CROATIA OSIGURANJE®

Solvency and financial condition report 2024

Zagreb, April 2025

Contents

This document is a translation of the original Croatian version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the Croatian original is binding.

The Management Board of CROATIA osiguranje d.d., Zagreb is responsible for the preparation of this *Solvency and financial condition report for the year 2024* in accordance with the requirements of the Insurance Act and Delegated Regulation (EU) 2015/35. The report has been prepared in accordance with the financial statements of the Company as at December 31, 2024 and gives a true and fair view of the Company's position in 2024.

April 4, 2025

For and on behalf of CROATIA osiguranje d.d.

Luka Babić
Member of the Management Board

Davor Tomašković
President of the Management Board

Vesna Sanjković
Member of the Management Board

Robert Vučković
Member of the Management Board

CROATIA osiguranje d.d.

Vatroslava Jagića 33

10 000 Zagreb

Croatia

SUMMARY

CROATIA osiguranje d.d. (hereinafter: the Company) has prepared this ***Solvency and financial condition report for the year 2024*** (hereinafter: the Report) in accordance with Article 168 of the Insurance Act and the requirements of Articles 290 to 298 of Delegated Regulation (EU) 2015/35, while the structure of this Report follows the structure set out in Annex XX to the Delegated Regulation. All amounts are in EUR thousands. The report presents qualitative and quantitative information comparable to that for the previous period, the year 2023.

BUSINESS AND PERFORMANCE

As at December 31, 2024, the Company's business was accompanied by strong capital adequacy, with the **SCR ratio of a high 267%**. In 2024, the Company reported **profit before tax in the amount of EUR 71,499 thousand** (2023: EUR 55,154 thousand), which represented a 29.64% increase, while after-tax profit amounted to EUR 65,573 thousand (2023: EUR 46,880 thousand). Insurance revenue amounted to EUR 448,837 thousand, which was a 13.52% increase, while insurance service expenses increased by 8.70%, amounting to EUR 408,644 thousand.

The Company's operations in 2024 were significantly influenced by the growth of the insurance market in the Republic of Croatia, accompanied by stronger price adjustments. Driven by GDP growth and increased awareness of the need for insurance, the number of insurance policies on the market has risen, particularly in the area of health insurance, as well as property insurance. In 2024, the Company continued to enhance its digital customer experience and invested in the health insurance business segment. In order to increase the efficiency of portfolio management, investment properties were transferred to a separate legal entity.

Among the most significant events in 2024 affecting operations were the ongoing war in Ukraine, conflicts in the Middle East, instability in major European economies, and uncertainty related to the post-election outcomes in the United States. Further development of the insurance market in Croatia will be significantly influenced by climate change, inflation and interest rate changes, in addition to the aforementioned geopolitical upheavals. In November 2024, Fitch Ratings assigned CROATIA osiguranje a long-term Insurer Financial Strength (IFS) rating of A- with a stable outlook, making the Company the first insurance undertaking in Croatia to receive an external rating from one of the world's leading credit rating agencies. Pursuant to decisions of the General Assembly, a dividends were approved and paid in amount of 115 million EUR during 2024.

More detailed information on significant business events and achieved business performance is provided in *Chapter A*.

SYSTEM OF GOVERNANCE

The Company has an appropriate governance system in place that includes an appropriate organizational structure, internal control system and risk management system. Thus, all **key functions** prescribed by the Act have been established in the Company: the risk management function, the compliance function, the internal audit function and the actuarial function. A significant part of the risk management system is aimed at **monitoring capital adequacy**, i.e., maintaining the required level of capital appropriate to the scope and types of insurance business undertaken, considering all financial, operational, business-related and other risks and events the Company is exposed to.

SUMMARY

An integral part of the Company's business strategy and business planning is the implementation of its **own risk and solvency assessment (ORSA)**, which is continuously considered when making strategic decisions. The ORSA-based approach and techniques are applied not only once a year, which is the minimum, but also throughout the business year, whenever important business decisions are being considered. In 2024, there was no need to implement extraordinary ORSAs, despite the significant unfavourable events that took place around the world. As was evident during the year, these events did not significantly affect the Company's risk profile.

In 2024, there was a change in the composition of the Company's Management Board, as well as in its organisational structure. More detailed information on the governance system is provided in *Chapter B*.

RISK PROFILE

The Company's risk profile essentially consists of insurance risk (non-life, life and health insurance), market risk, credit risk, liquidity risk and operational risk, which includes compliance risk and cyber risk. The Company regularly manages the said risks in its business operations and capital requirements are established by applying the provisions of the standard formula for the corresponding risks. Among other material risks, the Company recognizes exposure to strategic risk, reputational risk, outsourcing risk and sustainability risk. The Company also regularly monitors external risk factors (risks of the macroeconomic, legislative, political, social and technological environment), which are mostly qualitative in nature and correlate to or affect other risks.

In 2024, there were no significant changes in the risk profile compared to the previous year. Solvency capital requirement coverage with eligible own funds was **267%** (includes adjustment for foreseeable dividends) as at December 31, 2024 and it was at levels above 275% for the rest of the year 2024. The Company calculates the SCR using the standard formula in compliance with the Solvency II requirements. **The increase in the Solvency Capital Requirement (SCR) compared to the previous year** was primarily driven by a higher capital requirement for market risk (equity risk), resulting from a significant increase in the equity portion of the investment portfolio.

Table 1 Solvency capital requirement *(EUR thousand)*

Capital requirement by risk module	2024	2023
Market risk	234,888	189,075
Counterparty default risk	16,167	16,219
Life Underwriting risks	5,579	5,936
Health underwriting risk	17,035	14,993
Non-Life underwriting risk	97,763	89,037
Diversification effects	(83,057)	(74,870)
BSCR	**288,374**	**240,391**
Operational risk	15,161	13,099
Adjustment for tax	(39,414)	(28,604)
SCR	**264,120**	**224,886**

SUMMARY

Detailed information on the risk profile is provided in *Chapter C*.

VALUATION FOR SOLVENCY PURPOSES

The valuation of assets and liabilities for solvency purposes (SII valuation) was carried out in accordance with applicable regulations and the total assets valued for solvency purposes amounted to EUR 1,565,295 thousand, which represents a EUR 94,415 thousand increase compared to the total assets valued under IFRS (International Financial Standards Reporting). The most significant difference by asset item stems from investments in participations, since they are valued at acquisition cost under IFRS, while for solvency purposes they are valued using the adjusted equity method. Significant differences on the assets side are also present in insurance and intermediaries receivables and in investments in government bonds. On the liabilities side, a significant difference arises from the valuation of technical provisions resulting from different methodologies prescribed by IFRS on the one hand and Solvency II on the other.

Table 2 Difference between SII and IFRS valuation of assets and liabilities *(EUR thousand)*

	2024	2023
IFRS equity	**658,373**	**664,435**
Difference in the valuation of participations	100,263	106,485
Difference in the valuation of other assets	(5,848)	(11,733)
Difference in the valuation of technical provisions	25,263	23,148
Difference in the valuation of other liabilities	(27,738)	(25,290)
Excess of assets over liabilities	**750,313**	**757,043**
Forseeable dividends	**45,641**	**65,000**
Solvency II eligible own funds	**704,672**	**692,043**

More detailed information on the valuation of assets and liabilities is provided in *Chapter D*.

CAPITAL MANAGEMENT

In 2024, the Company operated at **high capital adequacy ratios**. As at December 31, 2024, eligible own funds to meet the SCR and MCR totalled **EUR 704,672 thousand, the solvency capital requirement (SCR) amounted to EUR 264,120 thousand,** while **minimum capital requirement (MCR) was EUR 69,520 thousand**.

The ratio between eligible own funds to meet the solvency capital requirement and the SCR (**SCR ratio** or capital adequacy ratio) was **a high 267%**. The **41 p.p.** decrease in the capital adequacy ratio compared to 2023 (2023: 308%) was the result of a greater increase in SCR (+17.45%) than the increase in eligible own funds (+1.82%) The increase in the Solvency Capital Requirement (SCR) was primarily driven by a higher capital requirement for market risk (equity risk), resulting from a significant increase in the value of the equity portion of the investment portfolio and the resulting exposure to it.

SUMMARY

Change of eligible own funds for +1.82%, is the result of the Company's performance, primarily its comprehensive income of EUR 65,573 thousand realized in 2024 (after-tax profit), growth in the value of part of the investment through other comprehensive profit and dividends payments in 2024 in the amount of EUR 115 million, which is EUR 50 million more than the foreseeable dividend reported in 2023 in the amount of EUR 65 million. All the Company's own funds eligible for SCR coverage were **tier 1 funds**, being the highest quality of own funds.

Table 3 SCR ratio *(EUR thousand)*

	2024	2023
Eligible own funds to meet the SCR	**704,672**	**692,043**
Of which tier 1	704,672	692,043
Of which tier 2	0	0
Of which tier 3	0	0
SCR	**264,120**	**224,886**
SCR ratio	**267%**	**308%**

All the Company's own funds eligible for SCR are also eligible for MCR coverage. The ratio of eligible own funds to meet minimum capital requirement and the MCR (MCR ratio) is **a very high 1,014%** (2023: 1,065%).

Table 4 MCR ratio *(EUR thousand)*

	2024	2023
Eligible own funds to meet the MCR	**704,672**	**692,043**
Of which tier 1	704,672	692,043
Of which tier 2	0	0
Of which tier 3	0	0
MCR	**69,520**	**64,952**
MCR ratio	**1014%**	**1065%**

More detailed information on capital management is provided in *Chapter E*.

The **quantitative reporting templates (QRTs)** prescribed for public disclosure contained in *Chapter F* are also integral parts of this Report.

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

CROATIA osiguranje d.d. with its registered office in Zagreb, Vatroslava Jagića 33, is entered in the Court Register of the Commercial Court of Zagreb under registered company number (MBS): 080051022 and PIN (OIB): 26187994862. The Company's primary contact information is:

- **web:** www.crosig.hr;
- **e-mail:** info@crosig.hr;
- **telephone:** 072 00 1884.

The Company's share capital has been registered with the Commercial Court in Zagreb, at a nominal value of EUR 79,924 thousand, comprising 429,697 shares of nominal value of EUR 186.00, paid in full, in cash. These shares are classified as ordinary and preference shares, whereby, given the guaranteed payment of dividends, preference shares are classified as financial liabilities. Pursuant to the Company's Articles of Association, there is no restriction or partial restriction on the voting rights of shareholders. The members of the Management Board and the Supervisory Board of the Company are not holders of the Company's shares. The Company has no treasury shares, nor has the General Assembly authorized the Company to acquire treasury shares.

The main activity of the Company is **non-life and life insurance business** and other closely related activities, as well as **reinsurance business in the non-life insurance group**.

The Company's operations also include:

- Activities of offering units in investment funds and activities of offering pension plans under voluntary pension funds and of pension insurance companies in accordance with legal provisions that regulate the offering of units in investment funds and offering of pension plans,
- Activities of insurance distribution for other insurance companies,
- Activities which are directly or indirectly related to the insurance business,
- Credit intermediation services in accordance with the regulations governing the services of credit intermediaries.

Since 2004, the Company's shares have been listed on the Official Market of the Zagreb Stock Exchange, Zagreb.

The **significant geographical area** in which the Company performs insurance activities is the Republic of Croatia, while the Company also operates through its branch in the Republic of Slovenia. This branch operates in legal transactions under the company name "CROATIA osiguranje d.d. podružnica Ljubljana" (name in Croatian) and "CROATIA ZAVAROVANJE d.d. podružnica Ljubljana" (name in Slovenian).

In accordance with a decision made for the sake of more efficient operation, the Company is in the process of closing its subsidiary in Ljubljana. The Company will continue to operate in Slovenia through cross-border distribution of insurance products based on the freedom to provide services in accordance with applicable legal regulations, which means CROATIA osiguranje d.d. will continue to provide insurance services within the registered types of insurance based on the freedom to provide services to all current and future corporate clients in Slovenia.

A. BUSINESS AND PERFORMANCE

The **supervisory authority** responsible for the supervision of the Company is the **Croatian Financial Services Supervisory Agency** (hereinafter: **HANFA or the Agency**), Franje Račkog 6, Zagreb. HANFA's primary contact information is:

- web: www.hanfa.hr;
- e-mail: info@hanfa.hr;
- telephone: +385 1 6173 200.

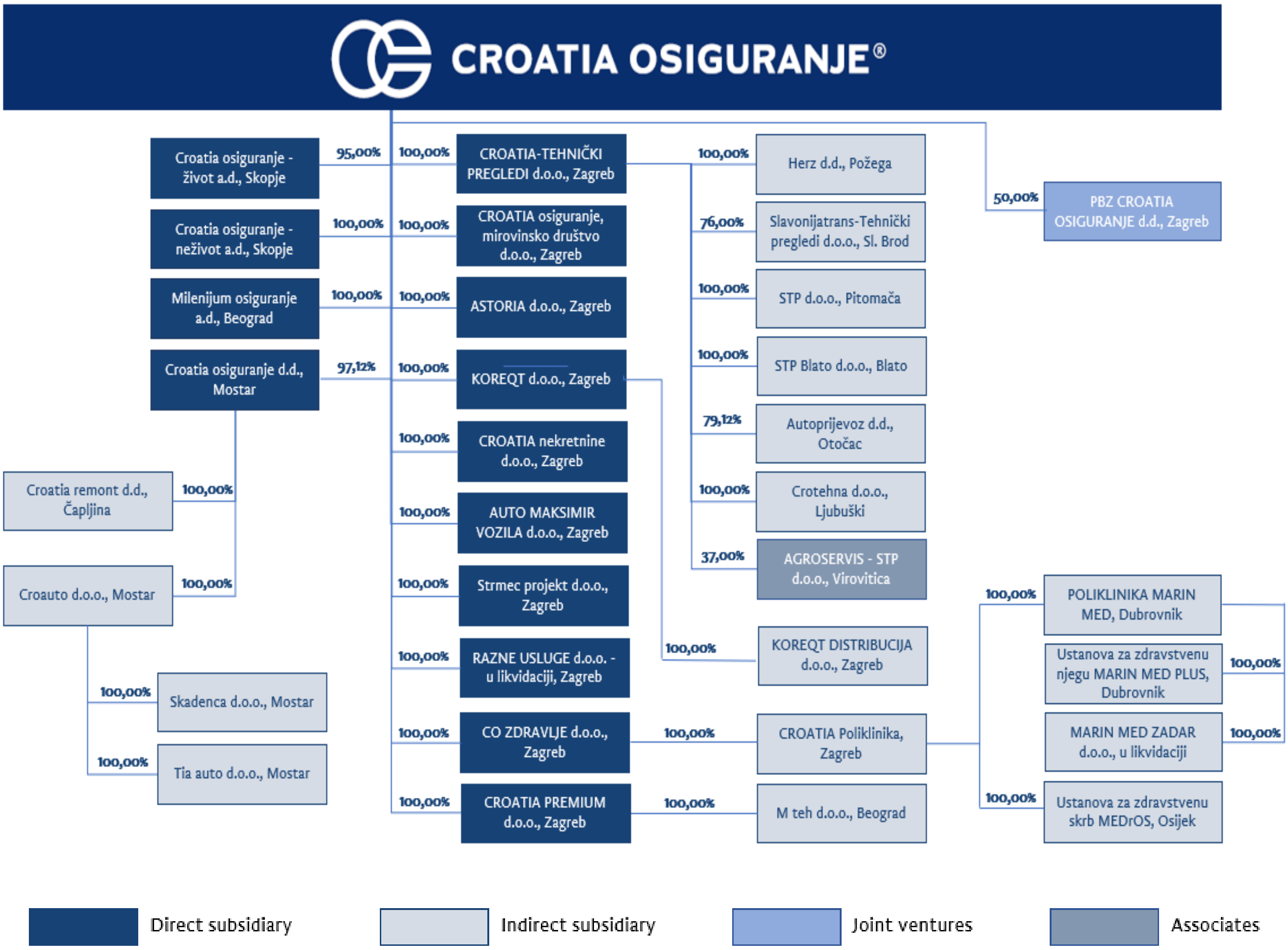
The Company's **external auditor** for the year 2024 is **Deloitte d.o.o.**, Zagreb (hereinafter: Deloitte Hrvatska **or the Auditor**), Radnička cesta 80. The Auditor's basic contact details are the following:

- web: www2.deloitte.com;
- telephone: +385 1 2351 900.

The owners of qualifying shares in the Company are **Adris grupa d.d., Rovinj with 67.47% equity** and **Restructuring and Sales Centre ("Centar za restrukturiranje i prodaju"), acting on behalf of the shareholder Republic of Croatia, with 30.10%** equity. The Company operates within the **Adris grupa**, one of the leading Croatian and regional companies. The Adris grupa structure includes three strategic business units: : tourism, insurance and healthy food. As part of Adris grupa there is also Abilia d.d., established in 2006 as a company specializing in managing investment projects and real estate of Adris grupa as a whole. In addition to investing in existing ventures, Adris grupa expanded its product portfolio to include renewable energy sources, thus positioning itself as a leader in the green transition within the region. Back in early 2014, Adris grupa became the majority owner of the Company, making Adris the regional leader in the insurance market.

CROATIA osiguranje d.d. is the governing, parent company of **CROATIA osiguranje Group** (hereinafter: **the Group**) with the principal function of consolidating and directing the Group and in most participations it is the sole or majority owner.

A. BUSINESS AND PERFORMANCE



A.2 UNDERWRITING PERFORMANCE

IFRS 17, applied as of January 1, 2023, establishes principles for recognizing, measuring, presenting, and disclosing insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features. It introduced a model that measures groups of contracts based on the Company's estimate of the present value of future cash flows expected to arise as the Company performs contracts, the adjustments for non-financial risk, and contractual service margins.

Financial income and expenses from insurance and reinsurance contracts are disaggregated into portions recognized in the income statement and portions recognized in other comprehensive income. They are presented separately from insurance contract income and insurance service expenses.

More detailed information about significant accounting policies and business performance by individual business segments are provided in the Company's *2024 Annual Report*.

A. BUSINESS AND PERFORMANCE

As at December 31, 2024 the **Company's business was accompanied by strong capital adequacy, with the SCR ratio of a high 267%**. In 2024, the Company reported **profit before tax in the amount of EUR 71,499 thousand,** which represented a **29.64% increase**, while after-tax profit amounted to **EUR 65,573 thousand**. Insurance revenue amounted to EUR 448,837 thousand, which was a 13.52% increase, while insurance service expenses increased by 8.70%, amounting to EUR 408,644 thousand .

The Company's operations in 2024 were significantly influenced by the growth of the insurance market in the Republic of Croatia, accompanied by stronger price adjustments. Driven by GDP growth and increased awareness of the need for insurance, the number of insurance policies on the market has risen, particularly in the area of health insurance, as well as property insurance.

The following table shows all the key components of the Income Statement.

Table A.2.1 Income Statement *(EUR thousand)*

	2024	2023	Δ24/23
Insurance revenue	448,837	395,384	13.52%
Insurance service expenses	(408,644)	(375,931)	8.70%
Net result of (passive) reinsurance contracts	(14,809)	(7,677)	92.89%
Result from insurance contracts	**25,385**	**11,775**	**115.57%**
Net investment income	58,709	52,214	12.44%
Net financial result from insurance and (passive) reinsurance contracts	(6,395)	(4,050)	57.90%
Other income	7,323	5,653	29.55%
Other financial expenses	(1,420)	(1,418)	0.17%
Other operating expenses	(12,103)	(9,021)	34.17%
Profit before tax	**71,499**	**55,154**	**29.64%**
Income tax	(5,926)	(8,274)	-28.38%
PROFIT FOR THE YEAR	**65,573**	**46,880**	**39.87%**

Underwriting performance is also presented based on an analysis of insurance income by line of business and an analysis of expenses from insurance contracts.

A. BUSINESS AND PERFORMANCE

Table A.2.2 Insurance revenue by material line of business *(EUR thousand)*

	2024	2023
Fire and other damage to property insurance	122,017	110,004
Motor vehicle liability insurance	96,541	84,453
Other motor insurance	82,654	70,557
Medical expense insurance	71,304	59,214
General liability insurance	23,164	18,646
Income protection insurance	15,413	15,790
Marine, aviation and transport insurance	12,311	13,159
Miscellaneous financial loss insurance	7,220	7,409
Other types of Non-life insurance	7,544	7,413
Non-proportional health reinsurance (non-life)	0	0
Non-proportional reinsurance casualty	1,250	1,091
Non-proportional marine, aviation and transport	43	29
Non-proportional property reinsurance	1,634	1,177
Total Non-life insurance	**441,095**	**388,941**
Insurance with profit participation	7,473	5,874
Other types of Life insurance	269	569
Total Life insurance	**7,742**	**6,442**
Total	**448,837**	**395,383**

**In 2024, income from non-proportional reinsurance was also disclosed, unlike in 2023, when it was not presented due to the absence of comparative data for the year 2022.*

The largest increases in insurance income were achieved in other motor insurance, medical expense insurance, motor vehicle liability insurance and fire and other damage to property insurance.

Table A.2.3 Insurance service expenses *(EUR thousand)*

	2024	2023
Claims incurred	263,164	257,715
Other expenses from insurance services	63,004	60,283
Other expenses from sale of insurance	45,060	38,510
Commission expenses	44,890	39,912
Losses on onerous insurance contracts	365	(2,147)
Change of liabilities for claims incurred	(7,839)	(18,341)
Total	**408,644**	**375,931**

A. BUSINESS AND PERFORMANCE

A.3 INVESTMENT PERFORMANCE

Net investment income includes income from investment property, interest revenue calculated using the effective interest method, net gains/losses from financial assets at fair value through profit or loss, net impairment/reversal of impairment of financial assets, net foreign exchange differences, income generated from participating interests (dividends, shares in profits, accruals - value increases), and other income and expenses from investments.

Net investment income in 2024 amounted to EUR 58,709 thousand, representing a 12% increase compared to 2023. Net investment income increased by EUR 6,495 thousand, mainly as the result of an increase in other investment income/expenses.

Table A.3.1 Net investment income *(EUR thousand)*

	2024	2023
Interest revenue calculated using the effective interest method	25,759	27,224
Other investment income/expenses	16,661	13,193
Net gains/losses from financial assets at fair value through profit or loss	8,078	6,050
Income from investment property	4,329	4,691
Net impairment/reversal of impairment of financial assets	2,352	2,019
Net foreign exchange differences	1,531	(964)
Total	**58,709**	**52,214**

Interest revenue calculated using the effective interest method pertains to net income from bond coupons and amortization, as well as interest income from deposits and loans. Interest revenue decreased by EUR 1,465 thousand compared to 2023, primarily due to a lower volume of investments in bonds and reduced (one-off) income from default interest on loans.

Other investment income/expenses include dividend income, net realized gains/losses from financial assets measured at fair value through other comprehensive income, investment staff costs, utility costs of investment properties, transaction costs, and other income and expenses from unit-linked funds.

Other investment income/expenses in 2024 increased by EUR 3,468 thousand, due to higher net dividends and realized net losses from sales of instruments classified at FVOCI (debt securities).

Net gains/losses from financial assets at fair value through profit or loss include financial assets classified at FVPL, mainly investment funds and derivative financial assets. In 2024, the EUR 2,027 increase mainly resulted from realized gains from collective investment undertakings and realized and unrealized losses from derivative financial assets.

A. BUSINESS AND PERFORMANCE

Table A.3.2 Net gains/losses from financial assets at fair value through profit or loss (EUR thousand)

	2024	2023
Net unrealized gains/losses	3,255	3,877
Interest revenue	99	1,115
Realized sales gains/losses	4,723	1,058
Total	**8,078**	**6,050**

Income from investment property includes rental income as well as income/expenses from sales and fair value adjustments of real property.

Net impairment/reversal of impairment of financial assets relates to adjustments for expected credit losses on debt securities, deposits and loans (ECL), as well as to fair value adjustments of positions held by the subsidiaries.

Net foreign exchange differences include foreign exchange differences (gains/losses) from financial assets.

Investments in securitized instruments

The Company **does not invest in securitized instruments**.

A.4 PERFORMANCE OF OTHER ACTIVITIES

The Company has **no other material activities** other than insurance and related activities, the results of which are presented in the previous sections.

A.5 ANY OTHER INFORMATION

In 2024, in accordance with the recommendations of the Management Board and the Supervisory Board and the decisions of the General Assembly, a dividend was approved and paid out in amount of 115 million EUR. In November 2024, Fitch Ratings assigned the Company a long-term Insurer Financial Strength (IFS) rating of A- with a stable outlook, making it the first insurance undertaking in Croatia to receive an external rating from one of the world's leading credit rating agencies.

In line with the Corporate Sustainability Reporting Directive (CSRD), the Croatian Accounting Act and the European Sustainability Reporting Standards (ESRS), the Company prepared a consolidated Sustainability Report (covering its subsidiaries) for the reporting year ending on December 31, 2024. The Company is published the report in 2025 on its website as an integral part of the 2024 Annual Report, i.e. the Management Report. In addition to the above-mentioned report, the CO Group also discloses its sustainability information as part of the consolidated Sustainability Report of Adris grupa d.d.

A. BUSINESS AND PERFORMANCE

Geopolitical and macroeconomic situation

The year 2024 was marked by political shifts in some of the world's largest economies, as well as the resulting impact on the global geopolitical landscape. Foremost among these was the U.S. presidential election, which resulted in a strong Republican Party majority led by Donald Trump as the new President of the United States. Announced policy directions included a tightening of economic cooperation with other countries and the imposition of tariffs on nearly all U.S. trading partners. It remains to be seen how the new President's mandate will affect ongoing military conflicts in Ukraine and the Middle East conflicts that have contributed to global instability for several years already. With regard to these conflicts, the Company complies with all applicable sanctions regulations and has no direct insurance or reinsurance operations involving Russia or Ukraine.

