



CROATIA OSIGURANJE®

**Solvency and financial condition report
for CROATIA osiguranje Group
2023**

Zagreb, May 2024

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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 Croatia osiguranje Group for the year 2023* in accordance with the requirements of the Insurance Act and Delegated Regulation (EU) 2015/35, as subsequently amended. The report has been prepared in accordance with the financial statements of the Group as at December 31, 2023 and gives a true and fair view of the Group's position in 2023.

May 7, 2024

For and on behalf of CROATIA osiguranje d.d.

Luka Babić
Member of the Management Board

Davor Tomašković
President of the Management Board

Robert Vučković
Member of the Management Board

CROATIA osiguranje d.d.

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SUMMARY

CROATIA osiguranje d.d. (hereinafter: Parent Company or just Company) is the parent company of **CROATIA osiguranje Group** (hereinafter: the Group) and it has prepared this **Solvency and financial condition report for the year 2023** (hereinafter: the Report) in accordance with Article 336 of the Insurance Act and the requirements of Articles 359 to 364 of Delegated Regulation (EU) 2015/35, as amended, while the structure of this Report follows the structure set out in Annex XX to the Delegated Regulation. All amounts are in EUR thousands. On January 1, 2023, the euro became the official currency and legal tender in the Republic of Croatia. The fixed conversion rate was set at 7.53450 HRK for one EUR. The report presents qualitative and quantitative information comparable to that for the previous period, the year 2022. The comparative periods and balances in the report have been recalculated using the conversion rate.

BUSINESS AND PERFORMANCE

On January 1, 2023, **the euro became the official currency** and legal tender in the Republic of Croatia, and the same date marked the beginning of application of **new accounting standards IFRS 17 and IFRS 9**. The application of the financial reporting standard IFRS 17 has impacted the method of calculation of key performance indicators such as income, combined ratio, and net profit. IFRS 17 significantly impacted changes in accounting of insurance and reinsurance contracts. As a result, the Company applied a retrospective approach and adjusted comparative figures for 2022.

As at December 31, 2023, the Group's business was accompanied by strong capital adequacy, with the **SCR ratio of a high 245%**. In 2023, the Company reported **profit before tax in the amount of EUR 69,174 thousand**, (2022: EUR 69,540 thousand), while **profit after tax and minority (non-controlling) interests amounted to EUR 58.453 thousand** (2022: EUR 58,277 thousand). Insurance revenue amounted to EUR 476,396 thousand, which was a 11.16% increase, while insurance service expenses increased by 15.72%, amounting to EUR 442,601 thousand. Of that, non-life insurance revenue amounted to EUR 464,151 million, having increased by 11.02%, while life-insurance revenue amounted to EUR 12.245 million, which was a 16.41% increase.

Among other significant events in 2023 affecting the Group's business, notable ones were the continuation of the war in Ukraine and sanctions imposed on Russia, as well as the conflicts in the Middle East, which served as an additional driver for the rise in global uncertainty. Further development of the insurance market will be significantly influenced by climate change, inflation and interest rate changes, in addition to the aforementioned geopolitical upheavals.

In 2023, improvements in digital customer experience continued, and a new loyalty program, "Spektar", was launched in the Parent Company, representing an innovation in the insurance market. It is a unique package that combines multiple insurance policies contracted for the same household, enabling savings and additional benefits in a simple and transparent manner. In November 2023, the Company introduced another innovation, namely the use of artificial intelligence (AI) in assessing motor insurance claims. It also continued to make significant investments in the healthcare segment.

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

SUMMARY

SYSTEM OF GOVERNANCE

The Group has an appropriate governance system in place that includes an appropriate organizational structure, internal control system and risk management system. All key functions prescribed by the Act have been established: 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 Group is exposed to. An integral part of the business strategy and business planning is the implementation of its **own risk and solvency assessment (ORSA)**, which is continuously considered when making the Group's strategic decisions. The Parent Company implements ORSA at Group level as appropriate, in which context it defines the methodological approach in line with the principles of materiality and proportionality, taking special account of the fact that the Group's risk profile is most affected precisely by the Parent Company's risk profile.

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 2023, 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 Group's risk profile nor did they cause significant changes in the solvency ratio. More detailed information on the governance system is provided in *Chapter B*.

RISK PROFILE

The Group'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 Group 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 Group recognizes exposure to strategic risk, reputational risk, outsourcing risk and sustainability risk. The Group 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. It must be underlined that the Group's risk profile is most affected by the Parent Company's risk profile, considering the Parent Company's contribution to the Group in terms of all relevant indicators and risks. In 2023, there were no significant changes in the risk profile compared to the previous year. Solvency capital requirement coverage with eligible own funds was 245% as at December 31, 2023 and it was at levels above 279% for the rest of the year 2023. SCR is calculated using the standard formula in compliance with the Solvency II requirements. The SCR decrease compared to the previous year was caused, for the most part, by decreased capital requirement for market risk. With Croatia joining the eurozone, the currency risk arising from the euro was completely eliminated, significantly reducing the capital requirement for currency risk compared to the previous year. Moreover, Croatian government bonds denominated in EUR have become risk-free, leading to a reduction in capital requirements for spread risk and concentration risk.

Based on the extent of capital requirements by individual risk modules, the Group is most exposed to the market risk and non-life underwriting risk.

SUMMARY

Table 1 Solvency capital requirement
(EUR thousand)

Capital requirement by risk module	2023	2022
SCR_DIVERSIFIED	216,533	228,467
Adjustment for tax	(22,903)	(43,400)
Operational risk	15,900	14,834
BSCR	223,536	257,033
Market risk	152,453	190,158
Counterparty default risk	21,431	33,203
Life Underwriting risks	7,631	9,656
Health underwriting risk	17,407	17,108
Non-Life underwriting risk	107,418	98,041
Diversification effects	(82,805)	(91,133)
CR_OFS	3,650	3,650
SCR_OTHER	44,499	47,280
Group SCR	264,681	279,397

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 1,740,091 thousand, which represents a EUR 5,663 thousand decrease compared to the total assets valued under IFRS (International Financial Standards Reporting). The most significant difference, caused by a different consolidation method, stems from investment property and investment in loans. Significant differences on the assets side due to different valuation are also present in the following items: investments in government bonds, investments in subsidiaries and insurance and intermediaries receivables. 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)

	2023	2022
IFRS equity	765,158	713,225
Difference in the valuation of assets	(5,663)	(14,442)
Difference in the valuation of technical provisions	22,920	(4,376)
Difference in the valuation of other liabilities	(18,406)	(20,572)
Excess of assets over liabilities	764,009	673,836
Forseeable dividends	114,874	0
Solvency II eligible own funds	649,135	673,836

SUMMARY

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

CAPITAL MANAGEMENT

In 2023, the Group operated at **high capital adequacy ratios**. As at December 31, 2023, eligible own funds to meet the SCR totalled **EUR 649,135 thousand**, while the **solvency capital requirement (SCR) amounted to EUR 264,681 thousand**. The ratio between eligible own funds to meet the solvency capital requirement and the SCR (SCR ratio or capital adequacy ratio) was **245%**.

The **4 p.p. increase** in the capital adequacy ratio compared to 2022 was the result of a slightly greater decrease in SCR (-5%) than the decrease in eligible own funds (-4%). This eligible own funds drop was the result of foreseeable dividends, while the SCR decrease was mainly caused by the drop in the capital requirement for market risk. With Croatia joining the eurozone, the currency risk arising from the euro was completely eliminated, significantly reducing the capital requirement for currency risk compared to the previous year. Moreover, because Croatian government bonds denominated in EUR have become risk-free, capital requirements for spread risk and concentration risk were reduced. All the Group's own funds eligible for SCR coverage were **tier 1 funds**, being the highest quality of own funds.

Table 3 SCR ratio

(EUR thousand)

	2023	2022
Eligible own funds to meet the SCR	649,135	673,836
Of which tier 1	649,135	673,836
Of which tier 2	0	0
Of which tier 3	0	0
SCR	264,681	279,397
SCR ratio	245%	241%

Eligible own funds to meet the MCR totalled at **EUR 639,022 thousand**, whereas the **minimum capital requirement (MCR) amounted to EUR 82,333 thousand**. The ratio of eligible own funds to meet minimum capital requirement and the MCR (**MCR ratio**) is a very high **776%** (2022: 835%). Likewise, the Group's eligible own funds to meet the MCR are also tier 1 funds.

Table 4 MCR ratio

(EUR thousand)

	2023.	2022.
Eligible own funds to meet the MCR	639,022	664,017
Of which tier 1	639,022	664,017
Of which tier 2	0	0
Of which tier 3	0	0
MCR	82,333	79,498
MCR ratio	776%	835%



SUMMARY

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 Group (hereinafter: **Group**) is comprised of CROATIA osiguranje d.d. as the Parent Company and its subsidiaries, as indicated below.

CROATIA osiguranje d.d. (hereinafter: **Parent Company or just Company**) 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 Group's main business segments are **insurance and reinsurance**. Other significant activities of the Group include **pension fund management, vehicle roadworthiness tests, provision of medical services of polyclinics and real estate management**. The Group's insurance activities include non-life and life insurance.

The Group also performs the following business activities:

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

The **significant geographical area** in which the Group performs insurance activities is the **Republic of Croatia**. The Group also operated in the following geographical areas in 2023:

- Bosnia and Herzegovina,
- Republic of North Macedonia,
- Republic of Slovenia (via a subsidiary of the Parent Company),
- Republic of Serbia.

A. BUSINESS AND PERFORMANCE

The Slovenian subsidiary 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 it 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.

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

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

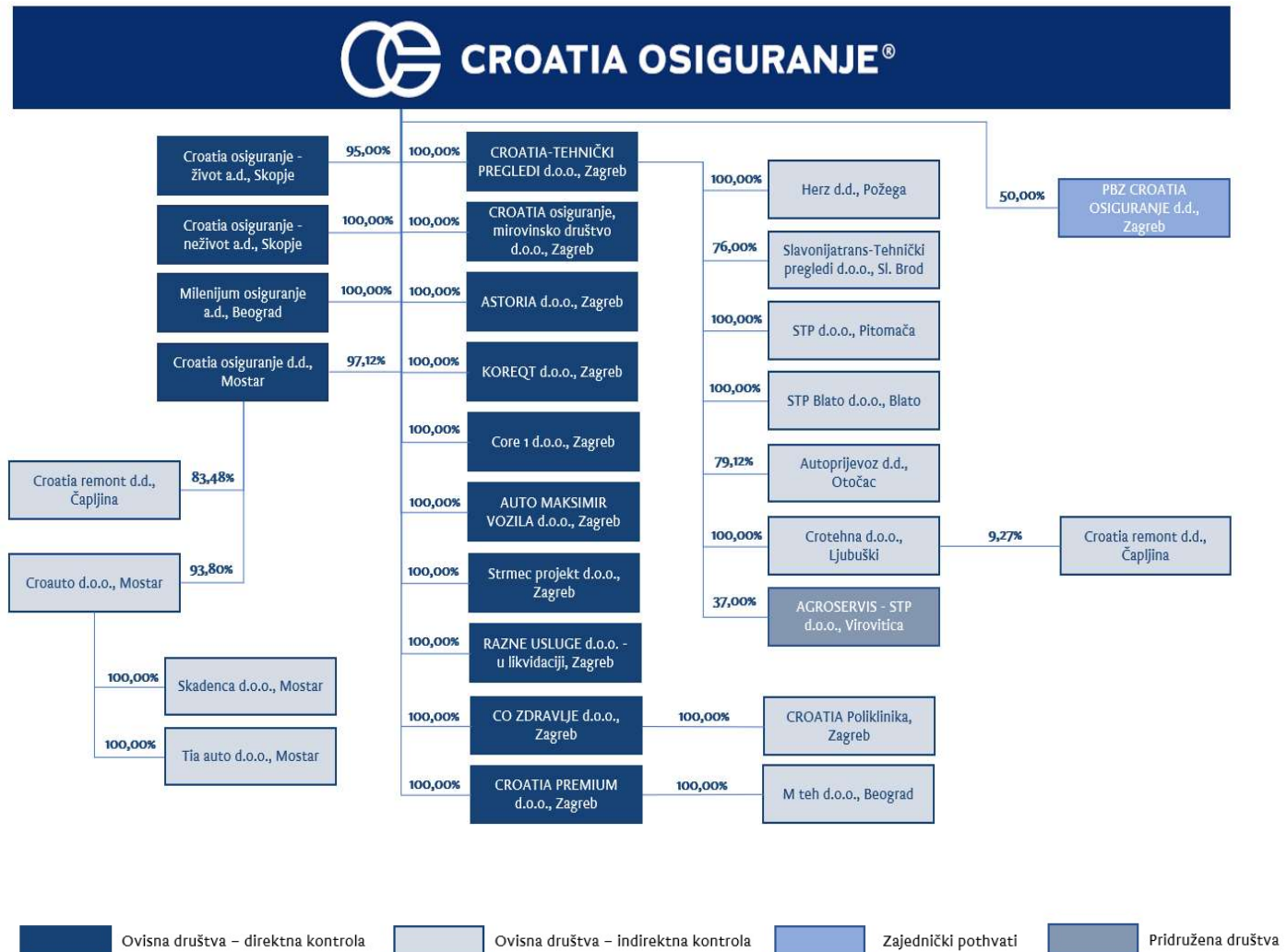
The Group’s (and the Company’s) **external auditor** is **Deloitte d.o.o., Zagreb** (hereinafter: **Deloitte Croatia or the Auditor**), Radnička cesta 80. The Auditor’s primary contact information is:

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

The owners of qualifying shares in the Parent Company are **Adris grupa d.d., Rovinj with 66.96% equity** and **Restructuring and the Republic of Croatia, with 30.1% equity**. The Group, i.e. the Parent Company operates within the **Adris grupa**, one of the leading Croatian and regional companies. Adris grupa is divided into 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, in 2023 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 Parent Company, making Adris the regional leader in the insurance market.

The Parent Company is the sole holder of a qualifying holding in all subsidiaries members of the Group, and it is also the sole owner in the majority of subsidiaries. In the PBZ Croatia osiguranje d.d., Zagreb joint venture, the other holder of the qualifying holding (together with the Parent Company) is Privredna banka Zagreb d.d.

A. BUSINESS AND PERFORMANCE



The scope of the Group for the purpose of consolidated financial statements and for the solvency report is the same, but the consolidation methods are different. For the purposes of solvency calculations at Group level, the Group uses the so-called **method 1** (consolidation method) as prescribed by Article 315 of the Insurance Act.

Specifically, the consolidated data contained in the financial statements include full consolidation of all subsidiaries and granddaugher companies of the Parent Company and consolidation by using the equity method with respect to the companies PBZ Croatia osiguranje d.d. and STP AGROSERVIS d.o.o., Virovitica, whereas the consolidated data for the purposes of the solvency report are obtained by full consolidation of the subsidiaries that are active in insurance business and companies that provide ancillary services, in which context the consolidated balance sheet values pertaining to all other affiliated and subsidiary companies of the Parent Company are determined in accordance with Article 335 of the Delegated Regulation, by using the adjusted equity method or the equity method based on sectoral rules. For the purpose of providing complete information, below is a list of consolidation methods for the requirements of preparing consolidated financial statements and for the requirements of solvency with respect to individual Group members.

