued)

Loans and receivables are measured at fair value through other comprehensive income. 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 EUR 3,627 thousand as of 31 December 2022 (2022: EUR 4,090 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.

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 2023	Fair value as at 31 December 2022	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2023	2022
Company and Group	4,090	3,627	Income approach	Capitalization rate	8.5%	7%
			Income approach	Average price per m2 (EUR)	61.44	74.52

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 +/- EUR 50 thousand.

1.32 Financial Risk Management (continued)

Information on fair value measurements of loans and deposits, Call Option, investment funds and Share based payments which included significant parameters that are not available on the market (level 3):

Description	Fair value as at 31 December 2023	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Loans and deposits	2,545	N/A	N/A	N/A
Call Option	1,491	N/A	N/A	Independent third-party valuation.
Investment funds	14,829	N/A	N/A	Independent third-party valuation. (Net Asset Value based on the underlying fair value of investments held by a fund, as reported by the fund manager, is the basis for estimating the fair value of an interest in a fund.
Share based payments (RSU)	607	N/A	N/A	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.

1.32 Financial Risk Management (continued)

Capital management

In 2016 the 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 ALM tests on a regular basis, as well as stress testing with respect to capital and its adequacy to prevent possible capital deficiency.

	Unaudited 31.12.2023. EUR'000 Company	Unaudited 31.12.2022. EUR'000 Company
Basic own funds	99,146	116,210
Ordinary share capital	13,478	13,501
Share premium account related to ordinary share capital	14,888	14,865
Reconciliation reserve	68,406	87,844
Deferred tax assets	2,374	-
Excess of assets over liabilities	134,956	131,552
Total assets	706,635	654,555
Total liabilities	571,679	523,003
Own shares (held directly and indirectly)	-	-
Foreseeable dividends, distributions and charges	13,280	13,272
Other basic own fund items	30,740	28,366
Total available own funds to meet the SCR	99,146	116,210
Total available own funds to meet the MCR	99,146	116,210
SCR	49,150	61,630
MCR	22,118	27,326
Ratio of Eligible own funds to SCR	202%	189%
Ratio of Eligible own funds to MCR	448%	425%

Company has a strong capital base and in 2023 met all regulatory requirements for capital adequacy. As of 31st December 2023, the solvency ratio was 202% (compared to 189% in 2022), thus reducing the insolvency risk. The internally defined target solvency ratio for the Company is 180%.

As of 31st December 2023, the solvency ratio excluding the foreseeable dividend would be 229% (compared to 210% in 2022).

1.33 Maturity analysis

The tables below analyse the financial assets within scope of IFRS 9 of the Group and the Company at 31 December 2023 and 31 December 2022 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.. 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 – 2023

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets						
<i>Financial assets at fair value through other comprehensive income or loss</i>						459,077
Debt securities	5,860	34,312	40,787	84,607	290,641	456,1207
Loans	1,518	-	-	-	-	1,518
Equity securities	609	-	-	-	-	609
Deposits with banks	743	-	-	-	-	743
<i>Financial assets at fair value through profit or loss</i>						154,967
Debt securities	1,906	348	2,485	6,427	3,911	15,077
Foreign corporate bonds backing index linked products	-	-	-	-	113,047	113,047
Shares relating to share-based payments	201	-	140	266	-	607
Investment funds	1,075	14,829	-	-	178	16,082
Equity securities	8,663	-	-	-	-	8,663
Call option	-	1,491	-	-	-	1,491
Reinsurance contract assets	13,895	13,906	3,537	2,800	1,862	36,000
Other receivables and prepaid expenses	5,213	1,611	-	-	-	6,824
Cash and cash equivalents	21,001	-	-	-	-	21,001
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial assets	60,684	66,496	46,949	94,100	409,639	677,869
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities						
Insurance contract liabilities	69,379	63,295	39,134	85,010	290,909	547,727
Other liabilities, accrued expenses and deferred income	21,152	1,839	-	-	-	22,991
Provisions	379	87	132	250	-	848
Lease liabilities	775	764	1,414	1,799	-	4,752
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities	91,685	65,985	40,680	87,059	290,909	576,318
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Maturity gap	(31,001)	512	6,268	7,041	118,683	101,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

1.33 Maturity analysis (continued)

Group – 2022

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets						
<i>Financial assets at fair value through other comprehensive income or loss</i>						413,554
Debt securities	44,434	22,980	453	69,348	271,874	409,089
Loans	1,637	-	-	-	-	1,637
Equity securities	2,098	-	-	-	-	2,098
Deposits with banks	730	-	-	-	-	730
<i>Financial assets at fair value through profit or loss</i>						145,935
Debt securities	1,141	4,278	1,007	4,633	2,964	14,023
Foreign corporate bonds backing index linked products	-	-	-	-	103,395	103,395
Shares relating to share-based payments	-	1,066	-	-	-	1,066
Investment funds	621	17,631	-	-	-	18,252
Equity securities	8,124	-	-	-	-	8,124
Call option	-	1,075	-	-	-	1,075
Reinsurance contract assets	20,575	-	-	-	-	20,575
Other receivables and prepaid expenses	3,457	1,498	-	-	-	4,955
Cash and cash equivalents	37,837	-	-	-	-	37,837
Total financial assets	<u>120,653</u>	<u>48,528</u>	<u>1,460</u>	<u>73,981</u>	<u>378,233</u>	<u>622,854</u>
Financial liabilities						
Insurance contract liabilities	499,472	-	-	-	-	499,472
Other liabilities, accrued expenses and deferred income	18,990	2,783	-	-	-	21,773
Provisions	535	90	221	419	-	1,265
Lease liabilities	802	767	1,508	2,577	-	5,654
Total financial liabilities	<u>519,799</u>	<u>3,640</u>	<u>1,729</u>	<u>2,996</u>	<u>-</u>	<u>528,164</u>
Maturity gap	<u>(399,145)</u>	<u>44,888</u>	<u>(269)</u>	<u>70,985</u>	<u>378,233</u>	<u>94,692</u>

1.33 Maturity analysis (continued)

Company – 2023

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets						
<i>Financial assets at fair value through other comprehensive income or loss</i>						459,361
Debt securities	5,860	34,312	40,787	82,602	292,646	456,207
Loans	332	400	273	204	593	1,802
Equity securities	609	-	-	-	-	609
Deposits with banks	743	-	-	-	-	743
<i>Financial assets at fair value through profit or loss</i>	-	-	-	-	-	131,017
Debt securities	-	-	834	-	31	865
Foreign corporate bonds backing index linked products	-	-	-	-	113,047	113,047
Shares relating to share-based payments	201	-	140	266	-	607
Investment funds	-	14,829	-	-	178	15,007
Equity securities	-	-	-	-	-	-
Call option	-	1,491	-	-	-	1,491
Reinsurance contract assets	13,895	13,906	3,537	2,800	1,862	36,000
Other receivables and prepaid expenses	4,821	1,611	-	-	-	6,432
Cash and cash equivalents	14,882	-	-	-	-	14,882
	<u>41,343</u>	<u>66,549</u>	<u>45,571</u>	<u>85,872</u>	<u>408,357</u>	<u>647,692</u>
Financial liabilities						
Insurance contract liabilities	69,379	63,295	39,134	85,010	29,909	547,727
Other liabilities, accrued expenses and deferred income	13,868	1,839	-	-	-	15,707
Provisions	379	87	132	250	-	848
Lease liabilities	775	764	1,414	1,799	-	4,752
	<u>84,401</u>	<u>65,985</u>	<u>40,680</u>	<u>87,059</u>	<u>290,909</u>	<u>569,034</u>
Maturity gap	<u>(43,058)</u>	<u>564</u>	<u>4,891</u>	<u>(1,187)</u>	<u>117,448</u>	<u>78,658</u>

