

**BOSNA REOSIGURANJE D.D.
SARAJEVO**

Financial statements for the year
ended 31 December 2017
and Independent auditors' report

This version of the report is a translation from the original, which was prepared in the Bosnian language. In all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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Statement of Management's responsibility

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

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

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

Separate and consolidated financial statements set out on pages 8 to 49 were authorised by the Management on 30 March 2018 for issue to the Supervisory Board, and are signed below to signify this, on behalf of the Company, by:

Signed on behalf of Management:



Zlatan Filipović, Director



Bosna Reosiguranje d.d. Sarajevo

Zmaja od Bosne 74

71000 Sarajevo

Bosnia and Herzegovina



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo

Opinion

We have audited the financial statements of Bosna Reosiguranje d.d. ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2017, and the statements of comprehensive income, cash flows and changes in equity of the Company and the Group for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2017 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Federation of Bosnia and Herzegovina and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo (continued)

Key Audit Matters

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

Measurement of technical (insurance) provisions

As at 31 December 2017, in the consolidated and separate financial statements, technical provisions amounted to BAM 94,923 thousand, representing 85.2% of the Company's total liabilities (31 December 2016: BAM 84,268 thousand, 87.7%). The technical provisions as at reporting date were as follows: reported but not yet settled ('RBNS') BAM 32,781 thousand, incurred but not yet reported as at the reporting date ('IBNR') BAM 46,164 thousand and unearned premium BAM 17,213 thousand.

Please refer to pages 25 to 27 (*Summary of significant accounting policies*), page 28 (*Critical accounting judgements and key sources of estimation uncertainty*) and Note 27 *Reinsurance assets and liabilities*.

Key audit matter

Technical provisions represent the Company's single largest liability in its statement of financial position. Measurement thereof is associated with significant estimation uncertainty as it requires the Management Board to exercise judgment and develop complex and subjective assumptions. These assumptions are used as inputs into a valuation model that uses standard actuarial methodologies.

Particular complexity is associated with the Management Board's assessment of the amount of the expected ultimate costs associated with IBNR as well as RBNS provisions. A range of methods may be used, and in many cases standard actuarial methods need adjustments specific to the circumstances and such adjustments also require the application of judgment. The Management Board estimates the IBNR amounts using complex models, with key assumptions including those in respect of the applicability of historical trends to project the pattern of future reporting of incurred claims and their settlement. Further, the Company applies the term of its reinsurance contracts and for large claims expert assessment to develop its estimate of RBNS.

How our audit addressed the matter

Our audit procedures in this area included, among others:

- Evaluating the methodology applied by the Company in measuring technical provisions against relevant regulatory and financial reporting requirements. Also, assessing the consistency of the methodologies applied in the reporting period;
- Testing the design, implementation and operating effectiveness of selected key process controls and also, assisted by our own IT specialists, testing general IT controls associated with data collection, extraction and validation;

Supported by our own actuarial specialists:

- Reconciling the claims data underlying the actuarial projections to source systems (in total and per type of insurance coverage);



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo (continued)

Key Audit Matters (continued)

Measurement of technical (insurance) provisions (continued)

Key audit matter	How our audit addressed the matter
<p>Also, at each reporting date, the Company is required to perform a liability adequacy test (hereinafter, 'LAT') with an aim to determine whether its recognized reinsurance provisions, less related assets, are sufficient to cover claims from reinsurance contracts. The test is based on the best estimate of the present value of the future cash flows related to contractual assets and liabilities, as well as estimates of claims and expenses.</p> <p>In case the LAT test shows that the amounts of insurance provisions are insufficient, the deficiency is recognized in profit or loss in correspondence either with a reduction of the carrying amount of financial assets (receivables from reinsurers) or with an increase in provisions arising from reinsurance contracts.</p> <p>Relatively minor changes in management's assumptions can have a significant effect on the recognized amounts of technical provisions. The completeness and accuracy of the data underlying the actuarial projections is also an area of our audit focus.</p> <p>In view of the above-mentioned factors, we consider measurement of technical provisions to be a key risk in our audit and our key audit matter.</p>	<ul style="list-style-type: none">▪ Performing our own independent estimation of technical provisions for selected lines of business, on a sample basis, by, inter alia:<ul style="list-style-type: none">○ Assessing whether key assumption of claims and expenses frequency and severity applied by the Management Board in the LAT tests were properly extracted from the Company's experience studies;○ Performing a retrospective assessment of the Company's LAT test model by comparing the predictions of the previous year's model with actual outcomes;○ Independently recalculating the IBNR claim reserve, and comparing the re-calculated amounts to those recognized by the Company with explanations sought for any significant differences;▪ Evaluating the reasonableness of the IBNR and RBNS claim reserves by performing the comparison of the actual experience to previously expected results;▪ Assessing the Company's disclosures in respect of technical provisions against the requirements of the relevant financial reporting standards.



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo (continued)

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 controls.
- 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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 financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditors' report to the shareholders of Bosna Reosiguranje d.d. Sarajevo (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 controls 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Vedran Vukotić.