A. BUSINESS AND PERFORMANCE

Table A.1.1 Consolidation methods for the requirements of preparing consolidated financial statements and for the requirements of solvency

Group companies	IFRS consolidation method	SII consolidation method
Direct and Indirect subsidiary		
Milenijum osiguranje a.d., Beograd	Full consolidation	Full consolidation art. 335(1)(a) DR*
Croatia osiguranje d.d., Mostar	Full consolidation	Full consolidation art. 335(1)(a) DR*
- <i>Croatia remont d.d., Čapljina</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Croauto d.o.o., Mostar</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Skadenc d.o.o., Mostar</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Tia auto d.o.o., Mostar</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
Croatia osiguranje - život a.d., Skopje	Full consolidation	Full consolidation art. 335(1)(a) DR*
Croatia osiguranje - neživot a.d., Skopje	Full consolidation	Full consolidation art. 335(1)(a) DR*
CROATIA-TEHNIČKI PREGLEDI d.o.o., Zagreb	Full consolidation	Adjusted equity method art. 335(1)(f) DR*
- <i>Herz d.d., Požega</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>STP Pitomača, Pitomača</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>STP Blato</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Autoprijevoz d.d.</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Crotehna d.o.o., Ljubuški</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
- <i>Croatia remont d.d., Čapljina</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
CROATIA osiguranje, mirovinsko društvo d.o.o., Zagreb	Full consolidation	Equity method according to sectoral rules art. 335(1)(e) DR*
CROATIA PREMIUM d.o.o., Zagreb	Full consolidation	Adjusted equity method art. 335(1)(f) DR*
- <i>M teh d.o.o., Beograd</i>	<i>Full consolidation</i>	<i>Adjusted equity method art. 335(1)(f) DR*</i>
Core 1 d.o.o., Zagreb	Full consolidation	Full consolidation art. 335(1)(a) DR*
AUTO MAKSIMIR VOZILA d.o.o.	Full consolidation	Full consolidation art. 335(1)(a) DR*
Strmec projekt d.o.o.	Full consolidation	Full consolidation art. 335(1)(a) DR*
KOREQT (before CO LOGISTIKA d.o.o.)	Full consolidation	Adjusted equity method art. 335(1)(f) DR*
CO ZDRAVLJE d.o.o.	Full consolidation	Full consolidation art. 335(1)(a) DR*
- <i>CROATIA Poliklinika, Zagreb</i>	<i>Full consolidation</i>	<i>Full consolidation art. 335(1)(a) DR*</i>
ASTORIA d.o.o.	Full consolidation	Full consolidation art. 335(1)(a) DR*
RAZNE USLUGE d.o.o. - u likvidaciji Zagreb	Full consolidation	Adjusted equity method art. 335(1)(f) DR*
Associate company		
PBZ CROATIA OSIGURANJE d.d., Zagreb	Equity method	Equity method according to sectoral rules art. 335(1)(e) DR*
Affiliated company		
STP AGROSERVIS d.o.o., Virovitica	Equity method	Adjusted equity method art. 335(1)(f) DR*

* DR pertains to Delegated Regulation (EU) 2015/35.

A. BUSINESS AND PERFORMANCE

A.2 UNDERWRITING PERFORMANCE

The Group initially adopted IFRS 17, including all subsequent amendments and modifications of other standards, as of January 1, 2023. IFRS 17 significantly impacted changes in accounting of insurance and reinsurance contracts. As a result, the Group applied a retrospective approach, adjusted comparative amounts, and additionally presented the financial position statement as at January 1, 2022.

Recognition, measurement, and presentation of insurance contracts

IFRS 17 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 estimate of the present value of future cash flows expected to arise as the Group fulfills 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 *2023 Annual Report*.

As at December 31, 2023, the Group's business was accompanied by strong capital adequacy, with the SCR ratio of 245%. In 2023, the Group reported profit before tax in the amount of EUR 69,174 thousand, which represented a 0.53% decrease, while after-tax profit amounted to EUR 58,453 thousand, which is an increase of 0.30% compared to the previous year. Insurance revenue amounted to EUR 476,396 thousand, which was a 11.16% increase, while insurance service expenses increased by 15.72%, amounting to EUR 442,601 thousand.

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

Table A.2.1 Income Statement

(EUR thousand)

	2023	2022	Δ23/22
Insurance revenue	476,396	428,583	11.16%
Insurance service expenses	(442,601)	(382,491)	15.72%
Net result of (passive) reinsurance contracts	(8,542)	(13,433)	-36.41%
Result from insurance contracts	25,252	32,658	-22.68%
Net investment income	59,762	49,048	21.84%
Net financial result from insurance and (passive) reinsurance contracts	(6,116)	2,523	-342.44%
Other income	30,629	28,603	7.08%
Other financial expenses	(1,815)	(1,737)	4.50%
Other operating expenses	(40,319)	(42,952)	-6.13%
Share of profit of companies consolidated using equity method, net of tax	1,781	1,395	27.65%
Profit before tax	69,174	69,540	-0.53%
Income tax	(10,721)	(11,263)	-4.81%
PROFIT FOR THE YEAR	58,453	58,277	0.30%

A. BUSINESS AND PERFORMANCE

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

Table A.2.2 Insurance revenue by material line of business

(EUR thousand)

	2023	2022
Fire and other damage to property insurance	116,769	117,004
Motor vehicle liability insurance	127,782	112,262
Other motor insurance	80,812	65,237
Medical expense insurance	64,702	56,601
General liability insurance	19,612	17,343
Income protection insurance	19,732	17,981
Marine, aviation and transport insurance	13,715	11,995
Miscellaneous financial loss insurance	7,581	8,102
Other types of Non-life insurance	13,446	11,540
Total Non-life insurance	464,151	418,064
Life insurance	7,348	6,716
Other types of Life insurance	4,896	3,802
Total Life insurance	12,245	10,518
Total	476,396	428,583

The largest increase in insurance income was achieved in motor vehicle liability insurance and other motor insurance, while a slight drop in premium was recorded in miscellaneous financial loss insurance and fire and other damage to property insurance.

Table A.2.3 Insurance service expenses

(EUR thousand)

	2023	2022
Claims incurred	299,289	231,036
Other expenses from insurance services	73,065	69,287
Other expenses from sale of insurance	47,780	47,446
Commission expenses	46,582	42,069
Losses on onerous insurance contracts	(2,210)	2,921
Change of liabilities for claims incurred	(21,906)	(10,269)
Total	442,601	382,491

A. BUSINESS AND PERFORMANCE

A.3 INVESTMENT PERFORMANCE

Net investment income in 2023 amounted to EUR 59,762 thousand, representing a 21.84% increase compared to 2022. Net investment income increased by EUR 10,714 thousand, primarily as a result of the growth in net gains from financial assets at fair value through profit and loss and the increase in interest income calculated using the effective interest rate method.

Table A.3.1 Net investment income

(EUR thousand)

	2023	2022
Interest revenue calculated using the effective interest method	30,793	25,686
Other investment income/expenses	5,470	6,538
Net gains/losses from financial assets at fair value through profit or loss	6,237	(1,166)
Income from investment property	16,780	13,927
Net impairment/reversal of impairment of financial assets	1,493	1,161
Net foreign exchange differences	(1,012)	2,902
Total	59,762	49,048

Interest revenue calculated using the effective interest method pertains to net income from coupons and bonds amortization, as well as interest income from deposits and loans. Interest income increased by EUR 5,107 thousand compared to 2022, primarily due to (one-time) income from default interest on loans and higher interest income from bonds and deposits.

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 2023 decreased by EUR 1,067 thousand, as a result of lack of realized net gains/losses from sale of instruments classified at FVOCI.

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 2023, the EUR 7,404 increase primarily related to the increase in the value of investment funds classified at FVPL and the decrease in realized losses from derivative financial assets.

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

(EUR thousand)

	2023	2022
Net unrealized gains/losses	4,051	836
Interest revenue	1,115	25
Realized sales gains/losses	1,071	(2,027)
Total	6,237	(1,166)

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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 pertain to adjustments for expected credit losses (ECLs) for debt securities, deposits, and loans.

Net foreign exchange differences include foreign exchange differences (gains/losses) from financial assets. In 2023, following the transition to EUR as the official currency, there was no effect of exchange rate differences between EUR and HRK, as opposed to 2022 when such effect was stated.

Investments in securitized instruments

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

A.4 PERFORMANCE OF OTHER ACTIVITIES

Other **material activities (non-insurance activities)** of the Group include **vehicle roadworthiness tests, provision of medical services of polyclinics and real estate-related activities.**

The Group's income generated by providing the service of motor vehicle roadworthiness tests in 2023 amounted to EUR 10,982 thousand (2022: EUR 10,532 thousand), and medical services provided at polyclinics generated an income of HRK 9,621 thousand (2022: EUR 7,248 thousand). The mentioned income by geographical area mostly pertains to the Republic of Croatia.

In vehicle roadworthiness tests, the company CROATIA - tehnički pregled d.o.o. operated with a net profit of EUR 3,317 thousand in 2023. (2022: EUR 3,010 thousand), while in medical services, the company CO ZDRAVLJE d.o.o. (including the company CROATIA poliklinika) operated with a loss of EUR 1.184 thousand (2022: EUR -1,204 thousand).

Group members that perform **pension fund management activities** operated with profit in 2023: PBZ Croatia osiguranje d.d., Zagreb, generated net profit in the amount of HRK 3,388 thousand (2022: EUR 2,655 thousand), whereas Croatia osiguranje, mirovinsko društvo d.o.o., Zagreb, generated profit in the amount of EUR 777 thousand (2022: EUR 615 thousand).

Group members that perform **real estate management activities** and are considered as **companies that provide ancillary services** operated with profit in 2023: net profit of the company Astoria d.o.o. in 2023 amounted to EUR 880 thousand (2022: EUR 805 thousand), the company CORE 1 d.o.o. generated net profit in the amount of EUR 240 thousand (2022: EUR 186 thousand), Strmec projekt d.o.o. operated with a net profit of EUR 19 thousand (2022: EUR -85 thousand). CROATIA Premium d.o.o. operated with a net profit of EUR 2,114 thousand (2022: EUR 1,857 thousand).

A.5 ANY OTHER INFORMATION

On January 1, 2023, **the euro became the official currency** and legal tender in the Republic of Croatia. The fixed conversion rate was set at 7.53450 HRK for one EUR. The introduction of the euro as the official currency in Croatia represents a

A. BUSINESS AND PERFORMANCE

change in the functional currency which is accounted for prospectively. On the same date, new accounting standards for insurance companies (**IFRS 17 and IFRS 9**) also came into effect, and they have been successfully implemented in the Company.

Geopolitical and macroeconomic situation

The global geopolitical situation in 2023 showed no signs of calming or significant improvement. There have been no indications of a possibility of the war in Ukraine ending or the subsequent sanctions directed against the Russian Federation being lifted. The Group does not engage in direct business with Russia and Ukraine in insurance or reinsurance activities. Based on the Sanctions & Embargo clause, reinsurance transactions involving countries under any sanctions are not permitted.

In October 2023, Hamas's attack on Israel caused new geopolitical stress, leading to escalating tensions in strategically sensitive and resource-rich areas that are also very important in terms of transport routes.

Depending on the development of the situation and the spread of the conflict, various scenarios and impacts on the global economy are possible. Despite inflation showing signs of weakening in the EU and the US in the second half of 2023, with price increases slowing down, primarily due to restrictive measures of central banks, the escalation of the geopolitical situation could still lead to different scenarios, including a new change in the inflation trend and the risk of reduced economic growth.

The end of 2023 marked the conclusion of the interest rate increase cycle by the ECB and the Fed. If there are no new macroeconomic disruptions affecting inflation rate growth, a gradual decline in central bank reference rates is expected from the second half of 2024, along with a possible correction of the yield curves that have recently been inverted. In December 2023, there was a visible decline in bond market yields due to such expectations. However, significant macroeconomic uncertainty persists due to negative geopolitical events. Nevertheless, thanks to the Group's good capital ratio (solvency), the results of the ORSA process indicate that the Group is resilient to various stress circumstances and that even in the described scenarios it would continue to operate in accordance with the requirements set by applicable regulations.

The further development of the insurance market, both in the Republic of Croatia and in the region where the Group operates, will be greatly influenced not only by the aforementioned geopolitical turmoil but also by climate change, inflation, and wage adjustments (affecting price corrections and changes in insurance terms), as well as fluctuations in interest rates. The year 2023 was the warmest year on record, resulting in extremely high temperatures and wildfires in large parts of Asia, Australia, and South America, as well as significantly stronger cyclones and floods in North America and Europe. Accordingly, further tightening of insurance and reinsurance policies regarding catastrophe and climate risks can be expected. Locally in Croatia, the emergence of African swine fever further exacerbates the situation concerning reinsurance.

Life insurance is heavily influenced by interest rate movements. Although interest rates have risen compared to the extremely low levels that were prevalent over a period of several years, current expectations suggest that interest rates may start to decline in the upcoming period. Due to all of these factors, it is difficult to predict the trends in life insurance in the future period.

A. BUSINESS AND PERFORMANCE

Business improvement

Focus on clients and continued innovations are values that are at the core of market research and new product development in the Group. The objective is to provide fast and high-quality service and increase client satisfaction. In 2023, the Parent Company's projects to enhance offline and online customer experience continued.

Clients of the Company have access to numerous digital solutions and functionalities, from making purchases, payments, policy viewing, and claim reporting to advanced features that encourage positive changes in client behaviour.

Observing the market needs and client expectations, after conducting research, the Parent Company launched a new loyalty program in May 2023, *Spektar*, which is an innovation in the insurance market. It is a unique package that combines multiple insurance policies contracted for the same household, enabling savings and additional benefits in a simple and transparent manner. As the first in Europe to do so, in November 2023, the Company introduced the use of artificial intelligence (AI) in assessing motor insurance claims. It is a sophisticated digital system that allows for claims settlement in less than three minutes. The automated assessment system builds upon the already implemented claims reporting via QR code, allowing clients to report claims in just a few minutes without the need for physical documentation. More than EUR 400 thousand has been invested in the new claim assessment centre and in the development of the AI platform.

In 2023, the Company's customer support service conducted numerous additional activities and enhancements to provide customers with the best possible user experience. Wherever possible, such as when reporting claims or requesting policy changes, processes were simplified and expedited so that clients could submit requests via email or phone call, upon which customer support service handled the entire process. The process of scheduling full physical examinations has also been improved, with appointments typically being arranged during the first contact. After the initial agreement and scheduling, clients receive an SMS reminder before the appointment.

Several product media campaigns were conducted throughout the year, which, alongside presenting insurance products, addressed broader topics important for the individual and the community, such as prevention and raising the level of security in the community by protecting health, property, and businesses.

In 2023, an additional health insurance campaign ("*More Affordable Private Medical Examinations*") was conducted to increase awareness of the importance of regular check-ups and the benefits of additional health insurance. The Parent Company's investments in the healthcare segment over the past three years amounted to approximately EUR 20,000 thousand, and three new Croatia Polyclinics were opened in 2023 (in Osijek, Zadar and Varaždin), thus achieving the strategic goal of providing high-quality medical services to people residing in different parts of Croatia.

Important events after financial year end

On 5 March 2024, the Parent Company's General Assembly adopted a decision to pay out dividend. Furthermore, Member of the Management Board Vančo Balen left the company on 30 April 2024, at his own personal request, for private reasons. In accordance with a legal obligation and permitted exemption under Article 21.a of the Accounting Act, the Company has prepared a Non-Financial Report, which will be published as part of the annual financial report of the parent company, Adris Grupa d.d.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

CROATIA osiguranje d.d. is the controlling, parent company of the Group, which has the function of consolidation and operational guidance for the Group. The Parent Company establishes the strategic objectives for the Group and regularly monitors the attainment of those objectives.

In accordance with the Companies Act, the Parent 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 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 Company's and Group's annual report, which includes annual financial statements, to the Supervisory Board, after which the Supervisory Board is required to approve them for 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.

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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.

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.