1.33 Maturity analysis (continued)

Company – 2022

	Up to 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets						
<i>Financial assets at fair value through other comprehensive income or loss</i>						413,616
Debt securities	44,434	18,896	453	68,015	277,050	408,848
Loans	1,940	-	-	-	-	1,940
Equity securities	2,098	-	-	-	-	2,098
Deposits with banks	730	-	-	-	-	730
<i>Financial assets at fair value through profit or loss</i>	-	-	-	-	-	123,200
Debt securities	-	-	-	-	33	33
Foreign corporate bonds backing index linked products	-	-	-	-	103,395	103,395
Shares relating to share-based payments	-	1,066	-	-	-	1,066
Investment funds	-	17,631	-	-	-	17,631
Equity securities	-	-	-	-	-	-
Call option	-	1,075	-	-	-	1,075
Reinsurance contract assets	7,499	7,035	2,223	2,075	1,743	20,575
Other receivables and prepaid expenses	3,249	1,498	-	-	-	4,747
Cash and cash equivalents	27,625	-	-	-	-	27,625
Total financial assets	87,574	47,201	2,676	70,090	382,221	589,762
Financial liabilities						
Insurance contract liabilities	58,250	51,591	57,020	79,145	253,467	499,472
Other liabilities, accrued expenses and deferred income	11,306	2,783	-	-	-	14,089
Provisions	535	90	221	419	-	1,265
Lease liabilities	802	767	1,508	2,577	-	5,654
Total financial liabilities	70,892	55,231	58,749	82,141	253,467	520,480
Maturity gap	16,682	(8,030)	(56,073)	(12,051)	128,754	69,283

1.34. Interest rate repricing analysis

The following tables present the Group's and the Company's financial assets and liabilities within scope of IFRS 9 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 2023 and 31 December 2022 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 – 2023

	Effective interest rate %	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Other* EUR'000	Total EUR'000	Amounts subject to fixed rates EUR'000
Financial assets									
<i>Financial assets at fair value through other comprehensive income or loss</i>								459,077	
Debt securities	3.07	5,860	34,312	40,787	84,607	290,641	-	456,207	
Loans	4.23	1,518	-	-	-	-	-	1,518	
Equity securities		609	-	-	-	-	-	609	
Deposits with banks	2.3	743	-	-	-	-	-	743	
<i>Financial assets at fair value through profit or loss</i>								154,967	
Debt securities	3.07	1,906	348	2,485	6,427	3,911	-	15,077	
Foreign corporate bonds backing index linked products		-	-	-	-	113,047	-	113,047	
Shares relating to share-based payments		201	-	140	266	-	-	607	
Investment funds		1,075	14,829	-	-	178	-	16,082	
Equity securities		8,663	-	-	-	-	-	8,663	
Call option		-	1,491	-	-	-	-	1,491	
Reinsurance contract assets		-	-	-	-	-	-	36,000	
Other receivables and prepaid expenses		-	-	-	-	-	6,823	6,823	
Cash and cash equivalents	0.01	21,001	-	-	-	-	-	21,001	
Total financial assets		<u>41,576</u>	<u>50,979</u>	<u>43,412</u>	<u>91,300</u>	<u>407,730</u>	<u>6,823</u>	<u>677,869</u>	
Financial liabilities									
Insurance contract liabilities		-	-	-	-	-	-	547,727	
Other liabilities, accrued expenses and deferred income		-	-	-	-	-	22,991	22,991	
Provisions		377	87	132	250	-	-	846	
Lease liabilities	2.09	775	764	1,414	1,799	-	-	4,752	
Total financial liabilities		<u>1,152</u>	<u>851</u>	<u>1,546</u>	<u>2,049</u>	<u>-</u>	<u>22,991</u>	<u>576,316</u>	
Maturity gap		<u>40,424</u>	<u>50,128</u>	<u>41,866</u>	<u>89,251</u>	<u>407,730</u>	<u>(16,168)</u>	<u>101,553</u>	

1.34 Interest rate repricing analysis (continued)

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
	%	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets									
<i>Financial assets at fair value through other comprehensive income or loss</i>								413,554	-
Debt securities	3.36	44,434	22,980	453	69,348	271,874	-	409,089	-
Loans	3.41	1,637	-	-	-	-	-	1,637	-
Equity securities		2,098	-	-	-	-	-	2,098	-
Deposits with banks	0.02	730	-	-	-	-	-	730	-
<i>Financial assets at fair value through profit or loss</i>								145,935	-
Debt securities	4.34	1,141	4,278	1,007	4,633	2,964	-	14,023	-
Foreign corporate bonds backing index linked products		-	-	-	-	103,395	-	103,395	-
Shares relating to share-based payments		-	1,066	-	-	-	-	1,066	-
Investment funds		621	17,631	-	-	-	-	18,252	-
Equity securities		8,124	-	-	-	-	-	8,124	-
Call option		-	1,075	-	-	-	-	1,075	-
Reinsurance contract assets		-	-	-	-	-	-	20,575	-
Other receivables and prepaid expenses		-	-	-	-	-	4,955	4,955	-
Cash and cash equivalents		37,837	-	-	-	-	-	37,837	-
Total financial assets		<u>96,622</u>	<u>47,030</u>	<u>1,460</u>	<u>73,981</u>	<u>378,234</u>	<u>4,955</u>	<u>622,854</u>	<u>-</u>
Financial liabilities									
Insurance contract liabilities		-	-	-	-	-	-	499,472,633	-
Other liabilities, accrued expenses and deferred income		-	-	-	-	-	21,773	21,773	-
Provisions		535	90	221	419	-	-	1,265	-
Lease liabilities	2.09	802	767	1,508	2,577	-	-	5,654	-
Total financial liabilities		<u>1,337</u>	<u>857</u>	<u>1,729</u>	<u>2,996</u>	<u>-</u>	<u>21,773</u>	<u>528,164</u>	<u>-</u>
Maturity gap		<u>95,285</u>	<u>46,173</u>	<u>(269)</u>	<u>70,985</u>	<u>378,234</u>	<u>(16,818)</u>	<u>94,690</u>	<u>-</u>

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

1.34 Interest rate repricing analysis (continued)

Company – 2023

	Effective interest rate %	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Other* EUR'000	Total EUR'000	Amounts subject to fixed rates EUR'000
Financial assets									
<i>Financial assets at fair value through other comprehensive income or loss</i>								459,361	
Debt securities	3.07	5,860	34,312	40,787	82,602	292,646	-	456,207	-
Loans	4.23	332	400	273	204	593	-	1,802	-
Equity securities		609	-	-	-	-	-	609	-
Deposits with banks	2.3	743	-	-	-	-	-	743	-
<i>Financial assets at fair value through profit or loss</i>								131,017	
Debt securities		-	-	834	-	31	-	865	-
Foreign corporate bonds backing index linked products		-	-	-	-	113,047	-	113,047	-
Shares relating to share-based payments		201	-	140	266	-	-	607	-
Investment funds		-	14,829	-	-	178	-	15,007	-
Equity securities		-	-	-	-	-	-	-	-
Call option		-	1,491	-	-	-	-	1,491	-
Reinsurance contract assets		-	-	-	-	-	-	36,000	-
Other receivables and prepaid expenses		-	-	-	-	-	6,432	6,432	-
Cash and cash equivalents	0.01	14,882	-	-	-	-	-	14,882	-
Total financial assets		<u>22,627</u>	<u>51,031</u>	<u>42,034</u>	<u>83,072</u>	<u>406,496</u>	<u>6,432</u>	<u>647,692</u>	<u>-</u>
Financial liabilities									
Insurance contract liabilities		-	-	-	-	-	-	547,727	-
Other liabilities, accrued expenses and deferred income		-	-	-	-	-	15,707	15,707	-
Provisions		379	87	132	250	-	-	848	-
Lease liabilities	2.09	775	764	1,414	1,799	-	-	4,752	-
Total financial liabilities		<u>1,154</u>	<u>851</u>	<u>1,546</u>	<u>2,049</u>	<u>-</u>	<u>15,707</u>	<u>569,034</u>	<u>-</u>
Maturity gap		<u>21,473</u>	<u>50,180</u>	<u>40,488</u>	<u>81,023</u>	<u>406,496</u>	<u>(9,275)</u>	<u>78,658</u>	<u>-</u>