During 2024, inflation declined, which was one of the key factors behind the decision of central banks primarily the Federal Reserve (FED) and the European Central Bank (ECB) to begin reducing interest rates in the second half of the year. However, President Trump's announcement of new tariffs led to increased market volatility and halted the decline in inflation. In the final months of 2024, the U.S. economy experienced stable, yet still above-target inflation levels, remaining above the 2% target. As a result, the Chair of the Federal Reserve, Jerome Powell, indicated that the pace of interest rate cuts in 2025 would not match the rate of reductions seen in late 2024 (the FED cut interest rates three times in the second half of 2024 - by a total of 1 percentage point). Accordingly, the FED's January 2025 meeting did not result in further rate cuts as anticipated, and future reductions will depend on developments in U.S. labour market conditions and inflation.

On the other hand, the ECB has pursued a more aggressive approach to rate cuts. From mid-2024 through January 2025, the ECB lowered its key interest rates on five occasions - by a total of 1.25 to 1.6 percentage points, depending on the rate type. Although inflation in the Eurozone remains above the desired level (gradually rising to 2.5% in the last months of 2024), the ECB has not deviated from its plan to continue with interest rate reductions. In Croatia, inflation accelerated again toward the end of 2024 compared to previous months, reaching levels above 4%. As a result, Croatia ranked among the Eurozone countries with the highest inflation levels at the end of the year. Wage growth (particularly pronounced in the public sector), private consumption, and investments funded through EU programmes are expected to continue supporting price growth and GDP expansion in Croatia.

The US stock market recorded strong growth in 2024 (the S&P 500 stock index rose by 27%), driven, among other things, by optimism about the announced moves of the newly elected US president. The European stock market also recorded overall growth in 2024, but the second half of the year was negative due to political instability in the largest European economies – France and Germany, as well as the announced US tariffs on European products. The beginning of 2025 brought increased volatility to most global stock markets, caused by geopolitical tensions and economic moves between the new US administration and other world economies (China, EU, Canada, Mexico, etc.)

The Croatian bond market recorded a rise in value in 2024, primarily due to an upgrade in the country's credit rating by all three major credit rating agencies (raising it to an above-average investment-grade level of A-). This development positioned Croatia ahead of several larger European countries in terms of credit rating and further strengthened the increasingly stable credit perception that Croatian bonds enjoy among foreign investors. This positive sentiment was also reflected in the domestic equity market, with a strong growth in 2024 (the CROBEX index rose by 30%).

A. BUSINESS AND PERFORMANCE

Growth continued into early 2025, with Slovenian equities following suit the ADRIAprime index (a composite of Croatian and Slovenian blue-chip stocks) recorded a 10.6% increase in value in January alone, followed by a period of increased volatility.

As regards the operations, the most recent results of the Own Risk and Solvency Assessment (ORSA) process confirm the Company's resilience to a variety of stress scenarios, owing to its strong capital position and high solvency. As at December 31, 2024, the Company's SCR ratio stood at a robust 267%, and it is likely that the Company would continue to operate in line with regulatory requirements even under stressed conditions.

Business improvement

The digital segment of the business continued to grow in 2024. Gross written premium from all digital operations increased by 30% compared to the previous year, while the number of clients using the Moja Croatia mobile application grew by 16%. The digital brand LAQO recorded a 29% increase in premium compared to 2023. Koreqt, an advanced digital platform for comparing and selecting products and services, launched by the Company in February 2024, continues to deliver positive results. The number of active products increased by 30% compared to the previous quarter, while the number of partner referrals (click-throughs) increased by 11% quarter-on-quarter. In 2024, a new functionality was introduced in the Moja Croatia mobile application, allowing clients to independently and easily book appointments for medical check-ups, view all services covered by their policy, and access records of services already used. To mark its fourth anniversary, the digital brand LAQO launched an advanced AI-powered digital assistant the first in Croatia capable of calculating insurance premium quotes via WhatsApp in a matter of seconds. The Company was also the first on the market to introduce artificial intelligence in motor vehicle claims assessment, and it implemented online property damage claims reporting, enabling the entire process from claim submission to settlement to be completed within 24 hours. The digitalisation of claims handling processes will remain a strategic focus in 2025.

Investments in high-standard private healthcare continued, with over EUR 20 million invested over the past four years. CROATIA Poliklinika further strengthened its market position through the acquisition of Polyclinic Marin Med in Dubrovnik in May and Polyclinic Medros in Osijek in October 2024.

The Spektar loyalty program also continued to achieve excellent results. By the end of 2024, more than 93 thousand households with over 121 thousand members were included in the Spektar program. This means that the majority of eligible clients were successfully enrolled in the programme, laying the groundwork for the planned expansion of the program in 2025.

Important events after financial year end

There were no material events after the balance sheet date.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In accordance with the Companies Act, the Company has adopted the **dualistic system** in the Company's organizational structure. The basic bodies of the Company are the Management Board, the Supervisory Board as the body that supervises the work of the Company and the Assembly of the Company. The obligations and responsibilities of said governing bodies are set out in the Companies Act, the Insurance Act and the Articles of Association.

The **Management Board of the Company** is a body which, in accordance with the provisions of the Companies Act, the Insurance Act and the provisions of the Articles of Association and other internal documents of the Company, manages the affairs of the Company and represents the Company, and it is independent in this respect. The Management Board of the Company consists of at least three (3) and a maximum of seven (7) members, one of whom is the President of the Management Board. The number of members of the Management Board is determined by the Supervisory Board.

A member of the Management Board may be a person who at all times fulfils the requirements prescribed by the Companies Act, the Insurance Act and the requirements prescribed by the *Ordinance on requirements for performing the function of the insurance or reinsurance undertaking's management and supervisory board member, authorized signatory of the insurance or reinsurance undertaking and authorised agent of the branch of the insurance or reinsurance undertaking* adopted by HANFA. Only a person who has previously obtained HANFA's approval may be appointed a member of the Management Board.

The Management Board has adopted the Rules of Procedure, which regulate all issues relevant to the work of the Management Board that are not regulated by the Articles of Association of the Company. The members of the Management Board of the Company, in accordance with the Articles of Association and the Rules of Procedure, conduct the business of the Company jointly and, as a rule, make decisions at meetings, but may also make decisions as part of consultations by electronic mail, as well as by any other appropriate technical means. Management Board meetings are generally held once a week. The Management Board makes decisions by the majority of votes cast and in the event of a split vote, the vote of the President of the Management Board is decisive. At least two members of the Management Board represent the Company.

The Management Board is responsible for submitting the annual report of the Company and the Group (which includes annual financial statements) to the Supervisory Board, after which the Supervisory Board is to approve the submission to the General Assembly for acceptance. The Company's Management Board is required to prepare non-consolidated and consolidated financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the results of their operations and cash flow, in accordance with applicable accounting standards. Finally, it also has the responsibility to maintain appropriate accounting records that enable the financial statements to be prepared at any time.

The affairs of the President and members of the Company's Management Board have been coordinated by a special decision of the Company's Management Board. This decision defines the division of powers between the President and members of the Management Board of the Company in relation to the organizational units of the Company.

B. SYSTEM OF GOVERNANCE

The **Supervisory Board** is the body of the Company which supervises the management of the Company's affairs, but its powers are not limited only to the function of supervision, but are also exercised in other affairs defined by the Companies Act and the Articles of Association of the Company.

A member of the Supervisory Board may be a person who at all times fulfils the requirements prescribed by the Companies Act, the Insurance Act as well as the requirements prescribed by the *Ordinance on requirements for performing the function of the insurance or reinsurance undertaking's management and supervisory board member, authorized signatory of the insurance or reinsurance undertaking and authorised agent of the branch of the insurance or reinsurance undertaking* adopted by HANFA. The term of office of the members of the Supervisory Board is a maximum of four (4) years with the possibility of re-election. Only a person who has previously obtained HANFA's approval may be appointed a member of the Company's Supervisory Board.

With respect to the ownership structure, as long as it holds at least 25% of the Company's ordinary shares plus one such share, the Republic of Croatia has the right, pursuant to Article 256 (3) of the Companies Act, to appoint directly two (2) members of the Supervisory Board, whereas whilst holding at least 10% of the Company's ordinary shares, it is entitled to appoint directly one (1) member of the Supervisory Board. One (1) member of the Supervisory Board shall be appointed by the Workers' Council of the Company or the employees in direct and secret elections in the manner prescribed for the election of the Workers' Council and this right shall apply to them for as long as the conditions of the Labour Act are fulfilled. The remaining four (4) or five (5) members of the Supervisory Board are elected by the General Assembly of the Company.

The Supervisory Board primarily performs the following tasks:

- appoints and recalls the President and members of the Management Board;
- supervises the running of the Company's business;
- convenes the General Assembly when needed;
- submits a written report to the General Assembly on the performed supervision;
- adopts the Annual Financial Report at the proposal of the Management Board;
- represents the Company in dealings with the Management Board;
- approves the decisions of the Management Board and decides on other matters when so required by the law or the Articles of Association;
- amends the provisions of the Articles of Association based on the decisions of the General Assembly of the Company;
- adopts its own Rules of Procedure;
- performs other tasks expressly entrusted to it by the law or the Articles of Association;
- concludes contracts with the Management Board.

B. SYSTEM OF GOVERNANCE

By a majority vote of all members and according to the Articles of Association of Croatia osiguranje d.d., the Supervisory Board approves the following decisions or documents of the Management Board:

- alienation or encumbrance of the Company's property the market value of which exceeds EUR 132,722.81;
- concluding of legal transactions or related legal transactions that exceed fifteen percent (15%) of the Company's share capital, except the legal affairs that fall within the regular operations of the Company determined by the Insurance Act, which relate to insurance and reinsurance and investment business, on which the Management Board is obliged to report quarterly to the Supervisory Board;
- determination of the Company's business policies;
- determination of the financial plan of the Company, proposed by the Management Board;
- determination of the structure of the internal control system;
- determination of the framework of the annual internal audit work program.

The Supervisory Board may appoint certain Committees to prepare any decisions it is required to make and to supervise their enforcement. Members of the Supervisory Board may participate in the work of each Committee. The decisions of the Supervisory Board are made by a majority of the total number of members, unless otherwise provided by the Articles of Association. The work of the Supervisory Board of the Company is further regulated by the Rules of Procedure of the Supervisory Board.

The Supervisory Board has established the **Audit Committee** as an expert body that supports the Supervisory Board of the Company. The organization and manner of the work of the Audit Committee are further specified in the Rules of Procedure of the Audit Committee. The Audit Committee consists of three (3) members appointed by the Supervisory Board from its ranks. At least one (1) Audit Committee member must be proficient in accounting and/or auditing. The Audit Committee performs the following tasks set out in the Audit Act and the Rules of Procedure of the Audit Committee:

- informs the Supervisory Board of the outcome of the statutory audit, explains how the statutory audit contributed to the integrity of the financial reporting and explains the Board's role in the process;
- monitors the financial reporting process, including reporting in electronic format in accordance with the legislation governing corporate accounting, and provides recommendations or proposals to ensure the Company's integrity;
- regarding financial reporting, monitors the effectiveness of the internal quality control and risk management systems and, where applicable, of the internal audit, without violating its independence;
- monitors the conduct of the statutory audit of the annual financial statements and consolidated annual financial statements, taking into account all findings and conclusions issued by the Ministry of Finance;
- examines and monitors the independence of the audit firm, in particular the appropriateness of the provision of non-audit services, which are subject to its prior approval following a proper assessment of threats to independence and the application of appropriate safeguards.
- it is responsible for the process of selecting an audit firm, proposes the appointment of the audit firm and makes recommendations on the terms of its engagement;
- oversees the rotation of certified auditors within the audit firm;

B. SYSTEM OF GOVERNANCE

- monitors the accuracy and completeness of the Company's financial statements and accounting policies, as well as other official communications related to the Company's financial performance;
- assesses, at least once per year, the effectiveness of the risk management and internal control system as a whole, and provides recommendations to the Supervisory Board and the Management Board as needed;
- ensures the effectiveness of the internal audit function, in particular by issuing recommendations to the Supervisory Board regarding the appointment or dismissal of the head of the internal audit function, ensuring the independence and adequacy of the internal audit function, and overseeing the implementation of measures resulting from both external and internal audits and the Committee's own oversight activities;
- ensures the adequacy, independence and effectiveness of the external audit function and supervises the implementation of measures resulting from both external and internal audits and the Committee's own oversight activities;
- oversees the selection and appointment process of the external auditor in accordance with legal requirements, and provides recommendations to the Supervisory Board regarding the choice of external auditor and the terms of their engagement;
- reports to the Supervisory Board on the outcome of the assurance of the sustainability report, explains how the assurance contributed to the integrity of sustainability reporting, and clarifies the Audit Committee's role in that process;
- monitors the sustainability reporting process, including electronic reporting in accordance with the legislation governing corporate accounting, as well as the process for identifying information to be disclosed in line with the sustainability reporting standards as defined by implementing acts of the European Commission, and provides recommendations or proposals to ensure its integrity;
- with regard to sustainability reporting including electronic reporting pursuant to the legislation governing corporate accounting monitors the effectiveness of the internal quality control and risk management systems, and, where applicable, the internal audit function, without compromising its own independence;
- monitors the conduct of the assurance of the sustainability report, taking into account all findings and conclusions of the Ministry of Finance;
- performs other tasks as assigned by the Supervisory Board, as required by law, the Company's internal regulations, and other applicable rules and regulations.

The Supervisory Board has established the **Appointments and Remuneration Committee** as an expert body that supports the Supervisory Board of the Company. The organisation and functioning of the Appointments and Remuneration Committee are further regulated by the Rules of Procedure of the Nomination and Remuneration Committee. The Appointments and Remuneration Committee consists of three (3) members appointed by the Supervisory Board from its ranks. The Appointments and Remuneration Committee performs the following tasks as set out in its Rules of Procedure:

- oversees the process of appointing candidates to the Company's Supervisory Board and Management Board to ensure a fair and transparent appointment process;

B. SYSTEM OF GOVERNANCE

- develops role descriptions and responsibilities, as well as candidate profiles for each vacant position in line with the overall profile of the Management Board or the Supervisory Board (as needed, in consultation with the President of the Management Board or the Supervisory Board), and identifies and recommends suitable candidates to the Supervisory Board;
- assesses the qualifications and/or independence of candidates for the Supervisory Board;
- agrees on the terms of appointment with potential new members of the Management Board or the Supervisory Board, including the time required to perform their duties;
- prepares a succession plan for the reappointment or replacement of members of the Supervisory Board and the Management Board, in consultation with the President of the Supervisory Board or the Management Board, respectively;
- monitors progress in achieving the target percentage of female members on the Company's Management Board and Supervisory Board;
- oversees the Management Board's policies for selecting and appointing senior management;
- recommends to the Supervisory Board, at least every three years, remuneration policies for the members of the Management Board;
- recommends annually to the Supervisory Board the remuneration to be awarded to the President and members of the Management Board, based on the Company's performance and their individual performance, following consultation with the President of the Management Board;
- recommends to the Supervisory Board the remuneration policy for the members of the Supervisory Board to be submitted for approval to the General Assembly;
- monitors the amount and structure of remuneration for senior management and employees as a whole and provides recommendations to the Management Board regarding its remuneration policies;
- oversees the preparation of the legally required annual remuneration report for approval by the Supervisory Board.
- performs other tasks as ordered by the Supervisory Board.

The Appointments and Remuneration Committee holds thematic meetings to carry out these functions in an efficient and timely manner, which must be reported regularly to the Supervisory Board.

The **General Assembly** is the body of the Company by which the shareholders exercise their rights in the affairs of the Company, unless otherwise provided by the law or the Articles of Association. The powers of the General Assembly are laid down in the Companies Act and the Articles of Association.

The Articles of Association of the Company define in detail the jurisdiction of the General Assembly and, in accordance with the aforementioned provision, the powers of the General Assembly include the following:

- adopting the Articles of Association and deciding on amendments to the Articles of Association of the Company;
- electing and recalling members of the Supervisory Board;
- deciding on the use of profit;
- deciding on the increase and decrease of the share capital of the Company;
- adoption of the Annual Financial Statements when put in charge of the task by the Management Board and the Supervisory Board;

B. SYSTEM OF GOVERNANCE

- deciding on dismissal of members of the Management Board and of the Supervisory Board;
- appointing of the Company's auditor;
- deciding on status changes of the Company;
- deciding on the Company's termination;
- deciding on other matters in accordance with the law and the Articles of Association.

The General Assembly is generally convened by the Management Board and the Supervisory Board convenes the General Assembly when it deems it necessary for the benefit of the Company.

The Management Board must convene the General Assembly immediately if it is found in the preparation of the financial statements or otherwise that there is a loss of half of the share capital in the Company. The Management Board also must convene the General Assembly immediately if so requested in writing by the shareholders who together hold at least one twentieth of the Company's share capital and state the purpose and reason for convening that General Assembly.

The General Assembly is chaired by the President of the Supervisory Board or by a person designated by him. No decision can be made at the General Assembly unless the shareholders whose shares account for half of the total share capital of the Company are present. The General Assembly makes decisions by a majority of votes cast in a public vote.

The **key functions** of the Company are organized in such a way as to cover all significant risks to which the Company is or could be exposed by its operations, to avoid conflicts of interest and to ensure that the Company's operations comply with the Company's strategies, policies and other internal documents, in accordance with the relevant legal framework. The Company has appointed **key function holders** in accordance with the provisions of the Insurance Act.

Key functions established at the Company level are:

- the risk management function established through the Risk Management Department;
- the compliance function established through the Compliance Department;
- the internal audit function established through the Internal Audit Department;
- the actuarial function established through the Actuarial Department.

All key functions are independent in the performance of their tasks, integrated into the organizational structure of the Company in a way that prevents conflicts of interest in business processes, allowed to communicate with any employee and given all the necessary powers, resources and unrestricted access to the information necessary to perform their tasks.

The key functions report directly to the Company's Management Board in order to ensure the fulfilment of their tasks in an independent and objective manner and participate in the overall management and reporting system of the Company in the framework of conducting advisory engagements based on professional knowledge and practical experience gained in performing tasks within control functions, in order to bring added value to the Company. The Company's Management Board periodically and at least annually reviews the appropriateness of procedures and the effectiveness of key functions, while the Company's Supervisory Board reviews the appropriateness of procedures and the effectiveness of internal audit. More detailed information on each key function is given later in the text.

B. SYSTEM OF GOVERNANCE

Company's organizational structure

The Company has a new business model that centralizes all core and support processes (the so-called back office) and reinforces the process of selling insurance through an organization based on two different criteria at the same division level (B-1) (by customer and territorially).

The organizational structure of the Company includes professional organizational units with clearly defined responsibilities of executors, which do not conflict with the responsibilities and goals in other areas of business.

The organizational structure of the Company is formed in such a way that individual organizational units fully cover key business processes and, consequently, the following areas can be identified in the organizational structure: 1) insurance operations, 2) sales, 3) functions of support, business development and asset management, and 4) finance.

As at December 31, 2024, the above-mentioned organizational areas include;

Insurance operations: Product Development and Underwriting Department, Claims Management Department, and the Operations and Customer Support Department.

Sales: Retail Insurance Department, Corporate Insurance Department, Sales Channel Development and Analytical Sales Support Department, Subsidiaries' Support Department and the SMEs Insurance Department.

Functions of support, business development and asset management: Investments Department, Human Resources Department, Legal Affairs Department, Compliance Department, Transformations Services, Security Services, Digital Operations Department, Information Technology Department, and Marketing and Corporate Communications Department.

As of the end of October 2024, real estate operations previously handled by the Real Estate Services were organised through a separate legal entity, CROATIA nekretnine d.o.o.

Finance: Finance and Accounting Department, Controlling Department, Actuarial Department, Risk Management Department, Internal Audit Department, and Procurement Services.

The sales process has been significantly accelerated and digitized, a large number of products have been developed and improved, together with a price management system, and there has also been improvement in the centralization and automation of the claims processing process as well as in the areas of innovation and knowledge sharing, customer orientation and employee motivation.

During 2024, the Management Board of the Company was composed of:

- **Davor Tomašković**, President of the Management Board of the Company in the period from January 1, 2024 to December 31, 2024,
- **Robert Vučković**, Member of the Management Board of the Company in the period from January 1, 2024 to December 31, 2024,
- **Luka Babić**, Member of the Management Board of the Company in the period from January 1, 2024 to December 31, 2024,

B. SYSTEM OF GOVERNANCE

- **Vančo Balen**, Member of the Management Board of the Company in the period from January 1, 2024 to April 30, 2024
- **Vesna Sanjković**, Member of the Management Board of the Company in the period from October 11, 2024 to December 31, 2024

Management Board member Vančo Balen left the Company on 30 April 2024, which marked the end of his term of office, following a personal request and for private reasons. At its meeting held on October 11 2024, and following the prior decision of the Croatian Financial Services Supervisory Agency (HANFA), the Company's Supervisory Board appointed Vesna Sanjković as a member of the Management Board for a term of office lasting from October 11, 2024 to December 31, 2026.

During 2024, the Supervisory Board of the Company was composed of:

- **Roberto Škopac**, President of the Supervisory Board in the period from January 1, 2024 to December 31, 2024
- **Željko Lovrinčević, PhD**, Deputy President of the Supervisory Board in the period from January 1, 2024 to December 31, 2024,
- **Vitomir Palinec**, Member of the Supervisory Board in the period from January 1, 2024 to December 31, 2024,
- **Hrvoje Patajac**, Member of the Supervisory Board in the period from January 1, 2024 to December 31, 2024
- **Hrvoje Šimović, PhD**, Member of the Supervisory Board in the period from January 1, 2024 to December 31, 2024,
- **Zoran Barac**, **PhD**, Member of the Supervisory Board in the period from January 1, 2024 to December 31, 2024.
- **Pero Kovačić**, Member of the Supervisory Board in the period from January 1, 2024 to December 31, 2024.

B. SYSTEM OF GOVERNANCE

Remuneration policy

Corporate remuneration policy includes motivating and retaining the best employees whose value system aligns with the company culture and goals. Each employee of the Company signs a declaration of compliance with the provisions of the Company's Code of Ethics that defines the core corporate values: customer focus, expertise, reliability and responsibility, agility and innovation.

Ethical, responsible and legally sound conduct is the duty of every employee under the Code of Ethics and employees in management positions are responsible for setting an example for other colleagues and employees through their behaviour and personal integrity. The Company is committed to creating an environment where high efficiency is expected, which involves motivating all employees to contribute to the achievement of the Company's goals, strategies and values. Recognition of work performance of different quality and differentiation in performance rating are encouraged in such a way that high, standard and low performance can be clearly identified on a scale of five (5) grades.

The Company has adopted the *Remuneration Policy* with these basic principles:

- balance of all elements of remuneration and responsibility for the achieved results
- market-oriented remuneration for jobs of the same or similar complexity
- rewarding according to work performance in a way that variable payments reflect the overall achievement of the Company's goals as well as the personal contribution of the member of the Management Board
- short-term and long-term goals are defined as financial and non-financial goals
- good management practice and the application of value systems is key to the Company's business success, so the non-financial goal is defined through behaviours that indicate quality, efficient and ethical management of human resources and business operations
- rewarding encourages expertise and excellence, regardless of gender, ethnicity, age, disability or similar

Remuneration structure is focused on the sustainable growth of the Company. All components of remuneration are determined appropriately, individually and in their entirety, without encouraging recipients to take unreasonable risks that are not in line with the long-term interests, business strategy, goals and values of the Company.

The *Remuneration Policy* applies to all employees of the Company. The purpose of this document is to establish, implement and maintain a remuneration practice in line with the Company's business objectives and risk management strategy, as well as long-term interests and results, while at the same time it represents measures aimed at avoiding conflicts of interest and excessive risk-taking at the expense of the Company or its stakeholders (shareholders, policyholders, partners, etc.). The components of remuneration are fixed income and variable income.

The *Remuneration Policies*, adopted in accordance with the Guidelines on System of Governance EIOPA-BoS-14/253te/08 and with the Insurance Act and related subordinate legislation, specifically indicate information pertaining to compliance with inclusion of sustainability risk.

On April 8, 2024, the Supervisory Board adopted a revised Remuneration Policy for Management Board members, in accordance with the legal obligation to review the policy within a four-year period.

B. SYSTEM OF GOVERNANCE

The revised policy introduced amendments to the core principles of remuneration, placing greater emphasis on aligning short-term efficiency with the Company’s long-term value creation through a combination of annual and multi-year targets. These targets include both financial and specific non-financial objectives, the combination of which is intended to encourage the development of new products, business lines, and organisational capacity (e.g. knowledge and skills transfer – succession planning; development of new business segments). It was further stipulated that the remuneration system must be oriented towards the sustainable growth of the Company. All elements of remuneration must be appropriate when considered individually and as a whole, and, in particular, must not incentivise Management Board members covered by the Remuneration Policy to take unreasonable risks that are inconsistent with the long-term interests, business strategy, objectives, and values of the Company and the Group. The definitions and structure of fixed and variable remuneration components have been updated, with particular attention given to setting out clear quantitative criteria for annual and multi-year bonuses as variable remuneration, in line with best practice and to ensure transparency. It is stipulated that variable remuneration must be linked to sustainability and must not encourage excessive risk-taking, and that it is payable only to the extent that the ratio between fixed and variable components remains within reasonable proportions.

In addition to that, eligibility criteria for earning one-off rewards for key projects have been defined as well, as was the possibility of earning a reward for good performance as an addition to one’s salary, the terms and conditions of which are defined in special labour policies.

Fixed income is the amount of basic pay that is aligned with the required qualifications and level of responsibility within the company and in relation to the labour market according to the Mercer IPE (International Position Evaluation) methodology.

The variable component of remuneration comprises monetary amounts directly related to the results achieved, which are paid monthly or annually to all employees. This component is different for administration and sales employees and is competitive in comparison with competing companies.