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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 of the Supervisory Board. At least one (1) Audit Committee member must be knowledgeable about accounting and/or auditing. The Audit Committee is tasked with monitoring, supervising and improving the quality, appropriateness and timeliness of financial reporting and it 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 and submits recommendations or proposals to ensure its 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 performance of the statutory audit of the annual financial statements and the annual consolidated financial statements;
- examines and monitors the independence of the audit firm and in particular the appropriateness of providing non-audit services subject to its prior approval, after adequately assessing the threats to independence and the safeguards applied, with the Committee being required to examine and approve all non-audit services that the audit firm would provide to the Company;
- 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;

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- monitors the integrity of the financial information of the Company and in particular the soundness and consistency of the accounting methods used by the Company and the Group to which it belongs, including the criteria for consolidation of the financial statements of the companies belonging to the Group;
- assesses at least once a year the quality of the internal control and risk management system, in order to ensure adequate identification, public disclosure and management of the major risks to which the Company is exposed (including risks associated with compliance);
- ensures the effectiveness of the internal audit system, in particular by making recommendations on selection, appointment, re-appointment and dismissal of the head of the Internal Audit Department and on the resources at its disposal, as well as by evaluating the management process regarding the findings and recommendations of the internal audit;
- considers the effectiveness of the external audit and the conduct of senior management in accordance with the recommendations of the external auditor;
- investigates the circumstances surrounding the dismissal of the external auditor and makes appropriate recommendations to the Supervisory Board;
- requests from the audit firm, management personnel or any employee of the Company any information necessary for the performance of the role of the Committee and requests from the Management Board and the Internal Audit Department written opinions, which may, if necessary, be attached to the materials submitted to the Supervisory Board;
- performs other tasks as ordered by the Supervisory Board.

The Supervisory Board has organised the **Appointments and Remuneration Committee** which, in the area of appointments, performs the tasks of: supervising the process of appointments to the Supervisory Board and the Management Board to ensure that it is appropriate and transparent, developing a description of roles and candidates for each vacancy in accordance with the profile of the Management Board or the Supervisory Board (if necessary, in consultation with the President of the Management Board or the Supervisory Board) and the identifying and recommending of suitable candidates to the Supervisory Board, determining the competence and/or independence of the candidates for the Supervisory Board, agreeing upon the terms of appointment with potential new members of the Management Board and the Supervisory Board, including the expected time required for exercising their function, preparing a succession plan for reappointment or replacement of Supervisory Board and Management Board members, in consultation with the President of the Supervisory Board and the Management Board respectively, monitoring the progress in achieving the target percentage of female members in the management structure of the Company and monitoring the Management Board's policy in the selection and appointment of senior management.

In the area of remuneration, the Appointments and Remuneration Committee performs the tasks of: recommending to the Supervisory Board the remuneration policy for the members of the Management Board at least every three years, recommending to the Supervisory Board every year the remuneration that should be received by the President and the members of the Management Board based on the results of the evaluation of the Company's and their personal performance, recommending to the Supervisory Board the remuneration policy for the members of the Supervisory Board to be approved by the General Assembly, monitoring the amount and structure of remuneration payable to the

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senior management personnel and employees as a whole, making recommendations to the Management Board on its policies and monitoring the preparation of the statutory annual remuneration report for Supervisory Board approval.

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;
- 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** are organized in such a way as to cover all significant risks, to avoid conflicts of interest and to ensure that operations comply with the strategies, policies and other internal documents, in accordance with the relevant legal framework.

The following key functions have been established:

- risk management function;
- compliance function;

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- internal audit function;
- actuarial function.

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 Parent 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 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 Group. 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.

Organizational structure of the Parent Company

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 ensures the creation of 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.

Insurance operations include: Product Development and Underwriting Department, Claims Management Department, Operations and Customer Support Department, and Information Technology Department.

Sales include: Retail Insurance Department, Corporate Insurance Department, Market Management 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 include: Investments Department, Assistance to the Management Board Department, Human Resources Department, Legal Affairs Department, Compliance Department, Internal Audit Department, Transformations Department, and Digital Development Department.

Finance includes: Finance and Accounting Department, Controlling Department, Actuarial Department, and Risk Management Department.

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

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automation of the claims processing process as well as in the areas of innovation and knowledge sharing, customer orientation and employee motivation.

In 2023, the Management Board comprised the following members:

- **Davor Tomašković**, President of the Management Board of the Company in the period from January 1, 2023 to December 31, 2023,
- **Robert Vučković**, Member of the Management Board of the Company in the period from January 1, 2023 to December 31, 2023,
- **Luka Babić**, Member of the Management Board of the Company in the period from January 1, 2023 to December 31, 2023
- **Vančo Balen**, Member of the Management Board of the Company in the period from January 1, 2023 to December 31, 2023.

During 2023, the Supervisory Board of the Company was composed of:

- **Roberto Škopac**, President of the Supervisory Board in the period from January 1, 2023 to December 31, 2023,
- **Željko Lovrinčević, PhD**, Deputy President of the Supervisory Board in the period from January 1, 2023 to December 31, 2023,
- **Vitomir Palinec**, Member of the Supervisory Board in the period from January 1, 2023 to December 31, 2023,
- **Hrvoje Patajac**, Member of the Supervisory Board in the period from January 1, 2023 to December 31, 2023,
- **Hrvoje Šimović, PhD**, Member of the Supervisory Board in the period from January 1, 2023 to December 31, 2023,
- **Zoran Barac**, Member of the Supervisory Board in the period from January 1, 2023 to December 31, 2023.
- **Pero Kovačić**, Member of the Supervisory Board in the period from January 1, 2023 to December 31, 2023.

Remuneration policy

The Parent Company's **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.

Remuneration Policy for Management Board members is based on the following principles:

- balance of all elements of remuneration and responsibility for the achieved results
- market-oriented remuneration for jobs of the same or similar complexity

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- 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 Parent Company and all the insurance companies that are members of the Group have adopted a Remuneration Policy that applies to all employees of the company. The purpose of this document is to establish, implement and maintain a remuneration practice in line with each 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 individual company or its stakeholders (shareholders, policyholders, partners, etc.).

In June 2023, the Parent Company updated its Remuneration Policies adopted in accordance with the Guidelines on System of Governance EIOPA-BoS-14/253CP-13/253 and with the Insurance Act and related subordinate legislation.

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, quarterly 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

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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).

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:

- **Members of Management Boards** of the Parent Company and of the subsidiaries have a contracted fixed salary and an annual (and in the Parent Company also multi-annual) bonus based on defined key performance indicators (hereinafter: KPI), which are defined by the individual company's Supervisory Board.

After performing an analysis of results and achieved KPIs in the financial year, the Supervisory Board defines the payable sum and approves the one-off payment of the annual bonus. The process of monitoring performance of Management Board members is performed by each company's Supervisory Board in accordance with the defined objectives.

- **Management personnel** 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 (relevant parameters were reviewed in 2021):
 - 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 delay of three years in accordance with the Remuneration Policies.

- **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 and personal goals in the previous quarter. The Parent

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Company also recognizes employees holding director, manager and expert positions who contribute significantly to the achievement of the goals set 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 2023, the Company paid a portion of the variable earnings for 2022 (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

Neither the Parent Company nor the Group **has a 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). Members of the Management Board and of the Supervisory Board and heads of the departments are considered as key management personnel.

Group members with registered offices in Croatia pay corporate income tax and income tax in the Republic of Croatia. In terms of taxes, the Parent Company has no outstanding due and unpaid liabilities to the Republic of Croatia. The Group

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invests in securities of the Republic of Croatia and other majority state-owned companies as indicated in the table below, with interest rates ranging from 0.25% to 6.38% and maturities from 2024 to 2041.

The Parent 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%, loans to the company Core 1 d.o.o. in the amount of EUR 12,662 thousand at an interest rate of 4% and 5.14% 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 d.o.o. 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 510 thousand at an interest rate of 6.07%, 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 11,847 thousand at an interest rate of 6.07% and to the company CO LOGISTIKA d.o.o. in the total amount of EUR 450 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, 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)

	2023.			
	Associates	Adris grupa d.d. – Parent company	Other Adris Group companies	Republic of Croatia*
Financial assets at amortized cost	0	0	1,450	298,215
Financial assets at fair value through other comprehensive income	0	0	0	400,184
Trade and other receivables	0	31	13	431
Insurance liabilities	2	2	144	1,143
Trade receivables	0	157	49	327
Insurance revenue	41	76	2,887	18,949
Insurance service expenses	0	2,184	2,619	7,600
Interest revenue calculated using the effective interest method	0	0	97	19,008
Net gains/losses from financial assets at fair value through profit or loss	0	0	0	681
Income from investment property	0	0	0	1,547
Other investment income/expenses	1,327	0	0	277
Other income	0	6	4	1
Other operating expenses	0	15	156	211

**Republic of Croatia and all companies that are majority state-owned or significantly influenced by the state*

B. SYSTEM OF GOVERNANCE

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

(EUR thousand)

	2023	2022
Insurance liabilities	0	1
Insurance revenue	21	22
Insurance expenses	3	0

Key management compensation

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

Table B.1.3 Key management compensation

(EUR thousand)

	2023				2022			
	Management	Department directors	Supervisory Board	Total	Management	Department directors	Supervisory Board	Total
Key management benefits	4,041	3,466	54	7,560	3,325	3,542	49	6,917
Terminations benefits	101	127	0	228	1	61	0	62
Total	4,142	3,593	54	7,788	3,327	3,603	49	6,979

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

B.2 FIT AND PROPER REQUIREMENTS

The Parent Company and all insurance companies that are members of the Group have 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 required (hereinafter: the Policy). The 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 stakeholders.

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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 and to safeguard the interests of policyholders and owners, each 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 organisational unit in charge of human resources.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

Risk management system

The Group has set up a **risk management system** appropriate to its size, 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 Group is exposed

The risk management system is operationally established 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 for the Parent Company as a result of the risk identification process and the determination of the Company's risk profile.

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.

B. SYSTEM OF GOVERNANCE

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 Group is exposed.

Risk identification involves procedures for determining the existence of risks to which the Group is or may be exposed in the future, or that have or may have a significant impact on business, that is, on the achieving of 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.

Stress testing is a risk management technique used to assess the potential effects of contingencies on the Group'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 Group.

Risk treatment represents the totality of the 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 Group 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 capital requirement.

A **system of limits** is established 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, one considers the results of the risk identification process, technical capabilities, developed methods of measuring and/or assessing the risks and the nature of the risk observed. Appropriate monitoring and control mechanisms have also been implemented 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.

Monitoring and reporting on risks and capital adequacy have been established 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 regulations, special decisions are made 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.

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Organizational structure

Internal documents in the area of risk management define clear roles and responsibilities of all organizational functions, units and management bodies involved. When implementing the roles and responsibilities of individual functions within the 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**. In the Parent Company, it is operationally established through the **Risk Management Department**, an independent organizational unit that reports directly to the Parent Company's Management Board. This department is regularly coordinated with other key functions of the Group 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 Parent Company and the Group are or could be exposed in their operations, determining risk profile (risk analysis and assessment, risk measurement);
- oversight of the integration of risk management into the decision-making process and business activities;
- development of quantitative methodologies and models of risk measurement;
- risk reporting to the Management Board through the preparation of periodic reports and 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 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;
- coordinating and conducting the process of calculating capital adequacy under Solvency II provisions (at Parent Company level and Group level);
- 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, i.e., all employees, are included in the risk management system, with a clear demarcation of powers and responsibilities defined by the internal documents.

B. SYSTEM OF GOVERNANCE

Own risk and solvency assessment (ORSA)

The Parent Company implements ORSA at Group level in the appropriate manner. When defining the methodological approach at Group level, the Company is guided by the principles of materiality and proportionality, taking special consideration of the fact that the Group's risk profile is most determined by the risk profile of the Parent Company.

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 Group. **The ORSA process is conducted at least once a year**, or more frequently if an estimate at Group level indicates 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 which is approved by the Management Board of the Parent Company and submitted to the Parent 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 Parent Company's Management Board and/or senior management, to test the consequences of possible decisions on the Group'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;
- 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 in the Parent Company, operationally coordinated the implementation of the ORSA process and was responsible for the operational preparation of the **Own Risk and Solvency Report for 2023**, while the Company's Management Board had the key, strategic role in the process.

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

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Apart from the Parent Company's 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, 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 Group is or could be exposed to in the future, considering the Group's business strategy.

The risk management function of the Parent Company coordinates the risk identification process, in which it consults all relevant organizational units at Group level and analyses available data and information for the purpose of reviewing overall business of the Group and the risks that the Group 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 Group. 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 Group'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 Group's operations, 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.

Calculation of regulatory capital requirement and solvency ratios

The Group 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 for the Group as at December 31, 2022 and as at December 31, 2023, while the recalculations of all necessary parts of solvency capital requirement that have or could have a significant effect on the Group's total solvency were carried out at the end of each quarter of 2023. This way the Company considered the effects of all relevant changes in the insurance portfolio, such as the intensely destructive storm that hit Croatia in July 2023, changes in the ratings of banks and securities issuers with which the Group operates, the application of derivative contracts, and all other significant events.

In 2023, there was no need to implement extraordinary ORSAs, despite the significant unfavourable events that took place around the world, like the war in Ukraine and conflicts in the Middle East.

Solvency capital requirement coverage with eligible own funds was 245% as at December 31, 2023 and it was at levels above 279% for the rest of the year 2023.

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Defining and analysing the Company's business plan

An integral part of the ORSA process is the definition and analysis of the Group'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, planning for the period 2024-2028 was conducted in the second half of 2023, and the key determinants of the business plan were addressed precisely through the ORSA process.

The Group's business projections over the next five-year period, including assessments of capital requirements

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

Based on the five-year 2024-2028 business plan, at the end of 2023, 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.

Analysis of applicability of standard formula

After calculating regulatory capital requirements and determining the risk profile, assessment is made of the deviations of the 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. The Parent 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 Group 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 Group'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 intention is 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

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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.

Continuous work is being performed on the further development and review of risk quantification methodologies 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 Group's business and its capital position in ordinary, i.e. expected circumstances, stress tests and sensitivity analyses are conducted as part of its own risk and solvency assessment, thereby also considering the impact of certain extraordinary (external and internal) situations to which the Group may be exposed.

In accordance with the results of stress tests and sensitivity analyses, the business strategy as well as the capital position of the Group are re-tested and conclusions relevant to the decision-making and planning of new activities are made. When needed, specific ad hoc stress tests and stress tests at the request of the regulator are conducted, 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 2023 suggest a certain decrease in the Group's solvency ratio, but it still remains at levels higher than the regulatory ones, which shows that the **Group 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 Parent Company's Management Board, Audit Committee, Supervisory Board and/or senior management in order to test the consequences of possible decisions on the Group'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 performed 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 Parent 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.

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B.4 INTERNAL CONTROL SYSTEM

With the aim of taking necessary steps toward attaining business objectives, the Group has established a **system of internal controls** comprising:

- adequate organizational structures of Group members and corporate governance system;
- implemented management system with establishment of key and control functions;
- prescribed control activities for portfolio management, administrative and accounting procedures and
- adequate information system, including a reporting system across all Group levels.

Adequate organizational structure defines the division of functions, business processes with relevant internal controls, levels of management, control, roles and responsibilities, as well as appropriate competencies of employees at all levels. Those arrangements are intended to ensure operational efficiency, precision, accuracy and timeliness of data as well as to align operations with regulatory requirements and internal regulations with the aim of minimizing the risks in all of the Group members' business processes.

At the level of the Parent Company, 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.

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The system of internal controls in the financial reporting process ensures that the financial statements present with reasonable accuracy the financial result and financial position of the Group, 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;
- control of computational correctness of an accounting document implies control of mathematical operations (division, multiplication, addition and subtraction) based on which the results presented in the document were obtained.