1.34 Interest rate repricing analysis (continued)

Company – 2022

	Effective interest rate %	Up to 6 months EUR'000	6-12 months EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000	Other* EUR'000	Total EUR'000	Amounts subject to fixed rates EUR'000
Financial assets									
<i>Financial assets at fair value through other comprehensive income or loss</i>								413,616	-
Debt securities	3.36	44,434	18,896	453	68,015	277,050	-	408,848	-
Loans	3.41	1,940	-	-	-	-	-	1,940	-
Equity securities		2,098	-	-	-	-	-	2,098	-
Deposits with banks	0.02	730	-	-	-	-	-	730	-
<i>Financial assets at fair value through profit or loss</i>								123,200	-
Debt securities	4.34	-	-	-	-	33	-	33	-
Foreign corporate bonds backing index linked products		-	-	-	-	103,395	-	103,395	-
Shares relating to share-based payments		-	1,066	-	-	-	-	1,066	-
Investment funds		-	17,631	-	-	-	-	17,631	-
Equity securities		-	-	-	-	-	-	-	-
Call option		-	1,075	-	-	-	-	1,075	-
Reinsurance contract assets		-	-	-	-	-	-	20,575	-
Other receivables and prepaid expenses		-	-	-	-	-	4,747	4,747	-
Cash and cash equivalents		27,625	-	-	-	-	-	27,625	-
Total financial assets		<u>76,826</u>	<u>38,667</u>	<u>453</u>	<u>68,015</u>	<u>380,479</u>	<u>4,747</u>	<u>712,961</u>	
Financial liabilities		-	-	-	-	-	-	-	
Insurance contract liabilities		-	-	-	-	-	-	499,472	
Other liabilities, accrued expenses and deferred income		-	-	-	-	-	14,089	14,089	
Provisions		535	90	221	419	-	-	1,265	
Lease liabilities	2.09	802	767	1,508	2,577	-	-	5,654	
Total financial liabilities		<u>1,337</u>	<u>857</u>	<u>1,729</u>	<u>2,996</u>	<u>-</u>	<u>14,089</u>	<u>520,480</u>	
Maturity gap		<u>75,489</u>	<u>37,810</u>	<u>(1,276)</u>	<u>65,019</u>	<u>380,479</u>	<u>(9,342)</u>	<u>192,482</u>	

1.35. Currency risk analysis

The Group's and the Company's financial assets and financial liabilities within scope of IFRS 9 were denominated as follows as at 31 December 2023 and 31 December 2022.

Group – 2023

	EURO	USD	Other foreign	Total
	EUR'000	EUR'000	currencies EUR'000	EUR'000
Financial assets				
<i>Financial assets at fair value through other comprehensive income or loss</i>				459,077
Debt securities	456,207	-	-	456,207
Loans	1,518	-	-	1,518
Equity securities	609	-	-	609
Deposits with banks	743	-	-	743
<i>Financial assets at fair value through profit or loss</i>				154,967
Debt securities	15,077	-	-	15,077
Foreign corporate bonds backing index linked products	13,831	99,216	-	113,047
Shares relating to share-based payments	607	-	-	607
Investment funds	16,082	-	-	16,082
Equity securities	8,531	-	132	8,663
Call option	1,491	-	-	1,491
Reinsurance contract assets	36,000	-	-	36,000
Other receivables and prepaid expenses	6,823	-	-	6,823
Cash and cash equivalents	20,860	134	6	21,001
	<u>578,379</u>	<u>99,351</u>	<u>138</u>	<u>677,868</u>
Financial liabilities				
Insurance contract liabilities	547,727	-	-	547,727
Other liabilities, accrued expenses and deferred income	22,991	-	-	22,991
Provisions	846	-	-	846
Lease liabilities	4,752	-	-	4,752
	<u>576,316</u>	<u>-</u>	<u>-</u>	<u>576,316</u>
Maturity gap	<u>2,063</u>	<u>99,351</u>	<u>138</u>	<u>101,552</u>

1.35. Currency risk analysis (continued)

Group – 2022

	EURO EUR'000	USD EUR'000	Other foreign currencies EUR'000	Total EUR'000
Financial assets				
<i>Financial assets at fair value through other comprehensive income or loss</i>				413,554
Debt securities	409,089	-	-	409,089
Loans	1,637	-	-	1,637
Equity securities	2,098	-	-	2,098
Deposits with banks	730	-	-	730
<i>Financial assets at fair value through profit or loss</i>				145,935
Debt securities	14,023	-	-	14,023
Foreign corporate bonds backing index linked products	15,537	87,858	-	103,395
Shares relating to share-based payments	1,066	-	-	1,066
Investment funds	18,252	-	-	18,252
Equity securities	8,124	-	-	8,124
Call option	1,075	-	-	1,075
Reinsurance contract assets	20,575	-	-	20,575
Other receivables and prepaid expenses	4,955	-	-	4,955
Cash and cash equivalents	37,818	18	1	37,837
	<u>534,977</u>	<u>87,876</u>	<u>1</u>	<u>622,854</u>
Financial liabilities				
Insurance contract liabilities	499,472	-	-	499,472
Other liabilities, accrued expenses and deferred income	21,763	-	-	21,763
Provisions	1,265	-	-	1,265
Lease liabilities	5,654	-	-	5,654
	<u>528,154</u>	<u>-</u>	<u>-</u>	<u>528,154</u>
Maturity gap	<u>6,823</u>	<u>87,876</u>	<u>1</u>	<u>94,699</u>

1.35. Currency risk analysis (continued)

Company – 2023

	EURO EUR'000	USD EUR'000	Other foreign currencies EUR'000	Total EUR'000
Financial assets				
<i>Financial assets at fair value through other comprehensive income or loss</i>				459,361
Debt securities	456,207	-	-	456,207
Loans	1,802	-	-	1,802
Equity securities	609	-	-	609
Deposits with banks	743	-	-	743
<i>Financial assets at fair value through profit or loss</i>				131,017
Debt securities	865	-	-	865
Foreign corporate bonds backing index linked products	13,831	99,216	-	113,047
Shares relating to share-based payments	607	-	-	607
Investment funds	15,007	-	-	15,007
Equity securities	-	-	-	-
Call option	1,491	-	-	1,491
Reinsurance contract assets	36,000	-	-	36,000
Other receivables and prepaid expenses	6,432	-	-	6,432
Cash and cash equivalents	14,741	134	6	14,882
Total financial assets	548,335	99,351	6	647,692
Financial liabilities				
Insurance contract liabilities	547,727	-	-	547,727
Other liabilities, accrued expenses and deferred income	15,707	-	-	15,707
Provisions	848	-	-	848
Lease liabilities	4,752	-	-	4,752
Total financial liabilities	569,034	-	-	569,034
Maturity gap	(20,699)	99,351	6	78,658

1.35. Currency risk analysis (continued)

Company – 2022

	EURO	USD	Other foreign	Total
	EUR'000	EUR'000	currencies EUR'000	EUR'000
Financial assets				
<i>Financial assets at fair value through other comprehensive income or loss</i>				413,616
Debt securities	408,848	-	-	408,848
Loans	1,940	-	-	1,940
Equity securities	2,098	-	-	2,098
Deposits with banks	730	-	-	730
<i>Financial assets at fair value through profit or loss</i>				123,200
Debt securities	33	-	-	33
Foreign corporate bonds backing index linked products	15,537	87,858	-	103,395
Shares relating to share-based payments	1,066	-	-	1,066
Investment funds	17,631	-	-	17,631
Equity securities	-	-	-	-
Call option	1,075	-	-	1,075
Reinsurance contract assets	20,575	-	-	20,575
Other receivables and prepaid expenses	4,747	-	-	4,747
Cash and cash equivalents	27,606	18	1	27,625
	<u>501,886</u>	<u>87,876</u>	<u>1</u>	<u>589,762</u>
Financial liabilities				
Insurance contract liabilities	499,472	-	-	499,472
Other liabilities, accrued expenses and deferred income	14,089	-	-	14,089
Provisions	1,265	-	-	1,265
Lease liabilities	5,654	-	-	5,654
	<u>520,480</u>	<u>-</u>	<u>-</u>	<u>520,480</u>
Maturity gap	<u>(18,594)</u>	<u>87,876</u>	<u>1</u>	<u>69,282</u>

1.36. Post balance sheet events

Pursuant to the Agreement on the transfer of management and merger of UCITS funds – open-end investment fund with a public offering, signed on 27 October 2023 between Allianz Invest d.o.o. and ZB Invest d.o.o. and on the basis of the Decision of Croatian Financial Services Supervision Agency (“HANFA” or “Agency”) of 5 December 2023, by which the relevant prior approvals were given, the following changes took place on 18 January 2024:

- Allianz Equity, open-end investment fund with a public offering, was merged with open-end investment fund with a public offering, ZB Aktiv UCITS fund, which changed its name to ZB CEE Equity and is managed by ZB Invest d.o.o.;
- Allianz Portfolio, open-end investment fund with a public offering, was merged with open-end investment fund with a public offering, ZB global 70, which changed its name to ZB Portfolio 70 and is managed by ZB Invest d.o.o.;
- The management of the open-end investment fund with a public offering Allianz Short Term Bond was transferred to ZB Invest d.o.o., and the fund itself changed its name to ZB Short Term Bond.