The remuneration policy applies to different categories of employees who are particularly important for the success of the Company, such as those who effectively run the Company, those who effectively manage the Company, holders of key functions and other individuals who have a material impact on the Company's risk profile.

When remuneration contains a variable component, it is based on the combination of:

- the results achieved by the individual, in relation to the performance and quality of performance of the assigned tasks, taking into account responsible risk management and compliance with laws, internal rules and risk management practices;
- the results of the organizational unit to which the employee belongs, considering the contribution to the fulfilment of the Company's business strategy, risk profile and goals;
- the overall performance of the Company over a specified period (not only based on results at a specific reference date).

B. SYSTEM OF GOVERNANCE

In accordance with the defined rules on the amount of variable remuneration, a part of the variable remuneration is paid with a deferral and the deferral period is three years. Generally, the deferred portion of variable remuneration (earned and unpaid variable remuneration) is not paid in the event of termination of employment or office due to misconduct.

The Company is under no obligation to pay or transfer rights over a portion of deferred unpaid variable receipts or over all deferred unpaid variable receipts if the realization of previously assumed risks results in impaired performance or worse financial performance of the Company (malus).

Furthermore, the Company applies the following rules:

- persons who effectively manage the Company are appointed for the term of office determined by the appointment decision;
- persons effectively managing the Company may not receive commissions based on the sale of insurance policies;
- remuneration of members of the Supervisory Board does not contain any components related to the operating result. Remuneration of members of the Supervisory Board is decided by the Assembly of the Company.

In addition to the categories of employees mentioned above, all other employees are also covered by the fixed and variable remuneration system, as follows:

1. **Members of the Company's Management Board** have a fixed salary and an annual bonus in accordance with the KPIs (key performance indicators) set by the Supervisory Board of the Company. The Company's Supervisory Board conducts performance assessments based on defined annual and multi-year objectives:
    - Corporate KPIs (75%) – financial targets of the Company (market share, Group net profit, sales revenue)
    - Non-financial KPIs (25%) – non-financial targets of the Company (specific projects, ESG, development of a succession planning system)

Following an analysis of the results and achievement of the KPIs for the financial year, the Supervisory Board determines the annual and multi-year bonus, including the portion of the multi-year bonus to be deferred until the end of the term of office or with a three-year deferral, in accordance with the applicable *Remuneration Policies*.

2. **Management personnel of the Company** have a fixed salary and an annual bonus in accordance with the KPIs (key performance indicators) set by the Management Board and in accordance with the business objectives set by the Supervisory Board. The Company's Management Board conducts an impact assessment based on the annual goals set:
    - corporate KPIs (33.33%);
    - Department KPIs and project goals (33.33%) and
    - core competencies related with business objectives and company values (33.33%)

After analysing the results and realized KPIs for the business year, the Management Board of the Company determines the amount and one-time payment of the annual bonus as well as the portion payable with a deferral of three years in accordance with the Remuneration Policies.

3. **Other employees** have a fixed salary and quarterly and annual KPI goals in accordance with the goals of the organizational units in which they work. As a rule, the variable part of the salary is paid monthly, in accordance with the accomplishment of the team or corporate goals (25%) and personal goals (75%) of the previous quarter.

B. SYSTEM OF GOVERNANCE

The Company also recognizes employees holding director, manager and expert positions who contribute significantly to the achievement of the Company's goals and, instead of quarterly goals, are contractually entitled to an annual bonus even though they are not part of Company's management personnel.
The Company's management personnel conducts quarterly and annual calibration of performance appraisal and distribution of ratings.

In 2024, the Company paid a portion of the variable earnings for 2023 (bonus) to its management, by awarding them shares of Adris grupa d.d. (ADRS2).

The purpose of the *Policies on Non-material Benefits* is to determine the basic framework for nonmaterial benefits in the Company that pertains to all employees of the Company. They also represent guidelines for subsidiaries on how to arrange the nonmaterial benefits to be compliant with local procedures and these policies. *Policies on Non-material Benefits* are not necessarily connected with work performance and are determined by the Agreement on the performance of activities with special rights and obligations or this Policy. Benefits are used to replace the cash remuneration awarded in addition to the contracted salary and are generally non-monetary. Benefits have 3 main goals - compliance with the law, compliance with the market environment and compliance with the tax treatment.

Company's benefits are analysed at least once a year and the goal is for them to be at least equivalent to mid-range benefits payable in the insurance, financial and the general market. Any benefit may be granted to the Company's employees regardless of the categorization determined by this Policy based on the proposal of the competent member of the Management Board and the Director of the Human Resources Department if:

- it is estimated that such a need is cost-wise in the interest of the Company
- the trends in rewarding certain jobs are such that the granting of such a benefit has become a common benefit in order to maintain the motivation of the employee and keep them in the Company

The Company **has no supplementary pension system or early retirement system** for any employee or member of the Supervisory Board. The Company operates in accordance with the applicable Labour Act in the event of retirement (whether at full retirement age or early retirement) of the Company's employees.

Material related party transactions

The Company considers that it has a direct relationship with the majority owner, the company Adris grupa d.d. (ultimate controlling party) and the Republic of Croatia (CERP) as well as with majority state-owned or significantly state-influenced entities, entities under the control, joint control or significant influence of key management personnel and their close family members as defined in the *International Accounting Standard 24 Related Party Disclosures* (IAS 24). The Company considers members of the Management Board and the Supervisory Board and heads of the departments as key management personnel.

The Company pays corporate income tax and income tax in the Republic of Croatia. In terms of taxes, the Company has no outstanding due and unpaid liabilities to the Republic of Croatia. The Company invests in securities of the Republic of Croatia and other state-owned companies as indicated in the table below, with interest rates ranging from 0.25% to 4.00% and maturities from 2025 to 2041.

B. SYSTEM OF GOVERNANCE

The Company has granted loans to the related company CROATIA-TEHNIČKI PREGLEDI d.o.o. totalling EUR 24,069 thousand at an interest rate of 4.97%, to the company CROATIA nekretnine d.o.o. in the total amount of EUR 16,730 thousand at an interest rate of 4%, 5.14% and 5.23% respectively, to the company Croatia osiguranje d.d. - društvo za osiguranje neživota, Skopje, in the amount of EUR 800 thousand at an interest rate of 2.63%, to the company CO Zdravlje in the amount of EUR 2,522 thousand at an interest rate of 6.10%, to the company STRMEC PROJEKT d.o.o. in the total amount of EUR 545 thousand at an interest rate of 5.23%, to the company CROATIA Premium d.o.o. in the total amount of EUR 1,659 thousand at an interest rate of 3.2%, to the company CROATIA POLIKLINIKA in the total amount of EUR 14,006 thousand at an interest rate of 6.07%, for the purpose of additional investments.

Other relations with subsidiaries, joint ventures and associates within the Group and with other entities that have a material impact on the financial statements of the Company including companies that are majority state-owned or significantly influenced by the state are shown in the table below.

Table B.1.1 Overview of related party transactions and balances *(EUR thousand)*

	2024				
	Subsidiaries	Associates	Adris grupa d.d. – Parent company	Other Adris Group companies	Republic of Croatia*
Financial assets at amortized cost	39.743	0	0	25.000	275.991
Financial assets at fair value through other comprehensive income	0	0	0	0	281.402
Trade and other receivables	578	0	26	358	132
Insurance liabilities	2.377	0	0	152	1.692
Trade payables and other liabilities	560	0	176	36	154
Insurance revenue	2.039	38	75	3.448	16.694
Insurance service expenses	9.515	0	2.436	3.627	7.230
Net result of (passive) reinsurance contracts	48	0	0	0	0
Interest revenue calculated using the effective interest method	1.884	0	0	875	14.576
Net gains/losses from financial assets at fair value through profit or loss	0	0	0	0	47
Net impairment/reversal of impairment of financial assets	0	0	0	0	40
Rental income	40.202	0	0	0	1.305
Other investment income/expenses	12.447	1.400	0	63	107
Other income	7.899	0	1	3	6
Other operating expenses	91	0	100	132	173

** Republic of Croatia and all companies that are majority state-owned*

B. SYSTEM OF GOVERNANCE

Table B.1.2 Overview of transactions and balances with parties related to key management of the Company and Adris

(EUR thousand)

	2024	2023
Insurance liabilities	0	0
Insurance revenue	18	21
Insurance expenses	0	3

Key management compensation

Key management personnel of the Company are Management Board and Supervisory Board members and department directors.

Table B.1.3 Key management compensation (EUR thousand)

	2024				2023			
	Management	Department directors	Supervisory Board	Total	Management	Department directors	Supervisory Board	Total
Key management compensation	2,326	3,147	22	5,494	2,695	2,680	22	5,397
Termination benefits	0	119	0	119	0	127	0	127
Total	**2,326**	**3,266**	**22**	**5,613**	**2,695**	**2,807**	**22**	**5,524**

Key management compensation includes gross salaries, life insurance premiums, benefits in kind, benefits in cash and in shares of the parent company, severance pays and remuneration payable to Supervisory Board members.

B.2 Fit and proper requirements

The Company has adopted the *Fit and Proper Policy,* which regulates the Company's conduct in the selection of Management Board members, Supervisory Board members, holders of key functions, as well as guidelines for continuous verification that the nominated holders of those positions meet the requirements of expertise and suitability (hereinafter: the Policy).

This Policy supports the Company's management system and applies primarily to the members of the Supervisory Board, members of the Management Board and holders of key functions, who are expected to ensure, apart from compliance to legal regulations and professional rules, the continued functioning of the Company's operations in accordance with the business plan and the expectations of all participants.

B. SYSTEM OF GOVERNANCE

Assessment of fit and proper requirements

The assessment is based on a set of guidelines regarding desirable, positive characteristics primarily of key employees. In order to ensure the optimal, continuous operation of the Company and to safeguard the interests of policyholders and owners, the Company ensures that its management personnel, as well as key functions, have the experience, professional knowledge and skills required to perform their duties with care, professionalism and competence. For the purpose of assessing expertise taking into account the tasks and responsibilities involved in the position, it is determined whether the candidate possesses the required personal and professional qualifications.

The aim of the Company is to ensure that persons who effectively run the Company continuously possess collective expertise, knowledge and experience in accordance with the Company's risk profile, at least in the following areas:

- insurance and financial markets;
- business strategy and business models;
- governance system;
- financial and actuarial analyses;
- regulatory requirements and frameworks for action.

Candidate proficiency testing for the appointment to a key function is conducted primarily based on documents certifying the completion of education and/or professional development, a certificate of mastery of certain skills, as well as any authorizations of professional bodies, regulators, etc.

It is also necessary that persons managing the Company, as well as key function holders, have an adequate reputation, exemplary moral and ethical characteristics and no history of criminal or financial misconduct or any other serious deficiencies found during the appointment procedure, in order to perform their work with due care of a conscientious businessman, taking care not to jeopardize the planned result and the reputation of the Company or lead to a conflict of interest.

In order to assess the **suitability of candidates**, the Company considers the following issues:

- Is the candidate a defendant in criminal proceedings?
- Has a final verdict been reached for the criminal offence?
- Has a competent institution previously rejected their candidacy?
- Is there a pending process of revocation or limitation of the professional license to work in financial institutions?
- Are there any proceedings for serious misdemeanour or criminal misconduct arising out of activity in a financial institution in process?
- Was the person a member of the governing or supervisory body of a legal entity over which bankruptcy or pre-bankruptcy settlement proceedings have been initiated?
- Have consumer bankruptcy proceedings been initiated?
- Are there any circumstances indicating that the candidate's personal financial instability may affect their good reputation?

B. SYSTEM OF GOVERNANCE

As needed or available, other sources of information, such as media disclosures, information from previous employers, regulators, professional associations, etc., are used for appropriateness review.

In the process of selecting a person to perform a key function, the Company considers the following additional criteria:

- psychological assessment, which includes personality questionnaires, cognitive tests and a psychological interview to test the person's motives, values and attitudes and
- expert evaluation in the assessment of knowledge, skills and competences for a specific job by senior managers.

The final decision is made by the candidate's superior, the Management Board or the Supervisory Board upon recommendation of the Human Resources Management Department.

B.3 Risk management system including the own risk and solvency assessment

Risk management system

The Company has set up a **risk management system** appropriate to the size of the Company, the scope of business and the type and nature of the risks to which it is exposed. A significant part of the risk management system is focused on monitoring capital adequacy, that is, maintaining the required level of capital that is appropriate for the scope and types of underwriting operations undertaken, considering all financial, operational and business risks and events to which the Company is exposed.

The risk management system is operationally established within the Company through the development and implementation of the following system components:

- internal documents;
- risk management processes;
- organizational structure with clearly defined roles and responsibilities;
- technological and data infrastructure and competences;
- adequate risk culture.

The components of the risk management system are established, upgraded and interconnected through the so-called annual risk management cycle that implements the principle of self-assessment of the risk management system when considering further potential and/or necessary improvements to the system.

Internal documents

The umbrella document that establishes the risk management system and articulates the propensity to take risks is the *Risk Management Strategy*, while the *Risk Management Policy* defines and further elaborates the components of the risk management system. At the quarterly level, a Risk Catalogue is produced as the result of the Company's risk profile determination.

B. SYSTEM OF GOVERNANCE

Other policies, rulebooks and methodologies prescribe the management of an individual risk or group of related risks (or activities in the area of risk management), methods of analysis, measurement and assessment of risks, a system of limits with escalation procedures for exceeding limits and monitoring and reporting of risks.

Risk management processes

Risk management processes include risk identification, risk measurement, risk assessment, stress testing, risk treatment, limit system development, limit monitoring and alignment of risk profiles with risk appetite, risk monitoring/control and reporting. Risk management processes are defined in detail by policies and rulebooks for each type of risk to which the Company is exposed.

Risk identification in the Company involves procedures for determining the existence of risks to which the Company is or may be exposed in the future, or that have or may have a significant impact on business, that is, on achieving the Company’s strategic goals. The impact is manifested as a financial loss, lost profit or loss of reputation.

Risk assessment, i.e., measurement involves the development and implementation of adequate quantitative and qualitative methods which are used to analyse the identified risk and determine its significance depending on the type and nature of the risk. The risk assessment methodology (the parameters being analysed and the determination of significance of risk) is defined by the *Risk Management Policy*.

Stress testing is a risk management technique used to assess the potential effects of contingencies on the Company’s financial and capital position. It is carried out by the Company at least on an annual basis and more often for certain types of risks, in accordance with the regulations of internal documents or when necessary to better understand the nature of the risks and the potential impact on the Company.

Risk treatment represents the totality of the Company's methods, criteria and procedures for deciding and implementing decisions on the following measures: reducing or limiting risks, transferring, accepting and avoiding risks. Risk management measures are implemented on a continuous basis for all risks identified in the Company to minimize risk exposure and losses. The effectiveness of the application of risk management measures is measured by different methods and it is generally visible through the effect on the Company’s capital requirement.

The Company establishes a **system of limits** to align the risk profile with the defined propensity to take risk. The decision on the specific establishment of the limit system, as well as on the measures and procedures in case of exceeding the limit, is prescribed by internal documents or through the decision of the Management Board on exposure limits. In selecting the limit system, the Company considers the results of the risk identification process, technical capabilities of the Company, developed methods of measuring and/or assessing the risks and the nature of the risk observed.

The Company has implemented appropriate monitoring and control mechanisms to ensure compliance with the prescribed limits and to enable effective corrective measures in case of exceeding them. The utilization of limits, possible exceedances and measures taken are integral parts of the risk report.

B. SYSTEM OF GOVERNANCE

The Company **monitors and reports of risks and capital adequacy** to ensure timely transmission of the necessary information to the Company's Management Board, Supervisory Board and senior management for the purpose of making strategic decisions, as well as to HANFA as part of the regulatory supervision process. In addition to the reports defined by regulatory requirements, the Company makes decisions on the specific types and content of risk reports by internal documents regulating the management of individual risks and individual activities within the risk management area.

Organizational structure

Internal documents in the area of risk management define the roles and responsibilities of all organizational functions, units and management bodies involved. When implementing the roles and responsibilities of individual functions within the Company's risk management system, particular attention is paid to the appropriate division of responsibilities within individual business processes and to avoidance of conflicts of interest.

An important aspect of the organizational structure of the risk management system is the **key function of risk management**. It is operationally established through the **Risk Management Department**, an independent organizational unit that reports directly to the Company's Management Board. This department is regularly coordinated with other key functions and with other organizational units which are operationally responsible for underwriting of risks or for specific areas of business for the purpose of ensuring an adequate flow and quality of all necessary information in a timely manner.

The **risk management function** has the following specific responsibilities in the area of risk management:

- drafting and updating general/umbrella risk management documents and internal risk management documents for individual risk or a group of related risks at the overall portfolio level;
- identifying the risks to which the Company is or could be exposed in its operations, determining the risk profile (risk analysis and assessment, risk measurement) and documenting it in the Risk Catalogue;
- oversight of the integration of risk management into the decision-making process and business activities;
- development of quantitative methods and models of risk measurement;
- risk reporting to the Management Board through the preparation of periodic reports as well as through other forms of information;
- conducting various ad hoc impact analyses and projections from the aspect of risk and capital adequacy regarding various strategic issues;
- contributing to the establishment of an effective internal control system;
- monitoring and reporting on regulatory compliance in connection with capital adequacy and reserve coverage of Group members;
- conducting stress testing and other tests necessary for an effective risk control system;
- participating in the development of IT and technological infrastructure needed to develop and establish a risk management system and participating in improving the data quality in the Company's internal systems;
- participating and coordinating the development and implementation of a Recovery Plan in the event of the Company's non-compliance with the solvency capital requirement;
- spreading risk management awareness, developing a risk culture;

B. SYSTEM OF GOVERNANCE

- coordinating and conducting the process of calculating the solvency ratio (capital adequacy) under Solvency II provisions;
- coordinating and conducting the own risk and solvency assessment (ORSA) process.

In addition to the risk management function, other key functions, senior management (including the Management Board) and all other organizational units of the Company, i.e., all employees of the Company, are included in the risk management system, with a clear demarcation of powers and responsibilities defined by the internal documents of the Company.

Own risk and solvency assessment (ORSA)

Own risk and solvency assessment is an integral part of business strategy and business planning and it is continuously taken into account when making strategic decisions of the Company. The **ORSA process is conducted at least once a year**, or more frequently if the Company estimates that a material change in the risk profile has occurred. In addition, the Company continuously applies ORSA techniques, i.e., it takes the ORSA approach throughout the business year when considering major business decisions.

The results of the ORSA process are documented in the so-called ORSA report, which is approved by the Management Board of the Company and submitted to the Company's Supervisory Board and HANFA. An internal document defines the establishment of processes and adequate procedures, as well as the competences and responsibilities for conducting the own risk and solvency assessment.

At its core, the ORSA process consists of the following steps:

- the process of establishing a risk profile that includes risk identification, risk assessment i.e., risks measurement and comparison with the risk appetite;;
- calculation of the regulatory capital requirement and solvency ratios;
- carrying out ad hoc analyses on a continuous basis throughout the year, at the request of the Management Board and/or senior management, to test the consequences of possible decisions on the Company’s operations, risk profile and risk bearing capacity;
- defining the Company’s and Group’s business plan and projections over the next five-year period, including assessments of capital requirements;
- analysis of the applicability of the standard formula;
- estimation of total solvency requirements (internal capital requirement);
- defining and conducting stress tests, sensitivity analyses and scenario analyses;
- continuous review and analysis of the impact of business decisions on the Company’s risk profile;
- ORSA at the CROATIA osiguranje Group level;
- documenting the ORSA process and reporting and informing relevant parties.

The Risk Management Department, as an independent organizational unit through which the key risk management function has been established, operationally coordinated the implementation of the ORSA process and was responsible for the operational preparation of the **Own Risk and Solvency Report for 2024**, while the Management Board had the key, strategic role in the process.

B. SYSTEM OF GOVERNANCE

In 2024, there was no need to implement extraordinary ORSAs, despite the significant unfavourable events that took place around the world, caused primarily by the war in Ukraine and conflicts in the Middle East. As was evident during the year, these events did not significantly affect the Company's risk profile nor did they cause significant changes in the solvency ratio.

The Company’s Management Board defines the Company’s risk appetite and makes strategic decisions for the Company. In making strategic decisions, it considers any risks for the Company that may arise from such decisions. In each case, the Company’s Management Board initiates and directs the analysis of possible impact scenarios for the Company and directly encourages the development of various projections and stress tests related to their impact on capital adequacy, profitability or reputation of the Company.

Apart from the Management Board and Risk Management Department, the organizational units through which other key functions of the Company have been established (Actuarial Department, Compliance Department and Internal Audit Department) as well as the Investments Department and Controlling Department have a significant direct role in the ORSA process. Other organizational units, where appropriate, also contribute to the implementation of the ORSA process within their area of responsibility.

Determination of risk profile through risk identification and assessment, i.e., risk measurement

The first step in the process of determining the risk profile is to identify all the risks the Company is or could be exposed to in the future, considering the Company’s business strategy.

The risk management function coordinates the risk identification process, in which it consults all relevant organizational units of the Company and analyses available data and information for the purpose of reviewing overall business of the Company and the risks that the Company is or may be exposed to.

The second step in determining the risk profile is risk assessment, i.e., measurement, which is continuously carried out in the Company. As part of the ORSA process, the results of risk assessment, i.e., measurement, are analysed in detail and the results obtained are also considered in determining the risk profile.

The Company's exposure to risk is determined for each identified risk that can be quantitatively measured. Furthermore, the likelihood of risk materialization as well as the impact in case of realization are measured by using one of the appropriate risk measures (e.g.: VaR, rating systems, maximum financial impact on the Company, scenario analyses, analyses of various indicators and ratios, analysis of materialization of historical losses, specific risk measures for individual risks, etc.).

Risks of a primarily qualitative nature, as well as those that are difficult to measure, are assessed by qualitative and expert methods, considering all available quantitative indicators and all available information.

The process is finished by documenting the determined risk profile in the Risk Catalogue.

B. SYSTEM OF GOVERNANCE

<u>Calculation of regulatory capital requirement and solvency ratios</u>

The Company calculates the regulatory capital requirement in accordance with the Solvency II Directive and/or the Insurance Act according to the standard formula. This step makes it possible to link the risk profile to the capital, i.e., to determine the capacity to bear risk.

The Company conducted the full SCR calculation as at December 31, 2023 and as at December 31, 2024, while the recalculations of all necessary parts of solvency capital requirement that have or could have a significant effect on the Company's total solvency were carried out at the end of each quarter of 2024.

This way the Company considered the effects of all relevant changes in the insurance and investment portfolio, as well as all other important information that affects the calculation of the SCR.

Solvency capital requirement coverage with eligible own funds was **267% as at December 31, 2024** and it was **at levels above 275% for the rest of the year 2024**.

<u>Defining and analysing the Company's business plan</u>

An integral part of the ORSA process is the definition and analysis of the Company's business plan and strategy to obtain the necessary inputs on risk exposure under the business plan. This step is iterative in that the results of the other steps of the ORSA process are used therein. Business planning is carried out for a period of five (5) years. In particular, in the second half of 2024, the Company conducted **planning for the period 2025 – 2029** and the key determinants of the business plan were addressed precisely through the ORSA process.

<u>The Company's business projections over the next five-year period, including assessments of capital requirements</u>

Since the ORSA is conducted based on forward-looking assessment of own risk, after considering the risk profile and capital requirements, the Company makes business projections for the next five-year period, including the assessment of capital requirements.

Specifically, based on the five-year 2025-2029 business plan, at the end of 2024, the calculations of available capital and solvency capital requirement (regulatory and internal capital requirement) were carried out using the bottom-up method, whereby capital calculations were made for each subsequent year, based on available planned volumes and assumptions.

<u>Analysis of applicability of standard formula</u>

After calculating regulatory capital requirements and determining the risk profile, the Company assesses the deviations of its risk profile from the assumptions on which the capital calculation using the standard formula is based, or in other words, the applicability of the standard formula is analysed.

B. SYSTEM OF GOVERNANCE

The Company undertook additional activities in the analysis of applicability of the standard formula this year as well, especially in those parts of the standard formula that relate to the most significant risks for the Company (individual market risk sub-modules and non-life insurance sub-modules) as well as risks not covered in the standard formula, such as the risk of storms in the territory of Croatia, cyber risk and other risks of primarily qualitative nature (strategic risk, reputation risk and compliance risk).

The results of this analysis also represent the initial data for assessing the overall solvency needs and the calculation of the internal capital requirement.

Specifically, the Company calculates the internal capital based on the standard formula, adjusted based on the results of analysis of its applicability with the aim of aligning the risk profile with the internal capital requirement as closely as possible.

In carrying out this step, in addition to the Company's own analyses and considerations, the results documented in EIOPA's *The underlying assumptions in the standard formula for the Solvency Capital Requirement calculation (EIOPA-14-322)* were used. In the upcoming periods, the Company intends to improve the approach to this part of the ORSA process in accordance with the possibilities and the principle of proportionality and materiality.

Estimation of total solvency requirements (internal capital requirement)

After adjusting the standard formula in accordance with the results of the previous step, the internal capital requirement is calculated, i.e., the total solvency needs are determined. The results of the calculation of the internal capital requirement are compared with the solvency capital requirement and the available capital. Methodological deviations of the internal capital requirement from the regulatory capital requirement are justified and adequately documented. The results obtained both for the internal and regulatory capital requirements are used in determining the risk bearing capacity and in testing the sustainability of the business strategy and plan, as well as of planned business activities.

The Company is continuously working on a further development and review of risk quantification methodologies for risks which are not included in regulatory capital requirements, but which should be included in the internal capital requirement, with the highest emphasis being placed on the risks of a qualitative nature.