The Group also has a list and calendar of all reports submitted to the Agency and to other competent institutions, with indication of deadlines, responsibilities and regulations applying to each individual report, and competent persons in the Group supervise the fulfilment of reporting obligations within the time limits defined by the applicable acts and regulations.

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

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At the beginning of 2024, the Committee held a session at which it further analysed the Parent Company's Operational Risks Database and related internal control reports (which include reports of Group companies with insurance related operations), at which occasion a brief conclusion was given on the established situation for 2023.

Compliance function

The compliance function is one of the key functions in the Parent 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.

The central task of the compliance function is to identify and assess the compliance risk for the purpose of creating the conditions for the Company's normal operation, mitigating reputational risks and other negative impacts on the Company, and consequently also contributing to the safety of policyholders and insurance beneficiaries, which is the primary objective of insurance regulations.

The Parent Company's 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 2023, 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;
 - 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, and
 - The 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;

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- 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.

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. It assists the management in the attainment of defined objectives and in the performance of its duties, and works on continuous business improvement. Its scope includes all the Company's processes and activities, at all levels of management responsibility.

The Parent Company's 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 other international best practices.

At Group level, internal audit is established at the highest level, through the Internal Audit Department of CROATIA osiguranje d.d. as the Parent Company, and through internal auditors within the subsidiaries. The Company's Internal Audit Department coordinates the internal audit activities across the entire Group, in accordance with the EIOPA Guidelines on System of Governance (EIOPA-BoS-14/253 HR).

By using the format provided by the Parent Company's Internal Audit Department, internal auditors of subsidiaries have also adopted Internal Audit Charters, which define the minimum framework of the structure and activities of the internal audit at Group level, in accordance with ethical rules and principles.

The adopted Internal Audit Charters define the vision and mission, objectives and scope of internal audit, authority and responsibility, as well as the planning and reporting on internal audit. In addition, the Charters establish the independence and position of internal audit within Group companies, defining unlimited access to documentation, personnel and assets that are material for conducting the audit.

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The Internal Audit Charters are issued by the companies' Management Boards with the consent of the Supervisory Boards 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.

Internal audit is an important segment in overall business operations and consequently the internal audit activities need to be appropriately planned and analysed in the context of the Company's entire business operations. Internal audit planning takes place through three mutually connected levels: strategic level (strategic plan), tactical level (annual plan) and operational level (individual internal audit plan). Internal audit plans are based on risk assessment, which is updated at least once a year. Apart from the planned audits, the internal audit performs ad hoc reviews at the request of the companies' Management Boards, Audit Committees and/or Supervisory Boards or at the request of the regulatory authority.

After each conducted audit, internal audit reports are issued, which include the identified findings and conclusions, as well as specific and applicable recommendations for improvement of processes and controls. Individual audit reports are submitted to the Management Board of the relevant company, which takes note of it and approves the implementation of the recommendations made in the report.

Internal audit reports on the results of its planned and ad hoc work to the Management Board, the Audit Committee and the Supervisory Board of the companies at least on a semi-annual/ annual basis but also over shorter periods of time, depending on local regulations applying to subsidiaries or depending on the situation (when required). These reports usually 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.

The Parent Company's Internal Audit Department submits such a written report to the Management Board/Audit Committee and the Supervisory Board on a semi-annual/annual basis, indicating data and information regarding the Parent Company and giving an overview of key information regarding companies that are members of the Group.

B.6 ACTUARIAL FUNCTION

The **actuarial function** for the Group is performed by the Actuarial Department, which is organized directly under the Management Board of the Parent 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 within the Group.

In 2023, 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;

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- comparing best estimates with previous experience;
- informing the Parent 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.

The tasks of the actuarial function for the Group are performed by several employees within the Department who are coordinated by the holder of the actuarial function for the Group. Actuaries involved in actuarial functions have the requisite knowledge and experience in actuarial affairs.

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. Tasks or functions are outsourced when there are justified reasons for doing so, such as cost optimization, knowledge transfer, increasing service quality, and similar.

The Parent 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 Group is provided in *Chapter C6, Other material risks (Outsourcing risk)*.

B.8 ANY OTHER INFORMATION

Since 2004, the Parent 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 2023, the regular supervision by the

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accredited certification company Lloyds Register LRQA was successfully completed, confirming the compliance of the Company's quality management system with the ISO 9001: 2015 standard and the validity of the ISO certificate. Moreover, a quality management system under ISO 9001:2015 is established in all other insurance companies members of the Group.

Once a year, a review of the quality management system (QMS) is conducted by the Parent Company 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.

Development activities and training

In 2023, activities were carried out in the Parent Company 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.

In cooperation with the global IT company Liferay, the Company is developing and implementing an innovative digital platform for sales representatives (an advanced agents' portal), which project is aimed at improving user experience and increasing the quality of the service provided to the clients. The specialist postgraduate study programme of Products, Digital Innovations and Technologies in Insurance (INSURTECH), developed in cooperation with the Faculty of Electrical Engineering and Computing in Zagreb, continues for the fourth consecutive year. An agreement on collaboration has been signed with the Faculty of Economics for a newly launched innovative educational module called Economic Analytics. This is a four-semester module where students will acquire a combination of knowledge and skills aimed at enhancing their competitiveness in the job market

C. RISK PROFILE

The Group comprises member companies the operations of which involve regulated insurance activities and capital adequacy regimes, and other member companies with non-insurance activities. Analysis of materiality of all Group members reveals that the Group's **risk profile is significantly dominated by the Parent Company**, i.e., the Group's risk profile is materially determined by the risk profile of the Parent Company. The key to stability of the Group and to Group's risk management lies in the stability of the Parent Company and in the management of risks to which the Parent Company is exposed.

In accordance with Article 94 of the Insurance Act, the Group 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, exposure to **strategic risk, reputational risk, outsourcing risk and sustainability risk** is also recognized. The Group 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 Group is **by far most exposed to market risks, followed by non-life insurance risk**.

Exposure to market risks arises from the Group's investments in financial assets and other investments. The primary investment objective is preserving and increasing the value of financial investments for the period most consistent with the nature and duration of the Group's liabilities. The investment objective is achieved by maximizing returns at a given level of risk, that is, in accordance with the Group'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 Group 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 Group's overall solvency needs.

Financial assets are invested in accordance with the rules of the profession and the principles of a prudent and conscientious businessman, 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.

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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.

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 Parent Company has adopted **internal investment limits**, defining the maximum exposure 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 risk appetite for market risks related to individual instruments, for credit risks related to issuers and for concentration risk, has been defined.

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

The Group 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. The Group's portfolio is dominated by fixed income instruments. In light of the foregoing, it is evident that the Group is familiar with the risks arising from investing activities and is able to manage them appropriately.

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

The structure of the Group's portfolio	2023	2022
Bonds	61.08%	65.44%
Deposits	7.79%	5.59%
Equity	9.33%	8.16%
Loans	2.17%	3.12%
Holdings in related undertakings, including participations	5.51%	5.77%
Investment Property	6.44%	7.47%
Collective Investments Undertakings	7.69%	4.45%
Total	100.00%	100.00%

C. RISK PROFILE

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

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. This arises 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)

Underwriting risk	Capital requirement	
	2023	2022
Non-life underwriting risk module	107,418	98,041
Life Underwriting risks module	7,631	9,656
Health underwriting risk module	17,407	17,108

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, 2023 was **EUR 107,418 thousand**, which is EUR 9,377 thousand more than in 2022. The structure of the non-life underwriting risk module is given in the following table.

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

Non-life underwriting risk	Capital requirement	
	2023	2022
Non-life premium and reserve risk sub-module	103,023	93,926
Non-life catastrophe risk sub-module	14,097	13,143
Diversification effects	(9,702)	(9,028)
Total non-life underwriting risk	107,418	98,041

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. The Group established a capital requirement for this sub-module in accordance with the standard formula in the amount of **EUR 103,023 thousand**. The EUR 9,097 thousand capital requirement increase was generated mainly by portfolio increase and interest rate decrease, which in turn resulted in increased non-life reserve risk.

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 amounted to **EUR 14,097 thousand**. The Group's capital requirement for non-life catastrophe risk sub-module in the amount of 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.

Life underwriting risk module

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

- 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, 2023 was **EUR 7,631 thousand** and the structure thereof is given in the following table. and the structure thereof is given in the following table.

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Table C.1.3 Capital requirement for life underwriting risk by risk sub-module

(EUR thousand)

Life underwriting risk	Capital requirement	
	2023	2022
Mortality risk sub-module	980	1,111
Longevity risk sub-module	2,844	1,944
Disability-morbidity risk	141	135
Lapse risk sub-module	1,612	2,515
Life-expense risk sub-module	3,903	6,000
Revision risk sub-module	1,292	1,020
Life-catastrophe risk sub-module	1,544	1,705
Diversification effects	(4,685)	(4,774)
Total life underwriting risk	7,631	9,656

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 Group established a capital requirement for the mortality risk sub-module in accordance with the standard formula in the amount of **EUR 980 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 Group established a capital requirement for the longevity risk sub-module in accordance with the standard formula in the amount of **EUR 2,844 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 Group determined the capital requirement for the disability-morbidity risk sub-module in accordance with the standard formula in the amount of **EUR 141 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.

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The Group has determined the capital requirement for the lapse risk sub-module in accordance with the standard formula in the amount of **EUR 1,612 thousand**.

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 Group established the capital requirement for the life-expense risk sub-module in accordance with the standard formula in the amount of **EUR 3,903 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 the Parent Company's 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 Group established the capital requirement for the revision risk sub-module in accordance with the standard formula in the amount of **EUR 1,292 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 Group determined the capital requirement for the life catastrophe risk sub-module in accordance with the standard formula in the amount of **EUR 1,544 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.

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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 health underwriting risk module as at December 31, 2023 amounted to **EUR 17,407 thousand**. 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)

Health underwriting risk	Capital requirement	
	2023	2022
NSLT health insurance underwriting risk sub-module	15,367	15,390
SLT health insurance underwriting risk sub-module	0	0
Health catastrophe risk sub-module	5,193	4,557
Diversification effects	(3,153)	(2,839)
Total health underwriting risk	17,407	17,108

It has been determined that, as at December 31, 2023, the Group was not exposed to SLT health insurance underwriting risk.

Capital requirement for NSLT health insurance underwriting risk according to the standard formula is determined on a similar principle as the capital requirement for non-life underwriting risk module. The Group has determined the capital requirement for this sub-module in the amount of **EUR 15,367 thousand**.

Capital requirement for the health catastrophe risk sub-module was also determined by the Group in accordance with the standard formula, and it amounted to **EUR 5,193 thousand**.

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Underwriting risk management

For managing underwriting risk, individual companies have 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.

Underwriting risk is reduced through the placement of excess risk into reinsurance. In this context, factors such as 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 are taken into account, both with respect to the Parent Company's own portfolio and for those of subsidiaries.

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

Also, there is continuous monitoring of the effectiveness of the reinsurance program in use. Moreover, hypothetical analyses are conducted, e.g., examination of the impact on the results against the assumption of a different amount of self-retention or a different type of reinsurance (other than those currently in use). These analyses are performed with regard to the significant lines of insurance. Analysis is made of 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.

There is also regular monitoring of performance indicators relevant to the risk concerned, such as claims ratio, combined ratio, provision adequacy testing, etc. and run-off analysis of sufficiency of provisions is also made.

In addition, analyses of mortality, lapse, and expense experience are conducted at least once a year.

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 Group 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, 2023 was **EUR 152,453 thousand**.

C. RISK PROFILE

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)

Market risk	2023	2022
Interest rate risk sub-module	12,281	18,824
Currency risk sub-module	22,770	96,610
Equity risk sub-module	94,248	58,187
Property risk sub-module	32,290	34,961
Spread risk sub-module	29,611	47,609
Market risk concentrations sub-module	12,071	54,936
Diversification effects	(50,818)	(120,969)
Total market risk	152,453	190,158

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 Group'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 Group 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 12,281 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. Decrease in the capital requirement for interest rate risk was generated by decreased EIOPA risk-free curves with the most significant effects in the Group and changes in the assets and liabilities portfolio.

Interest rate risk exposure is regularly monitored, risk indicators such as asset and liability durations are measured and monitored, sensitivity analyses are performed and maturity of assets is optimized with respect to the maturity of the liabilities and other objectives.

Effectiveness of the interest risk mitigation technique is monitored 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.

The Group is 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.

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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 Group 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 Group is indirectly exposed through investments in investment funds, as the result of applying the look-through principle). It is also exposed to currency risk in the event of exchange rate fluctuations of currencies in countries where the Group operates: RSD, MKD and BAM. Active management of currency risk involves the monitoring and adjusting the net open currency position and the use of currency derivatives, FX forward and swap agreements. Throughout 2023, when calculating the capital requirement for currency risk using the standard formula, the Group also took derivatives into account, which led to a reduced capital requirement for currency risk

As part of the risk management system self-assessment, there is regular monitoring of 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 Group has determined capital requirement for currency risk in the amount of **EUR 22,770 thousand**, calculated as the sum of the largest losses from the assumed shock of exchange rate increase or decrease for individual currencies by 25%.

The significant decrease in the capital requirement for currency risk in 2023 occurred primarily due to Croatia's joining the Eurozone and the euro becoming its official currency, which resulted in complete elimination of the currency risk arising from EUR in 2023.

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 (which are not consolidated by using the full consolidation method in accordance with Article 335 of the Delegated Regulation and which are not financial or credit institutions), and funds (including all of those assets to which the Group 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;
- **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, 2023 the **symmetric adjustment (SA) was 1.46%**, so the relevant capital requirements referred to above amounted to:

- for non-strategic type 1 investments: **40.46%**;
- for non-strategic type 2 investments: **50.46%**;
- for investments in type 2 infrastructure funds: **37.34%**

C. RISK PROFILE

Total capital requirement for the said risk in the amount of **EUR 94.248 thousand** 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 4.47 percentage points and increased equities.

In particular, for investments in holdings in subsidiary and related companies that are not consolidated by using the full consolidation method and that are not credit or financial institutions, there is separate specification of the capital requirement with respect to equity risk within the process of calculating the component of the Group's solvency capital requirement, so-called SCR other. More information about this is provided in Chapter E.2.

Equities on the SII balance sheet amounted to EUR 139,200 thousand, of which EUR 138,929 thousand related to the equities listed on the regulated markets. Considering the possibility of trading in these investments, the Group is able to adjust its positions in a relatively short period of time and consequently react in a timely manner to changes in the capital market, in order to realize profits or to prevent further losses.

Holdings in related undertakings, including participations on the SII balance sheet amounted to EUR 82,104 thousand. With these investments, the Group 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 Group.

Property risk

Property risk relates to the risk of potential losses due to fluctuations in the market prices of property owned by the Group. 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 the property portfolio on the SII balance sheet amounted to EUR 129,161 thousand.

Capital requirement for property risk amounted to **EUR 32,290 thousand**, and according to the standard formula it was calculated as 25% of the total value of property in the portfolio.

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). 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 government and corporate bonds in the Group's portfolio, all loans and all deposits with banks (including all the above assets to which the Group 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 29,611 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. With Croatia's joining the Eurozone, Croatian government bonds denominated in EUR became risk-free, leading to a reduction in the capital requirement for spread risk.

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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 and by countries where the Group operates. The fair value (value on the SII balance sheet) of those investments amounted to EUR 818,662 thousand. In this portfolio, calculation of the capital requirement for the spread risk includes the bonds that are not denominated in the domestic currency of the issuer from an EU member country.

In order to manage said risk, the macroeconomic and political environment and credit rating of the Republic of Croatia and the issuing countries are regularly monitored, as well as credit spread (CDS) and ultimately capital requirements are determined based on that.