By implementing the aforementioned changes, Allianz Invest d.o.o. stopped managing UCITS funds: Allianz Short Term Bond, Allianz Portfolio and Allianz Equity. During 2024, it is planned to liquidate the company Allianz Invest d.o.o. Given the intention to liquidate the company Allianz Invest d.o.o., the Outsourcing and Portfolio Management Operations Agreement (hereinafter: Agreement) is planned to be terminated consensually on 17 March 2024, after which the Company will independently manage its portfolio.

Also, during 2024, the liquidation procedure of the company AZ Servisni Centar d.o.o., which is 100% owned by Allianz Hrvatska d.d., will be initiated.

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1
Statement of financial position (balance sheet) 31 December 2023

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
1	002+003	I	INTANGIBLE ASSETS	12,514,787	6,063,039	18,577,826	11,359,576	5,676,639	17,036,215
2		1	Goodwill	-	-	-	-	-	-
3		2	Other intangible assets	12,514,787	6,063,039	18,577,826	11,359,576	5,676,639	17,036,215
4	005+006+007	II	TANGIBLE ASSETS	-	9,197,549	9,197,549	-	7,752,891	7,752,891
5		1	Land and buildings intended for company business operations	-	3,508,406	3,508,406	-	2,833,910	2,833,910
6		2	Equipment	-	230,376	230,376	-	333,575	333,575
7		3	Other tangible assets and stock	-	5,458,767	5,458,767	-	4,585,407	4,585,407
8	009+010+014	III	INVESTMENTS	438,310,325	134,695,474	573,005,799	457,582,264	161,809,588	619,391,852
9		A	Investments in land and buildings not intended for company business operations	-	2,919,222	2,919,222	-	2,752,169	2,752,169
10	011+012+013	B	Investments in subsidiaries, associates and joint ventures	-	754,941	754,941	-	754,941	754,941
11		1	Shares and stakes in subsidiaries	-	754,941	754,941	-	754,941	754,941
12		2	Shares and stakes in associates	-	-	-	-	-	-
13		3	Joint venture participation	-	-	-	-	-	-
14	015+020+025	C	Financial assets	438,310,325	131,021,311	569,331,636	457,582,264	158,302,478	615,884,743
15	016+017+018+019	1	Financial assets at amortized cost	-	-	-	-	-	-
16		1.1	<i>Debt securities and other securities with fixed revenue</i>	-	-	-	-	-	-
17		1.2	<i>Other investments held to maturity</i>	-	-	-	-	-	-
18		1.3.	<i>Loans</i>	-	-	-	-	-	-
19		1.4.	<i>Other</i>	-	-	-	-	-	-

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of financial position (balance sheet) 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
20	019+020+021+022	2	Financial assets at fair value through other comprehensive income or loss	291,818,708	121,797,478	413,616,187	309,753,994	149,607,233	459,361,227
21		2.1	<i>Shares, stakes and other securities with variable revenue</i>	2,013,625	84,716	2,098,341	502,142	107,196	609,339
22		2.2	<i>Debt securities and other securities with fixed revenue</i>	288,519,723	120,324,207	408,843,930	308,039,871	148,167,475	456,207,346
23		2.3	<i>Investment fund units</i>	-	-	-	-	-	-
24		2.4	<i>Other investments available for sale</i>	1,285,360	1,388,555	2,673,916	1,211,980	1,332,562	2,544,542
25	026+027+....+030	3	Investments at fair value through profit and loss account	146,491,617	9,223,833	155,715,450	147,828,271	8,695,245	156,523,516
28		3.1	<i>Shares, stakes and other securities with variable revenue</i>	-	-	-	-	-	-
27		3.2	<i>Debt securities and other securities with fixed revenue</i>	-	33,252	33,252	833,691	30,914	864,606
28		3.3	<i>Derivative financial instruments</i>	145,416,852	8,124,823	153,541,676	145,504,036	8,057,082	153,561,117
29		3.4	<i>Investment fund units</i>	1,074,764	-	1,074,764	1,490,544	-	1,490,544
30		3.5	<i>Other investments</i>	-	1,065,758	1,065,758	-	607,249	607,249
31	032+036+040	IV	INSURANCE CONTRACT ASSETS	-	-	-	-	-	-
32	034+035+036	1	General measurement	-	-	-	-	-	-
33		1.1.	<i>-Remaining coverage assets</i>	-	-	-	-	-	-
34		1.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
35		1.3.	<i>-Incurred claims assets</i>	-	-	-	-	-	-
36	037+038+039	2	Variable fee approach	-	-	-	-	-	-
37		2.1.	<i>-Remaining coverage assets</i>	-	-	-	-	-	-
38		2.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
39		2.3.	<i>-Incurred claims assets</i>	-	-	-	-	-	-

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of financial position (balance sheet) 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
40	041 +042 +043	3	Premium allocation approach	-	-	-	-	-	-
41		3.1.	<i>-Remaining coverage assets</i>	-	-	-	-	-	-
42		3.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
43		3.3.	<i>-Incurred claims assets</i>	-	-	-	-	-	-
44	032+036+040	V	REINSURANCE CONTRACT ASSETS	464,908	20,110,386	20,575,294	(11,394)	36,010,965	35,999,571
45	046 +047	VI	DEFERRED AND CURRENT TAX ASSET	-	2,480,829	2,480,829	-	-	-
46		1	Deferred tax asset	-	2,480,829	2,480,829	-	-	-
47		2	Current tax asset	-	-	-	-	-	-
48		VII	OTHER ASSETS	18,904,071	21,715,938	40,620,010	11,335,386	15,444,234	26,779,620
49	050 +051 +052	1	Cash at bank and in hand	18,113,364	9,511,189	27,624,553	8,905,058	5,976,816	14,881,874
50		1.1	<i>Funds in the business account</i>	6,586,018	9,511,189	16,097,206	8,169,111	5,976,816	14,145,927
51		1.2	<i>Funds in the asset account to cover liabilities from life insurance contracts</i>	11,527,347	-	11,527,347	735,947	-	735,947
52		1.3	<i>Cash in hand</i>	-	-	-	-	-	-
53		2	Long-term assets intended for sale and business cessation	-	-	-	-	-	-
54		3	Other	790,707	12,204,750	12,995,457	2,430,328	9,467,418	11,897,746
55	001+004+008+031 +044+045+048	VIII	TOTAL ASSETS	470,194,091	194,263,216	664,457,307	480,265,832	226,694,317	706,960,149
56		IX	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 2023 (continued)

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
57	058+061+062+066+067+071+074	X	CAPITAL AND RESERVES	59,797,576	71,065,909	130,863,486	58,630,755	76,325,512	134,956,267
58	059 +060	1	Subscribed capital	3,981,684	9,519,198	13,500,883	3,975,000	9,503,218	13,478,218
59		1.1	<i>Paid-up capital - ordinary shares</i>	3,981,684	9,519,198	13,500,883	3,975,000	9,503,218	13,478,218
60		1.2	<i>Paid-up capital - preference shares</i>	-	-	-	-	-	-
61		2	Issued shares premiums (capital reserves)	10,684,186	4,180,848	14,865,034	10,690,870	4,196,828	14,887,699
62	063 +064 +065	3	Revaluation reserve	(27,066,396)	(6,611,347)	(33,677,743)	(13,358,604)	(2,226,947)	(15,585,551)
63		3.1	<i>Land and buildings</i>	-	-	-	-	-	-
64		3.2	<i>Financial investments</i>	(27,066,396)	(6,611,347)	(33,677,743)	(13,358,604)	(2,226,947)	(15,585,551)
65		3.3	<i>Other revaluation reserves</i>	-	-	-	-	-	-
66		4	Financial reserve from the insurance contract	66,197,582	2,718,408	68,915,990	47,382,776	813,328	48,196,104
67	068+069+070	5	Reserves	318,166	3,006,852	3,325,018	318,166	3,006,852	3,325,018
68		5.1.	<i>Legally stipulated reserves</i>	172,548	942,167	1,114,715	172,548	942,167	1,114,715
69		5.2.	<i>Statutory reserve</i>	145,618	2,064,685	2,210,303	145,618	2,064,685	2,210,303
70		5.3.	<i>Other reserve</i>	-	-	-	-	-	-
71	072+073	6	Transferred (retained) profit or loss	923,202	47,849,228	48,772,430	1,415,984	49,409,522	50,825,505
72		6.1.	Retained profit	923,202	47,849,228	48,772,430	1,415,984	49,409,522	50,825,505
73		6.2.	Transferred loss (-)	-	-	-	-	-	-
74	075+076	7	Profit or loss of the current accounting period	4,759,152	10,402,722	15,161,875	8,206,563	11,622,711	19,829,274
75		7.1.	<i>Profit of the current accounting period</i>	4,759,152	10,402,722	15,161,875	8,206,563	11,622,711	19,829,274
76		7.2.	<i>Loss of the current accounting period</i>	-	-	-	-	-	-