Conducting stress tests, sensitivity analyses and scenario analyses

To complete the previously determined overall picture of the Company's business and its capital position in ordinary, i.e., expected circumstances, the Company conducts stress tests and sensitivity analyses as part of its own risk and solvency assessment, thereby considering the impact of certain extraordinary (external and internal) situations to which the Company may be exposed. Compared to the previous year, new scenarios were introduced in 2024 that include the medium- and long-term impact of climate change, with two scenario variations based on assumptions of global temperature increase staying below or exceeding 2°C.

In accordance with the results of stress tests and sensitivity analyses, the business strategy as well as the capital position of the Company are re-tested and conclusions relevant to the decision-making and planning of new activities are made.

B. SYSTEM OF GOVERNANCE

In addition to the Management Board and the Risk Management Department, the Actuarial Department and the Investments Department also play an important role in conducting stress tests.

When needed, the Company also performs specific ad hoc stress tests and stress tests at the request of the regulator, as well as regular stress tests of individual positions/risks, the impact of which is also considered in the decision-making and planning processes. The results of the stress tests and scenarios conducted in 2024 suggest a certain decrease in the Company's solvency ratio, but it still remains at levels higher than the regulatory ones, which shows that the **Company is adequately capitalized even in stressful circumstances**.

Ad hoc analyses of possible Management Board decisions

Throughout the year, ad hoc analyses are often carried out at the request of the Management Board, Audit Board, Supervisory Board and/or senior management in order to test the consequences of possible decisions on the Company's business, risk profile and risk bearing capacity. The most important of these analyses are documented in more detail in the ORSA report, with particular emphasis on the final decisions of the Management Board and the impact of the preformed analyses on the final decision.

Documenting the ORSA process and reporting to and informing of relevant parties

All steps and calculations performed previously (ancillary calculations and data used) are adequately documented in the ORSA report. In addition to that, the Own Risk and Solvency Assessment Record is also compiled. The establishment of appropriate processes and procedures as well as the competencies and responsibilities for carrying out own risk and solvency assessment are defined by the relevant Company's internal document.

In addition to the Management Board, the Company's Supervisory Board is also informed about the implementation and the results of the ORSA process and the ORSA report is submitted to HANFA in accordance with relevant regulatory provisions.

B.4 INTERNAL CONTROL SYSTEM

The Company has established an internal control system in all business areas, which system includes at least the following:

- adequate organizational structure;
- control activities integrated into the Company's business processes and activities, which include activities of approval (authorization), verification, compliance, efficiency monitoring, protection of assets and resources, and division of responsibilities;
- accounting and administrative procedures and policies;
- organizational culture and ethics in conducting business activities.

Adequate organizational structure defines the division of functions within the Company, business processes with relevant internal controls, levels of management, control, roles and responsibilities, as well as appropriate competencies of employees at all levels in the Company.

B. SYSTEM OF GOVERNANCE

Those arrangements are intended to ensure operational efficiency, precision, accuracy and timeliness of data as well as to align the Company's operations with regulatory requirements and internal regulations with the aim of minimizing the risks in all of the Company's business processes. All employees, senior management, the Management Board and the Supervisory Board of the Company participate in the process of establishing and implementing the internal control system in a manner appropriate to their powers and responsibilities.

The internal control system itself is divided into three levels. The first (1st) level of internal control relates to the management and control of performance of day-to-day activities and includes all employees, who are first to come in direct contact with risk (Operations).

The second (2nd) level of internal control includes independent supervision of day-to-day operations, risk underwriting and control performed by the first level. It consists of:

- **Control functions:**
  - insurance portfolio management
  - product development and underwriting
  - claims management
  - asset/investment management
  - finance and accounting
  - information technologies
  - corporate security
  - legal affairs
  - insurance distribution monitoring and control function
- **Key functions:**
  - risk management function
  - compliance function
  - actuarial function.

The third (3rd) level of internal control relates to the independent control of the first and second level and it is performed by the key **function of internal audit**. More detailed information on key functions is provided separately throughout this Chapter.

The system of internal controls in the financial reporting process ensures that the financial statements of the Company present with reasonable accuracy the financial result and financial position of the Company, as well as their compliance with the International Financial Reporting Standards and applicable laws. Internal accounting control procedures include the control of the formal, substantial and computational correctness of an accounting document:

- control of the formal correctness of the accounting document determines whether the document has been drawn up in accordance with the applicable regulations;
- substantial control of the accounting document determines whether a business change has actually occurred to the extent indicated;

B. SYSTEM OF GOVERNANCE

- control of computational correctness of an accounting document implies control of mathematical operations (division, multiplication, addition and subtraction, analytic and synthetic operations) based on which the results presented in the document were obtained.

The control of accounting documents is carried out in accordance with the organizational structure of the Company and internal documents, by the responsible person in accordance with the authorizations defined by the internal documents of the Company.

The control of formal, substantial and computational correctness is confirmed by the physical and/or electronic signature of the responsible person who performed the control and involves the following: applying the four eyes principle, system authorization, authorization and signature approval, control of logical and mathematical (computational) correctness, reconciliation of analytics and synthetics, reconciliation of business relationships and book balances, written opinions of specialized and expert persons on specific issues, etc. In the reporting process, controls additionally encompass the creation and delivery of reporting schedules to all participants in the process.

Internal Control Committee

To maintain an adequate and efficient management system in the Company and regular and good quality cooperation in this area, the Company has established the Internal Control Committee. It is responsible for considering and proposing to the Management Board decisions important for the integrity of the Company's management and internal control system, especially with regard to:

- supporting the Management Board of the Company in the conduct and management of the Company in accordance with the law and management and organizational goals;
- facilitating cooperation with key and control functions in the area of management and internal control tasks;
- providing a structured flow of data on the management system and internal controls and adopting a uniform approach regarding workflow, methodologies, projections, etc. throughout the Company;
- supervising the internal control system, making recommendations and monitoring their implementation and reporting to the Company's Management Board;
- compliance of the management system with the principles of Solvency II.

At the beginning of 2025, the Committee held a session at which it further analysed the Operational Risks and Internal Controls Database with relevant reports, at which occasion a brief conclusion and recommendations were given based on the established situation.

Compliance function

The compliance function is one of the key functions in the Company and it is an integral part of the management system. It is independent of other key functions, organizational units and management functions. The subject matter of the compliance function involves overall legal risks arising from non-compliance with substantive legal requirements and requirements of supervisory authorities.

B. SYSTEM OF GOVERNANCE

The central task of the compliance function is to identify and assess the compliance risk for the purpose of contributing to the determination of the Company's required liquidity and solvency, consequently also contributing to the safety of policyholders and insurance beneficiaries, which is the primary objective of insurance regulations.

The compliance function is established and operationally implemented in the Compliance Department, whereas its scope of work and competence are defined by the *Compliance Monitoring Policy*.

The objective of the Policy is to ensure that the Company operates in accordance with the laws and regulations, guidelines and codes of conduct and corporate governance of relevant supervisory bodies, standards and internal documents of the Company, namely through effective prevention of exposure to legal and regulatory sanctions and financial and reputational losses.

During 2024, the Compliance Department performed the following:

- undertaking activities necessary to achieve compliance of the Company’s operations with the new regulations relevant to the Company’s operations, regarding:
    - the Insurance Act,
    - the Anti-Money Laundering and Counter-Terrorist Financing Act;
    - the Consumer Protection Act,
    - the Compulsory Health Insurance Act,
    - the Civil Obligations Act,
    - the Capital Market Act,
    - the General Data Protection Regulation,
    - the Consumer Credit Act,
    - the Housing Loans Act, and
    - the International Sanctions Act.
- proposing the adoption of new and revising the Company’s existing internal documents;
- conducting training;
- analysing petitions sent to HANFA and HANFA recommendations on petitions;
- analysing general HANFA recommendations;
- monitoring and assessing compliance risk,
- participating in the preparation of the Report on the adequacy of procedures and the effectiveness of the internal control system and preparation of the Report on regular review of the procedure of publishing and communicating information;
- improving and updating the internal controls database;
- keeping a register of conflicts of interest and participating in the work group for conflict- of-interest management;
- participating in and coordinating the procedures of supervisory bodies,
- other regular Compliance Department activities.

B. SYSTEM OF GOVERNANCE

The compliance function continuously monitors the appropriateness and compliance of certain business processes and activities adopted and carried out in the Company with the relevant regulations by adopting direct supervision measures, requiring statements on compliance in the work of individual organizational units, reviewing the Company's business documentation and performing other actions as required. All organizational units of the Company actively participate in the implementation of the compliance function.

The Company's Management Board adopts the annual compliance function plan and evaluates at least annually the effectiveness of compliance risk management. The annual report of the compliance function holder is submitted to the Company's Management Board and the Supervisory Board.

B.5 Internal audit function

Internal Audit, as one of the key functions in the Company, through a systematic and disciplined approach, assesses and improves the effectiveness of the risk management, control and corporate governance processes in the Company. Its scope includes all the Company's processes and activities, at all levels of management responsibility. Internal audit examines, evaluates and reports on the state of controls as a contribution to the proper management of operations, economical and efficient use of resources and the achievement of the Company's goals in relation to the set business performance standards.

The primary task of internal audit is to provide objective expert opinion and advice on the existence, adequacy, application and effectiveness of such controls, to achieve business objectives in accordance with established standards and at reasonable costs.

To be able to perform its tasks, internal audit function has unrestricted access to all functions, documentation, data, reports, assets and employees. It fully and freely communicates with the Management Board, Audit Committee and Supervisory Board of the Company and independently organizes internal audit activities and allocates audit resources.

The internal audit function is established through the Internal Audit Department. It is administratively accountable to the Company's Management Board and functionally to the Supervisory Board, in accordance with the International Standards for the Professional Practice of Internal Auditing and international best practices.

The Director is the person responsible for the work of the Department and the holder of the key internal audit function. The key internal audit function holder meets the requirements prescribed by the Insurance Act and the Ordinance on requirements for performing key functions in insurance undertakings or reinsurance undertakings, as well as the requirements defined by the internal acts of the Company. The Director of the Company's Internal Audit Department, as the holder of key internal audit function, does not perform any tasks other than internal audit tasks in the Company or in closely related companies.

The Internal Audit Charter defines the vision and mission, objectives and scope of internal audit, authority and responsibility, as well as the methodology of internal audit work. In addition, the Charter establishes the independence and position of internal audit within the Company, defines access to documentation, personnel and tangible assets that are material for conducting the audit.

B. SYSTEM OF GOVERNANCE

The Internal Audit Charter is issued by the Company's Management Board with the consent of the Supervisory Board and upon preliminary review by the Audit Committee, whereas the Director of the Internal Audit Department ensures that it is relevant and up-to-date. The Internal Audit Department works according to the annual and strategic internal audit plan, adopted by the Supervisory Board for the next year/next three years. Before being adopted by the Supervisory Board, the Annual and Strategic Plans are submitted to the Management Board for their opinion and to the Audit Committee for review. Furthermore, the internal audit performs ad hoc reviews at the request of the Management Board, Audit Committee and/or Supervisory Board or HANFA.

After each conducted audit, an internal audit report is issued, which includes the identified findings and conclusions, as well as specific and applicable recommendations for improvement of processes and controls. The report on each performed audit is submitted to the Management Board of the Company, which takes note of it and approves the implementation of the recommendations made in the report.

Internal audit function reports to the Management Board on the status of conducted audits and other activities on a quarterly, semi-annual and annual basis. It also reports to the Audit Committee and the Supervisory Board on a semi-annual and annual basis.

These reports include a list of all audits performed, an assessment of the appropriateness and effectiveness of the internal control systems, any findings identified during the audits and recommendations for their elimination, as well as the status of recommendations with respect to the activities undertaken by the management.

B.6 Actuarial function

The **actuarial function** within the Company is performed by the Actuarial Department, which is organized directly under the Management Board of the Company. This department is organized through two organizational units dealing with life and non-life insurance. Directors of these units are also holders of the actuarial function for non-life and life insurance.

During 2024, the actuarial function performed the following activities under Solvency II and in accordance with the Insurance Act:

- related to technical provisions:
  - coordinating the calculation of technical provisions;
  - ensuring that the methodologies, models and assumptions underlying the calculation of technical provisions are appropriate;
  - assessing the sufficiency and quality of the data used in the calculation of technical provisions;
  - comparing best estimates with previous experience;
  - informing the Company’s Management Board and the Supervisory Board on the reliability and adequacy of the calculation of technical provisions;
- giving opinions on the overall insurance risk underwriting policy;
- expressing the opinion on adequacy of the reinsurance program;
- participation in the effective implementation of the risk management system.

Actuaries involved in actuarial functions have the requisite knowledge and experience in actuarial affairs.

B. SYSTEM OF GOVERNANCE

B.7 Outsourcing

Outsourcing is the contractual transfer of certain tasks, key or important business functions that the Company otherwise performs within the scope of registered activities, to service providers. The Company outsources tasks or functions when there are justified reasons for doing so, such as cost optimization, knowledge transfer, increasing service quality, and similar.

The Company's outsourcing policy is defined through an internal document which defines the minimum standards for managing outsourced activities or functions and defines the criteria and procedures related to:

- determining the reasons for outsourcing jobs or functions and the process of deciding on the outsourcing of jobs or functions;
- an assessment of the risks associated with outsourcing jobs or functions;
- criteria for selection and analysis of service providers and managing contractual relationships with providers;
- overseeing, controlling, monitoring and reporting on outsourced jobs or functions;
- monitoring and reporting to the Management Board on oversight activities and exposure to risks associated with the outsourcing of jobs or functions;
- the tasks and responsibilities of organizational units or persons responsible for overseeing and managing the outsourcing of jobs or functions;
- the Company's exit strategy in case of early termination of contractual relationship and/or inability to fulfil contractual obligations.

More detailed information on outsourced activities in the Company is provided in *Chapter C6, Other material risks (Outsourcing risk)*.

B.8 Any other information

Since 2004, the company has had an ISO certificate for the development and provision of life insurance services, since 2007 an ISO certificate for the development and provision of property insurance services, since 2017 an ISO certificate for the development and provision of voluntary health insurance services and since 2018 an ISO certificate for the development and provision of motor vehicle insurance services. In April 2024, the regular supervision by the accredited certification company Lloyds Register LR was successfully completed, confirming the compliance of the Company's quality management system with the ISO 9001: 2015 standard and the continued validity of the ISO certificate. Once a year, a review of the quality management system (QMS) is conducted by the Management Board to assess the adequacy, suitability and effectiveness of the QMS and product and service compliance and to validate the implementation of business processes in accordance with the requirements of ISO 9001: 2015.

B. SYSTEM OF GOVERNANCE

Development activities and training

In 2024, activities were carried out to strengthen sales channels through more efficient distribution of information about additional products and types of coverage that meet clients' needs. Training and mentorship programs focused on raising the level of knowledge and skills of sales representatives, as well as overall service quality and information provision in the Company's branch offices. Activities within the SFE (Sales Force Efficiency) project for increased productivity of the sales network and long-term development of sales representatives continued. The success of these activities is measured every month, and the results are used for making improvements, with the best representatives being rewarded for their good work.

With the aim of digitalising and optimising business processes, and in light of increasingly frequent extreme weather events that generate a large number of claims within a short period of time, a video claims assessment functionality has been developed. This allows clients to receive fast and accurate damage assessments from the comfort of their own home, thereby increasing the system's resilience to mass claims and enabling faster processing. In addition, a new, innovative digital platform for sales representatives (an advanced agent portal) is being developed and implemented, further enhancing the customer experience and improving the quality of service provided to clients.

C. RISK PROFILE

In accordance with Article 94 of the Insurance Act, the Company divides the risks to which it is exposed into 5 main categories:

- **Underwriting (insurance) risk** (non-life underwriting risk, life underwriting risk and health underwriting risk);
- **Market risk;**
- **Credit risk;**
- **Liquidity risk;**
- **Operational risk (which includes compliance risk and cyber risk);**
- **Other risks.**

Among other material risks, the Company recognizes exposure to **strategic risk, reputational risk, outsourcing risk and sustainability risk**. The Company also regularly monitors **external risk factors** (risks of the macroeconomic, legislative, political, social and technological environment), which are mostly qualitative in nature and correlate to or affect other risks.

Viewed in accordance with Solvency II principles, in the total capital requirement (solvency capital requirement) **the Company is by far most exposed to market risks, followed by non-life insurance risk**.

Exposure to market risks arises from the Company's investments in financial assets and other investments with the primary investment objective of preserving and increasing the value of financial investments for the period most consistent with the nature and duration of the Company's liabilities. The investment objective is achieved by maximizing returns at a given level of risk, that is, in accordance with the Company's risk appetite, while considering the **safety, profitability and marketability** of investments, as well as the appropriate diversification and dispersion of investments. In accordance with the **principle of prudence**, the Company invests only in assets and instruments that carry risks that can be adequately identified, measured and monitored, appropriately managed and reported, and appropriately taken into account when assessing the Company's overall solvency needs.

Financial assets are invested in accordance with the rules of the industry and the principles of due care which are described below:

Principle of economic security of investment

Investments are considered to be economically secure if they involve maintaining the value of capital, taking into account small variations in the value of invested assets, a reliable and prudent valuation method, trading on regulated markets, asset quality, appropriate credit rating, etc.

Principle of legal certainty of investment

Investments in financial assets are considered legally secure if unrestricted disposal of the assets is enabled, or in other words, there is unlimited possibility of trading and making transactions with the assets.

Principle of return on investment

Investing in financial assets is profitable if the goal is to achieve returns in line with market trends.

C. RISK PROFILE

Principle of marketable investment

An investment meets the marketability criterion if it can be exchanged for cash or cash equivalents within a reasonable timeframe, if needed. The marketability of the investment depends on the time period of the availability of the assets, i.e., on the possibility of trading on the market.

Principle of diversity and investment dispersion

When selecting assets, the Company is guided by the following criteria: different issuers and borrowers, as well as their different geographical and sectoral business areas, expected return and the relationship between different types of investments.

Furthermore, regarding investment risk management, the Company has adopted **internal investment limits**, defining the maximum exposure of the Company to certain types of financial instruments and in particular to individual issuers of financial instruments, or categories of issuers, depending on credit rating. This way, the Company's risk appetite for market risks related to individual instruments, for credit risks related to issuers and for concentration risk have been defined.

To manage the open foreign exchange position more efficiently, the Company uses the following derivatives: currency forward and swap contracts (FX Forward and Swap contracts).

The Company's portfolio is dominated by fixed income instruments and of the total bond investments, 83% relates to investments in government bonds, mainly bonds of the Republic of Croatia, while the remainder comprises corporate bonds. The company also holds assets in its portfolio that are not traded on the regulated financial market; these are valued by valuation methods and maintained at a level that does not have a significant impact on the portfolio.

In light of the foregoing, it is evident that the Company is familiar with the risks arising from investing activities and is able to manage them appropriately.

The structure of the Company's portfolio in the SII balance sheet was as follows:

	2024	2023
Bonds	51.51%	58.16%
Deposits	5.28%	3.83%
Loans	5.48%	3.89%
Equity	13.73%	9.96%
Investment Property	2.49%	4.86%
Holdings in related undertakings, including participations	15.09%	11.52%
Collective Investments Undertakings	6.41%	7.78%
Total	**100.00%**	**100.00%**

The following section offers more detailed information on particular risk categories to which the Company is exposed. As a rule, the Company presents and classifies risks in accordance with the specification (classification) of risks in the standard formula.

C. RISK PROFILE

C.1 Underwriting risk

Underwriting (insurance) risk is the risk arising from underwriting of insurance liabilities and represents the risk of loss or adverse change in the value of insurance liabilities due to inappropriate pricing and provisioning assumptions arising from changes in the timing, frequency and severity of insured events and changes in the amount of claims and the timing of their maturity, as well as from significant uncertainties in the pricing and provisioning assumptions associated with extreme or exceptional events.

In accordance with the standard formula, underwriting risk includes the following risk modules:

- **non-life** underwriting risk module;
- **life** underwriting risk module;
- **health** underwriting risk module.

The following table shows the capital requirements for the above risk modules.

Table C.1.1 Capital requirement by underwriting risk module *(EUR thousand)*

	Capital requirement	
	2024	**2023**
Non-life underwriting risk module	97,763	89,037
Life underwriting risk module	5,579	5,936
Health underwriting risk module	17,035	14,993

Non-life underwriting risk module

Non-life underwriting risk is the risk that arises from non-life insurance obligations and, according to the standard formula, covers at least the following sub-modules:

- non-life premium and reserve risk sub-module;
- non-life catastrophe risk sub-module.

Total capital requirement for the non-life underwriting risk module as at December 31, 2024 amounted to **EUR 97,763 thousand**, which is EUR 8,726 thousand more than in 2023. Capital requirement increase was generated mainly by portfolio increase and interest rate decrease, which in turn resulted in increased non-life reserve risk.

C. RISK PROFILE

The structure of the non-life underwriting risk module is given in the following table.

Table C.1.2 Capital requirement for non-life underwriting risk by risk sub-module *(EUR thousand)*

	Capital requirement	
	2024	2023
Non-life premium and reserve risk sub-module	91,986	84,986
Non-life catastrophe risk sub-module	17,315	12,760
Diversification effects	(11,538)	(8,708)
Total non-life underwriting risk	**97,763**	**89,037**

Non-life premium and reserve risk is the risk of loss or adverse change in the value of insurance liabilities arising from changes in the timing, frequency and severity of insured events and changes in the amount of claims as well as the timing of their maturity.

Capital requirement for the non-life premium and reserve risk sub-module amounted to **EUR 91,986 thousand**. It was determined in accordance with the standard formula, based on the exposure measures of net earned premiums and net claims provisions for certain types of non-life insurance, using standard parameters.

Non-life catastrophe risk is the risk of loss or adverse change in the value of insurance liabilities arising from the existence of significant uncertainties in the pricing and provisioning assumptions associated with extreme or exceptional events.

Capital requirement for non-life catastrophe risk sub-module in the amount of **EUR 17,315 thousand** was determined in accordance with the standard formula, based on prescribed exposure measures for natural disasters, for human-caused disasters and for other non-life insurance catastrophe risks. The increase in the capital requirement occurred in the sub-module for human-caused catastrophe risk, i.e. the liability risk sub-module, primarily due to the increase in projected liability insurance premium, which enters as a parameter in the calculation.

Life underwriting risk module

Life underwriting risk is the risk that arises from life insurance obligations and covers the following sub-modules according to the standard formula:

- mortality risk sub-module;
- longevity risk sub-module;
- disability-morbidity risk sub-module;
- lapse risk sub-module;
- life-expense risk sub-module;
- revision risk sub-module;
- life catastrophe risk sub-module.

Total capital requirement for the life underwriting risk module as at December 31, 2024 was **EUR 5,579 thousand** and the structure thereof is given in the following table.

C. RISK PROFILE

Table C.1.3 Capital requirement for life underwriting risk by risk sub-module *(EUR thousand)*

	Capital requirement	
	2024	**2023**
Mortality risk sub-module	533	543
Longevity risk sub-module	3,006	2,780
Disability-morbidity risk	77	74
Lapse risk sub-module	1,548	1,194
Life-expense risk sub-module	1,937	2,825
Revision risk sub-module	1,297	1,256
Life-catastrophe risk sub-module	535	597
Diversification effects	(3,354)	(3,332)
Total life underwriting risk	**5,579**	**5,936**

Mortality risk is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of mortality rates, whereby an increase in the mortality rate leads to an increase in the value of insurance liabilities.

The Company has determined the capital requirement for the mortality risk sub-module in accordance with the standard formula in the amount of **EUR 533 thousand** applying the shock of a permanent increase of 15% to the mortality rates used in the calculation of technical provisions. This increase in mortality rates was applied only to those insurance policies in which an increase in mortality rates caused an increase in technical provisions with no risk margin.

Longevity risk is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of mortality rates, whereby a decrease in the mortality rate leads to an increase in the value of insurance liabilities.

The Company established the capital requirement for the longevity risk sub-module in accordance with the standard formula in the amount of **EUR 3,006 thousand** applying the shock of a permanent reduction of 20% to the mortality rates used in the calculation of technical provisions. This reduction in mortality rates was applied only to those insurance policies in which a decrease in mortality rates caused an increase in technical provisions with no risk margin.

Disability-morbidity risk is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of disability, illness and sickness rates.

The Company determined the capital requirement for the disability-morbidity risk sub-module in accordance with the standard formula in the amount of **EUR 77 thousand**. The shock of a 35% increase in the rate of disability-morbidity in the next 12 months and the shock of a 25% increase in the rate of disability-morbidity thereafter were applied.

Lapse risk is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of expiration, termination, renewal and redemption rates of policies.

The Company has determined the capital requirement for the lapse risk sub-module in accordance with the standard formula in the amount of **EUR 1,548 thousand.**

C. RISK PROFILE

Life-expense risk is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of costs incurred in servicing the insurance contract.

The Company established the capital requirement for the life-expense risk sub-module in accordance with the standard formula in the amount of **EUR 1,937 thousand**. The assumption of a permanent increase in costs by 10% compared to those considered in the calculation of technical provisions and the assumption of an increase in the inflation cost rate (expressed as a percentage) by 1 percentage point compared to that considered in the calculation of technical provisions were applied simultaneously. The change compared to the previous calculation is the result of a change and calibration of the model for estimating costs under life insurance contracts, portfolio changes and changes in the risk-free interest rate curve.

Revision risk is the risk of loss or adverse change in the value of insurance liabilities arising from changes in the level, trend or volatility of the revision rates applied to annuities due to changes in the legal environment or health status of the insured person.

The Company has determined the capital requirement for the lapse risk sub-module in accordance with the standard formula in the amount of **EUR 1,297 thousand**. The calculation involved applying the shock of a permanent increase in the amount of insurance annuity liabilities by 3% in those cases where the benefits paid under the respective insurance policies could be increased due to changes in the legal environment or health status of the insured person.