Investments in corporate debt securities on the SII balance sheet amounted to EUR 92,178 thousand. They relate to the Group's investments in debt securities issued by companies domiciled in the Republic of Croatia, the EU or in countries where the Group operates. The Group 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 116,171 thousand. Said investments relate to the depositing of funds through commercial deposits with banks that are domiciled in countries where the Group operates.

The Group 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 almost all of the deposit arrangements.

To assess credit risk when investing in deposits and corporate bonds, the Parent 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 bank or issuer.

In addition to the established internal rating system, the risk management system includes regular monitoring of banks' exposures and operations, monitoring of the macroeconomic environment, monitoring of compliance with limits, taking partial or timely reduction of exposures as necessary, allocating capital requirements and maintaining a relatively short-term structure of the pertinent exposure.

Investments in loans on the SII balance sheet amounted to EUR 32,332 thousand. From the assets covering mathematical provisions, loans are granted based on life insurance policies with assignment that allows transferring rights under an insurance policy, which also represents a first-class security instrument. Other loans are granted in accordance with internal regulations, considering the borrower's internal credit risk assessment and collateral (typically property liens). Management of this risk involves detailed analyses of the borrower's business operations and analyses of microeconomic and political environment of the countries in which the loan applicant operates.

Concentration risk

Concentration risk is the risk arising from insufficient diversification within the asset portfolio, or in other words, from accumulation of the Group's exposure to counterparties. This risk includes exposure to investments in bank deposits,

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shares, loans, property and debt securities (including the assets to which the Group 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 12,071 thousand**. With Croatia's joining the Eurozone, Croatian government bonds denominated in EUR became risk-free, leading to a reduction in the capital requirement for concentration risk compared to the previous period.

In particular, for investments in holdings in subsidiary and related companies that are not consolidated by using the full consolidation method and that are not credit or financial institutions, there is separate specification of the capital requirement with respect to concentration risk within the process of calculating the component of the Group's solvency capital requirement, so-called SCR other. More information about this is provided in Chapter E.2.

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.

Capital requirement for concentration risk essentially arises from the Group's exposure to government bonds of countries where the Group operates, slightly less so to bonds of the Republic of Romania, to shares of the company Pozavarovalnica Sava d.d., and to corporate bonds.

C.3 CREDIT RISK

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

In its portfolio, the Group 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 Group 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.

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For all assets through which the Group 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 Group 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 and exposure to banks through business accounts (also including indirect exposure through investment funds, as the result of applying the look-through principle);
- **type 2 exposure** covers all other types of receivables.

Capital requirement for counterparty default risk as at December 31, 2023 amounted to **EUR 21,431 thousand**, and 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.

Capital requirements for individual counterparty default risk submodules are provided in the following table.

Table C.3.1 Capital requirements for counterparty default risk module

(EUR thousand)

Counterparty default risk	Capital requirement	
	2023	2022
Type 1 exposures	13,937	25,987
Type 2 exposures	8,894	8,917
Diversification effects	(1,400)	(1,701)
Total counterparty default risk	21,431	33,203

Decrease in the capital requirements for counterparty default risk module is the result of decrease of type 1 exposure, mainly influenced by lower balance of cash in the business accounts, seeing as most of the assets in the business accounts were invested in overnight deposits and other forms of assets for generating yields.

Insurance and intermediaries receivables, reinsurance receivables and other receivables on the SII balance sheet amounted to EUR 58,477 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 51,828 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 12,696 thousand.

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The Group is also exposed to credit risk through derivatives. The value of the derivatives on the SII balance sheet was EUR 395 thousand.

Necessary processes have been put in place for these investments, with the necessary measures established to control the credit risk of investing in derivatives (mainly in FX and Swap contracts). Credit risk arising from derivative 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 Group 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 Group has a portfolio of liquid assets as part of its liquidity risk management strategy. The Group 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 Group reports that, as at December 31, 2023, the **total amount of expected profits included in future premiums (so-called EPIFP)** calculated in accordance with Article 260 (2), was EUR 10,917 thousand for non-life insurance and EUR 335 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 Group and the complexity of the organization, processes, number of employees, branching of the sales network and size of the IT system, and it is present at all stages of business processes.

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Capital requirement for operational risk under the provisions of the standard formula as at December 31, 2023 was **EUR 15,900 thousand** (2022: EUR 14,834 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, a system of internal controls has been established, which involves activities and processes implemented to ensure operational efficiency, precision, accuracy and timeliness of data as well as to align operations with regulatory and internal regulations, with the aim of minimizing the risks inherent in all business processes. Moreover, a quality management system under ISO 9001:2015 is established in the Parent Company and in all other insurance companies members of the Group. As part of the internal control system, the Parent 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 internal documents. More detailed information on the internal control system is provided in *Chapter B4*.

Another aspect of operational risk management relates to the organization of separate operational risk monitoring areas, which are regulated in the Parent Company through activities and regulations by separate entities such as:

- IT risk management;
- information, corporate security and fraud risk management;
- 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 (IDD);
- risk management in an area of protection of market competition;
- compliance risk management.

There is continuous monitoring of **compliance with regulatory requirements**, drafting of new internal documents and making necessary changes to the existing documents, educating employees and proposing 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 manifested in terms of exposure to malicious cyber-attacks (hackers) that may cause software changes or IT malfunctions as a result of comprehensive digitization. This risk is monitored within the framework of information security and IT and the implemented information security measures are continuously monitored and improved.

In 2023, a business impact analysis (BIA) was conducted in the Parent Company with regard to critical and other related IT services (BIA) was conducted, along with an assessment of IT risks. Significant enhancements were made to incident management processes for information security, and activities were carried out to check vulnerabilities and conduct

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penetration testing on important IT services. In addition to regular measures, testing, and controls, there is continuous developing and regular conducting of training in the field of information security for all users of the information system.

C.6 OTHER MATERIAL RISKS

Under other material risks, the Group 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. External risk factors are also regularly monitored (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 Group'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 Group manages its business or the quality and efficiency of its products and services. Reputational risk is partly an exogenous risk, since the public perception of the Group may also be affected by third parties and this risk arises mainly due to the materialization of some other risks.

The Parent Company's reputational risk management system consists of:

- adequate and timely strategic decisions of the 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 through monitoring of the Company's image and analysis of customer satisfaction and complaints;
- effective marketing strategies and allocation of marketing budget;
- continuous promotion of business culture;
- further development and improvement of controlling/key functions in the Group.

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 Group 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 Group's strategic risk management system includes a timely and effective response to environmental changes, which involves:

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- regular analysis and monitoring of the environment in which the Group 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;
- 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;
- 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 and 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 2023, the most significant impact on strategic risk was the unfavourable geopolitical environment due to the continuation of the war in Ukraine, sanctions imposed on Russia, and conflicts in the Middle East, which further increased global uncertainty. These events correlated with negative macroeconomic and social effects (high inflation, greater volatility in financial markets, increased credit risk, disruptions in supply chains, rising prices, and a decline in living standards, reduced consumption), with possible implications for the operations Group companies.

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 and the Group could be exposed to, including possible activities aimed at their prevention. Despite the mentioned events, the Group has continued its successful performance trend, continuing with a wave of transformation initiatives and investments.

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 Parent 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.

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The Parent 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 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.

According to the provisions of Article 20, paragraph 7 of the Insurance Act, the Parent Company performs certain tasks for some subsidiary companies related to the field of Information Technology (IT), such as maintaining server and network infrastructure, managing operating systems, databases, and virtualization platforms, tasks in the field of security, procurement, real estate management, auditing, and human resources management.

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 Group (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.

Sustainability risk management in the Parent 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, 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.

In the field of ESG, processes for identifying and assessing the materiality of sustainability risks were improved in the Parent Company in 2023. Additionally, the Company published on its website a Statement on the principal adverse impacts of investment decisions on sustainability factors, along with an independent Sustainability Report for the year 2022. This report is typically published as part of the Non-Financial Report of Adris grupa.

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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. The effects that could be triggered by climate change and events caused by it are closely monitored. In this context, the Company identifies transition risks and physical risks.

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.

As appropriate, the Company continuously adapts its internal documents to ensure sustainable operations across all business segments where this is relevant. 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. 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 2023 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

As at December 31, 2023, the share of the Company's investments in six climate policy relevant sectors (CPRSs) in its total investments was 9.4%, indicating a very low proportion of investments in CPRS sectors 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 lead to are analysed as part of its ORSA process, trying 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 addition to environmental risks, which represent the most significant component of sustainability risk, the Company also recognizes social and governance-related risks, which can largely materialize through operational risks and reputational risk. These risks relate to equality, social cohesion and integration, employee relations, occupational health and safety, appropriate governance structure, responsibility towards the local community, transparency in business operations, and more. In these areas, too, the Company actively manages the risks and takes steps to create better

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

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conditions and opportunities for the stakeholders and exert a positive influence on the social community. In 2023, an employee volunteering initiative was launched in the Parent Company, called “A Day to Do More”. In the first part of the year, it focused on voluntary blood donation, while in the second part, it was aimed at reforestation efforts. The Company’s employees collected 67 units of blood through voluntary blood donation. Subsequently, through the reforestation campaign they planted 2,000 pedunculate oak and beech saplings and restored 2,000 square meters of forest area.

C.7 SENSITIVITY ANALYSIS AND STRESS TESTS

As part of the calculation of capital requirements, the Group conducts a solvency ratio sensitivity analysis and stress tests to show changes in the Group's solvency ratio in different shock ranges. By doing so, through the risk profile, the Group 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 Group 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 change in the SCR ratio by -4.1 percentage points. By analogy, the reduction in interest rates resulted in an inverse effect, a change in the SCR ratio by +3.1 percentage points.
- A sensitivity analysis with regard to changes in the symmetric adjustment was performed, at which occasion the effects of using the symmetric adjustment of +10% and -10% were analysed. 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 +7.2% and -9.2%, respectively, and a change of the SCR ratio by -13.6 p.p. and +20.1 p.p., respectively.
- The Group conducted a 25% drop test for equity securities quoted in active EU markets. The result of the test was a 4.4% decrease in eligible own funds and a decrease in capital requirements for equity risk, concentration risk and currency risk, which ultimately resulted in a 4.5% decrease in the total SCR. These reductions in eligible own funds and SCR led to a negative impact on the SCR ratio of -7.2 percentage points.
- 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 considered a reduction of own eligible funds by 1.6% and the reduction of the total SCR by 0.1% through the reduction of property risk, currency risk and concentration risk, with the impact on the Group's solvent position through an impact on the SCR ratio of -4.3 percentage points.
- An analysis of the impact of growth in the credit spread of Croatian government debt securities by 75 bp for all maturities was conducted. This effect caused a drop in the prices of debt securities, which resulted in a decrease in own eligible funds of 2.9% and an impact on the SCR ratio of -10.9 percentage points.

Furthermore, in 2023, the Group also considered a number of stress tests and scenarios that were 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 2023 submitted to the regulatory agency (HANFA). The results of the conducted scenarios suggest a certain decrease in the Group's solvency ratio, but it still remains at levels higher than the regulatory ones, which shows that the Group is adequately capitalized even in stressful circumstances.

D. VALUATION FOR SOLVENCY PURPOSES

In accordance with Article 105 of the Insurance Act, the Group 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 Group did not take into account its own credit position when evaluating its liabilities.

For valuation of assets at fair value, the Group 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 Group 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.

Consolidated data contained in the financial statements (under IFRS) include full consolidation of all subsidiaries and granddaugher companies of the Parent Company and consolidation by using the equity method with respect to the companies PBZ Croatia osiguranje d.d. and STP AGROSERVIS d.o.o., Virovitica, whereas the consolidated data for the purposes of the solvency report are obtained by full consolidation of the subsidiaries that are active in insurance and reinsurance business and companies that provide ancillary services, in which context the consolidated balance sheet values pertaining to all other affiliated and subsidiary companies of the Parent Company are determined in accordance with Article 335 of the Delegated Regulation, by applying one of the following methods:

- adjusted equity method;
- equity method in accordance with sectoral rules.

The Group has treated the companies Core 1 d.o.o., AUTO MAKSIMIR VOZILA d.o.o., CO ZDRAVLJE d.o.o., CROATIA Poliklinika, ASTORIA d.o.o. and Strmec projekt d.o.o. as ancillary service companies and they are fully consolidated for the requirements of solvency assessment.

Chapter *A.1 Business* (Table A.1.1.) lists methods of consolidation for the purposes of consolidated financial statements and for the purposes of solvency.

As of January 1, 2023, new international accounting standards IFRS 17 and IFRS 9 are in effect. The implementation of the International Financial Reporting Standard (IFRS) 17 significantly impacted changes in accounting for insurance and reinsurance contracts, leading to the adoption of a retrospective approach and adjustments to comparative figures for the year 2022.

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)

Assets	2023		2022	
	SII	IFRS	SII	IFRS
Intangible assets	0	19,391	0	17,784
Deferred tax assets	1,722	907	0	350
Property, plant & equipment held for own use	93,195	120,490	84,481	110,657
Investments (other than assets held for index-linked and unit-linked contracts)	1,459,404	1,406,351	1,257,578	1,252,518
Property (other than for own use)	95,985	138,689	96,809	138,440
Holdings in related undertakings, including participations	82,104	10,123	74,808	9,659
Equities	139,200	139,200	105,721	105,721
Equities - listed	138,929	138,929	96,751	96,751
Equities - unlisted	271	271	8,970	8,970
Bonds	910,840	930,681	848,298	875,170
Government Bonds	818,662	838,299	778,966	805,749
Corporate Bonds	92,178	92,382	69,332	69,421
Collective Investments Undertakings	114,619	114,619	57,695	57,695
Derivatives	486	486	1,806	1,806
Deposits other than cash equivalents	116,171	72,554	72,441	64,028
Assets held for index-linked and unit-linked contracts	19,389	19,389	29,036	29,036
Loans and mortgages	32,332	19,888	40,483	24,532
Loans on policies	2,586	2,586	910	910
Other loans and mortgages	29,746	17,302	39,573	23,622
Reinsurance recoverables from ² :	51,828	50,413	34,806	40,759
Non-life and health similar to non-life	51,828	50,417	34,803	40,774
Life	0	-3	3	-15
Insurance and intermediaries receivables	35,628	5,129	41,629	5,491
Reinsurance receivables	15,398	16,808	6,157	5,677
Receivables (trade, not insurance)	7,451	14,578	11,171	11,751
Cash and cash equivalents	12,696	66,823	122,689	143,097
Any other assets, not elsewhere shown	11,048	5,587	9,887	10,706
Total assets	1,740,091	1,745,753	1,637,916	1,652,357

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)

Liabilities	2023		2022	
	SII	IFRS	SII	IFRS
Technical provisions – non-life ³	381,182	442,524	351,564	380,427
Technical provisions – non-life (excluding health)	367,984	426,708	342,860	366,798
Best Estimate	328,147	399,747	306,340	341,442
Risk margin	39,837	26,961	36,520	25,356
Technical provisions - health (similar to non-life)	13,198	15,816	8,703	13,630
Best Estimate	7,861	15,494	4,445	13,273
Risk margin	5,336	322	4,259	357
Technical provisions - life (excluding index-linked and unit-linked)	440,888	402,465	453,553	420,314
Technical provisions – life (excluding health and index-linked and unit-linked)	417,024	378,072	418,908	385,105
Technical provisions calculated as a whole	0	0	0	0
Best Estimate	414,357	374,743	416,457	380,605
Risk margin	2,666	3,330	2,450	4,500
Technical provisions – index-linked and unit-linked	23,864	24,392	34,645	35,208
Technical provisions calculated as a whole	19,462	0	29,084	0
Best Estimate	4,394	24,170	5,541	34,984
Risk margin	8	222	20	225
Provisions other than technical provisions	7,396	8,085	6,850	7,690
Deferred tax liabilities	24,624	15,200	24,666	25,542
Derivatives	91	91	82	82
Financial liabilities other than debts owed to credit institutions	50,858	48,149	57,210	54,165
Insurance & intermediaries payables	13,189	11,751	13,457	10,205
Reinsurance payables	3,642	105	4,652	95
Payables (trade, not insurance)	18,601	22,341	18,753	21,824
Any other liabilities, not elsewhere shown	35,611	29,885	33,294	18,788
Total liabilities	976,082	980,596	964,080	939,132
Excess of assets over liabilities	764,009	765,158	673,836	713,225

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 Group for the purpose of valuation in the financial statements (IFRS valuation) is also provided.