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of financial position (balance sheet) 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
77		XI	SUBORDINATED LIABILITIES	-	-	-	-	-	-
78		XII	MINORITY INTEREST	-	-	-	-	-	-
79	080+084+088	XIII	INSURANCE CONTRACT LIABILITIES	391,432,550	108,039,667	499,472,216	413,130,342	134,596,440	547,726,782
80	081+082+083	1	General measurement model	275,314,808	-	275,314,808	280,651,111	-	280,651,111
81		1.1.	<i>-Liabilities for remaning coverage</i>	261,280,224	-	261,280,224	272,077,012	-	272,077,012
82		1.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
83		1.3.	<i>-Incurred claims liabilities</i>	14,034,584	-	14,034,584	8,574,099	-	8,574,099
84	085+086+087	2	Variable fee approach	116,117,741	-	116,117,741	132,479,231	-	132,479,231
85		2.1.	<i>-Liabilities for remaning coverage</i>	116,045,788	-	116,045,788	126,592,410	-	126,592,410
86		2.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
87		2.3.	<i>-Incurred claims liabilities</i>	71,953	-	71,953	5,886,820	-	5,886,820
88	089+090+091	3	Premium allocation approach	-	108,039,667	108,039,667	-	134,596,440	134,596,440
89		3.1.	<i>-Liabilities for remaning coverage</i>	-	42,731,961	42,731,961	-	52,895,264	52,895,264
90		3.2.	<i>-Insurance acquisition cash flows assets</i>	-	-	-	-	-	-
91		3.3.	<i>-Incurred claims liabilities</i>	-	65,307,706	65,307,706	-	81,701,176	81,701,176
92		XIV	Reinsurance contract liabilities	-	-	-	-	-	-
93		XV	Investment contract liabilities	-	-	-	-	-	-
94	095+096	XVI	OTHER PROVISIONS	83,967	1,181,361	1,265,328	72,626	775,251	847,877
95		1	Provisions for pensions and similar liabilities	83,967	1,181,361	1,265,328	72,626	775,251	847,877
96		2	Other provisions	-	-	-	-	-	-

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of financial position (balance sheet) 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Position code	Position description	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
97	098+099	XVII	DEFERRED AND CURRENT TAX LIABILITY	5,084,186	-	5,084,186	1,976,529	667,344	2,643,873
98		1	Deferred tax liability	1,362,528	-	1,362,528	1,976,529	667,344	2,643,873
99		2	Current tax liability	3,721,658	-	3,721,658	-	-	-
100	101+102+...+105	XVIII	FINANCIAL LIABILITIES	1,990,814	5,653,904	7,644,718	1,944,354	5,480,568	7,424,922
101		1	Liabilities on the basis of loans	-	-	-	-	-	-
102		2	Liabilities on the basis of issued securities	-	-	-	-	-	-
103		3	Liabilities for derivative financial instruments	-	-	-	-	-	-
104		4	Liabilities for unpaid dividends	-	-	-	-	-	-
105		5	Other financial liabilities	1,990,814	5,653,904	7,644,718	1,944,354	5,480,568	7,424,922
106	107+108+109	XIX	OTHER LIABILITIES	11,804,998	8,322,375	20,127,373	4,511,227	8,849,202	13,360,429
107		1	Liabilities for sale and ceased business	-	-	-	-	-	-
108		2	Other accrued expenses and deferred income	1,887,881	5,106,903	6,994,784	1,845,354	4,230,538	6,075,892
109		3	Other liabilities	9,917,117	3,215,472	13,132,589	2,665,873	4,618,664	7,284,537
110	057+077+078+079 +092+093+094+ 097+100+106	XX	TOTAL LIABILITIES	470,194,091	194,263,216	664,457,307	480,265,832	226,694,317	706,960,149
111		XXI	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 2023 – 31 December 2023

in EUR

Position no.	Sum elements	Oznaka pozicije	Position code	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
1	002+003+004	I	Insurance revenue	11,171,734	111,053,040	122,224,774	13,317,407	131,528,756	144,846,162
2		1	General measurement model	7,767,645	-	(14,961,334)	9,121,548	-	9,121,548
3		2	Variable fee approach model	3,404,089	-	26,133,068	4,195,859	-	4,195,859
4		3	Premium allocation approach model	-	111,053,040	111,053,040	-	131,528,756	131,528,756
5	006+007+...+012	II	Insurance expenses	(10,445,498)	(84,378,991)	(94,824,489)	(4,318,591)	(117,950,261)	(122,268,852)
6		1	Claims incurred	(1,399,868)	(47,855,188)	(49,255,056)	2,218,934	(66,303,165)	(64,084,230)
7		2	Provisions	(3,452,688)	(22,370,389)	(25,823,077)	(2,581,671)	(26,627,674)	(29,209,345)
8		3	Other expenses related to the sale of insurance	(333,837)	(1,006,483)	(1,340,320)	(303,538)	(1,590,358)	(1,893,896)
9		4	Other expenses from the provision of insurance services	(4,552,844)	(12,505,553)	(17,058,397)	(4,780,387)	(13,050,327)	(17,830,715)
10		5	Amortization of acquisition costs	174,881	351,874	526,754	782,648	2,162,968	2,945,616
11		6	Losses and discharge of losses on the basis of unprofitable contracts	(102,255)	1,075,363	973,109	-	66,795	66,795
12		7	Change of obligations for claims incurred	(778,888)	(2,068,615)	(2,847,503)	345,423	(12,608,501)	(12,263,078)
13	014+015	III	Net income/expenses from reinsurance contract held	173,094	(10,854,514)	(10,681,420)	(654,322)	2,889,373	2,235,051
14		1	Income from outward reinsurance contracts	173,094	4,932,083	5,105,177	29,737	19,199,469	19,229,207
15		2	Expenses from outward reinsurance contracts	-	(15,786,596)	(15,786,596)	(684,059)	(16,310,096)	(16,994,156)
16	001+005+013	IV	Result from the insurance contract	899,330	15,819,535	16,718,865	8,344,494	16,467,868	24,812,361

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Oznaka pozicije	Position code	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
17	018+023+024+025 +026+027+031+ 032+033+034	V	Net investment income	(3,809,636)	1,684,121	(2,125,515)	15,659,631	3,475,591	19,135,221
18	019+020+021+022	1	Net result of investment in land and construction facilities	-	(133,214)	(133,214)	-	(141,373)	(141,373)
19		1.1.	<i>Profits/losses (net) from leases</i>	-	33,840	33,840	-	25,681	25,681
20		1.2.	<i>Realised gains/losses (net) from non owner-occupied properties</i>	-	-	-	-	-	-
21		1.3.	<i>Unrealised gains/losses (net) from non owner-occupied properties</i>	-	-	-	-	-	-
22		1.4.	<i>Depreciation of buildings not intended for business operations of the company</i>	-	(167,054)	(167,054)	-	(167,054)	(167,054)
23		2	Interest income recognised using the effective interest rate method	9,614,057	1,942,791	11,556,848	9,797,315	3,240,703	13,038,019
24		4	Dividend Income	828,722	140,425	969,147	348,736	47,352	396,088
25		5	Unrealised gains or losses from financial assets at fair value through profit or loss	(14,690,738)	(177,208)	(14,867,947)	7,733,459	367,009	8,100,469
26	028+029+030	6	Realized gains/losses	(17,342)	-	(17,342)	(1,819,423)	6,658	(1,812,765)
27		6.1.	<i>Realised gains or losses from financial assets at fair value through profit or loss</i>	(35)	-	(35)	253	-	253
28		6.2.	<i>Realised gains or losses from financial assets at fair value through other comprehensive income</i>	(17,307)	-	(17,307)	(1,819,676)	6,658	(1,813,018)
29		6.3.	<i>Other realized gains/losses (net)</i>	-	-	-	-	-	-
30		7	Net impairment/release of impairment of the investment	101,106	44,982	146,088	18,488	(1,166)	17,322
31		8	Net exchange differences	700,206	(18,150)	682,056	(17,346)	(4,444)	(21,789)
32		9	Other investment income	77,124	8,089	85,213	49,875	122,082	171,957
33		10	Other investment expenses	(422,770)	(123,593)	(546,364)	(451,473)	(161,231)	(612,704)