KPMG B-H d.o.o. za reviziju
Registered Auditors

Zmaja od Bosne 7-7A
71000 Sarajevo
Bosnia and Herzegovina



30 March 2018

Bosna Reosiguranje d.d. Sarajevo

Statement of profit or loss

for the year ended 31 December

(All amounts are expressed in BAM, unless otherwise stated)

	Notes	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Reinsurance premium revenue	5	51,967,035	49,712,800	51,967,035	49,712,800
Reinsurance premium ceded to reinsurers, net	5	<u>(27,103,864)</u>	<u>(25,620,537)</u>	<u>(27,103,864)</u>	<u>(25,620,537)</u>
Net reinsurance premium revenue		24,863,171	24,092,263	24,863,171	24,092,263
Reinsurance claims and loss adjustment expenses	6	(41,273,071)	(30,600,472)	(41,273,071)	(30,600,472)
Reinsurance claims recovered from reinsurers, net	6	<u>24,331,153</u>	<u>13,057,227</u>	<u>24,331,153</u>	<u>13,057,227</u>
Net claims and loss adjustment expenses		(16,941,918)	(17,543,245)	(16,941,918)	(17,543,245)
Commission income		6,104,728	8,032,169	6,104,728	8,032,169
Commission expenses		<u>(9,841,762)</u>	<u>(9,861,716)</u>	<u>(9,841,762)</u>	<u>(9,861,716)</u>
Net commissions		(3,737,034)	(1,829,547)	3,737,034	(1,829,547)
Net income from insurance		4,184,219	4,719,471	4,184,219	4,719,471
Investment income	7	1,613,540	1,199,679	13,101,204	1,199,679
Other operating income	8	703,356	7,123	703,356	7,123
General and administrative expenses	9	(3,938,800)	(3,333,947)	(3,938,800)	(3,333,947)
Investment losses	10	(337,000)	(165,919)	(337,000)	(165,919)
Other expenses	11	(4,639)	(243,413)	(4,639)	(243,413)
Foreign exchange losses, net		(10,649)	(3,934)	(10,649)	(3,934)
Share of profit of associates	16	<u>348,483</u>	<u>542,484</u>	-	-
Profit before tax		2,558,510	2,721,544	13,697,691	2,179,060
Income tax expense	12	<u>(1,398,732)</u>	<u>(219,495)</u>	<u>(1,398,732)</u>	<u>(219,495)</u>
Net profit		1,159,778	2,502,049	12,298,959	1,959,565
Earnings per share	13	678.33	134.19	659.64	105.10

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo
Statement of comprehensive income
for the year ended 31 December

(All amounts are expressed in BAM, unless otherwise stated)

	Notes	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Net profit for the year		1,159,778	2,502,049	12,298,959	1,959,565
Other comprehensive income					
<i>Items that will not be subsequently reclassified to statement of profit or loss:</i>					
		-	-	-	-
<i>Items that will be subsequently reclassified to statement of profit or loss when specific conditions are met:</i>					
Net changes in fair value of financial assets available for sale	17	477,202	(139,677)	477,202	(139,677)
		<u>477,202</u>	<u>(139,677)</u>	<u>477,202</u>	<u>(139,677)</u>
Total comprehensive income		<u>1,636,980</u>	<u>2,362,372</u>	<u>12,776,161</u>	<u>1,819,888</u>

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo

Statement of financial position

for the year ended 31 December

(All amounts are expressed in BAM, unless otherwise stated)

		Company and associates	Company and associates	Company	Company
	Notes	31 December 2017	31 December 2016	31 December 2017	31 December 2016
ASSETS					
Property, plant and equipment and intangible assets	14	4,084,068	4,279,485	4,084,068	4,279,485
Investment property	15	3,324,047	3,464,712	3,324,047	3,464,712
Investment in associates	16	4,006,810	16,563,997	1,878,529	3,296,535
Deferred acquisition costs	19	3,017,612	3,231,720	3,017,612	3,231,720
Financial assets available-for-sale	17	5,860,318	2,220,116	5,860,318	2,220,116
Financial assets held-to-maturity	18	2,750,503	2,397,912	2,750,503	2,397,912
Deposits	20	41,721,289	30,081,872	41,721,289	30,081,872
Reinsurance assets (reinsurers' share of reinsurance liabilities)	27	70,698,828	59,755,680	70,698,828	59,755,680
Reinsurance premium receivables and for claims recovered from reinsurers	21	13,084,793	11,138,015	13,084,793	11,138,015
Other receivables	22	291,111	87,252	291,111	87,252
Corporate tax receivable		-	160,522	-	160,522
Other assets	23	11,979	15,788	11,979	15,788
Cash and cash equivalents	24	3,363,446	5,165,348	3,363,446	5,165,348
TOTAL ASSETS		152,214,804	138,562,419	150,086,523	125,294,957
EQUITY AND LIABILITIES					
Share capital	25	6,339,300	6,339,300	6,339,300	6,339,300
Reserves		19,810,376	19,810,316	19,810,376	19,810,316
Revaluation reserves for financial assets available-for-sale		224,340	(252,862)	224,340	(252,862)
Retained earnings		14,427,240	16,596,960	12,298,959	3,329,498
		40,801,256	42,493,714	38,672,975	29,226,252
LIABILITIES					
Reinsurance liabilities	27	94,922,822	84,267,589	94,922,822	84,267,589
Reinsurance premium and claims payables	26	9,649,179	7,551,015	9,649,179	7,551,015
Deferred reinsurance commission	19	1,452,620	1,449,537	1,452,620	1,449,537
Other liabilities	28	3,721,595	2,321,914	3,721,595	2,321,914
Tax liabilities		1,153,412	-	1,153,412	-
Provisions for employee benefits		513,920	478,650	513,920	478,650
		111,413,548	96,068,705	111,413,548	96,068,705
TOTAL EQUITY AND LIABILITIES		152,214,804	138,562,419	150,086,523	125,294,957

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo
Statement of changes in equity
for the year ended 31 December 2017

(All amounts are expressed in BAM, unless otherwise stated)