Valuation of investments

Government bonds and treasury bills

The Group values investments in government bonds and treasury bills at fair value for solvency purposes.

For government bonds and treasury bills 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 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). For government bonds and treasury bills traded outside the Republic of Croatia, EU member states or OECD member states, fair value is calculated by applying the closing or average price achieved on the home stock exchange or OTC market.

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 and treasury bills is mostly determined based on market prices in active markets. The difference on the SII balance sheet was the result of the valuation of the held-to-maturity bonds at their fair value, which were stated at amortized cost in the Group's financial statements, and the result of applying a different consolidation method.

D. VALUATION FOR SOLVENCY PURPOSES

Corporate bonds

The Group 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). For corporate bonds and treasury bills traded outside the Republic of Croatia, EU member states or OECD member states, fair value is calculated by applying the closing or average price achieved on the home stock exchange or OTC market.

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 Group's financial statements compared to the SII balance sheet was the result of the valuation of the held-to-maturity bonds at their fair value, which were stated at amortized cost in the Group's financial statements.

Collective investment undertakings

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

Equities

For the purposes of solvency calculation, the Group measures investments in equities (shares) at fair value.

For equities traded in an 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 and the reported institutional and OTC transactions.

For equities 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).

D. VALUATION FOR SOLVENCY PURPOSES

For equities traded outside the Republic of Croatia, EU member states or OECD member states, fair value is calculated by applying the closing or average price achieved on the home stock exchange or OTC market.

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

The Group 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 Group is equivalent to the value shown in the SII balance sheet, since equities are stated at fair value in the financial statements. The indicated value of equities has been determined for the most part based on market prices on active markets.

Deposits other than cash equivalents

For solvency purposes, the Group disclosed investments in deposits other than cash equivalents (deposits with banks) at fair value, which was determined by discounting future cash flows using market interest rates determined separately for each bank, currency and maturity of the deposits.

The difference in the value of deposits in the financial statements of the Group compared to their SII value was the result of using a different consolidation method and the fact 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, which resulted in an adjustment of the IFRS item to the SII item.

Loans and mortgages

In the financial statements, the Group 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 Group 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 Group compared to the SII balance sheet relates to a different valuation methodology and use of a different consolidation method.

D. VALUATION FOR SOLVENCY PURPOSES

Derivatives

For the purposes of solvency calculation, the Group 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 Group is equivalent to the value shown on the SII balance sheet, since derivatives are stated at fair value in the financial statements as well.

Holdings in related undertakings, including participations

For the purposes of solvency calculation, the Group discloses holdings in related undertakings, including participations, for which full consolidation is not performed, at the value determined by applying the equity method in accordance with sectoral rules for companies that are financial or credit institutions, whereas with respect to other holdings in related undertakings, the value is determined by using the adjusted equity method, in accordance with Article 13, paragraph 1(b) and Article 335, paragraph 1(f) of the Delegated Regulation.

The difference in the value of holdings in related undertakings between the Group's financial statements and the SII balance sheet is the result of disclosing holdings in related undertakings in the SII balance sheet at the value determined by using the methods referred to above, whereas in the Group's financial statements they are disclosed at acquisition cost, subsequently adjusted by any impairment losses (in cases when it is determined that impaired value is irrecoverable, an impairment test is performed to reduce the value of the relevant item to an estimated recoverable amount). It is also the result of using a different consolidation method.

Property (other than for own use)

Property (other than for own use), i.e., investment property of the Group, 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. As the fair value of investment property stated in the financial statements of the Company is derived using the comparative or income method, which is consistent with the fair value measurement under Solvency II, the same measurement method was used in the SII balance sheet as well. The difference was the result of using a different consolidation methodology.

Valuation of other assets

Assets held for index-linked and unit-linked contracts

In the Group'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 Group, 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

D. VALUATION FOR SOLVENCY PURPOSES

use shown in the SII balance sheet is based on estimations of the fair value of properties, while to determine the revalued amount of properties for own use in the financial statements, the Group examined whether there were indications of impairment and it recognized impairment of those properties for own use with respect to which there was a significant difference of its net carrying value in relation to the previously determined value.

Under this item in the financial statements, the Group 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 Group's financial statements), the same value is shown in the SII balance sheet. In the Group'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 on the SII balance sheet, the Group measures equipment and other tangible assets at fair value by applying a haircut. This adjustment is determined based on the 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. The difference between the value indicated in the SII balance sheet and in the financial statements pertains to different valuation and to using a different consolidation method. 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 for solvency purposes, 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 Group'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 Group 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 Group 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.

D. VALUATION FOR SOLVENCY PURPOSES

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 Group'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.

Receivables (trade, not insurance)

Receivables (trade, not insurance) in the Group'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 Group 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 the use of a different consolidation method and 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 Group's financial statements, prior to consolidation, is netted against 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. The difference in the amount of deferred tax assets 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, and from application of a different consolidation method.

D. VALUATION FOR SOLVENCY PURPOSES

Any other assets, not elsewhere shown

In the Group's financial statements, any other assets not elsewhere shown pertain to deferred income and accrued expenses, current tax assets and received cheques and bills of exchange. The difference between the Group's financial statements and the SII balance sheet is primarily the result of using a different consolidation method and presenting inventories under this item in the financial statements, whereas on the SII balance sheet they are presented under property, plant and equipment for own use.

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 (SII) valuation rules with respect to the values presented in the financial statements (IFRS). A quantitative and qualitative explanation of all significant differences between the bases, methods and principal assumptions used for the purpose of valuation in the financial statements (IFRS valuation) is also provided, as well as 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).

Table D.2.1 Comparison between SII and IFRS gross technical provisions – non-life

(EUR thousand)

Gross technical provisions – non-life	2023		2022	
	SII	IFRS	SII	IFRS
Technical provisions – non-life ⁴	427,682	442,524	389,122	380,427
Technical provisions – non-life (excluding health)	412,243	426,708	377,750	366,798
▪ Best Estimate	371,961	399,747	340,897	341,442
▪ Risk margin	40,282	26,961	36,852	25,356
Technical provisions - health (similar to non-life)	15,439	15,816	11,372	13,630
▪ Best Estimate	10,647	15,494	7,629	13,273
▪ Risk margin	4,793	322	3,744	357
Other technical provisions	0	0	0	0
Total - non-life	427,682	442,524	389,122	380,427

⁴ 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). Furthermore, the values under IFRS for 2022 includes gross technical provisions according to IFRS 17 to ensure comparability of 2022 and 2023 data.

D. VALUATION FOR SOLVENCY PURPOSES

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

Reinsurance recoverables - non-life	2023		2022	
	SII	IFRS	SII	IFRS
Total reinsurance recoverables - non-life	51,828	50,417	34,803	40,774

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 determined separately. The Group, i.e., the individual related companies that are members of the Group have no special purpose vehicles (SPVs).

Best estimate

Best estimate of the Group's technical provisions for non-life insurance is equal to the sum of the best estimates of the Parent Company and of related companies that are involved in insurance activities. This is estimated separately for the premium provisions and separately for the claims provisions, in which context all intra-group transactions are eliminated. 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 in which liabilities are estimated to be significant.

Claims provisions

The Parent Company uses actuarial software to support the calculation of best estimate of Group's claims provisions. 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 active 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 not 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 handling costs, which has been estimated based on historical claims costs data, using the simplification provided in the Guidelines on the valuation of technical provisions.

D. VALUATION FOR SOLVENCY PURPOSES

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

Reinsurance recoverables are presented in the balance sheet as Group's assets, in which context the intra-group insurance and reinsurance contracts are adequately taken into consideration. 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.

Discounting of technical provisions

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

Risk margin

Consolidated risk margin for the technical provisions risk was determined as the sum of the risk margin of the Parent Company and the proportional share of the risk margin of related companies involved in insurance activities.

The following table presents the results of valuation of non-life technical provisions in accordance with Solvency II provisions by material lines of insurance.

Table D.2.3 Valuation of SII technical provisions by material line of non-life business

(EUR thousand)

Material line of business	2023			2022		
	Best estimate	Risk margins	Gros technical provision	Best estimate	Risk margins	Gros technical provision
Motor vehicle liability insurance	157.837	12.189	170.027	152.650	11.023	163.673
Other motor insurance	43.612	6.249	49.860	35.999	4.350	40.348
Marine, aviation and transport insurance	8.357	2.313	10.670	11.717	1.715	13.432
Fire and other damage to property insurance	71.693	8.296	79.990	55.822	8.676	64.497
General liability insurance	49.326	4.978	54.304	46.055	4.637	50.692
Other lines of non-life business	5.183	11.148	16.331	8.542	10.379	18.921
Total - non-life	336.009	45.173	381.182	310.784	40.779	351.564

D. VALUATION FOR SOLVENCY PURPOSES

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

There have been no significant changes in the calculation methodology compared to the previous reporting period. Total gross technical provisions increased by EUR 29,618 thousand compared to 2022. To be more precise, best estimate as at December 31, 2023 amounted to EUR 336,009 thousand, while as at December 31, 2022 it amounted to EUR 310,784 thousand, which represents an increase by EUR 25,224 thousand.

The most significant changes in this reporting period stem from the increase in the best estimate in the fire and other damage to property insurance line due to storm and hail damage, 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.

Uncertainty associated with the value of technical provisions

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. 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 those provisions.

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 3.89% decrease in the best estimate, while a 100 bps decrease in interest rates would result in a 3.65% increase in the best estimate.

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

Segmentation

Segmentation according to accounting regulations compared to SII principles is aligned except for the reported but not settled annuity claims under MTPL, which under SII are valued according to life insurance principles, while supplementary accident insurance with life insurance is valued according to non-life insurance principles.

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 risk-free curve determined in accordance with the methodology based on the provisions of IFRS 17 standard.

Discounting decreases the best estimate gross of reinsurance by EUR 42,908 thousand, and the share of reinsurance or retrocession in the best estimate decreases by EUR 4,418 thousand.

Claims provisions

D. VALUATION FOR SOLVENCY PURPOSES

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 provision 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.

Comparison

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. In this context, 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.

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

(EUR thousand)

Material line of non-life business	2023		2022	
	SII	IFRS	SII	IFRS
Motor vehicle liability insurance	214,286	229,763	198,563	201,912
Other motor insurance	49,860	50,629	40,348	39,501
Marine, aviation and transport insurance	10,670	12,379	13,432	15,278
Fire and other damage to property insurance	79,990	76,865	64,497	52,470
General liability insurance	54,304	50,946	50,692	49,479
Other lines of non-life business	18,573	21,942	21,590	21,786
Total - non-life	427,682	442,524	389,122	380,427

D. VALUATION FOR SOLVENCY PURPOSES

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).

Table D.2.5 Comparison between SII and IFRS gross technical provisions – life

(EUR thousand)

Gross technical provisions – life	2023		2022	
	SII	IFRS	SII	IFRS
Technical provisions – life (excluding health and index-linked and unit-linked) ⁵	370,523	378,072	381,350	385,105
▪ Technical provisions calculated as a whole	0	0	0	0
▪ Best Estimate	367,758	374,743	378,716	380,605
▪ Risk margin	2,765	3,330	2,634	4,500
Technical provisions – index-linked and unit-linked	23,864	24,392	34,645	35,208
▪ Technical provisions calculated as a whole	19,462	0	29,084	0
▪ Best Estimate	4,394	24,170	5,541	34,984
▪ Risk margin	8	222	20	225
Other technical provisions	0	0	0	0
Total - life	394,387	402,465	415,995	420,314

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).

⁵ 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.

D. VALUATION FOR SOLVENCY PURPOSES

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, 2023.

Assumptions used for projections of future cash flows

Mortality

The mortality assumption was calculated by applying the actual mortality experience in the individual 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 individual 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 Parent Company, CROATIA osiguranje d.d., Zagreb, inflation is included in projected budgeted costs and is not separately modelled.

For subsidiaries, a summary of the inflation rates is provided below used, by years.

Company	2024	2025	2026	2027	2028 and onward
Croatia osiguranje d.d., Mostar	4.00%	3.00%	3.00%	2.50%	2.50%
Croatia osiguranje - život a.d., Skopje	4.50%	4.00%	3.00%	2.50%	2.50%

Exchange rate

The mid exchange rate of the Croatian National Bank as at December 31, 2023: USD 1 = EUR 0.904977, MKD 1 = EUR 0.016261 and BAM 1 = EUR 0.511292.

Discounting

Cash flows from technical provisions are discounted by the risk-free interest rate curve for the respective currencies, with liabilities being discounted by the EUR curve for companies domiciled in Croatia, whereas cash flows for companies in Bosnia and Herzegovina and Macedonia are discounted by the curve for their currency of domicile.

D. VALUATION FOR SOLVENCY PURPOSES

The Group does not use the volatility adjustment.

Future distribution of profit

The assumption of future profit distribution for Croatia osiguranje d.d., Zagreb and Croatia osiguranje – život, a.d., Skopje is not included in the calculation of technical provisions. The deterministic valuation approach was used for Croatia osiguranje d.d., Mostar by adding a profit allocation of 0.5% to the interest rate used for calculating mathematical provisions for policies entitled to such profit allocation.

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

Consolidated risk margin for the technical provisions risk was determined as the sum of the risk margin of the Parent Company and the proportional share of the risk margin of related companies involved in insurance activities. The following table shows the results of valuation of technical provisions by the most common lines 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	2023			2022		
	Best estimate	Risk margin	Gross technical provision	Best estimate	Risk margin	Gross technical provision
Insurance with profit participation	368,590	2,104	370,694	378,182	2,062	380,244
Annuity stemming from non-life contracts	43,814	446	44,259	34,558	332	34,889
Other lines of life business ⁶	25,809	125	25,934	38,342	77	38,420
Ukupno	438,213	2,675	440,888	451,082	2,471	453,553

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

With the implementation of the new 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.

⁶ 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 19,462 thousand as at December 31, 2023 and EUR 29,084 thousand as at December 31, 2022 was calculated as a whole and is shown in this table in the column relating to the best estimate.

D. VALUATION FOR SOLVENCY PURPOSES

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	2023		2022	
	SII	IFRS	SII	IFRS
Insurance with profit participation ⁷	368,453	374,233	377,575	379,799

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 5.92% decrease in the best estimate, while a 100 bps decrease in interest rates would result in a 6.86% increase in the best estimate.

The effects of reducing and increasing the lapse rate by 10% have been analysed. Increasing the lapse rate would increase the best estimate by 0.03%, while reducing it would cause the best estimate to decrease by 0.03%.

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 0.19%, while a decrease in the mortality rate causes an increase of the best estimate by 0.35%.

⁷ For comparability purposes, the amounts of life insurance technical provisions under Solvency II also include the supplementary accident insurance portfolio, as it is valued together with the basic life insurance according to IFRS standards.

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 Group's financial statements include reserves for regular years-of-service awards and severance pay and incentive severance payments under the employee redundancy plan, non-insurance litigation and reserves for expected expenditures. In the Group'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 Group and on the SII balance sheet results from different valuations of provisions for regular years-of-service awards and severance pay, provisions for litigation and the use of a different consolidation method. Provisions for employee benefits for years of service and retirement (regular jubilee benefits and severance pay) in the Group'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, the risk-free interest rate curve for each company's currency of domicile was used for discounting. In the financial statements, provisions for litigation are valued on the basis of probability of winning or losing in the dispute and estimated 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 each company's currency of domicile.