Life catastrophe risk is the risk of loss or adverse change in the value of insurance liabilities arising from the existence of significant uncertainties in the pricing and provisioning assumptions associated with extreme or exceptional events.

The Company determined the capital requirement for the life catastrophe risk sub-module in accordance with the standard formula in the amount of **EUR 535 thousand**. The shock of increase of 0.15 percentage points in the percentage of mortality rates used in the calculation of technical provisions was applied to reflect mortality experience over the next 12 months.

This increase in mortality rates was applied only to those insurance policies in which an increase in mortality rates applied to reflect mortality experience over the next 12 months caused an increase in technical provisions with no risk margin.

C. RISK PROFILE

Health underwriting risk module

Health underwriting risk reflects the risk arising from health insurance obligations, regardless of whether it is provided on a similar technical basis as non-life or life insurance. It covers at least the following risks:

- risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level, trend or volatility of costs incurred in servicing the insurance contract;
- risk of loss or adverse change in the value of insurance liabilities arising from changes in the timing, frequency and severity of insured events and changes in the timing and amount of claims settlement at the time the provisions are determined;
- risk of loss or adverse change in the value of insurance liabilities resulting from the existence of significant uncertainties in the pricing and provisioning assumptions associated with the outbreak of major epidemics and the unusual accumulation of risk in such extreme circumstances.

According to the standard formula, it covers the following sub-modules:

- NSLT health insurance underwriting risk sub-module (health insurance similar to non-life insurance);
- SLT health insurance underwriting risk sub-module (health insurance similar to life insurance);
- health catastrophe risk sub-module;

Total capital requirement for the health underwriting risk module as at December 31, 2024 amounted to **EUR 17,035 thousand**, which represents an increase of EUR 2,042 thousand compared to 2023. The increase was generated by an increase in capital requirement for the NSLT health insurance underwriting risk sub-module. The structure of the health underwriting risk module is given in the following table.

Table C.1.4 Capital requirement for health underwriting risk by risk sub-module *(EUR thousand)*

	Capital requirement	
	2024	**2023**
NSLT health insurance underwriting risk sub-module	16,877	14,841
SLT health insurance underwriting risk sub-module	0	0
Health catastrophe risk sub-module	596	570
Diversification effects	(437)	(417)
Total Health underwriting risk	**17,035**	**14,993**

The Company has no exposure to health insurance underwriting risk similar to life insurance. Furthermore, the capital requirement for the health insurance underwriting risk similar to non-life insurance according to the standard formula is determined on a similar principle to the capital requirement for non-life underwriting risk module and as at December 31, 2024 it amounted to **EUR 16,877 thousand**.

Capital requirement for the health catastrophe risk sub-module was also determined by the Company in accordance with the standard formula, and it amounted to **EUR 596 thousand**.

C. RISK PROFILE

Underwriting risk management

For managing underwriting risk, the Company has prescribed detailed Underwriting Guidelines for each type of insurance that effectively contribute to the reduction of risk in day-to-day direct business. The Guidelines prescribe acquisition limits, methods of risk assessment when making policies, taking into account profitability, concentration of risk and exposure.

Furthermore, the risk of underwriting is reduced through the placement of excess risk in reinsurance. When contracting reinsurance, the Company considers the cost of reinsurance, the reputation of the reinsurer, the indicators of its financial position, the experience gained in the previous cooperation and the reinsurer's rating determined by a recognized rating agency.

Also, the Company continuously monitors the effectiveness of insurance risk mitigation techniques by monitoring the effectiveness of the reinsurance program in use. Moreover, it also conducts hypothetical analyses, e.g., it examines the impact on the results with the assumption that a different amount of self-retention or a different type of reinsurance has been agreed upon than those currently in use and it does so by significant lines of insurance. By doing so, the Company analyses various indicators such as the required regulatory capital, the likelihood of capital falling below the regulatory minimum, the likelihood of achieving the targeted profit and similar, as well as their movements depending on the types of reinsurance contracts by lines of insurance.

In addition, the Company is exposed to underwriting risk through contracting active reinsurance business and manages this risk in the same way as other insurance risks.

The Company also manages the underwriting risk through the provisions calculation processes, with the controlling role of the actuaries in the respective processes. In addition to the annual report of the Company, the appointed actuary gives an opinion on the adequacy of insurance provisions and premiums, while the actuarial function, through a separate report, confirms the adequacy of own shares in the tables of maximum coverage of the insurance or reinsurance company.

The Company also regularly monitors performance indicators relevant to the risk concerned, such as claims ratio and combined ratio, and conducts run-off analysis of provisions.

In addition, the Company conducts analyses of mortality, lapse and expense experience at least once a year. In addition to all of the above, according to the principles of Solvency II, the Company allocates capital requirements for exposure to underwriting risk, using the standard formula as previously stated.

C. RISK PROFILE

C.2 Market risk

Market risk is the risk of potential losses arising from changes, i.e., fluctuations in exchange rates, interest rates, market prices of assets, liabilities and financial instruments. In accordance with the standard formula, it includes the following:

- interest rate risk;
- equity risk;
- property risk;
- spread risk;
- currency risk;
- concentration risk.

The Company allocates capital requirements for market risk exposure and applies the standard formula to calculate them. Total capital requirement for market risk as at December 31, 2024 amounted to **EUR 234,888 thousand.** The following shows the capital requirements for market risk sub-modules according to the standard formula.

Table C.2.1 Capital requirement for market risk by risk sub-module *(EUR thousand)*

	2024	2023
Interest rate risk sub-module	7,983	11,417
Currency risk sub-module	19,913	19,908
Equity risk sub-module	158,489	119,117
Property risk sub-module	14,386	24,311
Spread risk sub-module	29,460	18,859
Market risk concentrations sub-module	124,807	100,926
Diversification effects	(120,151)	(105,463)
Total market risk	**234,888**	**189,075**

Interest rate risk

Interest rate risk is the risk of potential loss that would result from a change in the fair value of assets and liabilities resulting from changes in market interest rates. The Company's assets are exposed to the interest rate risk through the portfolio of investments in debt securities, loans, deposits (including all those assets to which the Company is indirectly exposed through investments in investment funds, as the result of the application of the look-through principle, where possible) and the reinsurance recoverables, while on the liabilities side it is the technical provisions i.e., their best estimate (BEL), that is subject to it.

Capital requirement for interest rate risk in the amount of **EUR 7,983 thousand** is equal to the decrease in available capital after the valuation of assets and liabilities using the risk-free interest rate curves to which the standard formula shocks were applied. During the current year, there was a decrease in EIOPA's risk-free interest rate curves compared to the previous year, resulting in lower interest rate shocks and, consequently, a reduction in the capital requirement for interest rate risk. Changes in the liability and asset portfolio also contributed to the decrease in the capital requirement.

C. RISK PROFILE

The Company regularly monitors the interest rate risk exposure, measures and monitors risk indicators such as asset and liability durations, performs sensitivity analyses and optimizes the maturity of assets with respect to the maturity of the liabilities and other objectives of the Company.

The Company monitors the effectiveness of the interest rate risk mitigation technique by conducting the duration gap analysis and the interest rate sensitivity analysis.

Currency risk

Currency risk is the risk of a potential loss that would result from a change in the fair value of assets and liabilities due to changes in foreign currency rates.

In 2024, the Company was exposed to this risk through investments and other business activities and transactions in foreign currencies, with USD, RSD, MKD and BAM being the most significant ones. In addition to the premium income and the calculation of related technical provisions and liquidation of claims under insurance contracts with a currency clause, the Company is exposed to currency risk in the part of its investment activities through equity, credit, deposit and other forms of investment (including all the above assets to which the Company is indirectly exposed through investments in investment funds, as the result of applying the look-through principle, where possible). The Company actively manages the currency risk by monitoring and adjusting its net open currency position and it has used currency forward and swap agreements (FX Forward and FX Swap) to manage its open position in USD more effectively. Throughout 2024, when calculating the capital requirement for currency risk using the standard formula, the Company also took derivatives into account, which led to a reduced capital requirement for currency risk.

As part of the risk management system self-assessment, the Company regularly monitors the effectiveness of the currency risk mitigation technique, i.e., the efficiency of the use of derivatives, among other things, by reviewing the changes in capital requirements for currency risk and the effect on capital adequacy.

The Company has determined capital requirement for currency risk in the amount of **EUR 19,913 thousand**, calculated as the sum of the largest losses from the assumed shock of exchange rate increase or decrease for individual currencies by 25%.

Equity risk

Equity risk is the risk of potential loss from changes in the fair value of assets that include investments in equities, units, holdings in related undertakings, including participations, and funds (including all of those assets to which the Company is indirectly exposed through investment in investment funds as the result of applying the look-through principle where possible).

These assets are classified into two categories: **type 1** - assets listed on regulated markets within the EEA and OECD and **type 2** - other assets. The capital requirement is calculated as follows:

- **for type 1 assets:** 22% of the value of strategic type 1 investments and 39% + SA (the so-called symmetric adjustment) of the value of other type 1 assets;

C. RISK PROFILE

- **for type 2 assets:** 22% of the value of type 2 strategic investments, 36% + 92% of the SA of value of investments in type 2 infrastructure funds and 49% + SA of the value of other type 2 assets.

As at December 31, 2024, the **symmetric adjustment (SA) was 2.86%**, so the shocks calculated as described above and applied to calculate capital requirements amounted to:

- for non-strategic type 1 investments: **41.86%;**
- for non-strategic type 2 investments: **51.86%**;
- for investments in type 2 infrastructure funds: **38.63%**.

Total capital requirement for this risk amounted to **EUR 158,489 thousand** and it was obtained by aggregating capital requirements for both types of assets. Increase in the capital requirement resulted primarily from increase in the symmetric adjustment by 1.40 percentage points and a significant increase in the equities portfolio (including an increase in the value of investments in subsidiaries due to the recapitalization of CROATIA nekretnine d.o.o., Zagreb and the sale of investment properties to the same).

Equities on the SII balance sheet amounted to EUR 192,198 thousand, 99.9% of which related to the equities listed on the regulated markets.

Considering the possibility of trading in these investments, the Company is able to adjust its positions and consequently react in a timely manner to changes in the capital market, in order to make profits or to prevent further losses.

Holdings in related undertakings, including participations on the SII balance sheet amounted to EUR 211,273 thousand.

With these investments, the Company strives to achieve the long-term strategic goals of sustainable organic growth, regional expansion and the achievement of targeted returns on investments, with the ultimate goal of ensuring long-term growth of the economic value of the Company.

Property risk

Property risk relates to the risk of potential losses due to fluctuations in the market prices of property owned by the Company. Exposure to the said risk includes property used for business activities and property that is not used for business purposes but held for investment purposes (investment property).

Value of properties on the SII balance sheet was EUR 57,544 thousand.

Capital requirement for property risk amounted to **EUR 14,386 thousand**, and according to the standard formula it was calculated as 25% of the total value of property in the portfolio. The decrease in the capital requirement was the result of a reduction in the real estate portfolio due to the sale of investment properties to the subsidiary CROATIA nekretnine d.o.o., Zagreb.

Spread risk

Spread risk is the risk of potential losses arising from the sensitivity of the value of assets exposed to credit risk to changes in interest rates above the level of risk-free interest rates (changes in credit spreads).

C. RISK PROFILE

This risk includes all interest-sensitive assets exposed to credit risk that are not considered risk-free (i.e., that have a credit spread) under the relevant regulations.

This effectively relates to the part of government and corporate bonds in the Company's portfolio, all loans and all deposits with banks (including all the above assets to which the Company is indirectly exposed through investments in investment funds, as the result of applying the look-through principle, where possible).

Capital requirement in the amount of **EUR 29,460 thousand** was calculated by adding together individual capital requirements according to the type of assets, modified duration of each instrument and the credit rating of the issuer, in accordance with the requirements of the standard formula. The increase in the capital requirement was driven by higher exposure to debt securities who are subject to this risk, bank deposits, and loans.

Investments in government debt securities relate to the bonds issued by the Ministry of Finance of the Republic of Croatia, Croatian Bank for Reconstruction and Development (HBOR) and other government bodies of EU and OECD member states. Investments in government debt securities on the SII balance sheet amounted to EUR 599,794 thousand. Calculation of the capital requirement for spread risk includes bonds that are not denominated in the domestic currency of the issuer or are issued by a non-EU issuer.

In order to manage said risk, the Company regularly monitors the macroeconomic and political environment and credit rating of the Republic of Croatia and the issuing countries, as well as credit spread (CDS) and ultimately allocates capital requirements.

Investments in corporate debt securities on the SII balance sheet amounted to EUR 121,139 thousand. They relate to the Company’s investments in bonds and commercial papers issued by companies domiciled in the Republic of Croatia and the EU. The Company manages the said risk through a detailed analysis of the issuer's investments and operations, as well as an analysis of the macroeconomic and political environment of the issuing country.

Investments in deposits with banks on the SII balance sheet amounted to EUR 73,837 thousand. Said investments relate to the depositing of funds through commercial deposits with banks domiciled in the Republic of Croatia that have a high capital adequacy ratio and have been given an acceptable internal rating according to the Company's internal methodology.

The Company deposits funds with banks to maintain an adequate structure of liquid assets and to achieve returns on investment. There is an embedded early termination clause in most of the Company’s deposit arrangements.

To assess credit risk when investing in deposits and corporate bonds, the Company has developed an internal rating system for assessing credit risk. Each bank or bond issuer has been assigned an internal rating, which rates and describes the credit quality of the issuer. In addition to the established internal rating system, the risk management system includes regular monitoring of exposures, monitoring of compliance with limits, taking partial or timely reduction of exposures as necessary, monitoring of banks’ operations, monitoring of the macroeconomic environment, allocating capital requirements and maintaining a relatively short-term structure of the relevant exposure.

C. RISK PROFILE

Investments in loans on the SII balance sheet amounted to EUR 76,756 thousand. From the assets covering life insurance liabilities, loans are granted based on life insurance policies with assignment that allows transferring rights under an insurance policy in favour of the Company, which also represents a first-class security instrument.

Other loans are granted in accordance with internal regulations. The Company manages this risk through a detailed analysis of the operations of the borrowers and an analysis of the macroeconomic and political environment of the Republic of Croatia.

Concentration risk

Concentration risk is the risk arising from insufficient diversification within the asset portfolio, or in other words, from accumulation of the Company's exposure to counterparties. This risk in the Company includes exposure to investments in bank deposits, equities, loans, property and debt securities (including the assets to which the Company is indirectly exposed through investment in investment funds, as the result of applying the look-through principle, where possible).

Capital requirement for concentration risk amounted to **EUR 124,807 thousand** and it essentially arises from the Company's exposure to investments in holdings in related undertakings, exposures to individual corporate groups through investments in deposits, corporate bonds and shares.

Individual exposure to concentration risk is determined based on affiliation with a corporate group (the so-called Single Name Exposure - SNE) and the capital requirement is calculated by aggregating the capital requirements for individual SNEs. Capital requirements for individual SNEs are calculated based on exposure amounts that exceed certain thresholds defined for each asset category based on the size of the total portfolio and the credit rating of the issuer, as required by the standard formula.

Compared to the previous year, the increase in the capital requirement was driven by higher exposure to corporate groups that give rise to concentration risk.

C. RISK PROFILE

C.3 Credit risk

Credit risk is the risk of potential losses arising from a default of the Company's counterparty.

In its portfolio, the Company is exposed to credit risk arising from the following positions:

- investments in debt securities (government and corporate);
- investments in deposits with banks;
- investments in loans;
- insurance premiums receivables and reinsurance contracts receivables and other receivables;
- reinsurance recoverables;
- bank exposure through business accounts;
- investments in derivatives.

Credit risk arising from investments in government and corporate debt securities, investments in deposits with banks and investments in loans (including all those assets to which the Company is indirectly exposed through investment in investment funds as the result of applying the look-through principle) was included in the market risk module - spread risk sub-module in accordance with the standard formula (see the previous chapter). The other sources of credit risk mentioned above are discussed below and, according to the standard formula, they are included in the counterparty default risk module.

For all assets through which the Company is exposed to credit risk (other than bonds, deposits and loans included in the market risk module as indicated above), the capital requirement for the counterparty default risk module is determined according to the standard formula used by the Company to calculate capital adequacy. Assets considered within said module are classified into two groups:

- **type 1 exposure** includes exposure to reinsurers through the share of reinsurance in technical provisions, exposure to banks through business accounts (also including indirect exposure through investment funds, as the result of applying the look-through principle) and derivatives used for risk mitigation;
- **type 2 exposure** covers all other types of receivables.

Capital requirement for counterparty default risk as at December 31, 2024 amounted to **EUR 16,167 thousand**. Capital requirement was calculated by determining the loss given default (LGD) for both types of assets, with the LGD for type 1 exposure being determined for each individual exposure. Probability of default (PD) is additionally determined for type 1 exposure, depending on the counterparty's credit rating.

C. RISK PROFILE

Table C.3.1 Capital requirements for counterparty default risk module *(EUR thousand)*

	Capital requirement	
	2024	**2023**
Type 1 exposures	10,011	9,834
Type 2 exposures	7,240	7,482
Diversification effects	(1,084)	(1,097)
Total counterparty default risk	**16,167**	**16,219**

Insurance and intermediaries receivables, reinsurance receivables and other receivables on the SII balance sheet amounted to EUR 47,795 thousand.

In addition to calculating capital requirements, some of the methods used in analysing and evaluating credit risk exposures based on these receivables are the analysis of debt premium collection (by years of collection and years of concluding policies), analysis of the age structure of debt, analysis of impairments of receivables and debtor credit analysis.

Reinsurance recoverables on the SII balance sheet amounted to EUR 47,551 thousand. The management of the said risk is based on monitoring the credit quality of the reinsurer, adequate portfolio diversification and regular monitoring of the reinsurance market state, as well as changes in the financial strength of the reinsurer.

Amount in **business accounts with banks** on the SII balance sheet was EUR 1,224 thousand.

The Company is also exposed to credit risk through **derivatives** that are used for hedging, primarily currency risk hedging. The value of derivatives as at December 31, 2024 was **EUR -796 thousand** (net amount).

The Company has put in place the necessary processes for these investments, with the necessary measures established to control the credit risk of investing in FX contracts. Credit risk arising from FX contracts is of very low significance, due to the relatively low fair values of these contracts and stipulated variation margins, i.e., collateral, precisely with the intention of reducing credit risk.

C.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to cash in on its investments and other assets to meet its financial liabilities on their maturity.

To ensure continued operations and compliance with legal requirements, the Company has a portfolio of liquid assets as part of its liquidity risk management strategy. The Company has a very good liquidity position and has always been able to settle its liabilities as they come due without any problems.

The **liquidity risk management system** consists of:

- regular monitoring of the maturity structure of assets and liabilities;
- defining liquid assets and their regular monitoring and maintenance in sufficient amount;

- maintaining liquidity reserves;
- regular planning of inflows and outflows;
- appropriate prior announcement procedures for major inflows and outflows;
- defined risk appetite and established limits;
- conducting stress tests and sensitivity analyses;
- established reporting process;
- defined procedures in case of illiquidity and threatening illiquidity.

Particular attention in planning cash inflows and outflows is given to adjusting them in terms of amount and maturity, as well as to the currency structure of cash inflows and outflows when it comes to transactions in foreign currencies.

In accordance with Article 295 (5) of Delegated Regulation (EU) 2015/35, the Company reports that, as at December 31, 2024, the **total amount of expected profits included in future premiums (so-called EPIFP)** calculated in accordance with Article 260 (2), was EUR 13,843 thousand for non-life insurance and EUR 19,345 thousand for life insurance.

C.5 Operational risk

Operational risk is the risk of potential losses due to inadequate or faulty business processes or events caused by employee errors, system errors or the occurrence of adverse external events. In addition to legal risk, it also includes compliance risk and cyber risk.

Operational risk correlates with the size of the Company and the complexity of the organization, processes, projects, number of employees, branching of the sales network and size of the IT system, and it is present at all stages of business processes.

Capital requirement for operational risk under the provisions of the standard formula as at December 31, 2024 was **EUR 15,161 thousand** (2023: EUR 13,099 thousand) and was determined as a function of earned premiums, technical provisions and unit-linked product costs.

As the first aspect of operational risk management, with the aim of timely identification of risks, adoption of measures necessary to achieve business goals and minimizing risks, the Company has established a system of internal controls. As part of the internal control system, the Company has established an Operational Risk Database (OR Database), in which it records information about identified risks, risk escalation and materialization, controls in place, materiality estimate and further planned risk management measures. The necessary controls, control procedures and administrative and accounting procedures and responsibilities in certain processes and activities are regulated by the internal documents of the Company. More detailed information on the internal control system is provided in *Chapter B4*.

Moreover, the Company has set up a quality management system in accordance with the standard ISO 9001:2015.

Another aspect of operational risk management relates to the organization of separate operational risk monitoring areas regulated through activities and regulations by separate entities such as:

- IT risk management;
- information, corporate security and fraud risk management;

C. RISK PROFILE

- business continuity risk management;
- occupational safety, fire protection and environmental protection risk management;
- money laundering and terrorist financing risk management;
- GDPR (General Data Protection Regulation) risk management;
- risk management in insurance/reinsurance distribution (Insurance Act/IDD);
- risk management in an area of protection of market competition;
- compliance risk management.

The Company continuously monitors **compliance with regulatory requirements,** drafts new internal documents and makes necessary changes to the existing documents, educates employees and proposes technical and other protection measures to the organizational units to reduce the risk of non-compliance with the relevant acts and subordinate legislation.

Cyber risk is reflected in the Company's exposure to cybersecurity threats, including hacking, malicious attacks, and data breaches, which may severely compromise data security, sensitive information, intellectual property, and business operations as a result of comprehensive digitalisation. The Company has established an Information Security Management System (ISMS) based on the ISO/IEC 27000 family of standards and aligned with global best practices in information security, founded on risk-based management of information systems. In addition, the Company has implemented a 24x7 monitoring system for security events through its security incident monitoring and management system, enabling the detection of potential threats or attempted breaches of the information system and ensuring prompt incident response to minimise potential adverse impacts on operations.

In 2024, a Business Impact Analysis (BIA) was conducted for critical and related ICT (information and communication technology) services, accompanied by a risk assessment of those services. For risks exceeding the acceptable threshold, a Risk Treatment Plan was developed.

Furthermore, the Company undertook the necessary activities to align its operations with the requirements of the DORA Regulation (Digital Operational Resilience Act, Regulation (EU) 2022/2554), which entered into force in January 2025. DORA aims to ensure the operational resilience of financial entities, with a particular focus on risks associated with information and communication technologies. In addition to regular measures, testing, and controls, the Company also develops and regularly conducts training in the field of information security for all users of the information system. Cyber risk is monitored within the framework of information security and IT, and the information security measures implemented in the Company are continuously monitored and improved.

C.6 Other material risks

Under other material risks, the Company has identified reputational risk, strategic risk, outsourcing risk and sustainability risk. These risks are primarily of a qualitative nature and, as such, are difficult to quantify by means of quantitative methods. Therefore, managing these risks involves continuous monitoring and analysis of appropriate risk indicators and timely undertaking of activities aimed at reducing or preventing potential negative consequences of their materialization.

C. RISK PROFILE

The company also regularly monitors external risk factors (risks of the macroeconomic, legislative, political, social and technological environment), which are mostly qualitative in nature and correlate to or influence other risks.

Reputational risk

Reputational risk is defined as the risk of loss arising from a possible adverse effect on the Company's reputation as the result of a negative public perception. It basically arises in the context of the client's or the general public's assessment of the way in which the Company manages its business or the quality and efficiency of its products and services. Reputational risk is partly an exogenous risk for the Company, since the public perception of the Company may also be affected by third parties and this risk arises mainly due to the materialization of some other risks.

The Company's reputational risk management system consists of:

- adequate and timely strategic decisions of the Company's management at all levels, i.e., their quick and effective reactions to changes in the market, regulations and communication with the public;
- adequate internal regulations and procedures for operation and their continuous improvement in all business segments;
- regular monitoring of reputational risk by monitoring the Company’s image and through various methods of monitoring and analysis of customer satisfaction and complaints, which serves to identify risks and make decisions about corrective action aimed at improvement of services;
- effective marketing strategies and allocation of marketing budget;
- continuous promotion of business culture;
- further development and improvement of controlling/key functions in the Company.

Strategic risk

Strategic risk is the risk that results from strategic business decisions and the maladaptation of business decisions to changes in the environment. It includes competition risks, policyholder risks, industry change and demand change risks, as well as the risks of all other relevant changes in the environment. The Company is aware of the qualitative nature of this risk, its correlation with other risks and the impact of external risk factors, i.e., the environment. The Company's strategic risk management system includes a timely and effective response of the Company to environmental changes, which involves:

- regular analysis and monitoring of the environment in which the Company operates, with an emphasis on macroeconomic circumstances and competition activities;
- systematic strategic and financial planning, including monitoring the implementation of plans and taking measures in the event of significant deviations;
- established quality management process;
- continuous development and introduction of new products and distribution channels: investment in the sales network, development of sales channels, employee training, improvement of customer relations, development of new and redesigning of existing products, prompt and high-quality claim settlement in accordance with customer needs;

C. RISK PROFILE

- business optimization with the aim of rationalization, but also improving of business processes that result in better customer experience and satisfaction (digitalization of operations, administrative and cost rationalization, modernization of all business processes, optimization of investment portfolio);
- growth and development of all the companies operating within the Group with the goal of improving their market positions.

In 2024, the most significant impact on strategic risk stemmed from an unfavourable geopolitical environment, primarily due to the war in Ukraine, conflicts in the Middle East, rising tensions in the Far East (China and Taiwan), and instability in major European economies. These events correlate with negative macroeconomic and social effects—including high inflation, increased financial market volatility, rising credit risk, supply chain disruptions, price increases and declining living standards, and reduced consumer spending with implications for both the Company's operations and the operations of its subsidiaries. Following the U.S. presidential elections, which resulted in a strong Republican Party majority led by Donald Trump as the new President of the United States, increased trade tensions were announced, including the imposition of tariffs on nearly all U.S. trading partners. It remains to be seen how the new President's mandate will affect the ongoing military conflicts in Ukraine and the Middle East, which have been contributing to global instability for several years.