Company and associates

	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2015	6,577,300	(238,000)	(219,730)	18,723,971	(257,651)	16,202,711	40,788,601
Dividend payment	-	-	-	-	-	(380,358)	(380,358)
Transfer of treasury shares	(238,000)	238,000	-	-	-	-	-
Transfer of revaluations reserve to retained earnings	-	-	-	1,086,345	-	(1,086,345)	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	150,000	(150,000)	-
Transfer for share premium	-	-	219,730	-	-	(219,730)	-
Realized gains/(losses) from sale of financial assets available for sale	-	-	-	-	(5,534)	-	(5,534)
Sale of shares in associates	-	-	-	-	-	(271,367)	(271,367)
Net profit	-	-	-	-	-	2,502,049	2,502,049
Other comprehensive income	-	-	-	-	(139,677)	-	(139,677)
<i>Total comprehensive income</i>	-	-	-	-	4,789	2,502,049	2,362,372
As at 31 December 2016	6,339,300	-	-	19,810,316	(252,862)	16,596,960	42,493,714
Dividend payment	-	-	-	-	-	(3,329,498)	(3,329,498)
Transfer to regulatory reserves	-	-	-	60	-	-	60
Net profit	-	-	-	-	-	1,159,778	1,159,778
Other comprehensive income	-	-	-	-	477,202	-	477,202
<i>Total comprehensive income</i>	-	-	-	-	477,202	1,159,778	1,636,980
As at 31 December 2017	6,339,300	-	-	19,810,376	224,340	14,427,240	40,801,256

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo
Statement of changes in equity
for the year ended 31 December 2017

(All amounts are expressed in BAM, unless otherwise stated)

Company	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2015	6,577,300	(238,000)	(219,730)	18,723,971	(257,651)	3,206,366	27,792,256
Dividend payment	-	-	-	-	-	(380,358)	(380,358)
Transfer of treasury shares	(238,000)	238,000	-	-	-	-	-
Transfer of revaluations reserve to retained earnings	-	-	-	1,086,345	-	(1,086,345)	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	150,000	(150,000)	-
Transfer of share premium	-	-	219,730	-	-	(219,730)	-
Realized gains/(losses) from sale of financial assets available for sale	-	-	-	-	(5,534)	-	(5,534)
Net profit	-	-	-	-	-	1,959,565	1,959,565
Other comprehensive income	-	-	-	-	(139,677)	-	(139,677)
Total comprehensive income	-	-	-	-	(139,677)	1,959,565	1,819,888
As at 31 December 2016	6,339,300	-	-	19,810,316	(252,862)	3,329,498	29,226,252
Dividend payment	-	-	-	-	-	(3,329,498)	(3,329,498)
Transfer to regulatory reserves	-	-	-	60	-	-	60
Net profit	-	-	-	-	-	12,298,959	12,298,959
Other comprehensive income	-	-	-	-	477,202	-	477,202
Total comprehensive income	-	-	-	-	477,202	12,298,959	12,776,161
As at 31 December 2017	6,339,300	-	-	19,810,376	224,340	12,298,959	38,672,975

The accompanying notes are an integral part of these financial statements

Bosna Reosiguranje d.d. Sarajevo
Statement of cash flows
for the year ended 31 December 2016

(All amounts are expressed in BAM, unless otherwise stated)

	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Operating activities				
Profit before tax	2,558,510	2,721,544	13,697,691	2,179,060
Adjustments for:				
- depreciation and amortization	375,332	360,401	375,332	360,401
- allowance for impairment losses on other receivables	-	219,220	-	219,220
- allowance for impairment losses on premium and for claims recovered from reinsurers	4,639	482,248	4,639	482,248
- collected written off receivables	(701,505)	(6,232)	(701,505)	(6,232)
- recycling of irreversible losses on financial assets available-for-sale	337,000	102,097	337,000	102,097
- transfer to regulatory reserves	60	-	60	-
- share of net result of associates	(348,483)	(542,484)	-	-
- provision for unearned premium, net	(809,356)	1,179,023	(809,356)	1,179,023
- provision for incurred but not reported claims, net	733,842	(168,572)	733,842	(168,572)
- provision for reported but not settled claims, net	887,963	235,481	887,963	235,481
- provision for bonuses, discounts and premiums, net	(1,100,364)	(76,029)	(1,100,364)	(76,029)
- deferred acquisition costs, net	217,191	(127,147)	217,191	(127,147)
- provision for employee benefits, net	35,270	14,732	35,270	14,732
- loss / (gain) from disposal of fixed assets	(3,542)	(84,571)	(3,542)	(84,571)
- loss / (gain) from disposal of financial assets available-for-sale	-	(6,229)	-	(6,229)
- (gain)/loss from disposal of shares in associates	(445,454)	63,822	(11,933,118)	63,822
- dividend income recognized in the statement of profit or loss	(158,933)	(143,900)	(158,933)	(143,900)
- interest income recognized in the statement of profit or loss	(786,369)	(739,299)	(786,369)	(739,299)
Operating cash flow before movements in working capital	795,801	3,484,285	795,801	3,484,285
Changes in:				
- reinsurance premium receivables and claims recovered from re-insurers	(1,469,132)	4,873,468	(1,469,132)	4,873,468
- other assets and receivables	19,170	(214,329)	19,170	(214,329)
- reinsurance premium and claims payable	2,098,164	(2,683,441)	2,098,164	(2,683,441)
- other liabilities	1,399,681	(1,044,118)	1,399,681	(1,044,118)
Cash generated from operations	2,843,684	4,415,835	2,843,684	4,415,835
Income tax paid	(84,798)	(547,097)	(84,798)	(547,097)
Net cash from operating activities	2,758,886	3,868,738	2,758,886	3,868,738
Investing activities				
Purchases of property and equipment	(64,263)	(116,064)	(64,263)	(116,064)
Proceeds from sale of investment property	15,000	144,762	15,000	144,762
Proceeds from sale of fixed assets	13,555	1,646	13,555	1,646
Proceeds from sale of financial assets available-for-sale	-	971,773	-	971,773
Proceeds from sale of shares in associates	13,351,124	1,273,475	13,351,124	1,273,475
Dividends received	158,933	143,900	158,933	143,900
Interest received	785,990	695,809	785,990	695,809
Purchase of financial assets held-to-maturity	(352,212)	(473,937)	(352,212)	(473,937)
Purchase of financial assets available-for-sale	(3,500,000)	-	(3,500,000)	-
(Increase) in deposits	(11,639,417)	(4,379,504)	(11,639,417)	(4,379,504)
Net cash used in investing activities	(1,231,290)	(1,738,140)	(1,231,290)	(1,738,140)
Financing activities				
Dividends paid	(3,329,498)	(380,358)	(3,329,498)	(380,358)
Net cash used in financing activities	(3,329,498)	(380,358)	(3,329,498)	(380,358)
Net increase in cash and cash equivalents	(1,801,902)	1,750,240	(1,801,902)	1,750,240
Cash and cash equivalents at the beginning of year	5,165,348	3,415,108	5,165,348	3,415,108
Cash and cash equivalents at the end of year	3,363,446	5,165,348	3,363,446	5,165,348