Deferred tax liability

Deferred tax liability in the Group's financial statements was netted against deferred tax assets in individual companies members of the Group. Deferred tax liability 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 total amount expected to be incurred or recovered in the future as at the reporting date.

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, and from application of a different consolidation method. 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 Group 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 Group 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 Group'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, and due to using a different consolidation method. The Guarantee Fund claims provisions in the financial statements of the Group 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 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 Group and on the SII balance sheet is determined in the same way. In the Group'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 includes the current tax liability and accrued expenses and deferred income, 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 Group 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 Group documents the assumptions underlying the valuation approach and performs a sensitivity analysis of the valuation against the assumptions used. The Group 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 Group **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 Group **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 Group **has no special purpose vehicles**.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

The Group operates with **high capital adequacy ratios**. The SCR ratio of the Group as at December 31, 2023 amounted to **245%**, while the MCR ratio as at the same date was **776%**.

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

- ensuring the continuity of operations;
- compliance with the laws and regulations of the Republic of Croatia, the EU and third countries in which the Group operates, 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 Group'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 Group.

The excess of assets over liabilities as at December 31, 2023 was **EUR 764,009 thousand**. This excess of assets, reduced by foreseeable dividends, provides eligible own funds according to Solvency II in the amount of **EUR 649,135 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 excess of assets over liabilities (equity) in the Group's financial statements is EUR 765,158 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*.

E. CAPITAL MANAGEMENT

According to the Solvency II principles for valuation of deferred taxes, as stated in *Chapter D*, the calculated **deferred tax assets, after** being netted against deferred tax assets, amount to EUR 1,722 thousand (2022: EUR 0 thousand). 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 22,903 thousand (2022: EUR 24,666 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.

For the sake of completeness, the full reconciliation of the excess of assets over liabilities in the financial statements of the Group and 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	2023	2022
Ordinary share capital (gross of own shares)	78,296	78,217
Share premium account related to ordinary share capital	90,448	90,448
Total of reserves and retained earnings from financial statements	596,413	544,560
IFRS equity	765,158	713,225
Difference in the valuation of assets	(5,663)	(14,442)
Difference in the valuation of technical provisions	22,920	(4,376)
Difference in the valuation of other liabilities	(18,406)	(20,572)
Excess of assets over liabilities	764,009	673,836
Forseeable dividends	114,874	0
Solvency II eligible own funds	649,135	673,836
Of which tier 1	649,135	673,836
Of which tier 2	0	0
Of which tier 3	0	0
Own funds in other financial sectors	10,113	9,818
Eligible own funds to meet the MCR	639,022	664,017

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

Furthermore, the Group 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 Group points out that there are **no restrictions** that could affect the availability and transferability of own funds within the Group.

E. CAPITAL MANAGEMENT

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

As at December 31, 2023, the solvency capital requirement (SCR) of the Group amounted to EUR 264,681 thousand and the minimum capital requirement (MCR) amounted to EUR 82,333 thousand.

The Group had a high capital adequacy ratio (SCR ratio) amounting to 245% as at December 31, 2023, which is calculated as the ratio of eligible own funds to meet the SCR and the solvency capital requirement (SCR).

The 4 p.p. increase in the capital adequacy ratio compared to 2022 was the result of a slightly greater decrease in SCR (-5%) than the decrease in eligible own funds (-4%). This eligible own funds drop was the result of foreseeable dividends, while the SCR decrease was mainly caused by the drop in the capital requirement for market risk. Specifically, with Croatia joining the eurozone, the currency risk arising from the euro was completely eliminated, significantly reducing the capital requirement for currency risk compared to the previous year. Moreover, because Croatian government bonds denominated in EUR have become risk-free, capital requirements for spread risk and concentration risk were reduced.

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, 2023, the MCR ratio was very high, 776%.

As at December 31, 2023, the Parent Company CROATIA osiguranje d.d., Zagreb, had a SCR ratio of 308% and a MCR ratio of 1,065%. Other Group members that are involved in insurance activities operate outside the territory of Croatia (and outside EU territory) and they are still not obligated to perform capital adequacy calculations under Solvency II.

Solvency capital requirement (SCR)

The Group uses the **standard formula** to calculate the SCR.

The methodology of calculating capital adequacy at Group level is, to a relevant extent, based on the consolidated data as prescribed under Articles 335 and 336 of the Delegated Regulation. The consolidated balance sheet is obtained by full consolidation of SII values of items pertaining to all (re)insurance companies and ancillary services companies in the Group, whereas other (non-insurance) companies related to the Parent Company are presented as investments in related companies, at a value determined by using the adjusted equity method, except when it comes to financial and credit institutions, in which case the value is the sectoral capital determined for the purposes of sectoral capital adequacy.

Based on the standard formula for groups, Group SCR (Group's solvency capital requirement) is calculated as follows:

$$\text{Group SCR} = \text{SCR_DIVERSIFIED} + \text{CR_OFS} + \text{SCR_OTHER}.$$

where:

- For the purposes of calculating the SCR_DIVERSIFIED, one uses consolidated data for all insurance companies and ancillary services companies that are members of the Group, and the calculation is analogous to the calculation performed at individual (so-called "solo") level, which means that the standard formula is applied on the consolidated balance sheet.
- For the purposes of calculating CR_OFS, one uses data pertaining to Group members that are financial or credit institutions (specifically: PBZ Croatia osiguranje d.d. and Croatia osiguranje, mirovinsko društvo d.o.o.), and the

E. CAPITAL MANAGEMENT

calculation is based on sectoral rules for capital adequacy of financial and credit institutions, specifically the proportional share of statutory minimum capital requirement of the companies included in this calculation.

- **SCR_OTHER** is calculated for other Group members that are neither (re)insurance companies, ancillary services companies nor financial or credit institutions, as a proportional share of aggregated capital requirements for the following risk sub-modules: equity risk, concentration risk and currency risk, in line with Article 336, paragraph 1, item (d) of the Delegated Regulation.

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)

	2023	2022
SCR_DIVERSIFIED	216,533	228,467
Adjustment for tax	(22,903)	(43,400)
Operational risk	15,900	14,834
BSCR	223,536	257,033
Market risk	152,453	190,158
Counterparty default risk	21,431	33,203
Life Underwriting risks	7,631	9,656
Health underwriting risk	17,407	17,108
Non-Life underwriting risk	107,418	98,041
Diversification effects	(82,805)	(91,133)
CR_OFS	3,650	3,650
SCR_OTHER	44,499	47,280
Group SCR	264,681	279,397
Eligible own funds to meet the SCR	649,135	673,836
SCR ratio	245%	241%

The Group's solvency capital requirement has been adjusted by EUR 22,903 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 Group provided the Agency (HANFA) with the required reporting forms (annual quantitative reporting templates for insurance groups - ARG) within the statutory deadlines.

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

Furthermore, the Group **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.

E. CAPITAL MANAGEMENT

Minimum capital requirement (MCR)

The Group calculated minimum capital requirement in accordance with Article 315 of the Insurance Act and Article 230 of Directive 2009/138/EC, which effectively equals the sum of minimum capital requirement for all insurance companies in the Group, including the Parent Company. Below is an overview of minimum capital requirement by Group members.

Table E.2.2 MCR calculation

(EUR thousand)

Undertaking	2023	2022
CROATIA osiguranje d.d., Zagreb	64,952	61,364
Milenijum osiguranje a.d., Beograd	3,200	5,662
Croatia osiguranje d.d., Mostar	8,181	4,979
Croatia osiguranje - život a.d., Skopje	3,000	4,492
Croatia osiguranje - neživot a.d., Skopje	3,000	3,000
Minimum capital requirement (MCR) of Group	82,333	79,498

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF SOLVENCY CAPITAL REQUIREMENT

The Group **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 Group **does not use an internal model** for the calculation of capital requirements (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 Group is **fully compliant** with the minimum capital requirement and solvency capital requirement, so this chapter is not applicable.

E.6 ANY OTHER INFORMATION

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

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

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

Below is a list of the templates that apply with respect to the Group.

Table 1 List of templates applicable for the Group

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.05.02.04	Premiums, claims and expenses by country
4.	S.23.01.22	Own funds
5.	S.25.01.22	Solvency Capital Requirement — for groups on Standard Formula
6.	S.32.01.22	Undertakings in the scope of the group

The templates are provided hereinafter and it should be noted that all monetary values are expressed in EUR thousand (in EUR 000). Templates S.22.01.22 and S.25.05.22 do not apply to the Group and, therefore, they have not been included.



F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.02.01.02 Balance sheet - Assets

Assets		Solvency II value C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	1,722
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	93,195
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,459,404
Property (other than for own use)	R0080	95,985
Holdings in related undertakings, including participations	R0090	82,104
Equities	R0100	139,200
Equities - listed	R0110	138,929
Equities - unlisted	R0120	271
Bonds	R0130	910,840
Government Bonds	R0140	818,662
Corporate Bonds	R0150	92,178
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	114,619
Derivatives	R0190	486
Deposits other than cash equivalents	R0200	116,171
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	19,389
Loans and mortgages	R0230	32,332
Loans on policies	R0240	2,586
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	29,746
Reinsurance recoverables from:	R0270	51,828
Non-life and health similar to non-life	R0280	51,828
Non-life excluding health	R0290	51,719
Health similar to non-life	R0300	109
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	35,628
Reinsurance receivables	R0370	15,398
Receivables (trade, not insurance)	R0380	7,451
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	12,696
Any other assets, not elsewhere shown	R0420	11,048
Total assets	R0500	1,740,091



F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.02.01.02 Balance sheet – Liabilities

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	381,182
Technical provisions – non-life (excluding health)	R0520	367,984
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	328,147
Risk margin	R0550	39,837
Technical provisions - health (similar to non-life)	R0560	13,198
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	7,861
Risk margin	R0590	5,336
Technical provisions - life (excluding index-linked and unit-linked)	R0600	417,024
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	417,024
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	414,357
Risk margin	R0680	2,666
Technical provisions – index-linked and unit-linked	R0690	23,864
Technical provisions calculated as a whole	R0700	19,462
Best Estimate	R0710	4,394
Risk margin	R0720	8
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	7,396
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	24,624
Derivatives	R0790	91
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	50,858
Insurance & intermediaries payables	R0820	13,189
Reinsurance payables	R0830	3,642
Payables (trade, not insurance)	R0840	18,601
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	35,611
Total liabilities	R0900	976,082
Excess of assets over liabilities	R1000	764,009

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

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
		Co010	Co020	Co030	Co040	Co050	Co060	Co070	Co080	Co090
Premiums written										
Gross - Direct Business	R0110	70,203	21,146	0	138,982	90,224	18,150	113,755	21,464	3,861
Gross - Proportional reinsurance accepted	R0120	0	0	0	(0)	0	220	4,244	(76)	45
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	585	350	0	10,565	429	4,931	43,980	2,931	386
Net	R0200	69,618	20,796	0	128,417	89,794	13,439	74,020	18,457	3,519
Premiums earned										
Gross - Direct Business	R0210	65,727	21,577	0	128,338	81,915	18,550	110,772	20,460	8,899
Gross - Proportional reinsurance accepted	R0220	0	(42)	0	0	0	144	3,003	(42)	21
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	604	349	0	10,415	388	3,923	39,049	2,938	476
Net	R0300	65,123	21,187	0	117,923	81,526	14,771	74,726	17,479	8,444
Claims incurred										
Gross - Direct Business	R0310	35,110	5,185	(2)	63,315	52,539	(1,608)	87,847	8,120	(3,189)
Gross - Proportional reinsurance accepted	R0320	0	(18)	0	0	(21)	100	2,906	(61)	0
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	1,202	512	0	9,455	2,149	(675)	38,173	(241)	325
Net	R0400	33,908	4,656	(2)	53,860	50,369	(833)	52,580	8,301	(3,515)
Expenses incurred	R0550	40,807	8,008	1	50,324	27,574	3,762	46,094	8,702	2,807
Balance - other technical expenses/income	R1200									
Total expenses	R1300									

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

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			Ukupno Co200	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport		Property
		Co100	Co110	Co120	Co130	Co140	Co150		Co160
Premiums written									
Gross - Direct Business	Ro110	4	7,133	4,055	-	-	-	488,976	
Gross - Proportional reinsurance accepted	Ro120	0	0	331	-	-	-	4,764	
Gross - Non-proportional reinsurance accepted	Ro130	-	-	-	0	526	29	1,323	
Reinsurers' share	Ro140	0	67	1,655	0	639	0	68,284	
Net	Ro200	4	7,066	2,731	0	(113)	29	426,780	
Premiums earned									
Gross - Direct Business	Ro210	5	7,180	3,950	-	-	-	467,372	
Gross - Proportional reinsurance accepted	Ro220	0	0	334	-	-	-	3,419	
Gross - Non-proportional reinsurance accepted	Ro230	-	-	-	0	643	29	1,431	
Reinsurers' share	Ro240	0	60	1,606	0	788	0	61,706	
Net	Ro300	5	7,119	2,679	0	(145)	29	410,516	
Claims incurred									
Gross - Direct Business	Ro310	0	4,194	528	-	-	-	252,038	
Gross - Proportional reinsurance accepted	Ro320	0	0	453	-	-	-	3,361	
Gross - Non-proportional reinsurance accepted	Ro330	-	-	-	0	554	(21)	2,026	
Reinsurers' share	Ro340	0	1,072	(69)	0	95	0	53,696	
Net	Ro400	0	3,122	1,049	0	459	(21)	203,729	
Expenses incurred	Ro550	11	3,073	2,603	0	0	0	193,757	
Balance - other technical expenses/income	R1200	-	-	-	-	-	-	9,770	
Total expenses	R1300	-	-	-	-	-	-	203,528	

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

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

	Line of Business for: life insurance obligations							Life reinsurance obligations		Total
	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		
	Co210	Co220	Co230	Co240	Co250	Co260	Co270	Co280	Co300	
Premiums written										
Gross	R1410	0	39,908	1,405	3,412	0	0	0	0	44,725
Reinsurers' share	R1420	0	23	0	0	0	0	0	0	23
Net	R1500	0	39,885	1,405	3,412	0	0	0	0	44,702
Premiums earned										
Gross	R1510	0	39,908	1,405	3,412	0	0	0	0	44,725
Reinsurers' share	R1520	0	47	0	0	0	0	0	0	47
Net	R1600	0	39,862	1,405	3,412	0	0	0	0	44,679
Claims incurred										
Gross	R1610	0	4,557	1,097	(598)	0	3,862	0	0	8,917
Reinsurers' share	R1620	0	0	0	0	0	0	0	0	0
Net	R1700	0	4,557	1,097	(598)	0	3,862	0	0	8,917
Expenses incurred										
	R1900	0	2,289	284	634	0	0	0	0	3,207
Other expenses	R2500									0
Total expenses	R2600									3,207
Total amount of surrenders	R2700									0

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.05.02.04 Premiums, claims and expenses by country