Moreover, in addition to the mentioned geopolitical upheavals, further development of the insurance market in the Republic of Croatia is expected to be greatly influenced by climate change as well.

Despite the mentioned events, the Company has continued its successful performance trend, continuing with a wave of transformation initiatives and investments. The possible impact of the environment on business operations is regularly analysed and preventive risk mitigation measures are implemented. Moreover, the ORSA process involves regular stress testing, developing of scenarios and analysing sensitivity to the effects of extraordinary (external and internal) circumstances and events that the Company could be exposed to, including possible activities aimed at their prevention.

Detailed information on the geopolitical and macroeconomic situation as significant factors affecting strategic risk is provided in *Chapter A. Business and performance (A.5 Any other information).*

Outsourcing risk

Outsourcing risk is the risk arising from contracting service providers to perform the Company's services that the Company would otherwise perform itself. This risk was identified in the Company in 2017 based on outsourcing mailroom and office document management to Microsoft Office 365, With a view to increasing work efficiency, the security operations centre (SOC) activities were also outsourced in late 2021. In 2022, activities involved in CRM (Customer Relationship Management) and CTI (Computer Telephony Integration) solutions in a cloud were outsourced, as well as travel health insurance assistance. In 2023, a decision was made to outsource the activities related to the storage, protection, transportation, collection, and handling of archival and documentary material. The complete relocation of the archive was carried out in April 2024.

C. RISK PROFILE

The Company has an internal document that defines the elements of management of this risk, risk assessment, selection of service providers, oversight and control of outsourced activities, monitoring and reporting on control and risk exposure, exit strategy in case of early termination of the contractual relationship, as well as the roles and responsibilities of the holders of individual activities in the process of outsourcing.

Persons responsible for monitoring and managing the outsourced services regularly monitor the quality of service, the occurrence of issues related to the outsourced activities, the performance of relevant agreements, and SLA (Service Level Agreement) reports to verify whether the parameters defined in the agreements are met. Based on this, corrective measures are taken with the service provider as needed.

Sustainability risk

Sustainability risk is the risk of loss resulting from environmental, social or governance-related events or circumstances (ESG factors) which could, if they arise, cause an actual or potential negative impact on the Company (whether financial, reputational or strategic). It covers at least the following areas:

- environmental protection: reduced contribution to climate change, reduced greenhouse gas emissions, sustainable use of resources, energy efficiency, transition to circular economy;
- social responsibility: responsibility to the community, respect for human rights and labour rights, labour standards, healthcare and occupational health and safety, equality in all respects, client/customer satisfaction, data and privacy protection;
- corporate governance: responsibility, corporate ethics and culture, dialogue with interest groups, transparent reporting, anti-corruption measures, compliance, risk management, cybersecurity.

Sustainability risk management in the Company generally involves continuous review of adequate procedures and methods for collecting and analysing data in the areas where it is exposed to risk (insurance activities, investments, operations management, market management, and other), monitoring the integration of ESG goals in the Company, inclusion of relevant areas of sustainability risk into the ORSA process, assessment of materiality of the impact of those risks on the risk profile, defining adequate methods to control or mitigate identified risks (defining sustainable processes, development of products and services, price list adjustment, reinsurance) and internal and external reporting on the foregoing.

Processes for identifying and assessing the materiality of sustainability risks were improved in 2024. A double materiality assessment of sustainability risks was conducted, based on the principle of evaluating both the Company's impacts on sustainability factors, people, and the environment ("inside-out" perspective), and the impacts of sustainability factors on the Company ("outside-in" perspective). Following this, the identification of impacts, risks and opportunities (IRO – Impact, Risk and Opportunity management) was carried out, both within the Company's own operations and across its value chain. Each identified impact was assessed for materiality based on its severity, financial significance, and likelihood.

C. RISK PROFILE

The results of the double materiality assessment serve as input for defining priority sustainability topics, setting the Company's sustainability strategy, and supporting sustainability reporting. In addition to assessing the materiality and significance of these risks, the Company also considers the results of stress tests and scenario analyses over the business planning period, as well as in the medium and long term, to determine areas where enhanced focus on certain ESG risks is required.

One of the most significant components of sustainability risk, which is climate change and environmental risks in general, are increasing year after year, representing a challenge for the Company. The effects that could be triggered by climate change and events caused by it are closely monitored. In this context, the Company recognises transition risks and physical risks, which were considered within the ORSA process on both the asset and liability sides.

In terms of transition risks, the Company finds that the most significant ones are the effects that reflect on investments, i.e. on prices of financial instruments of certain companies that the Company invests in. This also includes risks connected with the market segment, in terms of expectations on the market of a sudden shift and orientation to green products, as well as compliance risk, regulatory risk and reputational risks, which could all reflect on the Company's operations.

The Company has recognized the importance of implementing **a sustainable financing policy in its investment processes** and is committed to integrating sustainable financing into its business strategy, considering its duty to act in the best interests not only of clients but also of the community as a whole.

The Company has developed an ESG risk assessment methodology, which is applied when making investment recommendations and decisions, depending on the asset class and data availability. It takes ESG benchmark indicators into account in its investment decision-making process to the extent possible. Where publicly disclosed data is not available, ESG questionnaires are sent to issuers/companies, and based on the information collected, an ESG rating is assigned using the internally developed ESG risk assessment methodology.

With the aim of assessing the materiality of the investment portfolio in the context of the impact of climate transition risks, an analysis was conducted in 2024 based on the distribution of the Company's total investments according to the NACE classification of economic activities. This analysis involved a methodology based on Climate Policy Relevant Sectors (CPRSs), which allows for sector allocation based on the use of the NACE classification of economic activities into nine classes, six of which are exposed to potential transition risks (fossil fuels, infrastructure (electricity production), energy-intensive investments, real estate, transportation, and agriculture), while the remaining three represent sectors that are only indirectly related to transition risk or are less significant (such as the financial sector and state exposure). This classification is based on greenhouse gas emissions, roles in energy supply chains, and the classification of so-called carbon leakage risk.1

[1] Battiston 2017, Application guidance on running climate change materiality assessment and using climate change scenarios in ORSA.

C. RISK PROFILE

As at December 31, 2024, the share of the Company's investments in six climate policy relevant sectors (CPRSs) in its total investments was 12.6%, indicating a low proportion of investments in CPRSs and contributing to assessments of low materiality (or immateriality) of the Company's climate change risks from this aspect of investment.

Physical risks connected with climate change are evident through various indicators, one of them being **increased frequency and/or intensity of extreme weather**, such as floods, droughts, heatwaves or storms, which increase acute risks and the risks of the negative consequences of such events.

The effects of climate change and the events it could cause or trigger are very closely monitored, with a view to incorporate them in the Company products, while at the same time taking into consideration the observed patterns of storms, hail, flooding and drought periods. In assessing acute physical risks as material, the Company included in its 2024 ORSA an analysis of the most severe but plausible scenarios related to its crop and plantation portfolio, a storm scenario, and climate projection variants, anticipating increasingly extreme weather events. Compared to the previous year's ORSA, new scenarios were introduced in 2024 that include the medium- and long-term impact of climate change, with two scenario variations based on assumptions of global temperature increase staying below or exceeding 2°C.

The Company is aware of the potential for further irreversible changes in global climate patterns, which include serious consequences for ecosystems, rising sea levels, and an increasing frequency of extreme weather events such as severe convective storms (SCS), which were previously uncommon in Europe and Croatia, as well as floods and wildfires. The Company continuously works on recognising and identifying new risks and adapting its activities, business decisions, and existing products accordingly.

In terms of climate change mitigation, environmental protection, and more responsible use of natural resources, the Company is in the process of planning measures and setting targets in line with the double materiality assessment conducted under the Corporate Sustainability Reporting Directive (CSRD). The planned measures are aimed at reducing the carbon footprint by using energy from renewable sources and improving energy efficiency. In order to manage its emissions more effectively, the Company conducts annual carbon footprint analyses. For the first time, the 2024 analysis is covered by subsidiaries and analysed Scope 3 emissions. The Company strives to integrate environmental criteria into regular business processes, supplier requirements, product development, and the investment portfolio. Through the digitalisation of operations and process automation, the Company reduces its environmental impact. In its office premises, initiatives are implemented to reduce waste generation and improve waste sorting and recycling. Activities are also undertaken to improve energy efficiency, primarily through measures aimed at enhancing heating and cooling systems in office buildings and optimising energy consumption.

In addition to climate-related risks, which represent the most significant component of sustainability risk, the Company also recognises **social and governance risks**, which are most likely to materialise through operational and reputational risks. These risks relate to employee relations (elements such as equality, social cohesion and inclusion, workplace health and safety), responsibility towards the local community, business conduct (appropriate governance structure, transparency, supplier relations, compliance and risk management, cybersecurity), and relations with consumers and end users (personal safety and impacts related to information/privacy). In these areas, too, the Company actively manages the risks and takes steps to create better conditions and opportunities for the stakeholders and exert a positive influence on the social community.

C. RISK PROFILE

The Company publishes detailed information on these topics annually, in accordance with regulatory requirements. Until now, the Company's Sustainability Statement was published as part of the Non-Financial Report of its parent company, Adris grupa d.d.. For 2022 and 2023, the Company also published a standalone Sustainability Statement on its website, in accordance with the Global Reporting Initiative (GRI) standards for non-financial reporting. During 2024, preparations were carried out for the n**ew regulatory sustainability reporting framework (CSRD)**, including a gap analysis of the Company's current status.

This analysis identified areas requiring the establishment or improvement of systems for collecting, analysing, and processing adequate data in line with the new reporting standards (ESRS – European Sustainability Reporting Standards). The Company is published this Sustainability Statement in accordance with the new reporting standards in 2025, on its website as an integral part of the 2024 Annual Report, i.e. the Management Report.

C. RISK PROFILE

C.7 Sensitivity analysis and stress tests

As part of the calculation of capital requirements, the Company conducts solvency ratio sensitivity analyses and stress tests to show changes in the Company's solvency ratio in different shock ranges. By doing so, through the risk profile, the Company revises the risks arising from its operations and defines a plan of activities that can be implemented in case of adverse events. In addition, the Company considers the results of analyses in the decision-making and planning processes.

- An interest rate sensitivity analysis was conducted and it analysed the effect of reducing and increasing risk-free interest rates by 100 basis points on interest-sensitive assets and liabilities. Increasing interest rates by 100 bp resulted in a decrease in the SCR ratio by 1.0 percentage points. By analogy, the reduction in interest rates resulted in an inverse effect the SCR ratio (+0.4 p.p.).
- A sensitivity analysis with regard to changes in the symmetric adjustment was performed, at which occasion the Company analysed the effects of using the symmetric adjustment of +10% and -10%. The effect on the solvency ratio was observed through change in the capital requirement for equity risk, which resulted in a change of the SCR by +5.7% and -9.6%, respectively, and a change of the SCR ratio by -15.3 p.p. and +30.3 p.p., respectively.
- The Company conducted a 25% drop test for equity securities quoted in active EU markets. The result of the test was a 5.2% decrease in eligible own funds and a decrease in capital requirements for equity risk and concentration risk, which ultimately resulted in a 2.1% decrease in the total SCR. These reductions led to a negative impact of 9.1 p.p. on the SCR ratio.
- The impact of the change in the value of property on eligible own funds and the SCR was analysed assuming a 10% decrease in property value. The test results showed a reduction of own eligible funds by 0.6% and the reduction of the total SCR by 0.1% through the reduction of property risk and concentration risk, with the impact on the Company's solvent position through a change in the SCR ratio of 2.1 percentage points.
- An analysis of the impact of growth in the credit spread of government debt securities of the Republic of Croatia by 75 bp for all maturities was conducted. This effect caused a drop in the prices of debt securities of the Republic of Croatia, which resulted in a decrease in own eligible funds of 1.8% and a decrease in the SCR ratio of 8.3 percentage points.

The Company was adequately capitalized in each of the conducted stress tests. In 2024, the Company also considered a number of stress tests and scenarios that have been deemed reasonable and necessary to observe. Their results and the assumptions used are documented in detail in the Own Risk and Solvency Assessment Report for 2024 submitted to the regulatory agency (HANFA). The Company also participated this year in EIOPA's EU-wide stress testing exercise for insurance groups, entitled Insurance Stress Test 2024, assessing the impact of defined shocks on the Company's liquidity position and the CO Group's capital position. The results of the stress testing exercise indicate that the shocks had no material impact on the Company's liquidity position or the CO Group's capital position.

D. VALUATION FOR SOLVENCY PURPOSES

In accordance with Article 105 of the Insurance Act, the Company valued assets at the amount that could be exchanged between well-informed willing parties in an arm’s length transaction, whereas the liabilities were valued at the amount that could be transferred or settled between well-informed willing parties in arm’s length transaction. The Company did not take into account its own credit position when evaluating its liabilities.

For valuation of assets at fair value, the Company used market prices if the requirement of existence of active markets was met, as defined in the International Accounting Standards, in accordance with Article 10 (4) of the Delegated Regulation.

For valuation of other assets that do not meet the requirement of existence of active markets, the Company used alternative valuation methods in accordance with Article 10 (5) of the Delegated Regulation.

Later in this chapter, a detailed description of the SII valuation for each asset and liability item is provided.

Since January 1, 2023, international accounting standards IFRS 17 and IFRS 9 have been in effect.

The following is a summary of the balance sheet under the SII rules (SII value) based on the balance sheet in accordance with the International Financial Reporting Standards (IFRS), detailing the differences between the IFRS and SII values only for those items where the SII value differs from IFRS values. For all other items, the IFRS value is consistent with the SII valuation.

D. VALUATION FOR SOLVENCY PURPOSES

Table D.1 IFRS and SII balance sheets - assets

(EUR thousand)

	2024		2023	
Assets	**SII**	**IFRS**	**SII**	**IFRS**
Intangible assets	0	14,907	0	15,767
Deferred tax assets	0	0	0	0
Property, plant & equipment held for own use	59,853	61,501	65,867	62,647
Investments (other than assets held for index-linked and unit-linked contracts)	1,322,918	1,170,867	1,343,933	1,210,718
Property (other than for own use)	34,902	34,914	67,926	67,926
Holdings in related undertakings, including participations	211,273	111,010	161,015	54,531
Equities	192,198	192,198	139,200	139,200
Equities - listed	191,970	191,970	138,929	138,987
Equities - unlisted	229	229	271	213
Bonds	720,934	732,546	813,022	829,918
Government Bonds	599,794	611,272	720,879	739,734
Corporate Bonds	121,139	121,274	92,143	90,184
Collective Investments Undertakings	89,752	89,752	108,769	108,769
Derivatives	21	21	486	486
Deposits other than cash equivalents	73,837	10,424	53,515	9,889
Assets held for index-linked and unit-linked contracts	2,256	2,256	15,037	15,037
Loans and mortgages	76,756	78,563	54,403	56,481
Loans on policies	1,582	1,582	1,753	56,481
Other loans and mortgages	75,174	76,981	52,650	0
Reinsurance recoverables from:[2]:	47,551	47,307	45,437	48,007
Non-life and health similar to non-life	47,551	47,307	45,437	48,007
Non-life excluding health	47,531	47,307	45,421	48,126
Health similar to non-life	21	0	17	-120
Life	0	0	0	0
Insurance and intermediaries receivables	26,076	4,020	26,113	4,277
Reinsurance receivables	14,509	13,507	15,401	14,829
Receivables (trade, not insurance)	7,210	7,210	7,549	7,549
Cash and cash equivalents	1,224	63,756	1,662	45,289
Any other assets, not elsewhere shown	6,942	6,986	2,505	2,556
Total assets	**1,565,295**	**1,470,880**	**1,577,909**	**1,483,157**

[2] In the IFRS financial statements, under the item "Reinsurance recoverables," total reinsurance contracts are presented, including liabilities and assets from reinsurance contracts.

D. VALUATION FOR SOLVENCY PURPOSES

Tabl D.1 IFRS and SII balance sheets - liabilities

(EUR thousand)

	2024		2023	
Liabilities	**SII**	**IFRS**	**SII**	**IFRS**
Technical provisions – non-life[3]	347,175	409,260	310,553	372,301
Technical provisions – non-life (excluding health)	338,052	395,686	304,427	360,402
Best Estimate	300,132	370,930	270,918	335,167
Risk margin	37,920	24,756	33,509	25,234
Technical provisions - health (similar to non-life)	9,122	13,573	6,125	11,899
Best Estimate	4,006	13,317	1,643	11,630
Risk margin	5,116	257	4,482	269
Technical provisions - life (excluding index-linked and unit-linked)	325,872	289,050	381,424	342,824
Technical provisions – life (excluding health and index-linked and unit-linked)	321,686	284,766	363,481	324,772
Technical provisions calculated as a whole	0	0	0	0
Best Estimate	319,797	282,737	361,684	322,580
Risk margin	1,889	2,029	1,797	2,191
Technical provisions – index-linked and unit-linked	4,186	4,283	17,943	18,052
Technical provisions calculated as a whole	2,256	0	15,037	0
Best Estimate	1,926	4,264	2,900	18,024
Risk margin	4	19	6	28
Provisions other than technical provisions	5,260	5,418	6,834	6,767
Deferred tax liabilities	39,414	19,232	28,604	8,275
Derivatives	817	817	91	91
Financial liabilities other than debts owed to credit institutions	38,813	38,813	37,058	37,058
Insurance & intermediaries payables	9,526	8,691	10,730	9,955
Reinsurance payables	7,207	0	3,642	0
Payables (trade, not insurance)	17,404	17,731	14,486	14,814
Any other liabilities, not elsewhere shown	23,495	23,495	27,443	26,637
Total liabilities	**814,982**	**812,507**	**820,865**	**818,723**
Excess of assets over liabilities	**750,313**	**658,373**	**757,043**	**664,435**

[3] In the IFRS financial statements, under the item "Technical provisions - Non-life," total insurance contracts are presented, including liabilities and assets from insurance contracts.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

For each significant asset category, an indication of the asset value and a description of the bases, methods and principal assumptions used for solvency valuation (SII valuation) are provided separately below.

A quantitative and qualitative explanation of all significant differences between the bases, methods and principal assumptions used by the Company for the purpose of valuation in the financial statements (IFRS valuation) is also provided.

Valuation of investments

Government bonds

The Company values investments in government bonds at fair value for solvency purposes.

For government bonds traded in the Republic of Croatia, fair value is calculated by applying the average trading price weighted by the amount of securities traded on the stock exchange and the reported institutional and OTC transactions. For government bonds traded on regulated markets of other EU member states and OECD member states, the fair value is defined based on the last bid price made on that day on the issuer's home stock exchange or the stock exchange defined as the primary source of price for the relevant security , which price was officially listed on the financial information service (Bloomberg).

The most representative fair value is the price of a financial instrument in an active market. Active or inactive market is defined by the minimum number of trading days and minimum trading volume for a particular security in the previous quarter. If there is no active market for a financial instrument, valuation methods used to determine fair value are those that attempt to estimate the price at which a financial instrument would have been sold in a regular transaction between market participants at the valuation date, taking into account the risk associated with the asset in question. These methods include discounting cash flows, determining applicable yield curves, using BVAL bid prices for domestic and foreign bonds listed on markets outside the Republic of Croatia and other similar procedures.

Investments in government bonds that do not have a quoted market price are valued using the discounted cash flow method by applying yield to maturity of instruments with similar characteristics for which market data are available, or by applying the best estimate of market yield to maturity.

The value of government bonds is mostly determined based on market prices in active markets. The difference in the Solvency II balance sheet results from the valuation of bonds at their fair value, whereas in financial statements, they are valued at amortized cost.

D. VALUATION FOR SOLVENCY PURPOSES

Corporate bonds

The Company values investments in corporate bonds at fair value for solvency purposes.

For corporate bonds traded in the Republic of Croatia, fair value is calculated by applying the average trading price weighted by the amount of securities traded on the stock exchange and the reported institutional and OTC transactions.

For corporate bonds traded on regulated markets of the EU member states and OECD member states, fair value is defined based on the last bid price made on that day on the issuer's home stock exchange or the stock exchange defined as the primary source of price for the relevant security, which price is officially listed on the financial information service (Bloomberg). Identifying an active or inactive market is the same as for government bonds.

Investments in corporate bonds that do not have a quoted market price are measured using the discounted cash flow method by applying yield to maturity of instruments with similar characteristics for which market data are available, or by applying the best estimate of market yield to maturity.

The difference in the value of corporate bonds in the Solvency II balance sheet results from the valuation of bonds at their fair value, whereas in financial statements, they are valued at amortized cost.

Collective investment undertakings

The Company values investments in collective investment undertakings (investment funds) at fair value for the purposes of solvency calculation. The fair value of investment fund units is calculated by applying the unit price (net asset value) for a particular investment fund published by the investment fund management company or posted on a financial information service.

The value of investment funds in the financial statements of the Company is equivalent to the value on the SII balance sheet, since investment funds are stated at fair value in the financial statements of the Company.

Equities

For the purposes of solvency calculation, the Company measures investments in equities at fair value.

For equities listed in the active market in the Republic of Croatia, fair value is calculated by applying the average trading price weighted by the amount of securities traded on the stock exchange, including reported block transactions. For equities listed on regulated active markets of EU member states and OECD member states, fair value is defined based on the average price made on that day on the issuer's home stock exchange or the stock exchange defined as the primary source of price for the relevant security, which the price is officially listed on the financial information service.

The process of distinguishing between active and inactive markets is the same as with bonds except that the defined minimum number of trading days is higher than for bonds (a stricter criterion).

For non-traded and/or unlisted equities and equities with no active market, fair value is determined by alternative valuation methods. The following alternative valuation methods are used to determine the fair value of a financial asset:

- discounted free cash flow method;

D. VALUATION FOR SOLVENCY PURPOSES

- discounted cash flow method;
- comparable company method;
- dividend discount method;
- residual value method;
- other applicable methods in practice.

The Company applies one of the above methods that has been estimated to be the most representative, i.e., by which the value of the equities in question can be most accurately determined.

The value of equities in the financial statements of the Company is equivalent to the value shown in the SII balance sheet, since equities are stated at fair value in the financial statements of the Company. The stated value of equities is mostly determined on the basis of market prices in active markets.

Deposits other than cash equivalents

Significant difference in the value of deposits in the financial statements of the Company compared to their SII value was the result of adjustment of the IFRS balance sheet to the SII balance sheet, considering that deposits with maturity of up to three months are treated in the IFRS balance sheet as cash and cash equivalents, whereas in the SII balance sheet they are still treated as deposits. A minor portion of the difference relates to differing valuation methodologies, as deposits in the financial statements are measured at the carrying value using the amortised cost method under the effective interest rate approach, whereas in the SII balance sheet they are measured at fair value, determined by discounting future cash flows using market interest rates established specifically for each bank, currency, and deposit maturity.

Loans and mortgages

In the financial statements, the Company presents investments in loans and mortgages (loans) at the carrying amount determined at amortized cost using the effective interest method and impairment for expected credit losses

For the purpose of solvency calculation, the Company discloses investments in loans at fair value, which is determined by adjusting the effective interest rates used for determining the carrying value to market interest rates.

The difference in the value of loans in the financial statements of the Company compared to the SII balance sheet relates to a different valuation methodology.

Derivatives

For the purposes of solvency calculation, the Company measures derivatives at fair value, whereby derivatives with a positive value are reported on the assets side, while those with a negative value are reported on the liabilities side.

The value of derivatives in the financial statements of the Company is equivalent to the value shown on the SII balance sheet, since derivatives are stated at fair value in the financial statements as well.

D. VALUATION FOR SOLVENCY PURPOSES

Holdings in related undertakings, including participations

For the purposes of solvency calculation, the Company discloses investments in holdings in related undertakings, including participations using the adjusted equity method, differences in assets and liabilities, whereby all items of assets and liabilities are measured at fair value, in accordance with Article 13 (1) (b) of the Delegated Regulation.

The value of investments in related undertakings in the financial statements of the Company was determined in the amount of the acquisition cost subsequently adjusted for any impairment loss (in cases where it is determined that the value of the investment is not recoverable, an impairment test is carried out for the purpose of measuring the investment value at the estimated recoverable amount).

The difference was the result of application of different valuation methodologies for investments in related undertakings.

Property (other than for own use)

Property (other than for own use), i.e., investment property of the Company, is measured at fair value in the financial statements at the end of each reporting period based on the valuation made by the appointed valuation expert. Fair value of property investment is stated in the financial statements of the Company using the comparative or income method, which is consistent with the fair value measurement under Solvency II.

Valuation of other assets

Assets held for index-linked and unit-linked contracts

In the Company's financial statements, these investments are measured at fair value and therefore the amounts reported on the SII balance sheet are the same.

Property, plant and equipment for own use

In the financial statements of the Company, land and buildings are measured at a revalued amount that represents their fair value as at the revaluation date, subsequently adjusted for depreciation, while the equipment and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

The value of property for own use as presented in the Solvency II balance sheet is based on fair value estimates, while the revalued amount of property for own use in the financial statements is determined based on fair value assessments conducted by independent external appraisers. The fair value of property for own use was primarily determined using the income approach. The most significant inputs in the valuation were rental prices or income per square metre, derived from comparable properties in the immediate vicinity, and subsequently adjusted for differences in key attributes.

Under this item in the financial statements, the Company recognizes right of use assets based on the application of IFRS 16. As the value of right of use assets in the financial statements is calculated based on the present value of future lease payments (for more details see the accounting policies in the Company's financial statements), the same value is shown in the SII balance sheet.