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
for the year ended 31 December 2017

(All amounts are expressed in BAM, unless otherwise stated)

1. GENERAL INFORMATION

Bosna Reosiguranje d.d. Sarajevo (the "Company") was registered in the Federation of Bosnia and Herzegovina as a shareholders' company. The principal activities of the Company include reinsurance of life and non-life insurance.

As at 31 December 2017, the Company had 27 employees (2016: 27).

Management

Zlatan Filipović	Director
Hasan Delić	Executive director for finance

Supervisory Board

Ismet Hadžić	President
Enisa Babić	Member
Midhad Salčin	Member
Jasenko Karahmet	Member since
Semiha Repak	Member since 12 June 2017

Audit Committee

Alma Kozarić	President
Edin Muhović	Member
Kornelije Vujnović	Member since 12 June 2017

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2. ADOPTION OF NEW AND REVISED STANDARDS

Certain new standards and amendments, are effective for annual periods beginning on or after 1 January 2017. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company.

Several new and revised standards and interpretations issued by the International Accounting Standards Board and its Interpretations Committee for International Financial Reporting have been approved for issuance but have not yet been applied to entities reporting in accordance with IFRS in the period ending 31 December 2017 have not been applied in the preparation of these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which will have a significant impact on the classification and measurement of financial assets and financial liabilities of the Company as well as measurement of expected credit losses, is fully completed and issued by the International Accounting Standards Board in 2014 with mandatory application from 1 January 2018. According to the standard, reporting entities should disclose key determinants of the methodological approach used in the application of IFRS 9 as well as effects on balance sheet items and capital level on the first day of application (January 1, 2018) in the financial statements for 2017. The Company meets the criteria for a temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contract standard (IFRS 17) effective for periods beginning on or after 1 January 2021 (as described below).

Amendments to IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to resolve issues arising from different effective dates of IFRS 9 and a new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

During the year the Company carried out insurance predominance test and concluded that its activities were primarily related to insurance as at 31 December 2016. During 2017 no significant changes occurred in the Company's activities requiring re-evaluation. The Company intends to apply a temporary exemption from IFRS 9 and continue to apply IAS 39 in the next reporting period.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure, replacing IFRS 4 Insurance Contracts.

In contrast to IFRS 4 requirements, which are largely based on the monitoring of previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by a variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

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for the year ended 31 December 2017

(All amounts are expressed in BAM, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (nondistinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Company plans to adopt a new standard on the Effective Date together with IFRS 9.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaced by IAS 17 Leases. IFRS 16 prescribes the principles for recognising, measuring, presenting and publishing the leases and requires the lessees to take into account all leases within a single accounting model similar to the financial lease accounting under IAS 17. The Standard includes two exceptions from the recognition of lessors - lease of assets of low value (eg personal computers) and short-term rentals (ie leases up to 12 months). At the beginning of the lease, the lessee will recognize the obligation to pay the lease and the property that represents the right to use the asset during the lease period (that is, the right to use property).

The lessee will be required to separately recognise the interest expense on the lease and the depreciation cost on the right-of-use asset. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted but not before the entity applies IFRS 15.

The Company is currently reviewing existing lease agreements and analyses the potential effects of the standards on the financial statements.

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Notes to financial statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board.

These financial statements consist of separate and consolidated financial statements, where investments in associates in the consolidated financial statements of the Company and associates are presented using the equity method, while in the separate financial statements of the Company these investments are stated at cost less impairment if there are any indications of impairment.

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for certain for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except the measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date; fair value indicators are those derived from quoted prices in active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The financial statements are presented in Convertible marks since that is the functional currency of the Company. The Convertible mark (BAM) is officially tied to the Euro (EUR 1 = BAM 1.95583).

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 4.

Basis of consolidation

In accordance with IFRS 10, as the Company has investments in associates, the Company prepares consolidated financial statements.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the financial statements of the Company and associates using the equity method of accounting from the date that significant influences commences until the date the significant influences ceases, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates in the financial statements are carried at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate which includes any long-term interests that, in substance, form part of the Company's net investment in the associate are not recognised unless it has further liabilities towards an associate or has made payments in favour of an associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities after reassessment is recognised immediately in profit or loss.

Investments in associates in the financial statements of the Company are stated at cost less any impairment in the value of individual investments if needed.

Dividends received from associates are recognized as a reduction in investments in associates in the Company's consolidated statement of financial position and also as dividend income in the Company's separate statement of profit and loss.

Unrealized gains from transactions between the Company and its associates are eliminated to the extent of the Company's share in the associate. Unrealized losses are also eliminated unless there is evidence of a decrease in the value of the transferred property in the market.

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Notes to financial statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Reinsurance premiums are recognised as revenue on a pro-rata basis over the periods of the respective contracts of reinsurance.