		Country (by amount of gross premium written) - non life obligation						Total Top 5 and home country
		Home country						
			C0010	C0020	C0030	C0040	C0050	C0060
	Ro010		Serbia					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	Ro110	406,889	43,136	0	0	0	0	450,025
Gross - Proportional reinsurance accepted	Ro120	4,764	0	0	0	0	0	4,764
Gross - Non-proportional reinsurance accepted	Ro130	1,323	0	0	0	0	0	1,323
Reinsurers' share	Ro140	54,536	10,735	0	0	0	0	65,271
Net	Ro200	358,441	32,401	0	0	0	0	390,841
Premiums earned								
Gross - Direct Business	Ro210	388,978	40,174	0	0	0	0	429,151
Gross - Proportional reinsurance accepted	Ro220	3,419	0	0	0	0	0	3,419
Gross - Non-proportional reinsurance accepted	Ro230	1,431	0	0	0	0	0	1,431
Reinsurers' share	Ro240	48,255	10,634	0	0	0	0	58,889
Net	Ro300	345,572	29,540	0	0	0	0	375,113
Claims incurred								
Gross - Direct Business	Ro310	211,489	23,358	0	0	0	0	234,847
Gross - Proportional reinsurance accepted	Ro320	3,361	0	0	0	0	0	3,361
Gross - Non-proportional reinsurance accepted	Ro330	2,026	0	0	0	0	0	2,026
Reinsurers' share	Ro340	40,882	11,177	0	0	0	0	52,059
Net	Ro400	175,993	12,181	0	0	0	0	188,174
Expenses incurred								
	Ro550	145,985	14,468	0	0	0	0	160,453
Other expenses								
	R1200							8,388
Total expenses								
	R1300							168,841

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.05.02.04 Premiums, claims and expenses by country (continued)

		Home country		Country (by amount of gross premium written) - non life obligation				Total top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		North Macedonia					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	31,045	11,153	0	0	0	0	42,198
Reinsurers' share	R1420	0	23	0	0	0	0	23
Net	R1500	31,045	11,130	0	0	0	0	42,175
Premiums earned								0
Gross	R1510	31,045	11,153	0	0	0	0	42,199
Reinsurers' share	R1520	0	47	0	0	0	0	47
Net	R1600	31,045	11,107	0	0	0	0	42,152
Claims incurred								0
Gross	R1610	5,928	856	0	0	0	0	6,784
Reinsurers' share	R1620	0	0	0	0	0	0	0
Net	R1700	5,928	856	0	0	0	0	6,784
Expenses incurred	R1900	738	2,232	0	0	0	0	2,970
Balance - other technical expenses/income	R2500							487
Total technical expenses	R2600							3,456
Total amount of surrenders	R2700							0

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.23.01.22 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction						
Ordinary share capital (gross of own shares)	R0010	78,296	78,296	-	0	-
Non-available called but not paid in ordinary share capital at group level	R0020	0	0	-	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
Non-available subordinated mutual member accounts at group level	R0060	0	-	0	0	0
Surplus funds	R0070	0	0	-	-	-
Non-available surplus funds at group level	R0080	0	0	-	-	-
Preference shares	R0090	0	-	0	0	0
Non-available preference shares at group level	R0100	0	-	0	0	0
Share premium account related to preference shares	R0110	0	-	0	0	0
Non-available share premium account related to preference shares at group level	R0120	0	-	0	0	0
Reconciliation reserve	R0130	480,391	480,391	-	-	-
Subordinated liabilities	R0140	0	-	0	0	0
Non-available subordinated liabilities at group level	R0150	0	-	0	0	0
An amount equal to the value of net deferred tax assets	R0160	0	-	-	-	0
The amount equal to the value of net deferred tax assets not available at the group level	R0170	0	-	-	-	0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	R0190	0	0	0	0	0
Minority interests	R0200	0	0	0	0	0
Non-available minority interests at group level	R0210	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	0	-	-	-
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	10,113	10,113	0	0	-
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240	0	0	0	0	0
Deductions for participations where there is non-availability of information (Article 229)	R0250	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	R0260	0	0	0	0	0
Total of non-available own fund items	R0270	0	0	0	0	0
Total deductions	R0280	10,113	10,113	0	0	0
Total basic own funds after deductions	R0290	639,022	639,022	0	0	0

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.23.01.22 Own funds (continued)

		Ukupno	Kategorija 1 – oslobođeno od ograničenja	Kategorija 1 – ograničeno	Kategorija 2	Kategorija 3
		Co010	Co020	Co030	Co040	Co050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	Ro300	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	Ro310	0	-	-	0	-
Unpaid and uncalled preference shares callable on demand	Ro320	0	-	-	0	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	Ro330	0	-	-	0	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	Ro340	0	-	-	0	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	Ro350	0	-	-	0	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	Ro360	0	-	-	0	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	Ro370	0	-	-	0	0
Non available ancillary own funds at group level	Ro380	0	-	-	0	0
Other ancillary own funds	Ro390	0	-	-	0	0
Total ancillary own funds	Ro400	0	-	-	0	0
Own funds of other financial sectors		0	-	-	0	0
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	Ro410	10,113	10,113	0	0	-
Institutions for occupational retirement provision	Ro420	0	0	0	0	-
Non regulated entities carrying out financial activities	Ro430	0	0	0	0	-
Total own funds of other financial sectors	Ro440	10,113	10,113	0	0	-
Own funds when using the D&A, exclusively or in combination of method 1						-
Own funds aggregated when using the D&A and combination of method	Ro450	0	0	0	0	0
Own funds aggregated when using the D&A and combination of method net of IGT	Ro460	0	0	0	0	0
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	Ro520	639,022	639,022	0	0	0
Total available own funds to meet the minimum consolidated group SCR	Ro530	639,022	639,022	0	0	-
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	Ro560	639,022	639,022	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	Ro570	639,022	639,022	0	0	-
Minimum consolidated Group SCR	Ro610	82,333	-	-	-	-
Ratio of Eligible own funds to Minimum Consolidated Group SCR	Ro650	776%	-	-	-	-
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	Ro660	649,135	649,135	0	0	0
Group SCR	Ro680	264,681	-	-	-	-
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	Ro690	245%	-	-	-	-

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.23.01.22 Own funds (continued)

		Total
		Coo6o
Reconciliation reserve		-
Excess of assets over liabilities	Ro700	764,009
Own shares (held directly and indirectly)	Ro710	o
Foreseeable dividends, distributions and charges	Ro720	114,874
Other basic own fund items	Ro730	168,744
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	Ro740	o
Other non available own funds	Ro750	o
Reconciliation reserve	Ro760	480,391
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	Ro770	335
Expected profits included in future premiums (EPIFP) - Non-life business	Ro780	10,917
Total Expected profits included in future premiums (EPIFP)	Ro790	11,252

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.25.01.22 Solvency Capital Requirement — for groups on Standard Formula

		Gross solvency capital requirement	Undertaking specific parameters have	Simplifications
		Co110	Co090	Co120
Market risk	Ro010	152,453	-	-
Counterparty default risk	Ro020	21,431	-	-
Life underwriting risk	Ro030	7,631	0	0
Health underwriting risk	Ro040	17,407	0	0
Non-life underwriting risk	Ro050	107,418	0	0
Diversification	Ro060	(82,805)	-	-
Intangible asset risk	Ro070	0	-	-
Basic Solvency Capital Requirement	Ro100	223,536	-	-

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.25.01.22 Solvency Capital Requirement — for groups on Standard Formula (continued)

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	15,900
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	(22,903)
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	216,533
Capital add-ons already set	R0210	0
of which, capital add-ons already set - Article 37 (1) Type a	R0211	0
of which, capital add-ons already set - Article 37 (1) Type b	R0212	0
of which, capital add-ons already set - Article 37 (1) Type c	R0213	0
of which, capital add-ons already set - Article 37 (1) Type d	R0214	0
Solvency capital requirement for undertakings under consolidated method	R0220	264,681
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
Minimum consolidated group solvency capital requirement	R0470	0
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	3,650
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	3,650
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	44,499
Capital requirement for collective investment undertakings or investments packaged as funds	R0555	
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency capital requirement	R0570	264,681

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.32.01.22 Undertakings in the scope of the group

	Country	Identification code	Type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	Coo10	Coo20	Coo30	Coo40	Coo50	Coo60	Coo70	Coo80
1	Croatia	LEI/74780000MoGHQ1VXJU20	LEI	CROATIA osiguranje d.d.	Composite undertaking	Private limited-liability company	Non mutual	Croatian Financial Services Supervisory Agency
2	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/22000	Special code	CROATIA Poliklinika, Zagreb	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Institution	Non mutual	-
3	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/11000	Special code	Core 1 d.o.o. za poslovne usluge	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	d.o.o.	Non mutual	-
4	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/12000	Special code	CROATIA PREMIUM d.o.o. za usluge	Other	d.o.o.	Non mutual	-
5	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/D1083	Special code	KOREQT d.o.o., Zagreb	Other	d.o.o.	Non mutual	-
6	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/14000	Special code	Strmec Projekt d.o.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	d.o.o.	Non mutual	-
7	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/D1060	Special code	AUTO MAKSIMIR VOZILA d.o.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	d.o.o.	Non mutual	-
8	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/BA/44444	Special code	CROATIA osiguranje d.d., Mostar	Composite undertaking	Private limited-liability company	Non mutual	Insurance Supervisory Agency of Federation of Bosnia and Herzegovina
9	Croatia	LEI/747800P06760YXBOFC97	LEI	CROATIA osiguranje mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom, društvo s ograničenom odgovornošću	Credit institution, investment firm and financial institution	d.o.o.	Non mutual	Croatian Financial Services Supervisory Agency
10	North Macedonia	SC/LEI/74780000MoGHQ1VXJU20/MK/11111	Special code	Kroacjia Osiguravanje – Društvo za neživotno osiguravanje	Non life insurance undertaking	Private limited-liability company	Non mutual	North Macedonian Insurance Supervision Agency
11	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/D1080	Special code	CO ZDRAVLJE d.o.o.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	d.o.o.	Non mutual	-
12	North Macedonia	SC/LEI/74780000MoGHQ1VXJU20/MK/22222	Special code	Kroacjia Osiguravanje – Društvo za životno osiguravanje	Life insurance undertaking	Private limited-liability company	Non mutual	North Macedonian Insurance Supervision Agency
13	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/66666	Special code	CROATIA-TEHNIČKI PREGLEDI d.o.o.	Other	d.o.o.	Non mutual	-
14	Serbia	SC/LEI/74780000MoGHQ1VXJU20/RS/33333	Special code	Milenijum osiguranje a.d.o., Beograd	Non life insurance undertaking	Private limited-liability company	Non mutual	National Bank of Serbia
15	Croatia	LEI/549300JEBNBXEY27HE27	LEI	PBZ Croatia Osiguranje Dioničko Društvo za Upravljanje Obveznim Mirovinskim Fondovima	Credit institution, investment firm and financial institution	Private limited-liability company	Non mutual	Croatian Financial Services Supervisory Agency
16	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/77777	Special code	RAZNE USLUGE d.o.o. - u likvidaciji	Other	d.o.o.	Non mutual	-
17	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/BA/41000	Special code	CROATIA-REMONT d.d. Čapljina	Other	Private limited-liability company	Non mutual	-
18	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/BA/42000	Special code	CROAUTO d.o.o. Mostar	Other	d.o.o.	Non mutual	-
19	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/BA/43000	Special code	CROTEHNA d.o.o., Ljubuški	Other	d.o.o.	Non mutual	-
20	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/BA/43200	Special code	Tia auto d.o.o., Mostar	Other	d.o.o.	Non mutual	-
21	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/61000	Special code	AGROSERVIS - S T P d.o.o.	Other	d.o.o.	Non mutual	-
22	Croatia	LEI/747800A06A5D08MVHB10	Special code	HERZ d. d. Požega	Other	Private limited-liability company	Non mutual	-
23	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/63000	Special code	SLAVONIJA TRANS TEHNIČKI PREGLEDI d. o. o.	Other	d.o.o.	Non mutual	-
24	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/64000	Special code	STANICA ZA TEHNIČKI PREGLED VOZILA BLATO d.o.o.	Other	d.o.o.	Non mutual	-
25	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/65000	Special code	STP Pitomača, d.o.o.	Other	d.o.o.	Non mutual	-
26	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/99999	Special code	AUTOPRIJEVOZ, dioničko društvo za prijevoz putnika i robe u cestovnom prometu i turistička agencija	Other	Private limited-liability company	Non mutual	-

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.32.01.22 Undertakings in the scope of the group

	Country	Identification code	Type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	Coo10	Coo20	Coo30	Coo40	Coo50	Coo60	Coo70	Coo80
27	Bosnia and Herzegovina	SC/LEI/74780000MoGHQ1VXJU20/HR/43100	Special code	SKADENCA d.o.o.	Other	d.o.o.	Non mutual	-
28	Serbia	SC/LEI/74780000MoGHQ1VXJU20/RS/12100	Special code	M TEH d.o.o.	Other	d.o.o.	Non mutual	-
29	Croatia	SC/LEI/74780000MoGHQ1VXJU20/HR/D1082	Special code	Astoria d.o.o. za usluge	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	d.o.o.	Non mutual	-

F. ANNEX: QUANTITATIVE REPORTING TEMPLATES (QRT)

S.32.01.22 Undertakings in the scope of the group

Legal Name of the undertaking	Criteria of influence					Inclusion in the scope of Group supervision			Group solvency calculation	
	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
	Co040	Co180	Co190	Co200	Co210	Co220	Co230	Co240	Co250	Co260
1 CROATIA osiguranje d.d.	-	-	-	-	-	-	-	Yes	-	Method 1: Full consolidation
2 CROATIA Poliklinika, Zagreb	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
3 Core 1 d.o.o. za poslovne usluge	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
4 CROATIA PREMIUM d.o.o. za usluge	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
5 KOREQT d.o.o., Zagreb	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
6 Strmec Projekt d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
7 AUTO MAKSIMIR VOZILA d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
8 CROATIA osiguranje d.d., Mostar	97.12%	100.00%	100.00%	97.12%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
9 CROATIA osiguranje mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Sectoral rules
10 Kroacija Osiguravanje – Društvo za neživotno osiguravanje	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
11 CO ZDRAVLJE d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
12 Kroacija Osiguravanje – Društvo za životno osiguravanje	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
13 CROATIA-TEHNIČKI PREGLEDI d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
14 Milenijum osiguranje a.d.o., Beograd	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation
15 PBZ Croatia Osiguranje Dioničko Društvo za Upravljanje Obveznim Mirovinskim Fondovima	50.00%	50.00%	50.00%	50.00%		Significant	50.00%	Yes	-	Method 1: Sectoral rules
16 RAZNE USLUGE d.o.o. - u likvidaciji	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
17 CROATIA-REMONT d.d. Čapljina	85.96%	83.48%	85.96%	85.96%		Dominant	83.48%	Yes	-	Method 1: Adjusted equity method
18 CROAUTO d.o.o. Mostar	96.58%	93.80%	96.58%	96.58%		Dominant	93.80%	Yes	-	Method 1: Adjusted equity method
19 CROTEHNA d.o.o., Ljubuški	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
20 Tia auto d.o.o., Mostar	97.12%	100.00%	97.12%	97.12%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
21 AGROSERVIS - S T P d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
22 HERZ d. d. Požega	37.00%	37.00%	37.00%	37.00%		Dominant	37.00%	Yes	-	Method 1: Adjusted equity method
23 SLAVONIJATRANS TEHNIČKI PREGLEDI d. o. o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
24 STANICA ZA TEHNIČKI PREGLED VOZILA BLATO d.o.o.	76.00%	76.00%	76.00%	76.00%		Dominant	76.00%	Yes	-	Method 1: Adjusted equity method
2 STP Pitomača d.o.o.	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
27 AUTOPRIJEVOZ, dioničko društvo za prijevoz putnika i robe u cestovnom prometu i turistička agencija	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
28 SKADENCA d.o.o., Mostar	79.12%	79.12%	79.12%	79.12%		Dominant	79.12%	Yes	-	Method 1: Adjusted equity method
29 M TEH d.o.o., Beograd	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Adjusted equity method
30 Astoria d.o.o. za usluge	100.00%	100.00%	100.00%	100.00%		Dominant	100.00%	Yes	-	Method 1: Full consolidation