

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CROATIA osiguranje d.d., Zagreb

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Croatia osiguranje d.d. (the Company) and consolidated financial statements of the Croatia osiguranje d.d. and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31st December 2023, the separate and the consolidated statement of comprehensive income, the separate and the consolidated statement of changes in equity and the separate and the consolidated cash flow statement for the year then ended, and notes to the separate and the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31st December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the separate and the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

This version of the auditor's report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: EUR 5,930.00; Company Directors: Katarina Kadunc, Goran Končar and Helena Schmidt, Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009–1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matter (continued)

Valuation of assets and liabilities from insurance contracts
<p>For accounting policies please see description of key assumptions, methodologies and models used in the measurement of assets and liabilities from insurance contract presented in Note 2.22. <i>Insurance contracts</i> that have a material effect on the amount, timing and uncertainty of future cash flows of the financial statements.</p>
Key audit matter
<p>Insurance contracts represent a significant component of financial statements, reflecting the financial obligations and uncertainties arising from the Company's and Group's insurance activities. The valuation of assets and liabilities from insurance contracts is crucial as it directly impacts the financial position, performance, and overall risk profile of the Company and the Group.</p> <p>The adoption of the International Financial Reporting Standard ('IFRS') 17 <i>Insurance Contracts</i>, effective from 1st January 2023, has introduced a fundamental change in how assets and liabilities arising from insurance contracts are measured and presented. As IFRS 17 replaced the previous standard IFRS 4 <i>Insurance Contracts</i>, it also introduced a new comprehensive framework for the recognition, measurement, and disclosure of insurance contracts aiming to provide users of financial statements with improved transparency and comparability regarding the financial performance and risk exposure of insurance activities.</p> <p>The implementation of IFRS 17 has presented significant changes and complexities to the measurement of assets and liabilities from insurance contracts, impacting various account balances and classes of transactions. Under IFRS 17, insurance contracts, that meet the scoping criteria of the Standard, are required to be valued using specific measurement models such as the <i>General Measurement Model</i> ('GMM'), the <i>Variable Fee Approach</i> ('VFA'), or the <i>Premium Allocation Approach</i> ('PAA'). The valuation process involves estimating the present value of expected future cash flows, incorporating both financial and non-financial risks, with a particular focus on the <i>contractual service margin</i> ('CSM') in GMM and VFA. The transition to IFRS 17 required substantial changes to internal systems, processes, and controls, introducing a heightened level of management judgment and discretion in estimating insurance assets and liabilities.</p> <p>In its financial statements, the Company and the Group have presented the transition effect of the IFRS 17 adoption that comprises a positive effect on the shareholders' equity in the amount of 41,110 thousand EUR and 37,406 thousand EUR respectively as at transition date 1st January 2022, and a positive effect on the income statement in the amount of 4,086 thousand EUR and 8,018 thousand EUR respectively for the year ending 31st December 2022.</p> <p>The process of valuation of assets and liabilities from insurance contracts involves significant management judgment in developing and using input data within the actuarial calculation models. This judgement is reliant on various factors, including historical trends, future expectations, internal and external variables, any of which could significantly impact the value of these assets and liabilities. There is also a high degree of complexity due to the numerous assumptions and actuarial valuation models applied with key assumptions including but not limited to estimation of risk adjustment return on investment, interest rates, costs, mortality, longevity, withdrawal assumptions, damage quotas and cost quotas being integral to the valuation.</p> <p>Considering the pervasive complexities of the overall valuation process and the specific challenges associated with the transition to IFRS 17, we consider the valuation of assets and liabilities from insurance contracts in accordance with IFRS 17 a key audit matter for our audit of the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key audit matter (continued)

Key audit matter (continued)

How we addressed the key audit matter:

To address the risks associated with the valuation of assets and liabilities from insurance contracts identified as a key audit matter, we designed audit procedures that enabled us to obtain sufficient appropriate audit evidence for our conclusion on that matter.

For the valuation of the assets and liabilities from insurance contracts, we performed the following audit procedures with the use of our own actuarial experts:

Review of the IFRS 17 Adoption Process

- Gaining an understanding of the processes to estimate the transition effect and understanding relevant controls over the transition process;
- Assessing the first-time adoption of IFRS 17, including identification of groups of contracts, determination of the appropriate measurement models, establishment of specific levels of aggregation and methodology elections to ensure conformity with requirements of IFRS 17;
- Analyzing documentation supporting application choices for the identification of the group of contracts and consequent valuation models adopted at the transition date.

Evaluation of internal controls

- Gaining an understanding of the control environment and relevant internal controls by the Management in the valuation process of assets and liabilities from insurance contracts, including the applications and information technology tools used;
- Evaluating the adequacy of the design and verifying the implementation of identified relevant internal controls;
- Testing the operating effectiveness of identified relevant internal controls.

Test of actuarial models

- Testing the reliability and accuracy of relevant actuarial models used for the valuation of assets and liabilities from insurance contracts;
- Verifying mathematical calculations, logic, and appropriateness of relevant actuarial model's inputs;
- Reviewing and verifying projected cash flows and assumptions used in the actuarial models on a sample basis.

Assessment of management assumptions

- Reviewing key technical and accounting decisions, judgments and assumptions made by the Management;
- Reviewing sensitivity analyses to assess the impact of changes in key assumptions on the valuation of assets and liabilities from insurance contracts and CSM.

Review of disclosures in the financial statements

- Verifying completeness and accuracy of the disclosures made in the financial statements in accordance with the requirements of the IFRS.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

- 1) Information included in the other information is, in all material respects, consistent with the attached separate and consolidated financial statements.
- 2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
- 3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act.

Based on the knowledge and understanding of the Company and the Group and its environment, which we gained during our audit of the separate and the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor's reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Company the Group for the financial year ended 31st December 2023 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file *croatiaosiguranjedd-2023-12-31-en*, have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company and the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate and the consolidated report have been prepared in valid XHTML format;
- Data included in the separate and the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
 - XBRL has been used for markups.
 - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
 - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31st December 2023.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31st December 2023, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Shareholders' Meeting held on 31st May 2023 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted engagement has lasted three years and covers period 1st January 2021 to 31st December 2023.

We confirm that:

- our audit opinion on the accompanying separate and consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Company on 5th April 2024 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

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

Goran Končar

Director and certified auditor

Deloitte d.o.o.

8th April 2024

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Croatia