Reinsurance premiums, which are subject to adjustments, are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

Foreign currencies

Transactions denominated in foreign currencies are converted into BAM at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are translated at the rates prevailing on the reporting period date due to official exchange rate of Central Bank of Bosnia and Herzegovina. Profits and losses arising on exchange are included in net profit or loss for the period.

Employee benefits

On behalf of its employees, the Company pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Company pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal level). In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the statement of profit or loss in the period in which the salary expense is incurred.

Jubilee awards

The Company pays to its employees certain benefits for completing long service (jubilee awards) in accordance with local laws and its internal Rulebook on employment. Jubilee award payments range from 1 to 5 average salaries paid to the employee in the preceding 3 months for tenure from 10 to 40 years.

Retirement severance payments

According to the local legislation and internal Rulebook on employment, the Company makes retirement severance payments of minimum 6 average monthly salaries paid in the Federation of Bosnia and Herzegovina based on latest data published by the Federal Office of Statistics.

The Company records the costs of jubilee awards and retirement severance payments, when they become due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

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Notes to financial statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred Income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised. Gains or losses on the retirement or disposal of property, plant and equipment are included in the statement of profit or loss in the period they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any. Investment property is accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property and equipment.

Depreciation commences when the assets are ready for their intended use. Depreciation is calculated so that it will reduce book values to their estimated realisable values over their estimated useful lives, which are as follows:

	2017	2016
Buildings	33.3 years (3%)	33.3 years (3%)
Equipment	4 to 6.67 years (15% to 25%)	4 to 6.67 years (15% to 25%)
IT equipment	3 to 5 years (20% to 33.3%)	3 to 5 years (20% to 33.3%)

The Company reassesses useful lives of its property and equipment annually. In 2016 the Company revised its estimate of useful lives of property, plant and equipment as stated in the table above, which are applicable as of 1 January 2016. As of that date, property, plant and equipment are depreciated under new rates. As a result of this change in accounting estimate, the annual depreciation cost has decreased by BAM 28 thousand.

Gains or losses on the retirement or disposal of tangible assets are recognized in the statement of profit or loss and other comprehensive income for the period they occur in.

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(All amounts are expressed in BAM, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At each reporting period date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Intangible assets are valued at purchase costs and amortized over their useful lives using the straight-line method.

	2017	2016
Intangible assets	5 years (20%)	5 years (20%)

The Company annually evaluates the useful life of intangible assets.

Investment property

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured initially at its cost, including transaction costs. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated based on the estimated based on the estimated useful lives of the applicable assets, which is as follows:

	2017	2016
Investment property - buildings	33.3 years (3%)	33.3 years (3%)

The Company annually evaluates the useful life of investment property.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

a) Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS), "held-to-maturity investments", and "loans and receivables".

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently, the Company has no financial assets at FVTPL.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Trade receivables, deposits and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available-for-sale

Financial assets available-for-sale is non-derivative financial assets which is classified in this category or is not classified in any other category. It is intended to be held for a while, but it can be sold in response to liquidity needs or changes in interest rates, prices, and so. It includes stocks and investments in investment funds.

Listed and unlisted shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. For such investments a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Financial assets available-for-sale (continued)

Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting period date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. This financial assets includes Federation of BiH bonds.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

b) Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts

The Company issues reinsurance contracts for the transfer of reinsurance or finance risk. These contracts include contracts on reinsurance of insurance portfolios from accidents, property reinsurance, reinsurance from responsibility and short-term life reinsurance contracts.

Insurance from responsibility protects the insured individuals from the risk of inflicting damage upon third parties as a result of their activities. This type of reinsurance covers events specified in the contract. A typical example of this type of insurance is product responsibility insurance.

Property insurance provides compensation to the insured person for any damages inflicted upon his/her property, or for a decrease in its value. Insured persons who perform business activities using insured property can also be compensated for a loss in profit caused by an inability to use the insured property. A typical example of this type of insurance is insurance against fire and other perils that property can be exposed to.

Insurance against accidents protects insured persons and/or members of their family from the consequences of death or disability caused by a calamity. Should the calamity result in the death or disability of the insured person, they or their families receive a specified compensation to alleviate the consequences of the calamity.

Written premiums

Gross written premiums for non-life business include all policies written during the accounting period that came out from reconciliation of reinsurance accounts with partners - cadent, irrespective of whether these amounts relate wholly or partially to subsequent accounting periods. Retrocession premiums are calculated for accounting period by the same way as reinsurance premiums. Income from non-life insurance premium is recognized after reconciliation of Company's report with cadent.

Unearned premiums

Unearned premiums are calculated for reinsurances in which reinsurance coverage lasts after accounting period, since accounting and reinsurance periods are not the same. Unearned premium for non-life insurance is calculated using "*pro rata temporis method*". Basis for calculation is gross written premium. For insurance with multi-annual reinsurance coverage, unearned premium is calculated for duration of each insurance for the total amount that belongs to the future period. Calculation of unearned premium is done based on technical premium.

Net unearned premium is gross premium decreased by portion recoverable from re-insurers. Participation of reinsurers in unearned premiums is determined through existing reinsurance contracts. Provision for unearned premium is presented separate from reinsurer's portion of unearned premium in the statement of financial position.

Provisions for claims reported but not settled

Provisions for reported but not settled claims relate to claims that incurred and were reported by the end of the financial statement period for which the claim request has not been settled. The level of provisions is determined by assessing each potential claim individually. In determining the level of provisions, the following is adhered to: conditions from the reinsurance contracts; documentation available in the file; available standards and the experience of the evaluators; current court practices in determining claim compensations. All this is considered having in mind potential changes that can be expected to occur in the forthcoming period and that might affect increases or decreases of these provisions.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

Provision for incurred but not reported claims

Provisions for claims that have incurred but are yet to be reported are calculated on the basis of the Company's own statistical data on subsequently reported damages in past years. These calculations use methods that rely on "run-off triangles". The provisions for reactivated claims are also formed on the basis of statistical trends in the movement of these claims. The provision is calculated on the basis of the expected number of reactivated claims in the forthcoming year and the average level of reactivated claims for each insurance category.