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Oznaka pozicije	Position code	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
34	036+037+038	VI	Net financial expense from insurance contracts and (passive) reinsurance	11,113,583	(368,704)	10,744,879	(11,230,228)	(628,908)	(11,859,136)
35		1	Finance expense/income from insurance contract issued	11,113,583	(397,015)	10,716,567	(11,230,228)	(658,573)	(11,888,801)
36		2	Finance income form reinsurance contract held	-	28,311	28,311	-	29,665	29,665
37		3	Fee and commission income	-	-	-	-	-	-
38		VII	Other income	513,061	1,296,544	1,809,605	298,556	1,225,323	1,523,879
39		VIII	Other expenses	(3,097,550)	(5,313,539)	(8,411,088)	(3,159,271)	(6,149,901)	(9,309,172)
40		IX	Other finance cost	(10,576)	(109,202)	(119,777)	-	(104,382)	(104,382)
41		X	Share in the profits of companies that are consolidated using the equity method, net of taxes	-	-	-	-	-	-
42	016+017+035+039+040+041+042	XI	Profit or loss before tax (+/-)	5,608,212	13,008,756	18,616,967	9,913,182	14,285,590	24,198,771
43	045+046	XII	Tax on profit or loss	(849,060)	(2,606,033)	(3,455,093)	(1,706,619)	(2,662,879)	(4,369,497)
44		1	Current tax expense	(4,379,611)	(2,776,052)	(7,155,663)	-	-	-
45		2	Deferred tax expense/income	3,530,551	170,019	3,700,570	(1,706,619)	(2,662,879)	(4,369,497)
46	043+044	XIII	Profit of the year	4,759,152	10,402,722	15,161,875	8,206,563	11,622,711	19,829,274
47		1	Attributable to owners of the parent	4,759,152	10,402,722	15,161,875	8,206,563	11,622,711	19,829,274
48		2	Attributable to non-controlling interests	-	-	-	-	-	-

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023 (continued)

in EUR

Position no.	Sum elements	Oznaka pozicije	Position code	Previous business period			Current business period		
				Life	Non life	Total	Life	Non life	Total
49	051+056	XIV	Other comprehensive income	(5,757,701)	7,900,016	2,142,315	(4,949,291)	2,485,078	(2,464,212)
50	052+053+054+055	1	Items that will not be reclassified to the income statement	(2,272,163)	368,505	(1,903,659)	97,924	40,987	138,911
51		1.1.	<i>Net change in fair value of equity securities (OSD)</i>	(2,399,502)	495,879	(1,903,623)	132,546	42,251	174,797
52		1.2.	<i>Actuarial profits/losses on defined benefit pension plans</i>	-	-	-	-	-	-
53		1.3.	<i>Other</i>	-	-	-	-	-	-
54		1.4.	<i>Tax</i>	127,338	(127,374)	(36)	(34,622)	(1,264)	(35,886)
55	057+058+...+063	2	Items that may be reclassified subsequently to profit or loss	(3,485,538)	7,531,512	4,045,974	(5,047,214)	2,444,091	(2,603,123)
56		2.1.	<i>Net gains on investments in debt securities measured at FVOCI</i>	(95,131,707)	13,996,516	(81,135,191)	16,776,619	5,312,037	22,088,656
57		2.2.	<i>Exchange rate differences on recalculating of foreign operating activities</i>	-	-	-	-	-	-
58		2.3.	<i>Effects from hedging instruments</i>	-	-	-	-	-	-
59		2.4.	<i>Insurance contracts net financial expenses/income</i>	91,061,224	(5,166,905)	85,894,319	(22,945,328)	(2,507,074)	(25,452,402)
60		2.5.	<i>Outward reinsurance contracts net financial expenses/income</i>	(698,362)	349,181	(349,181)	-	180,111	180,111
61		2.6.	<i>Other</i>	-	-	-	-	-	-
62		2.7.	<i>Income tax relating to these items</i>	1,283,306	(1,647,280)	(363,973)	1,121,494	(540,982)	580,512
63	047+050	XV	Total comprehensive income for the year	(998,549)	18,302,739	17,304,190	3,257,272	14,107,789	17,365,062
64		1	Attributable to owners of the parent	-	-	-	-	-	-
65		2	Attributable to non-controlling interests	-	-	-	-	-	-
66		XVI	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 2023 – 31
December 2023**

in EUR

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
1	002+018+035 + 036 + 037	I	CASH FLOW FROM OPERATING ACTIVITIES	(7,305,260)	13,616,180
2	003+004	1	Cash flow before the change in assets and liabilities	1,670,902	11,115,743
3		1.1	Profit/loss for the year	19,829,324	15,161,825
4	005+006+.....+017	1.2	Adjustments:	(18,158,422)	(4,046,083)
5		1.2.1	<i>Depreciation of real estate and equipment</i>	1,905,054	1,880,054
6		1.2.2	<i>Depreciation of intangible assets</i>	2,388,000	2,237,000
7		1.2.3	<i>Impairment loss of intangible assets</i>	-	-
8		1.2.4	<i>Other financial costs</i>	(546,255)	(1,736,415)
9		1.2.5	<i>Impairment and fair value gains/losses</i>	15,417	(138,707)
10		1.2.6	<i>Interest expense</i>	102,803	108,512
11		1.2.7	<i>Interest income</i>	(13,038,018)	(10,956,234)
12		1.2.8	<i>Profit from the sale of the subsidiary</i>	-	-
13		1.2.9	<i>Shares in the profits of associated companies</i>	-	-
14		1.2.10	<i>Equity-settled share-based payment transactions</i>	-	-
15		1.2.11	<i>Income tax expense</i>	4,362,504	3,462,086
16		1.2.12	<i>Profits/losses on sale of tangible assets (including land and buildings)</i>	25,244	(3,571)
17		1.2.13	<i>Other adjustments</i>	(13,373,171)	1,101,192
18	019+020+...+034	2	Increase/decrease in assets and liabilities	(5,601,634)	(769,738)
19		2.1	Increase/decrease in financial assets at fair value through other comprehensive income	569,911	64,368,108
20		2.2	Increase/decrease of financial assets at fair value through the profit and loss	(24,391,812)	(4,195,357)
21		2.3	Increase/decrease in financial assets valued at amortized cost	-	-
22		2.4	Increase/decrease in assets/liabilities from insurance contracts	27,145,543	(73,140,808)
23		2.5	Increase/decrease in assets/liabilities from reinsurance contracts	(15,277,277)	5,394,342
24		2.6	Increase/decrease in tax assets	-	-
25		2.7	Increase/decrease in receivables	6,769,452	6,768,983
26		2.8	Increase/decrease investment property	-	-
27		2.9	Increase/decrease in real estate for own use	-	-
28		2.10	Increase/decrease in other assets	-	-
29		2.11	Increase/decrease of obligations from the investment contract	-	-
30		2.12	Increase/decrease in other reserves	(417,451)	34,995
31		2.13	Increase/decrease in tax liabilities	-	-
32		2.14	Increase/decrease in financial liabilities	-	-
33		2.15	Increase/decrease in other liabilities	-	-
34		2.16	Increase/decrease in deferred income and expenses	-	-
35		3	Income tax paid	(9,220,807)	(2,040,050)
36		4	Interest received	5,450,191	4,709,611
37		5	Dividend received	396,088	600,614

**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 2023 – 31
December 2023 (continued)**

in EUR

Position no.	Elements of sum	Position code	Position description	Current business period	The same period of the previous year
38	039+040+...+045	II	CASH FLOW FROM INVESTING ACTIVITIES	8,839,665	(8,665,672)
39		1	Proceeds from sale of tangible assets	555,054	76,000
40		2	Payments for purchase of tangible assets	(269,000)	(261,571)
41		3	Proceeds from sale of intangible assets	-	-
42		4	Payments for purchase of intangible assets	(846,389)	(1,163,729)
43		5	Proceeds from the sale of subsidiaries, affiliates and joint ventures	(500,000)	(20,036,261)
44		6	Payments for the acquisition of subsidiaries, affiliates and joint ventures	9,900,000	12,719,889
45		7	Inflows/outflows from other investing activities	-	-
46	047+048+...+057	III	CASH FLOW FROM FINANCING ACTIVITIES	(14,277,084)	(1,487,712)
47		1	Proceeds on the basis of initial capital increase	-	-
48		2	Proceeds from the issuance of redeemable preferred shares	-	-
49		3	Proceeds from received short-term and long-term loans	-	-
50		4	Proceeds from the sale of own shares	-	-
51		5	Proceeds from the exercise of stock options	-	-
52		6	Payments for redeemable preferred shares	-	-
53		7	Payments for short-term and long-term loans	-	-
54		8	Repurchase of own shares	-	-
55		9	Interest paid	-	-
56		10	Paid dividend	(13,272,281)	-
57		11	Lease payments	(1,004,803)	(1,487,712)
58	001+038+046	IV	NET CASH FLOW	(12,742,679)	3,462,796
59		V	EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-
60	058+059	VI	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(12,742,679)	3,462,796
61		1	Cash and cash equivalents at the beginning of the period	27,624,553	24,161,757
62	060+061	2	Cash and cash equivalents at the end of the period	14,881,874	27,624,553