D. VALUATION FOR SOLVENCY PURPOSES

In the Company's financial statements, equipment and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. To better reflect the fair value of the SII balance sheet, the Company measures equipment and other tangible assets at fair value by applying a haircut. This adjustment is determined based on the Company's best estimate, considering that the residual value of those assets reflects their fair value, i.e., the value for which those assets could be exchanged with another willing party. In the financial statements, inventories are recognized under other assets, while on the SII balance sheet, they are recognised as part of property, plant and equipment for own use, which resulted in an adjustment of the IFRS item to the SII item.

Intangible assets

In the valuation of intangible assets, a conservative approach was used, i.e., the assumption that they cannot be regarded as a separate entity and there was no evidence of a transaction of the same or similar property indicating that the property could be sold on the market. As a result, it was not possible to determine the fair value of intangible assets and therefore they were stated at a value of EUR zero (0), in accordance with Article 12 of Delegated Regulation. In the Company's financial statements, these assets are valued at cost less accumulated depreciation and accumulated impairment losses.

Reinsurance recoverables

A description of the differences in the valuation of reinsurance recoverables in accordance with Solvency II in relation to the valuation presented in the financial statements of the Company is given later in the section that addresses the valuation of technical provisions.

Insurance and intermediaries receivables

The receivables from insurance and intermediaries of the Company in the financial statements are disclosed as other receivables, net, and include other receivables from insurance activities not included in the valuation of insurance liabilities, stated at amortized cost reduced by impairment. For the purpose of preparing the SII balance sheet, the amount of premium receivables includes the amount of receivables based on premiums as at the valuation date that was not taken into account in the calculation of the best estimate of premium reserves and is an integral part of insurance liabilities or assets in the financial statements.

Reinsurance receivables

Reinsurance receivables include receivables from reinsurers based on a share of claims, reinsurance commission receivables and co-insurance premium receivables. Reinsurance receivables are disclosed in the Company's financial statements under other receivables, net. For the purpose of preparing the SII balance sheet, the amount of reinsurance commission receivables includes the amount of receivables based on commission as at the valuation date that was not taken into account in the calculation of the best estimate of premium reserves and is an integral part of insurance or reinsurance liabilities or assets in the financial statements.

D. VALUATION FOR SOLVENCY PURPOSES

Receivables (trade, not insurance)

Receivables (trade, not insurance) in the Company's SII statements include receivables for investment income and other receivables. Receivables for investment income are disclosed under receivables for investment yields, while other receivables are disclosed under other receivables, net, in the financial statements.

Cash and cash equivalents

For the purpose of solvency calculation, the Company presents the balance of cash and cash equivalents at fair value, which is equivalent to the carrying value in the financial statements.

The difference between the value of cash and cash equivalents for solvency calculation purposes and the value in the financial statements pertains to deposits with maturity of up to three months, which are disclosed under this item in the financial statements.

Deferred tax assets

Value of deferred tax assets in the Company's financial statements is stated net of deferred tax liabilities. Deferred tax assets are largely recognized on the basis of losses from reduction to fair value of investment property and impairment of financial assets at amortized cost.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable profit will be available to recover all or part of the tax assets. Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on tax laws in force or in the process of adoption by the end of the reporting period. The calculation of deferred tax assets reflects the total amount expected to be recovered in the future as at the reporting date.

Any other assets, not elsewhere shown

The value of any other assets, not elsewhere shown on the SII balance sheet relates to prepaid expenses, current tax assets and checks received. In the financial statements, these items are disclosed under prepaid expenses, current tax assets, and other assets. T The difference compared to the SII balance sheet relates to inventories, which are presented under this item in the financial statements, whereas in the SII balance sheet, they are presented under the category of property, plant, and equipment for own use

D. VALUATION FOR SOLVENCY PURPOSES

D.2 Technical provisions

Valuation of non-life technical provisions

The following is a comparison of non-life technical provisions and reinsurance recoverables valued according to the Solvency II valuation rules with respect to the values presented in the financial statements (IFRS). To ensure comparability of values, the total gross non-life technical provisions under Solvency II exclude the supplementary accident insurance portfolio but include the portfolio of compulsory motor third-party liability insurance for vehicle owners or users. Additionally, within the risk margin as one of the values reported in the financial statements (IFRS), a risk adjustment is made for non-financial risk (RA).

Table D.2.1 Comparison between SII and IFRS gross technical provisions – non-life *(EUR thousand)*

	2024		2023	
	SII	IFRS	SII	IFRS
Technical provisions – non-life	393,588	409,260	355,883	372,301
Technical provisions – non-life (excluding health)	382,135	395,686	347,342	360,402
▪ Best Estimate	343,770	370,930	313,438	335,167
▪ Risk margin	38,365	24,756	33,904	25,234
Technical provisions - health (similar to non-life)	11,453	13,573	8,540	11,899
▪ Best Estimate	7,001	13,317	4,725	11,630
▪ Risk margin	4,452	257	3,815	269
Other technical provisions – non-life	0	0	0	0
Total	**393,588**	**409,260**	**355,883**	**372,301**

Table D.2.2 Comparison between SII and IFRS reinsurance recoverables – non-life *(EUR thousand))*

	2024		2023	
	SII	IFRS	SII	IFRS
Total reinsurance recoverables - non-life	**47,551**	**47,307**	**45,437**	**48,007**

Below is a summary of the value of the liabilities, for each significant liability category, including the amount of the best estimate and risk margin and a description of the bases, methods and principal assumptions used for the solvency valuation (SII valuation).

A quantitative and qualitative explanation of all significant differences between the bases, methods and principal assumptions used by the Company for the purpose of valuation in the financial statements (IFRS valuation) is also provided.

D. VALUATION FOR SOLVENCY PURPOSES

Segmentation

Non-life technical provisions are determined by homogeneous risk groups and, at a minimum, according to the types of insurance or lines of business. The best estimate of technical provisions was determined on a gross basis without deduction for reinsurance or retrocession and the best estimate for the reinsurance recoverables and retrocession for active reinsurance business was specifically determined. The Company has no special purpose vehicles (SPVs).

Best estimate

The best estimate of non-life technical provisions is estimated separately for the premium provision and separately for the claims provision. It is determined by estimating the present value of expected cash flows. The valuation of technical provisions is based on the principle of best estimate (for gross and reinsurance share) by currencies which are estimated to be significant.

Claims provisions

The Company uses actuarial software to support the calculation of best estimates. Best estimates are calculated four times a year, at the end of each quarter. The Company uses actuarial methods based on claims development triangles.

The minimum amount of data used for calculation of the best estimate is the amount of claims settled, direct claims costs, recourse paid less recourse costs, the amount of provision for claims reported and one of the exposure measures that well describes the riskiness of a homogeneous portfolio (earned premium or relevant number of risks).

For reinsurance business, the basis for determining the gross provision for claims reported is information obtained from the cedents, in accordance with the type of reinsurance contract. The basis for determining the gross provision for incurred but nor reported claims for active reinsurance business is estimated depending on the characteristics of each reinsurance contract and particular type of insurance, based on statistical data and on the basis of reported claims data. The gross claims provision also includes a provision for indirect claims processing costs, which has been estimated based on historical claims costs data, using the simplification provided in the Guidelines on the valuation of technical provisions.

Premium provision

Reinsurance gross premium provision is formed in such a way that the present value of future cash flows is estimated based on the contracts in force on the date of calculation but for events that have not yet occurred. Furthermore, since the expected cash flow pertaining to future collection of receivables as well as commission payables are included in the calculation of the premium provision, they are adequately considered under receivables in assets or under liabilities.

Reinsurance recoverables

The reinsurance recoverables in the balance sheet are recognized as assets of the Company. The methods and procedures for determining the reinsurance recoverables take into account the terms of the reinsurance contract. The adjustment for the expected failure of the reinsurer was included in calculation of the reinsurance recoverables.

D. VALUATION FOR SOLVENCY PURPOSES

<u>Discounting of technical provisions</u>

Cash flows for technical provisions are discounted using the risk-free interest rate curve for the relevant currency. The Company does not use the volatility adjustment.

<u>Risk margin</u>

To evaluate the risk margin, the Company uses Method 2 - the Proportional Approach Method in accordance with the Guidelines on the valuation of technical provisions (EIOPA-BoS-14/166). The Company has determined the appropriateness of using Method 2 in accordance with the elements of the Guidelines, taking into account run-off data of best estimate, exposure to underwriting risks, counterparty default risk and operational risk. The following table presents the results of valuation of non-life technical provisions in accordance with Solvency II provisions for material types of insurance.

Table D.2.3 Valuation of SII technical provisions by material line of non-life business *(EUR thousand)*

	2024			2023		
	Best estimate	**Risk margin**	**Gross technical provision**	**Best estimate**	**Risk margin**	**Gross technical provision**
Motor vehicle liability insurance	125,866	10,797	136,663	119,552	9,448	129,000
Other motor insurance	40,735	6,310	47,045	35,676	5,309	40,985
Marine, aviation and transport insurance	9,896	2,005	11,901	8,324	2,297	10,621
Fire and other damage to property insurance	75,442	7,352	82,794	65,062	7,437	72,499
General liability insurance	53,388	7,234	60,621	48,984	4,947	53,931
Other lines of non-life business	(1,189)	9,339	8,150	(5,038)	8,554	3,516
Total - non-life	**304,138**	**43,037**	**347,175**	**272,561**	**37,992**	**310,553**

<u>Material changes in the calculation of technical provisions compared to the previous reporting period</u>

In 2024, there were no significant changes in the calculation methodology compared to the previous reporting period.

Total gross technical provisions increased by EUR 36,622 thousand compared to 2022, while the best estimate increased by EUR 31,577 thousand. The most significant changes in this reporting period stem from the increase in the best estimate of claims in the fire and other damage to property insurance line, as well as the decrease in interest rates, resulting in an increase in the best estimate in the motor vehicle liability insurance line, which we also refer to as long-tail business.

<u>Uncertainty associated with the value of technical provisions</u>

Technical provisions contain some uncertainties due to the following facts: the most significant deviations are caused by possible changes in the behaviour of the policyholder/insured, in the process of claim settlement, in the quality of available data, in the legal environment, in the economic environment and especially in interest rate curves.

D. VALUATION FOR SOLVENCY PURPOSES

Various sensitivity analyses have been carried out regarding the best estimate of non-life technical provisions and they suggested that changes in different assumptions do not significantly affect the best estimate of non-life. For example, the effects of changes in interest rates used for discounting in the calculation of the best estimate have been analysed. Increase in interest rates by 100 bps would result in a 3.63% decrease in the best estimate, while a 100 bps decrease in interest rates would result in a 4.26% increase in the best estimate.

Differences in valuation of non-life technical provisions under accounting regulations (IFRS) and SII regulations

Segmentation

Segmentation by accounting regulations against the SII principles is balanced to the reported but not settled annuity claims, which are valued under SII according to the principles of life insurance, whereas the supplementary accident insurance (supplementing life insurance) is valued according to the principles of non-life insurance.

Discounting

Technical provisions for each significantly represented currency are discounted at risk-free interest rates as required by the Solvency II regulations. The technical provisions, valued according to the new accounting regulations, are discounted using the discount curve determined in accordance with the methodology based on the provisions of IFRS 17 standard. Discounting reduces the best estimate gross of reinsurance by EUR 34,152 thousand, and the share of reinsurance or retrocession in the best estimate decreases by EUR 3,417 thousand.

Claims provisions

When making valuations for the requirements of financial statements, the Company assesses the liability for claims incurred. The liability for claims incurred is determined for those claims that have arisen but have not yet been settled. It consists of the best estimate of cash flows of claims, which are associated with performing the obligations arising from insurance contracts, and risk adjustment (RA).

With the implementation of the new accounting standard IFRS 17, the differences in the amounts of estimated best estimate of cash flows of claims under Solvency II compared to IFRS 17 have been reduced. Differences in the amounts of the best estimate of claims are primarily due to the application of a different time structure of interest rates.

Premium provision

Under Solvency II principles, the premium reserve is valued based on the principle of cash inflows and outflows, while in valuation for financial statements, the liability for remaining coverage is determined in accordance with IFRS 17, using the Premium Allocation Approach (PAA) or the General Measurement Model (GMM), as described in the Company's financial statements.

D. VALUATION FOR SOLVENCY PURPOSES

<u>Comparison</u>

The table below compares the Solvency II gross technical provisions with respect to the valuation reported in the financial statements (IFRS) by material lines of business.

Table D.2.4 Comparison between SII and IFRS gross technical provision by material line of non-life business *(EUR thousand)*

	2024		2023	
	SII	IFRS	SII	IFRS
Motor vehicle liability insurance	180,745	190,344	171,915	180,879
Other motor insurance	47,045	51,027	40,985	44,504
Marine, aviation and transport insurance	11,901	19,384	10,621	12,194
Fire and other damage to property insurance	82,794	76,188	72,499	68,401
General liability insurance	60,621	54,220	53,931	49,581
Other lines of non-life business	10,481	18,096	5,931	16,742
Total - non-life	**393,588**	**409,260**	**355,883**	**372,301**

Valuation of life technical provisions

The tables below provide a comparison of the Solvency II total gross technical provisions with respect to the values presented in the financial statements (IFRS). To ensure comparability of values, the total gross life technical provisions under Solvency II exclude the portfolio of compulsory motor third-party liability insurance for vehicle owners or users but include the supplementary accident insurance portfolio. Additionally, under the item Risk margin as one of the values reported in the financial statements (IFRS), an allowance for risk is recognized.

Table D.2.5 Comparison between SII and IFRS gross technical provisions – life *(EUR thousand)*

	2024		2023	
	SII	IFRS	SII	IFRS
Technical provisions – life (excluding health and index-linked and unit-linked)	275,273	284,766	318,151	324,772
▪ Technical provisions calculated as a whole	0	0	0	0
▪ Best Estimate	273,163	282,737	316,081	322,580
▪ Risk margin	2,109	2,029	2,070	2,191
Technical provisions – index-linked and unit-linked	4,186	4,283	17,943	18,052
▪ Technical provisions calculated as a whole	2,256	0	15,037	0
▪ Best Estimate	1,926	4,264	2,900	18,024
▪ Risk margin	4	19	6	28
Total gross technical provisions – life	**279,459**	**289,050**	**336,094**	**342,824**

D. VALUATION FOR SOLVENCY PURPOSES

Reinsurance recoverables in the life insurance segment are not significant. The most common products in the life insurance technical provisions of the Company are traditional life insurance products.

Best estimate

Best estimate of technical provisions for life insurance is calculated as the present value of future gross expenses less the present value of gross future income for each policy in force at the relevant date. Cash flow is calculated gross of reinsurance. The best estimate of provisions is calculated separately by type of insurance:

- endowment assurance;
- pure endowment assurance;
- term assurance;
- critical illness assurance;
- endowment assurance with units of investment funds;
- annuities (including annuities stemming from motor vehicle liability insurance).

The best estimate of technical provisions has been calculated as the present value of the future expected cash flow for all subsequent years for the portfolio active as at December 31, 2024.

Assumptions used for projections of future cash flows

Mortality

The mortality assumption was calculated by applying the actual mortality experience in the Company's life insurance portfolio to the official and up-to-date population mortality data.

Lapses

The lapse assumption was based on the actual lapse experience in the Company's life insurance portfolio, taking into account the time component. Lapse assumptions vary depending on the type of insurance, age / volume of the portfolio and the sales channel.

Expenses

Expense assumptions used include acquisition and administrative expenses. The assumptions are based on the analysis of available data for the expenses incurred, which is carried out at least once a year on different types of data and levels of complexity.

Inflation

For the projection of cost cash flows in 2025 and 2026, amounts from the business plan were used, which implicitly include inflation. For later years, an explicit adjustment of the amount of cash flows in line with the projected long-term annual inflation rate of 2.2% was used.

D. VALUATION FOR SOLVENCY PURPOSES

Exchange rate

The mid exchange rate of the Croatian National Bank as at December 31, 2024, USD 1 = EUR 0.957488, was applied.

Interest rates

The interest rate curves for EUR without adjusting for volatility were used for discounting, in accordance with item 74 (b) of the EIOPA's document titled *Technical documentation of the methodology to derive EIOPA's risk-free interest rate term structures (EIOPA_BoS_15/035)*. The Company does not use the volatility adjustment.

Future distribution of profit

The assumption of future profit distribution is not included in the calculation of technical provisions.

Material changes in the calculation of technical provisions compared to the previous reporting period

Changes in technical provisions compared to the previous period are mostly the result of changes in the portfolio and a different term structure of interest rates.

Risk margin

To calculate the risk margin, the Company uses Method 2, that is, the Proportional Approach method, as an adequate method considering the size of the Company and its exposure to risks, to absorb the uncertainties of future events.

The following table shows the results of valuation of technical provisions according to SII principles by the most common types of life insurance.

Table D.2.6 Valuation of SII technical provisions by material line of life business *(EUR thousand)*

Material line of life business	2024			2023		
	Best estimate	Risk margin	Gross technical provision	Best estimate	Risk margin	Gross technical provision
Insurance with profit participation	276,514	1,425	277,939	319,402	1,386	320,787
Annuities stemming from non-life contracts	43,638	444	44,083	42,520	395	42,915
Other lines of life business[4]	3.827	23	3.850	17.699	23	17.722
Total	**323.979**	**1.893**	**325.872**	**379.621**	**1.803**	**381.424**

[4] Other lines of insurance include index-linked and unit-linked insurance. For that type of insurance, part of the technical provisions in the amount of EUR 2,256 thousand as at December 31, 2024 and EUR 15.037 thousand as at December 31, 2023 was calculated as a whole and is shown in this table in the column relating to the best estimate.

D. VALUATION FOR SOLVENCY PURPOSES

Differences in valuation of technical provisions for life insurance under accounting regulations (IFRS) and SII regulations

With the implementation of the accounting standard IFRS 17, the differences in the amounts of technical provisions under Solvency II compared to IFRS have been reduced. The remaining differences observed, particularly in the portfolio of life insurance with profit participation, are primarily due to the application of a different time structure of interest rates and assumptions regarding costs.

Table D.2.7 Comparison between SII and IFRS gross technical provision by material line of life business *(EUR thousand)*

Material line of life business	2024		2023	
	SII	IFRS	SII	IFRS
Insurance with profit participation	275,608	284,797	318,372	324,737

Uncertainty associated with the value of technical provisions

Uncertainty in technical provisions arises from the uncertainty of the deviation of actual future experience from the assumptions used for the calculation of technical provisions that relate to economic and non-economic assumptions which could not have been known at the time of calculation. A change in the behaviour of the policyholder or a change in the legal or economic environment may lead to deviations in the most important assumptions, such as interest rates, lapse rates and mortality rates.

Therefore, various sensitivity analyses with regard to the best estimate of life insurance technical provisions have been conducted and they suggest that changes in different assumptions have the following impact.

The effects of changes in interest rates used to discount the best estimate have been analysed. Increase in interest rates by 100 bps would result in a 6.08% decrease in the best estimate, while a 100 bps decrease in interest rates would result in a 7.12% increase in the best estimate.

The effects of reducing and increasing the lapse rate by 10% have been analysed. With these shocks, the best estimate of technical provisions would change insignificantly. Decrease in the lapse rate by 10% would result in a 0.02% decrease in the best estimate, while a 10% increase in the lapse rate would result in a 0.02% increase in the best estimate.

In addition, a sensitivity analysis assuming an increase in the mortality rate by 15% and a decrease in the mortality rate by 20% has been conducted as well. An increase in the mortality rate causes a decrease of the best estimate by 0.41%, while a decrease in the mortality rate causes an increase of the best estimate by 0.69%.

D. VALUATION FOR SOLVENCY PURPOSES

D.3 Other liabilities

The value of other liabilities disclosed in the financial statements (IFRS) and in accordance with the provisions of Solvency II, as well as the differences in the amounts of valuation are described below.

Provisions other than technical provisions

Provisions other than technical provisions in the SII balance sheet include provisions for regular jubilee awards, severance pay, and incentive severance payments under the employee redundancy plan, as well as provisions for non-insurance litigation, provisions for expected expenses, housing and other non-insurance liabilities provisions. In the Company's financial statements, these items are included under provisions and payables (trade, not insurance) and other liabilities.

Additional difference in the amount recognized in the financial statements of the Company and on the SII balance sheet results from different valuations of provisions for regular jubilee awards and severance pay as well as provisions for litigation. Provisions for employee benefits for years of service and retirement (regular jubilee benefits and severance pay) in the Company's financial statements have been determined as the present value of future cash outflows using a discount rate aligned with IFRS requirements, while for the SII balance sheet, EIOPA's risk-free interest rate curve for EUR was used for discounting. In the financial statements of the Company, reserves for litigation are valued on the basis of probability of winning or losing in the dispute and value of the matter in dispute. For the purposes of the SII balance sheet, provisions for litigation are determined by discounting cash flow using the risk-free interest rate curve for EUR.

Deferred tax liability

Deferred tax liability in the financial statements of the Company is netted against deferred tax assets and is recognized based on the revaluation of land and buildings for business operations, financial assets measured through other comprehensive income, and insurance and reinsurance contracts Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on tax laws in force or in the process of adoption by the end of the reporting period. The calculation of deferred tax liability reflects the amount that is expected to arise as at the reporting date as a liability or return in the future.

The difference in the amount of deferred tax liability on the SII balance sheet and in the financial statements arises from the difference between the amount of assets and liabilities recognized in the financial statements and on the SII balance sheet. On the SII balance sheet, the amount of deferred tax liability is obtained by determining, on the basis of the IFRS amount of deferred tax liability and differences in the valuation of individual items on the SII balance sheet compared to the IFRS balance sheet, any potential increase in the deferred tax liability or assets for each item and by carrying out appropriate netting.

The biggest difference between the amount of deferred taxes in the financial statements and the SII balance sheet comes from the valuation of holdings in related undertakings, including participations, government bonds and technical provisions.

D. VALUATION FOR SOLVENCY PURPOSES

Derivatives

For the purposes of solvency calculation, the Company measures derivatives at fair value, whereby derivatives with a positive value are reported on the assets side, while those with a negative value are reported on the liabilities side.

Derivatives are disclosed at the same value in the financial statements of the Company and on the SII balance sheet, since derivatives are stated at fair value also in the financial statements of the Company.

Financial liabilities

Financial liabilities in the financial statements are composed of financial liabilities based on preference shares and other financial liabilities and the same value was shown on the SII balance sheet.

Insurance and intermediaries payables

The difference between the amount of insurance payables recognized in the Company's financial statements and the amount on the SII balance sheet was due to different valuation of liabilities for the Guarantee Fund of the Croatian Insurance Bureau, particularly in the part of the Guarantee Fund claims provisions. The Guarantee Fund claims provisions in the financial statements of the Company are recognized in accordance with the calculation, estimation and schedule of the Croatian Insurance Bureau, while for the purposes of the SII balance sheet the provision is discounted using the risk-free interest rate curve for EUR.

Reinsurance payables

Reinsurance payables in the SII balance sheet relate to payables for reinsurance premiums. For the purpose of preparing the SII balance sheet, the amount of reinsurance premium payables includes the amount of premium payables as at the valuation date that was not taken into account in the calculation of the best estimate of premium reserves and is an integral part of reinsurance liabilities or assets in the financial statements.

Payables (trade, not insurance)

The value of payables (trade, not insurance) in the financial statements of the Company and on the SII balance sheet is determined in the same way. In the Company's financial statements, the amount of these payables is presented under the item Trade payables and other liabilities.

Any other liabilities, not elsewhere shown

This item of the SII balance sheet also includes accrued expenses and deferred income, and current tax liability, which are recognised in the same amounts in the financial statements as well. In addition to the above, negative Solvency II values of investments in subsidiaries are also disclosed under this item

D. VALUATION FOR SOLVENCY PURPOSES

D.4 Alternative methods for valuation

The Company uses **alternative valuation methods** in accordance with Article 10 (5) of the Delegated Regulation for the following assets:

- investments in bonds with no quoted market price and no active market;
- investments in non-traded and/or unlisted equities and equities with no active market;
- investments in investment funds with no publicly available price and no active markets;
- loans where a delay in payment has been recorded and where there is certainty of debt collection from security instruments;
- derivative financial instruments not listed in a regulated market;
- property (investment property and property for business activities);
- equipment and other tangible assets;

as set out in Chapter D.1.

For those assets, the criterion set out in Article 10 (4) of the Delegated Regulation on the existence of market prices in active markets is not fulfilled, which justifies the use of alternative valuation methods.

In the process of valuing assets using alternative methods, the Company documents the assumptions underlying the valuation approach and performs a sensitivity analysis of the valuation against the assumptions used.

The Company also regularly compares the results of valuation by alternative methods with previous experience and updates the valuation of those assets.

D.5 Any other information

The Company **does not apply the matching adjustment** regarding the relevant risk-free interest rate term structure referred to in Art. 111 of the Insurance Act nor the **volatility adjustment** to the relevant risk-free interest rate term structure referred to in Article 113 of the Insurance Act and Article 77b of Directive 2009/138/EC.

Also, the Company **does not apply transitional measures regarding the relevant risk-free interest rate term structure or transitional measures on technical provisions** referred to in Articles 455 and 456 of the Insurance Act and Articles 308c and 308d of Directive 2009/138/EC.

The Company **has no special purpose vehicles.**

E. CAPITAL MANAGEMENT

E.1 Own funds

The Company **operated at high capital adequacy ratios**. The **SCR ratio of the Company as at December 31, 2024 amounted to 267%**, while the **MCR ratio as at the same date was 1,014%**.

The Company's main objectives regarding capital management are the following:

- ensuring the continuity of the Company's operations;
- compliance with the laws and regulations of the Republic of Croatia and the EU, as well as the regulations and instructions of the regulators on capital management;
- maintaining a high level of capitalization to ensure financial stability, thus providing an adequate level of security to policyholders and insurance beneficiaries;
- achieving efficient and optimal allocation of capital as well as maximizing return on equity;
- ensuring continuous alignment of the Company's business strategy with the risk-taking appetite and the target levels of capital adequacy;
- ensuring a high level of capitalization, i.e., sufficient capital surplus for further investments in the development and growth of the Company and the Group.