These provisions are based on estimates and final liabilities may be lower or higher than available resources for as long as the Management considers the estimate to be appropriate. In accordance with economic practice, adaptations of these estimates and the difference between the estimate and the amounts actually paid out are recorded in the period in which they occur.

Mathematical reserve of life-insurance premium

The Company does not have reinsurance contracts based on which mathematical reserve should be provided.

Reinsurance assets and liabilities

Assets and liabilities from reinsurance contracts are recognised when they become due. These amount include re-insurers' assets and liabilities, compensations paid to and collected from agents, brokers and insurance policy holders.

Receivables and payables for reinsurance premium and claims payable

The Company cedes reinsurance with retrocessionists with the intention of limiting the potential loss. Reinsurance contracts do not deprive the Company of any direct liabilities towards insurance companies. Ceded premiums and recoverable amounts are presented in gross amount in the financial statements

The Company signs reinsurance contracts with reinsuring companies on the basis of which the Company receives compensation for losses arising from individual or group contracts. The Company reinsures premiums of life and non-life insurance in order to limit its exposure to significant losses. Reinsurance premiums and reinsuring parties' participation in claims are presented on appropriate accounts of the statement of profit or loss. Reinsurance premiums are recorded in their gross non-discounted amounts.

On every reporting period date the Company re-evaluates the recorded amounts of its receivables on the basis of insurance and reinsurance contracts in order to determine whether a loss has arisen from a decrease in value of the said financial asset. If there are indications that this is indeed the case, the value of this loss is estimated and recognised in the statement of profit or loss.

Acquisition costs

Acquisition costs comprise compensations paid to agents for the services of acquisition of new insurances in accordance with existing contracts. Compensation is paid on the basis of collected premium. Acquisition costs are included in statement of profit or loss when the reconciliation of the underlying insurance premiums is made. Acquisition costs are deferred in line with the movement in provision for unearned premiums. Provision for unearned premium is presented separate from reinsurer's portion of unearned premium in the statement of financial position.

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for the year ended 31 December 2017

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

Liability adequacy test

On each reporting period date, the Company performs a liability adequacy test in order to determine whether the reinsurance liabilities, less related assets, are sufficient to cover claims from reinsurance contracts. When performing this test, the best estimates of future cash flows related to contractual assets and liabilities, as well as estimates of claims and processing costs and income from investments related to the contracts, are taken into consideration. Should the recognised liability turn out to be insufficient, its value is increased by reducing the financial result for the period either by reducing the value of financial assets (receivables from re-insurers) or by increasing provisions arising from reinsurance contracts.

Capital and reserves

Share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares as equity.

Reserves

The statutory reserves represent accumulated apportions from retained earnings in accordance with Companies Law of Federation of Bosnia and Herzegovina. The statutory reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

Retained earnings

Profit for the period after appropriations to owners and allocations to other reserves are transferred to retained earnings. Profit for the period after appropriations to owners is transferred to retained earnings.

Revaluation reserve for properties

Revaluation reserve for properties includes the cumulative effects of increase in the carrying amount of properties arising on the revaluation of them.

Revaluation reserve for financial assets available for sale

Revaluation reserve for financial assets available for sale comprises changes in fair value of this assets.

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Company's shareholders.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

The Company publishes basic and diluted earnings per share (EPS) data.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares bought by the Company and classified as treasury shares.

During 2016 and 2017 there were no dilution effects.

If the number of ordinary or potential shares is increased as a result of a capitalization, bonus/free issue or sharing of shares, or if the number decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

If these changes occur after the statement of financial position date, but before issuing of financial statements, calculation of the amount per share for these financial statements and any previous period is based on the new number of shares.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Estimations are used but not limited to the actuarial reserves, periods of amortization and remained property and equipment value, and allowance for impairment of receivables.

Estimation of uncertainty in relation to actuarial reserves

The most significant estimate in relation to the Company's financial statements relates to reserving. The Company takes a reasonably prudent approach to reserving and applies regulations set by the Agency for supervision of the insurance companies in Federation of Bosnia and Herzegovina. The Company's policy is to make a provision for unexpired risks arising from non-life insurance where the claims and deferred acquisition costs likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums available under the contracts. Such provision is included in the unearned premium.

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**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (CONTINUED)**

Provisions for claims reported

The nature of business makes it difficult to predict with certainty the outcome of every particular claim and the ultimate cost of every reported claim. Each reported claim is assessed on a separate, case by case basis, with due regard to the claim circumstances, information available and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims. The risk associated with estimate of provisions for claims reported but not settled is mitigated through reinsurance arrangements.

Provision for claims incurred but not reported (IBNR)

Provision for claims incurred but not reported are estimated using actuarial methods. The source of data used as inputs for the assumptions are internal, using detailed studies carried out by the Company. There is more emphasis on current trends, and when in early years there is insufficient information to make reliable best estimate of claims development, prudent assumptions are used.

Provision for claims incurred but not reported is based on calculations performed for each line of business. For each line of business calculations are based on statistical data for claims for last five years. For the calculation of provision following methods are used:

- Chain ladder method,
- Average amount reported claims method,
- Average amount of expected claims methods,
- Bornhuetter-Ferguson method.

Based on quality and quantity of data, relevant method is applied. Management believes that the current level of technical reserves is sufficient.

Useful lives of property and equipment, and investment property

As described in the Note 3, the Company reviews the estimated useful lives of property and equipment, and investment property at the end of each annual reporting period.