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
STATEMENT OF CHANGES IN EQUITY for period 01 January 2023 – 31 December 2023

in EUR

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	Financial reserve from the insurance contract	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	13,500,883	14,865,034	38,260,570	-	3,325,018	65,103,478	-	135,054,983	-	
1.	Changes in accounting policies	-	-	(3,432,110)	(1,227,223)	-	(16,836,354)	-	(21,495,687)	-	
2.	Correction of errors from previous periods	-	-	-	-	-	-	-	-	-	
II.	Balance as at 1 January of previous year (corrected)	13,500,883	14,865,034	34,828,461	(1,227,223)	3,325,018	48,267,125	-	113,559,296	-	
III.	Comprehensive income/loss of the previous year	-	-	(68,506,203)	70,143,213	-	505,306	15,161,875	17,304,190	-	
1.	Profit or loss of the period	-	-	(505,306)	-	-	505,306	15,161,875	15,161,875	-	
2.	Other comprehensive income or loss of the previous year	-	-	(68,000,898)	70,143,213	-	-	-	2,142,315	-	
2.1.	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-	-	-	-	
2.2.	Unrealised gains or losses from financial assets available for sale	-	-	(68,000,898)	-	-	-	-	(68,000,898)	-	
2.3.	Realised gains or losses from financial assets available for sale	-	-	-	-	-	-	-	-	-	
2.4.	Finance expense/income from insurance contract issued	-	-	-	70,429,187	-	-	-	70,429,187	-	
2.5.	Finance expense/income from reinsurance contract held	-	-	-	(285,975)	-	-	-	(285,975)	-	
2.6.	Other non-owner changes in equity	-	-	-	-	-	-	-	-	-	
IV.	Transactions with owners (previous period)	-	-	-	-	-	15,161,875	(15,161,875)	-	-	
1.	Increase/decrease in subscribed capital	-	-	-	-	-	-	-	-	-	
2.	Other payments by owners	-	-	-	-	-	-	-	-	-	
3.	Payment of shares in profit /dividends	-	-	-	-	-	-	-	-	-	
4.	Other distributions to owners	-	-	-	-	-	15,161,875	(15,161,875)	-	-	

Schedules prescribed by the Regulation of the Croatian Financial Services Supervisory Agency – Appendix 1 (continued)
STATEMENT OF CHANGES IN EQUITY for period 01 January 2023 – 31 December 2023 (continued)

in EUR

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	Financial reserve from the insurance contract	Reserves (legal, statutory, other)	Retained profit or transferred loss	Profit/loss of the current year		
V.	Balance as at the last day of the reporting period in previous year	13,500,883	14,865,034	(33,677,743)	68,915,990	3,325,018	63,934,305	-	130,863,486	-
VI.	Balance as at 1 January of the current year	13,500,883	14,865,034	(33,677,743)	68,915,990	3,325,018	63,934,305	-	130,863,486	-
1.	Other non-proprietary capital changes	-	-	-	-	-	-	-	-	-
2.	Correction of errors from previous periods	-	-	-	-	-	-	-	-	-
VII.	Balance as at 1 January of the current year (corrected)	13,500,883	14,865,034	(33,677,743)	68,915,990	3,325,018	63,934,305	-	130,863,486	-
VIII.	Comprehensive income/loss of the current year	-	-	18,092,192	(20,719,886)	-	163,482	19,829,274	17,365,062	-
1.	Profit or loss for the period	-	-	(163,482)	-	-	163,482	19,829,274	19,829,274	-
2.	Other comprehensive income or loss of the current year	-	-	18,255,674	(20,719,886)	-	-	-	(2,464,212)	-
2.1.	Unrealised gains or losses from tangible assets (land and buildings)	-	-	-	-	-	-	-	-	-
2.2.	Unrealised gains or losses from financial assets available for sale	-	-	18,255,674	-	-	-	-	18,255,674	-
2.3.	Realised gains or losses from financial assets available for sale	-	-	-	-	-	-	-	-	-
2.4.	Finance expense/income from insurance contract issued	-	-	-	(20,867,094)	-	-	-	(20,867,094)	-
2.5.	Finance expense/income from reinsurance contract held	-	-	-	147,208	-	-	-	147,208	-
2.6.	Other non-owner changes in equity	-	-	-	-	-	-	-	-	-
IX.	Transactions with owners (current period)	(22,665)	22,665	-	-	-	5,868,993	(19,141,274)	(13,272,281)	-
1.	Increase/decrease in subscribed capital	(22,665)	22,665	-	-	-	-	-	-	-
2.	Other payments by owners	-	-	-	-	-	-	-	-	-
3.	Payment of shares in profit /dividends	-	-	-	-	-	(13,272,281)	-	(13,272,281)	-
4.	Other transactions with owners	-	-	-	-	-	19,141,274	(19,141,274)	-	-
X.	Balance as at the last day of the reporting period in the current year	13,478,218	14,887,699	(15,585,551)	48,196,104	3,325,018	69,966,780	688,000	134,956,267	-

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2

Statement of financial position (balance sheet) 31 December 2023

Supplementary information prescribed by Regulation of the Croatian Financial Services
Supervisory Agency

Statutory financial statements

	EUR'000	Liabilities for financial assets acquisition	Transfer from financial assets at fair value through profit or loss to investment in subsidiaries	Segment receivables/payables	Rounding differences	EUR'000	
INTANGIBLE ASSETS	17,036						
Goodwill	-						
Other intangible assets	17,036					17,036	Intangible assets
TANGIBLE ASSETS	7,753					7,753	Property and equipment
Land and buildings intended for company business operations	2,834						
Equipment	334						
Other tangible assets and stock	4,585						
INVESTMENTS	619,392						
Investments in land and buildings not intended for company business operations	2,752					2,752	Investment property
Investments in subsidiaries, associates and joint ventures	755		25,507				
Shares and stakes in subsidiaries	755				1	26,261	Investment in subsidiaries
Shares and stakes in associates	-						
Joint venture participation	-						
Financial assets	615,885						
Financial assets at amortized cost	-						
Debt securities and other securities with fixed revenue	-						
Other investments held to maturity	-						
Loans	-						
Other	-						
Financial assets at fair value through other comprehensive income or loss	459,361					459,361	Financial assets at fair value through other comprehensive income or loss
Shares, stakes and other securities with variable revenue	609						
Debt securities and other securities with fixed revenue	456,207						
Investment fund units	-						
Other investments available for sale	2,545						
Investments at fair value through profit and loss account	156,524		(25,507)			131,017	Financial assets at fair value through profit or loss
Shares, stakes and other securities with variable revenue	-						
Debt securities and other securities with fixed revenue	865						
Derivative financial instruments	153,561						
Investment fund units	1,491						
Other investments	607						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position (balance sheet) 31 December 2023 (continued)

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	EUR'000	Liabilities for financial assets acquisition	Transfer from financial assets at fair value through profit or loss to investment in subsidiaries	Segment receivables/payables	Rounding differences	EUR'000	
INSURANCE CONTRACT ASSETS	-						
General measurement	-						
-Remaining coverage assets	-						
-Insurance acquisition cash flows assets	-						
-Incurred claims assets	-						
Variable fee approach	-						
-Remaining coverage assets	-						
-Insurance acquisition cash flows assets	-						
-Incurred claims assets	-						
Premium allocation approach	-						
-Remaining coverage assets	-						
-Insurance acquisition cash flows assets	-						
-Incurred claims assets	-						
REINSURANCE CONTRACT ASSETS	36,000					36,000	Reinsurance contract assets
DEFERRED AND CURRENT TAX ASSET	-						
Deferred tax asset	-						
Current tax asset	-						
OTHER ASSETS	26,780						
Cash at bank and in hand	14,882					14,882	Cash and cash equivalents
<i>Funds in the business account</i>	14,146						
<i>Funds in the asset account to cover liabilities from life insurance contracts</i>	736						
<i>Cash in hand</i>	-						
Long-term assets intended for sale and business cessation	-					5,141	Current tax assets
Other	11,898			(326)	(1)	6,432	Other receivables and prepaid expenses
TOTAL ASSETS	706,960	-	-	(326)	1	706,635	Total assets
OFF BALANCE SHEET ITEMS	-						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position (balance sheet) 31 December 2023 (continued)