The excess of assets over liabilities as at December 31, 2024 was **EUR 750,313 thousand**. This excess of assets, reduced by foreseeable dividends, provides **eligible own funds** according to Solvency II in the amount of **EUR 704,672 thousand.** Own funds are classified into three (3) categories (tier 1, tier 2 and tier 3) and a test of availability and eligibility of own funds is carried out to determine eligible own funds to meet solvency capital requirement and to meet the minimum capital requirement.

All own funds items have the characteristics of tier 1 capital. Share capital paid based on ordinary shares, including related premiums on ordinary shares, is permanent and not subject to distribution to owners until a potential liquidation of the Company and any losses may be covered from share capital funds. This fulfils the criterion of continued availability and subordination. The reconciliation reserve contains capital reserves and accumulated profit from the financial statements, as well as the differences in the valuation of assets and liabilities for solvency purposes in comparison with the IFRS, which are permanent and available to cover potential losses of the Company and are also classified in high quality own funds, i.e., as tier 1.

The structure of eligible own funds to meet the SCRs and eligible own funds to meet the MCR is shown below. In this context, it is emphasized that all the Company's own funds eligible for SCR coverage are also eligible for MCR coverage.

The excess of assets over liabilities (equity) in the Company's financial statements as at December 31, 2024 was EUR 658,373 thousand. Differences in the amount of excess of assets over liabilities calculated under Solvency II arise from the different principles of valuation of certain items included in IFRS balance sheet and balance sheet according to the principles of Solvency II, as shown in Chapter D, *Valuation for solvency purposes*.

According to the Solvency II principles for valuation of deferred taxes, as stated in *Chapter D,* the calculated deferred tax assets, without estimating their probable use, amount to EUR 13,596 thousand and are recognized in full.

E. CAPITAL MANAGEMENT

The probability of using the deferred tax assets in full arises from the fact that, at the same time, the amount of deferred tax liabilities under Solvency II principles was estimated in the amount of EUR 53,011 thousand so the total amount of deferred tax assets is likely to be used in regard to the refund of deferred tax liabilities related to the income tax. Also, due to the higher determined amount of deferred tax liabilities than the determined amount of deferred tax assets, there are no net deferred tax assets in the balance sheet according to the Solvency II principles.

For the sake of completeness, the full reconciliation of the excess of assets over liabilities in the financial statements of the Company and its own funds in accordance with SII principles is presented below.

Table E.1.1 Reconciliation of excess of assets over liabilities under SII principles *(EUR thousand)*

Structure of own funds	2024	2023
Ordinary share capital (gross of own shares)	78,296	78,296
Share premium account related to ordinary share capital	90,448	90,448
Preference shares	0	0
Total of reserves and retained earnings from financial statements	489,629	495,690
IFRS equity	**658,373**	**664,435**
Difference in the valuation of assets	94,415	94,751
Difference in the valuation of technical provisions	25,263	23,148
Difference in the valuation of other liabilities	(27,738)	(25,290)
Excess of assets over liabilities	**750,313**	**757,043**
Forseeable dividends	45,641	65,000
Solvency II eligible own funds	**704,672**	**692,043**
Of which tier 1	704,672	692,043
Of which tier 2	0	0
Of which tier 3	0	0

The Company points out that there are **no ancillary own funds** and **no deductions** from own funds.

Furthermore, the Company does not have any basic own funds subject to the **transitional measures** referred to in Article 454 (9) and (10) of the Insurance Act and Article 308b (9) and (10) of Directive 2009/138/EC. Finally, the Company points out that there are **no restrictions** that could affect the availability and transferability of own funds within the Company.

E. CAPITAL MANAGEMENT

E.2 Solvency capital requirement and minimum capital requirement

As at December 31, 2024, the solvency capital requirement (**SCR) of the Company amounted to EUR 264,120 thousand**.

The Company had a high capital adequacy ratio (SCR ratio) amounting to 267% as at December 31, 2024 (2023: 308%), which is calculated as the ratio of eligible own funds to meet the SCR and the solvency capital requirement (SCR). The **41 p.p.** decrease in the capital adequacy ratio compared to 2023 was the result of a slightly greater increase in SCR (+17.45%) than the increase in eligible own funds (+1.82%). The increase in the Solvency Capital Requirement (SCR) was primarily driven by a higher capital requirement for market risk (equity risk), resulting from a significant increase in the value of equity portion of the investment portfolio and the resulting exposure to it. Change of eligible own funds for +1.82%, is the result of the Company's performance, primarily its comprehensive income of EUR 65,573 thousand realized in 2024 (after-tax profit), growth in the value of part of the investment through other comprehensive profit and dividends payments in 2024 in the amount of EUR 115 million, which is EUR 50 million more than the foreseeable dividend reported in 2023 in the amount of EUR 65 million.

As at December 31, 2024, the minimum capital requirement **(MCR) of the Company amounted to EUR 69,520 thousand**. The **MCR ratio** is calculated as the ratio of eligible own funds to meet the MCR and the minimum capital requirement (MCR). As at December 31, 2024, the Company had a very high MCR ratio of **1,014%**.

Solvency capital requirement (SCR)

The company uses **the standard formula to calculate the SCR**. The basic results of the calculation of capital requirements by risk modules are given in Table E.2.1., where it is evident that the SCR structure is dominated by market risk, while the risk of non-life insurance is also very significant.

Table E.2.1 Capital requirements by risk modules *(EUR thousand)*

Capital requirement by risk module	2024	2023
SCR	**264,120**	**224,886**
Adjustment for deferred taxes	(39,414)	(28,604)
Operational risk	15,161	13,099
BSCR	**288,374**	**240,391**
Market risk	234,888	189,075
Counterparty default risk	16,167	16,219
Life Underwriting risks	5,579	5,936
Health underwriting risk	17,035	14,993
Non-Life underwriting risk	97,763	89,037
Diversification effects	(83,057)	(74,870)
Eligible own funds to meet the SCR	**704,672**	**692,043**
SCR ratio	**267%**	**308%**

E. CAPITAL MANAGEMENT

Solvency capital requirement has been adjusted by **EUR 39,414 thousand**, taking into account the **loss-absorbing capacity of deferred taxes**. This amount is usable through the reduction of net deferred tax liability from the balance sheet according to Solvency II principles.

The Company provided the Agency (HANFA) with the required reporting forms (annual quantitative reporting templates for individual undertakings (solo reporting) - ARS) within the statutory deadlines.

The Company **does not use simplified calculations** neither for standard formula risk modules nor risk sub-modules.

Furthermore, the Company **does not use company-specific parameters** in accordance with Article 135 (7) of the Insurance Act and Article 104 (7) of Directive 2009/138/EC.

Minimum capital requirement (MCR)

The Company calculates the minimum capital requirement pursuant to Articles 248 – 253 of Delegated Regulation (EU) 2015/35. The following information is used in the calculation:

- non-life and life insurance and reinsurance technical provisions without risk margin;
- premiums written for insurance liabilities by segments during the last 12 months;
- capital at risk (CAR) for life insurance;
- risk factors for non-life and health insurance liabilities;
- calculated amount of SCR;
- the minimum regulatory capital of a non-life and life insurance company, determined by the Insurance Act for each of the two segments mentioned, in the amount of EUR 4,000 thousand. .

The following table shows the basic elements and intermediate results of the calculation of the minimum capital requirement, which is the sum of the non-life insurance MCR and the life insurance MCR.

Table E.2.2 MCR calculation *(EUR thousand)*

	2024		2023	
MCR component	**Non-life activity**	**Life activity**	**Non-life activity**	**Life activity**
Linear MCR	59,032	10,488	52,754	12,198
SCR	224,276	39,845	182,653	42,232
MCR cap	100,924	17,930	82,194	19,005
MCR floor	56,069	9,961	45,663	10,558
Combined MCR	59,032	10,488	52,754	12,198
Absolute floor of the MCR	4,000	4,000	4,000	4,000
MCR	59,032	10,488	52,754	12,198
Total MCR	**69.520**		**64.952**	
Eligible own funds to meet the MCR	**704.672**		**692.043**	
MCR ratio	**1014%**		**1065%**	

E. CAPITAL MANAGEMENT

E.3 Use of the duration-based equity risk sub-module in the calculation of solvency capital requirement

The Company **does not use** the duration-based equity risk sub-module calculation method in calculating its solvency capital requirement, so this chapter is not applicable.

E.4 Differences between the standard formula and any internal model used

The Company **does not use an internal model** for the calculation of solvency capital requirement (it uses the standard formula), so this chapter is not applicable.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

The Company is **fully compliant** with the minimum capital requirement and solvency capital requirement, so this chapter is not applicable.

E.6 Any other information

The Company has **no other material information** to report relating to capital management.

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

The quantitative reporting templates (QRTs) prescribed for public disclosure constitute integral elements of this report.

The following table shows a list of templates applicable for the Company.

Table 1 List of templates applicable for the Company

No.	Template	Name of the template
1	S.02.01.02	Balance sheet
2	S.05.01.02	Premiums, claims and expenses by line of business
3	S.12.01.02	Life and Health SLT Technical Provisions
4	S.17.01.02	Non-life Technical Provisions
5	S.19.01.21	Non-life insurance claims
6	S.23.01.01	Own funds
7	S.25.01.21	Solvency Capital Requirement — for undertakings on Standard Formula
8	S.28.02.01	Minimum Capital Requirement — Both life and non-life insurance activity

The templates are shown below, noting that all monetary values are expressed in thousands of EUR (in EUR 000). The templates S.04.05.21, S.22.01.21, S.25.05.21, and S.28.01.01 are not applicable to the Company and are therefore omitted.

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.02.01.02 Balance sheet - Assets

Assets		Solvency II value
		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	**59,853**
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	**1,322,918**
Property (other than for own use)	R0080	34,902
Holdings in related undertakings, including participations	R0090	211,273
Equities	R0100	192,198
Equities - listed	R0110	191,970
Equities - unlisted	R0120	229
Bonds	R0130	720,934
Government Bonds	R0140	599,794
Corporate Bonds	R0150	121,139
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	89,752
Derivatives	R0190	21
Deposits other than cash equivalents	R0200	73,837
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	**2,256**
Loans and mortgages	R0230	**76,756**
Loans on policies	R0240	1,582
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	75,174
Reinsurance recoverables from:	R0270	**47,551**
Non-life and health similar to non-life	R0280	47,551
Non-life excluding health	R0290	47,531
Health similar to non-life	R0300	21
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	**0**
Insurance and intermediaries receivables	R0360	**26,076**
Reinsurance receivables	R0370	**14,509**
Receivables (trade, not insurance)	R0380	**7,210**
Own shares (held directly)	R0390	**0**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	**0**
Cash and cash equivalents	R0410	**1,224**
Any other assets, not elsewhere shown	R0420	**6,942**
Total assets	R0500	**1,565,295**

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.02.01.02 Balance sheet - Liabilities

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	**347,175**
Technical provisions – non-life (excluding health)	R0520	338,052
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	300,132
Risk margin	R0550	37,920
Technical provisions - health (similar to non-life)	R0560	9,122
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	4,006
Risk margin	R0590	5,116
Technical provisions - life (excluding index-linked and unit-linked)	R0600	**321,686**
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	321,686
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	319,797
Risk margin	R0680	1,889
Technical provisions – index-linked and unit-linked	R0690	**4,186**
Technical provisions calculated as a whole	R0700	2,256
Best Estimate	R0710	4
Risk margin	R0720	0
Contingent liabilities	R0740	**0**
Provisions other than technical provisions	R0750	**5,260**
Pension benefit obligations	R0760	**0**
Deposits from reinsurers	R0770	**0**
Deferred tax liabilities	R0780	**39,414**
Derivatives	R0790	**817**
Debts owed to credit institutions	R0800	**0**
Financial liabilities other than debts owed to credit institutions	R0810	**38,813**
Insurance & intermediaries payables	R0820	**9,526**
Reinsurance payables	R0830	**7,207**
Payables (trade, not insurance)	R0840	**17,404**
Subordinated liabilities	R0850	**0**
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	**23,495**
Total liabilities	R0900	**814,982**
Excess of assets over liabilities	R1000	**750,313**

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.05.01.02 Premiums, claims and expenses by line of business – Non-life insurance

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110	80,266	16,662	0	104,463	90,207	10,666	128,432	27,567	3,839
Gross - Proportional reinsurance accepted	R0120	0	0	0	(0)	0	340	5,284	9	82
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	587	63	0	589	0	3,528	53,780	2,878	158
Net	R0200	79,679	16,599	0	103,874	90,207	7,478	79,935	24,698	3,762
Premiums earned										
Gross - Direct Business	R0210	72,753	16,508	0	99,106	85,323	10,380	120,754	24,194	5,127
Gross - Proportional reinsurance accepted	R0220	0	0	0	(0)	0	326	4,874	6	44
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	245	59	0	716	0	3,440	49,874	2,775	337
Net	R0300	72,509	16,449	0	98,390	85,323	7,266	75,754	21,425	4,833
Claims incurred										
Gross - Direct Business	R0310	48,203	2,890	(1)	45,251	52,766	3,611	71,609	9,805	(6,809)
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	(0)	21	5,392	(28)	161
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	11	43	0	727	125	564	44,293	(697)	42
Net	R0400	48,193	2,847	(1)	44,525	52,641	3,068	32,707	10,474	(6,691)
Expenses incurred	R0550	25,216	6,263	0	39,052	27,598	5,175	47,054	8,780	1,475
Balance - other technical expenses/income	R1200									
Total expenses	R1300									

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.05.01.02 Premiums, claims and expenses by line of business – Non-life insurance

			Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance				Total
			Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
			C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written										
Gross - Direct Business	R0110	R0110	0	4,232	3,466					469,798
Gross - Proportional reinsurance accepted	R0120	R0120	0	0	328					6,043
Gross - Non-proportional reinsurance accepted	R0130	R0130				0	1,291	43	1.412	2,746
Reinsurers' share	R0140	R0140	0	0	1,287	0	965	0	1.126	64,963
Net	R0200	R0200	0	4,232	2,507	0	325	43	286	413,625
Premiums earned										
Gross - Direct Business	R0210	R0210	1	4,473	3,411					442,031
Gross - Proportional reinsurance accepted	R0220	R0220	0	0	330					5,579
Gross - Non-proportional reinsurance accepted	R0230	R0230				0	1,634	43	1.250	2,928
Reinsurers' share	R0240	R0240	0	0	1,309	0	866	0	1.900	61,521
Net	R0300	R0300	1	4,473	2,432	0	768	43	(650)	389,017
Claims incurred										
Gross - Direct Business	R0310	R0310	(1)	2,315	1,374					231,014
Gross - Proportional reinsurance accepted	R0320	R0320	0	0	293					5,839
Gross - Non-proportional reinsurance accepted	R0330	R0330				0	497	60	1.959	2,516
Reinsurers' share	R0340	R0340	0	0	248	0	(105)	0	1.621	46,874
Net	R0400	R0400	(1)	2,315	1,419	0	602	60	338	192,494
Expenses incurred	R0550	R0550	1	1,253	2,567	0	0	3	24	164,460
Balance - other technical expenses/income	R1200	R1200								18,860
Total expenses	R1300	R1300								183,321

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.05.01.02 Premiums, claims and expenses by line of business – Life insurance

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	38,885	2	302	0	0	0	0	39,189
Reinsurers' share	R1420	0	0	0	0	0	0	0	0	0
Net	R1500	0	38,885	2	302	0	0	0	0	39,189
Premiums earned										0
Gross	R1510	0	38,885	2	302	0	0	0	0	39,189
Reinsurers' share	R1520	0	0	0	0	0	0	0	0	0
Net	R1600	0	38,885	2	302	0	0	0	0	39,189
Claims incurred										0
Gross	R1610	0	546	(43)	105	0	3,580	0	0	4,189
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	546	(43)	105	0	3,580	0	0	4,189
Expenses incurred	R1900	0	2,467	1	12	0	0	0	0	2,480
Other expenses	R2500									170
Total expenses	R2600									2,650
Total amount of surrenders	R2700	0	7,520	40	0	0	0	0	0	7,560

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010	0	2,256			0			0	0	2,256
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	276,514		1,926	0		(355)	0	43,638	0	321,723
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	276,514		1,926	0		(355)	0	43,638	0	321,723
Risk Margin	R0100	1,425	4			20			444	0	1,893
Technical provisions - total	R0200	277,939	4,186			(336)			44,083		325,872

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.12.01.02 Life and Health SLT Technical Provisions

		Health insurance (direct business)	Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0210	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0220	0			0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		0	0	0	0	0
Risk Margin	R0100				0	0	0
Technical provisions - total							
Technical provisions calculated as a whole	R0110				0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0120		0	0	0	0	0
Technical provisions calculated as a sum of BE and RM	R0130	0			0	0	0
Best Estimate	R0200	0			0	0	0

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	(1,361)	(2,672)	0	32,538	24,632	284	6,381	579	6,271
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	21	0	0	0	0	(440)	(3,036)	3	26
Net Best Estimate of Premium Provisions	R0150	(1,382)	(2,672)	0	32,538	24,632	725	9,417	577	6,244
Claims provisions										
Gross	R0160	4,208	3,758	74	93,328	16,103	9,612	69,061	52,808	(20,114)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	5,877	0	897	38,743	3,736	25
Net Best Estimate of Claims Provisions	R0250	4,208	3,757	74	87,450	16,103	8,714	30,318	49,073	(20,139)
Total Best estimate - gross	R0260	2,846	1,086	74	125,866	40,735	9,896	75,442	53,388	(13,843)
Total Best estimate - net	R0270	2,826	1,085	74	119,988	40,735	9,439	39,735	49,649	(13,895)
Risk margin	R0280	3,538	1,572	6	10,797	6,310	2,005	7,352	7,234	1,378
Technical provisions - total										
Technical provisions - total	R0320	6,385	2,658	80	136,663	47,045	11,901	82,794	60,621	(12,465)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	21	0	0	5,877	0	457	35,708	3,738	51
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	6,364	2,657	80	130,785	47,045	11,444	47,087	56,883	(12,516)

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	0	31	557	0	1	0	2	67.244
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	8	0	0	0	0	(3.418)
Net Best Estimate of Premium Provisions	R0150	0	31	549	0	1	0	2	70.662
Claims provisions									
Gross	R0160	118	188	995	0	4,004	118	2,633	236.893
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	242	0	295	0	1,154	50.970
Net Best Estimate of Claims Provisions	R0250	118	188	753	0	3,709	118	1,479	185.924
Total Best estimate - gross	R0260	118	220	1,552	0	4,005	118	2,636	304.138
Total Best estimate - net	R0270	118	220	1,302	0	3,710	118	1,482	256.586
Risk margin	R0280	11	326	941	0	605	26	936	43.037
Technical provisions - total									
Technical provisions - total	R0320	129	545	2,493	0	4,610	145	3,571	347.175
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	250	0	295	0	1,154	47.551
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	129	545	2,243	0	4,315	145	2,417	299.623

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.19.01.21 Non-life insurance claims

Accident year / Underwriting year	Z0020	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											(3,557)
N-9	R0160	100,623	36,198	3,447	707	469	754	375	1,949	(177)	(56)	
N-8	R0170	107,732	33,354	3,945	1,463	727	440	1,047	(86)	276		
N-7	R0180	102,380	36,893	3,726	2,369	996	1,420	538	189			
N-6	R0190	100,042	35,683	5,280	2,540	1,466	1,175	657				
N-5	R0200	110,870	35,074	7,273	4,242	1,877	1,210					
N-4	R0210	109,262	49,840	7,622	6,799	2,390						
N-3	R0220	112,643	28,967	4,717	2,560							
N-2	R0230	125,387	39,191	7,777								
N-1	R0240	163,363	54,741									
N	R0250	163,044										

		In current year	Sum of years (cumulative)
		C0170	C0180
	R0100	(3,557)	0
	R0160	(56)	144,288
	R0170	276	148,898
	R0180	189	148,510
	R0190	657	146,842
	R0200	1,210	160,545
	R0210	2,390	175,913
	R0220	2,560	148,887
	R0230	7,777	172,355
	R0240	54,741	218,104
	R0250	163,044	163,044
Total	R0260	229,231	1,627,386

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.19.01.21 Non-life insurance claims

Gross undiscounted best estimate Claims Provisions

(absolute amount)

						Development year									Year end (discounted data
	Year	0	1	2	3		5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											31,178		R0100	23,743
N-9	R0160	0	22,007	16,663	14,588	13,112	9,599	8,285	5,204	4,005	2,882			R0160	2,248
N-8	R0170	61,459	21,933	14,736	12,323	10,550	9,215	8,412	7,240	4,834				R0170	3,994
N-7	R0180	65,887	23,004	16,040	13,721	10,470	10,374	8,219	6,282					R0180	4,927
N-6	R0190	66,101	23,408	17,710	13,081	12,032	9,999	8,097						R0190	6,473
N-5	R0200	65,978	32,218	22,421	17,555	13,920	12,701							R0200	10,701
N-4	R0210	94,411	30,167	28,557	22,677	28,187								R0210	25,723
N-3	R0220	59,397	25,621	17,995	13,980									R0220	11,625
N-2	R0230	68,012	31,780	25,627										R0230	22,265
N-1	R0240	91,667	38,094											R0240	34,040
N	R0250	96,808												R0250	91,154
													Total	R0260	236,893

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	78,296	78,296		0	
Share premium account related to ordinary share capital	R0030	90,448	90,448		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0				
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	535,928	535,928			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	**704,672**	**704,672**	**0**	**0**	**0**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	704,672	704,672	0	0	0
Total available own funds to meet the MCR	R0510	704,672	704,672	0	0	
Total eligible own funds to meet the SCR	R0540	704,672	704,672	0	0	0
Total eligible own funds to meet the MCR	R0550	704,672	704,672	0	0	
SCR	R0580	**264,120**				
MCR	R0600	**69,520**				
Ratio of Eligible own funds to SCR	R0620	**267%**				
Ratio of Eligible own funds to MCR	R0640	**1014%**				

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.23.01.01 Own funds

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	750,313
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	45,641
Other basic own fund items	R0730	168,744
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	**535,928**
Expected profits		0
Expected profits included in future premiums (EPIFP) - Life business	R0770	19,345
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	13,843
Total Expected profits included in future premiums (EPIFP)	R0790	33,188

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.25.01.21 Solvency Capital Requirement — for undertakings on Standard Formula

-		Gross solvency capital requirement	Undertaking specific parameters have	Simplifications
		C0110	C0090	C0120
Market risk	R0010	234,888		
Counterparty default risk	R0020	16,167		
Life underwriting risk	R0030	5,579	0	0
Health underwriting risk	R0040	17,035	0	0
Non-life underwriting risk	R0050	97,763	0	0
Diversification	R0060	(83,057)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	**288,374**		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	15,161
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(39,414)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	**264,120**
Capital add-on already set	R0210	0
of which, capital add-ons already set - Article 37 (1) Type a	R0211	
of which, capital add-ons already set - Article 37 (1) Type b	R0212	
of which, capital add-ons already set - Article 37 (1) Type c	R0213	
of which, capital add-ons already set - Article 37 (1) Type d	R0214	
Solvency capital requirement	R0220	**264,120**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

		Yes/No
		C0109
Approach based on average tax rate	R0590	Yes

		LAC DT
		C0130
LAC DT	R0640	(39,414)
LAC DT justified by reversion of deferred tax liabilities	R0650	(39,414)
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	(39,414)

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.28.02.01 Minimum Capital Requirement — Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Results	$MCR_{(NL,L)}$ Results
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	58,116	76

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	2,826	79,679	0	0
Income protection insurance and proportional reinsurance	R0030	4,080	15,701	0	898
Workers' compensation insurance and proportional reinsurance	R0040	74	74	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	119,988	103,874	0	0
Other motor insurance and proportional reinsurance	R0060	40,735	90,207	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	9,439	7,478	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	39,735	79,935	0	0
General liability insurance and proportional reinsurance	R0090	49,649	24,698	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	3,762	0	0
Legal expenses insurance and proportional reinsurance	R0110	118	118	0	0
Assistance and proportional reinsurance	R0120	220	4,232	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,302	2,507	0	0
Non-proportional health reinsurance	R0140	0	0	0	0
Non-proportional casualty reinsurance	R0150	3,710	325	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	118	43	0	0
Non-proportional property reinsurance	R0170	1,482	286	0	0

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.28.02.01 Minimum Capital Requirement — Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Results	$MCR_{(L,L)}$ Results
		C0070	C0080
Linear formula component for non-life insurance and reinsurance obligations	R0200	916	10.411

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	0		276,514	
Obligations with profit participation - future discretionary benefits	R0220	0		0	
Index-linked and unit-linked insurance obligations	R0230	0		4,182	
Other life (re)insurance and health (re)insurance obligations	R0240	43,638		0	
Total capital at risk for all life (re)insurance obligations	R0250		0		215,847

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES

S.28.02.01 Minimum Capital Requirement — Both life and non-life insurance activity

Overall MCR calculation		C0130
Linear MCR	R0300	69,520
SCR	R0310	264,120
MCR cap	R0320	118,854
MCR floor	R0330	66,030
Combined MCR	R0340	69,520
Absolute floor of the MCR	R0350	8,000
Minimum Capital Requirement	R0400	69,520

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	59,032	10,488
Notional SCR excluding add-on (annual or latest calculation)	R0510	224,276	39,845
Notional MCR cap	R0520	100,924	17,930
Notional MCR floor	R0530	56,069	9,961
Notional Combined MCR	R0540	59,032	10,488
Absolute floor of the notional MCR	R0550	4,000	4,000
Notional MCR	R0560	59,032	10,488