Provision for claims arising from reinsurance contracts

At each reporting date, the Company reviews whether there is objective evidence of reinsurance contracts receivables impairment. Impairment of receivables arising from reinsurance contracts is carried out if there is objective evidence that an event has occurred that causes impairment after initial recognition of assets and that this event causing impairment has an impact on future cash flows of the asset that can be reliably estimated.

Fair value of financial instruments

If the price for a financial instrument is not quoted, or if, for any reason, fair value cannot be reliably determined on the basis of market prices, the Company determines fair value by applying valuation techniques except for non-listed equity instruments. These techniques involve the reference to recent transactions, the reference to the fair value of other instruments that are basically the same and the analysis of discounted cash flows.

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5. NET REINSURANCE PREMIUM REVENUE

	2017	2016
Reinsurance premium, domestic	45,291,202	44,049,163
Reinsurance premium, foreign	6,137,174	8,181,882
Change in the provision for unearned premium	538,659	(2,060,010)
Written-off premiums	-	(458,235)
Premium revenue arising from the insurance contracts issued	51,967,035	49,712,800
Reinsurance premium ceded to reinsurers	(27,374,561)	(26,501,525)
Change in the provision for unearned premium ceded to reinsurers	270,697	880,988
Reinsurance premium ceded to reinsurers, net	(27,103,864)	(25,620,537)
	24,863,171	24,092,263

6. REINSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2017	2016
Reinsurance claims and loss adjustment expenses, domestic	26,444,153	20,357,068
Reinsurance claims and loss adjustment expenses, foreign	3,635,026	4,919,514
Change in the provision for incurred but not reported claims	5,558,887	3,601,442
Change in the provision for reported but not settled claims	6,878,546	1,883,134
Change in the provision for bonuses, discounts and premiums	(1,243,541)	(160,686)
Reinsurance claims arising from the insurance contracts issued	41,273,071	30,600,472
Reinsurance claims recovered from reinsurers	(13,658,703)	(7,724,217)
Change in the provision for incurred but not reported claims	(4,825,045)	(3,770,014)
Change in the provision for reported but not settled claims	(5,990,583)	(1,647,653)
Change in the provision for bonuses, discounts and premiums	143,178	84,657
Reinsurance claims recovered from reinsurers, net	(24,331,153)	(13,057,227)
	16,941,918	17,543,245

7. INVESTMENT INCOME – THE COMPANY

	2017	2016
Realized gains from sale of associate	11,933,118	6,229
Interest on bank deposits	693,101	672,641
Rent income	216,574	225,680
Dividends	158,933	143,900
Interest on financial assets held to maturity	93,268	66,658
Income from sale of fixed assets	6,210	84,571
	13,101,204	1,199,679

THE COMPANY AND ASSOCIATES

	2017	2016
Realized gains from sale of associate	445,454	6,229
Interest on bank deposits	693,101	672,641
Rent income	216,574	225,680
Dividends	158,933	143,900
Interest on financial assets held to maturity	93,268	66,658
Income from sale of fixed assets	6,210	84,571
	1,613,540	1,199,679

During the year, the Company sold investment in Triglav Osiguranje d.d. Sarajevo. Total revenue amounted to BAM 13,351,124.

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8. OTHER OPERATING INCOME	2017	2016
Collected written off reinsurance premium receivables and claims recovered from reinsurers (Note 21)	482,285	6,232
Collected written off other receivables (Note 22)	219,220	-
Other	1,851	891
	703,356	7,123
9. GENERAL AND ADMINISTRATIVE EXPENSES	2017	2016
Gross salaries	2,347,013	1,724,229
Services	392,675	406,614
Depreciation (Notes 14 and 15)	375,332	360,401
Memberships	193,576	197,745
Other employee benefits	175,378	238,717
Bank fees	101,957	74,470
Fees to members of Supervisory Board and Audit Committee	94,848	89,658
Maintenance	64,664	72,347
Material and energy	58,183	63,601
Advertising and entertainment	44,875	43,692
Donations and scholarships	11,691	13,844
Provisions for other employee benefits	35,270	14,732
Insurance premiums	20,339	15,734
Taxes	18,606	16,635
Disposal of fixed assets	2,668	-
Other expenses	1,725	1,528
	3,938,800	3,333,947
10. INVESTMENT LOSSES	2017	2016
Losses on financial assets available for sale (Note 17)	337,000	102,097
Losses from the sale of financial assets	-	63,822
	337,000	165,919
11. OTHER EXPENSES	2017.	2016.
Impairment losses on commissions (Note 22)	-	219,220
Impairment losses on losses (Note 21)	4,639	-
Impairment losses on premiums (Note 21)	-	24,193
	4,639	243,413

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12. INCOME TAX EXPENSE

Total tax is recognized in the statement of profit or loss and can be summarized as follows:

	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Current income tax	1,398,732	219,495	1,398,732	219,495
Income tax	1,398,732	219,495	1,398,732	219,495

The taxable income can be reconciled to the profit per the statement of profit or loss as follows:

	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Profit before income tax	2,558,510	2,721,544	13,697,691	2,179,060
Income tax expense at 10% - statutory rate	255,851	272,154	1,369,769	217,906
Effect of non-deductible expenses	46,592	18,606	46,592	18,606
Revenues recognised in previous periods	1,148,766	-	-	-
Effect of non-assessable income	(52,477)	(71,265)	(17,629)	(17,017)
Income tax	1,398,732	219,495	1,398,732	219,495
Effective tax rate for the year	54.66%	8.07%	10.21%	10.07%

13. EARNINGS PER SHARE

	Company and associates 2017	Company and associates 2016	Company 2017	Company 2016
Net profit available to the shareholders	12,647,442	2,502,049	12,298,959	1,959,565
Average number of ordinary shares during the year	18,645	18,645	18,645	18,645
Basic earnings per share	678.33	134.19	659.64	105.10

Diluted earnings per share are not presented as the Company has not issued dilutive equity instruments.