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	EUR'000	Liabilities for financial assets acquisition	Transfer from financial assets at fair value through profit or loss to investment in subsidiaries	Segment receivables/payables	Rounding differences	EUR'000	
CAPITAL AND RESERVES	134,956				1	134,957	Total equity
Subscribed capital	13,478					13,478	Issued share capital
<i>Paid-up capital - ordinary shares</i>	13,478						
<i>Paid-up capital - preference shares</i>	-						
Issued shares premiums (capital reserves)	14,888					14,888	Share premium
Revaluation reserve	(15,586)						
<i>Land and buildings</i>	-						
<i>Financial investments</i>	(15,586)						
<i>Other revaluation reserves</i>	-						
Financial reserve from the insurance contract Reserves	48,196				(1)	35,936	Reserves
<i>Legally stipulated reserves</i>	3,325						
<i>Statutory reserve</i>	1,115						
<i>Other reserve</i>	2,210						
Transferred (retained) profit or loss	50,826					70,655	Retained earnings
<i>Retained profit</i>	50,826						
<i>Transferred loss (-)</i>	-						
Profit or loss of the current accounting period	19,829						
<i>Profit of the current accounting period</i>	19,829						
<i>Loss of the current accounting period</i>	-						
SUBORDINATED LIABILITIES	-						
MINORITY INTEREST	-						
INSURANCE CONTRACT LIABILITIES	547,727					547,727	Insurance contract liabilities
General measurement model	280,651						
-Liabilities for remaining coverage	272,077						
-Insurance acquisition cash flows assets	-						
-Incurred claims liabilities	8,574						
Variable fee approach	132,479						
-Liabilities for remaining coverage	126,592						
-Insurance acquisition cash flows assets	-						
-Incurred claims liabilities	5,887						

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of financial position (balance sheet) 31 December 2023 (continued)

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency

Statutory financial statements

	EUR'000	Liabilities for financial assets acquisition	Transfer from financial assets at fair value through profit or loss to investment in subsidiaries	Segment receivables/payables	Rounding differences	EUR'000	
Premium allocation approach	134,596						
-Liabilities for remanung coverage	52,895						
-Insurance acquisition cash flows assets	-						
-Incurred claims liabilities	81,701						
REINSURANCE CONTRACT LIABILITIES	-						
INVESTMENT CONTRACT LIABILITIES	-						
OTHER PROVISIONS	848					848	Provisions
Provisions for pensions and similar liabilities	848						
other provisions	-						
DEFERRED AND CURRENT TAX LIABILITY	2,644						
Deferred tax liability	2,644					2,644	Deferred tax liabilities
Current tax liability	-						
FINANCIAL LIABILITIES	7,425	(2,673)				4,752	Lease liabilities
Borrowings	-						
Liabilities on the basis of issued securities	-						
Liabilities for derivative financial instruments	-						
Liabilities for unpaid dividends	-						
Other financial liabilities	7,425						
OTHER LIABILITIES	13,360	2,673		(326)		15,707	Other liabilities, accrued expenses and deferred income
Liabilities for sale and ceased business	-						
Other accrued expenses and deferred income	6,076						
Other liabilities	7,285						
TOTAL LIABILITIES	706,960	-	-	(326)	1	706,635	Total liabilities and equity
OFF BALANCE SHEET ITEMS							

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	EUR'000	Fee and commission income	Rounding differences	Statutory financial statements	
	EUR'000			EUR'000	
Insurance revenue	144,846			144,846	Insurance revenue
General measurement model	9,122				
Variable fee approach model	4,196				
Premium allocation approach model	131,529				
Insurance expenses	(122,269)			(122,269)	Insurance expenses
Claims incurred	(64,084)				
Provisions	(29,209)				
Other expenses related to the sale of insurance	(1,894)				
Other expenses from the provision of insurance services	(17,831)				
Amortization of acquisition costs	2,946				
Losses and discharge of losses on the basis of unprofitable contracts	67				
Change of obligations for claims incurred	(12,263)				
Net income/expenses from reinsurance contract held	2,235			2,235	Net income/expenses from reinsurance contract held
Income from outward reinsurance contracts	19,229				
Expenses from outward reinsurance contracts	(16,994)				
Result from the insurance contract	24,812				
Net investment income	19,135			19,135	Net investment income
Net result of investment in land and construction facilities	(141)				
Profits/losses (net) from leases	26				
Realised gains/losses (net) from non owner-occupied properties	-				
Unrealised gains/losses (net) from non owner-occupied properties	-				
Depreciation of buildings not intended for business operations of the company	(167)				

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023 (continued)

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	EUR'000	Fee and commission income	Rounding differences	EUR'000	Statutory financial statements
Interest income recognised using the effective interest rate method	13,031				
Other interest income	7				
Dividend income	396				
Unrealised gains or losses from financial assets at fair value through profit or loss	8,100				
Realized gains/losses	(1,813)				
<i>Realised gains or losses from financial assets at fair value through profit or loss</i>	-				
<i>Realised gains or losses from financial assets at fair value through other comprehensive income</i>	(1,813)				
<i>Other realized gains/losses (net)</i>	-				
Net impairment/release of impairment of the investment	17				
Net exchange differences	(22)				
<i>Other investment income</i>	172				
<i>Other investment expenses</i>	(613)				
Net financial expense from insurance contracts and (passive) reinsurance	(11,859)				
Finance expense/income from insurance contract issued	(11,889)			(11,889)	Finance expense/income from insurance contract issued
Finance income from reinsurance contract held	30			30	Finance income from reinsurance contract held
Fee and commission income	-	297	1	298	Fee and commission income
Other income	1,524	(297)	2	1,225	Other income
Other expenses	(9,309)				
Other finance cost	(104)			(9,309)	Other expenses
Share in the profits of companies that are consolidated using the equity method, net of taxes	-			(104)	Other finance cost
Profit or loss before tax (+/-)	24,199				
Tax on profit or loss	(4,369)		1	24,198	Profit for the year
Current tax expense	-				
Deferred tax expense/income	(4,369)				

Reconciliation between statutory financial statements and Croatian Financial Services Supervisory Agency Schedules – Appendix 2 (continued)

Statement of comprehensive income (income statement) 01 January 2023 – 31 December 2023 (continued)

Supplementary information prescribed by Regulation of the Croatian Financial Services Supervisory Agency	EUR'000	Fee and commission income	Rounding differences	EUR'000	Statutory financial statements	
Profit of the year	19,829			-	19,829	Profit for the year
Attributable to owners of the parent	19,829					
Attributable to non-controlling interests	-					
Other comprehensive income	(2,464)					
Items that will not be reclassified to the income statement						
<i>Net change in fair value of equity securities (OCI)</i>	175			175		Net gains on investments in equity securities measured at FVOCI with no recycling to profit and loss
<i>Actuarial profits/losses on defined benefit pension plans</i>	-					
<i>Other</i>	-					
<i>Tax</i>	35			35		Income tax relating to these items
<i>Items that may be reclassified subsequently to profit or loss</i>						
<i>Net gains on investments in debt securities measured at FVOCI</i>	22,089			22,089		Net gains on investments in debt securities measured at FVOCI
<i>Exchange rate differences on recalculating of foreign operating activities</i>	-					
<i>Effects from hedging instruments</i>	-					
<i>Insurance contracts net financial expenses/income</i>	(25,452)			(25,452)		Finance expenses from insurance contracts issued
<i>Outward reinsurance contracts net financial expenses/income</i>	179			179		Finance expenses from reinsurance contracts issued
<i>Other</i>	510			510		Income tax relating to these items
Total comprehensive income for the year	17,365			17,365		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 2023

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 20/23), 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 on financial assets and other receivables are presented separately in CF while in HANFA CF are presented within Impairment losses and fair value gains/losses.
2. Net foreign exchange losses/(gains) on financial assets are presented separately in CF while in HANFA CF are presented within Other financial expenses.
3. Net loss/(gain) from financial assets at fair value through profit or loss and through other comprehensive income or loss are presented separately in CF while in CF HANFA are presented within Impairment losses and fair value gains/losses and Other adjustments.
4. Dividend income in CF is presented separately while in CF HANFA dividend income is presented within Other adjustments.
5. 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).