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14. PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Equipment and furniture	Electronic equipment	Other	Total
COST						
At 31 December 2015	95,850	5,121,687	514,066	289,828	643,080	6,664,511
Additions	-	-	4,589	91,564	19,911	116,064
Disposals and sale	-	-	(20,086)	-	-	(20,086)
At 31 December 2016	95,850	5,121,687	498,569	381,392	662,991	6,760,489
Additions	-	-	-	-	-	-
Disposals and sale	-	-	-	-	-	-
At 31 December 2017	95,850	5,121,687	428,212	395,024	662,991	6,703,764
ACCUMULATED DEPRECIATION						
At 31 December 2015	-	1,017,935	414,985	228,720	612,034	2,273,674
Depreciation	-	153,651	33,506	27,619	12,640	227,416
Disposals and sale	-	-	(20,086)	-	-	(20,086)
At 31 December 2016	-	1,171,586	428,405	256,339	624,674	2,481,004
Depreciation	-	153,651	34,382	43,016	12,408	243,457
Disposals and sale	-	-	(104,765)	-	-	(104,765)
At 31 December 2017	-	1,325,237	358,022	299,355	637,082	2,619,696
CARRYING VALUE						
At 31 December 2017	95,850	3,796,450	70,190	95,669	25,909	4,084,068
At 31 December 2016	95,850	3,950,101	70,164	125,053	38,317	4,279,485

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15. INVESTMENT PROPERTY

	Land	Buildings	Total
COST			
At 31 December 2015	81,650	4,550,047	4,631,697
Disposals and sale	-	(140,647)	(140,647)
At 31 December 2016	81,650	4,409,400	4,491,050
Disposals and sale	-	(23,241)	(23,241)
At 31 December 2017	81,650	4,386,159	4,467,809
ACCUMULATED DEPRECIATION			
Balance as of 31 December 2015	-	972,163	972,163
Depreciation	-	132,985	132,985
Disposals and sale	-	(78,810)	(78,810)
Balance as of 31 December 2016	-	1,026,338	1,026,338
Depreciation	-	131,875	131,875
Disposals and sale	-	(14,451)	(14,451)
Balance as of 31 December 2017	-	1,143,762	1,143,762
CARRYING VALUE			
At 31 December 2017	81,650	3,242,397	3,324,047
At 31 December 2016	81,650	3,383,062	3,464,712

In May 2017, the Company has sold garage located in Kolodvorska street no. 11A, Sarajevo.

The Management believes that the carrying amounts of investment property recorded at cost less accumulated depreciation and accumulated impairment in the financial statements are approximate to its fair value.

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16. INVESTMENTS IN ASSOCIATES

The Company's investments in its associates using equity method are as follows:

Company name	Business	Voting Interest %	Company and associates	Company and associates	Company	Company
		31 December 2017	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Triglav osiguranje d.d. Sarajevo	Insurance	-	-	12,905,670	-	1,418,006
DUF Prof-in d.o.o. Sarajevo	Asset management company	35.39	2,382,993	2,221,146	678,529	678,529
ASA osiguranje d.d. Sarajevo	Insurance	20.00	1,623,817	1,437,181	1,200,000	1,200,000
			4,006,810	16,563,997	1,878,529	3,296,535

Reporting period date for all associates is 31 December.

Summarised financial information in respect of the Company's associates is set out below:

	31 December 2017	31 December 2016
Total revenue	19,769,575	55,911,613
Result for the period	1,390,506	1,954,815
Share in profit of associates	348,483	542,484
Total assets	32,405,003	127,193,310
Total liabilities	(17,280,518)	(70,416,343)
Net assets	15,124,485	56,776,967
Share of net assets of associates	4,006,810	16,563,997

Movement in investments in associates can be presented as follows:

	Company and associates	Company and associates	Company	Company
	at equity method 2017	at equity method 2016	at cost 2017	at cost 2016
Balance at the beginning of the year	16,563,997	17,630,177	3,296,535	4,633,832
Share of net results of associates	348,483	542,484	-	-
Sale of shares during the year	(12,905,670)	(1,608,664)	(1,418,006)	(1,337,297)
Balance at the end of the year	4,006,810	16,563,997	1,878,529	3,296,535

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16. INVESTMENT IN ASSOCIATES (CONTINUED)

In January 2017, the Company sold a 29.05% stake in the company Triglav osiguranje dd, which consisted of 12,077 ordinary shares of the company Triglav osiguranje dd, for a price of BAM 1,105.5 per share. The total selling price was BAM 13,351,123.5. The realized sales value of shares is BAM 11,933,117.5 higher than the book value of shares, and the difference is recorded as a gain from the sale of financial assets. The buyer of these shares is the company Triglav INT d.d. Ljubljana.

17. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Available for sale	Principal activity	Proportion of ownership interest (%)		
		31 December 2017	31 December 2017	31 December 2016
Raiffeisen CASH	Open-ended investment fund	-	3,012,425	-
Bosna Sunce osiguranje d.d., Sarajevo	Insurance	5.20	1,155,543	702,780
Raiffeisen BALANS	Open-ended investment fund	-	510,881	-
Osiguratelna Polisa, Skopje, Macedonia	Insurance	4.44	425,077	425,077
Sarajevo osiguranje d.d., Sarajevo	Insurance	1.45	336,960	424,570
ZIF Prof plus d.d., Sarajevo	Investment fund	2.52	298,633	548,770
Union banka d.d., Sarajevo	Banking	0.62	100,025	100,025
Sava reosiguranje d.d., Ljubljana, Slovenia.d., Sarajevo	Reinsurance	0.001	15,451	12,928
Conny d.o.o., Belgrade, Serbia	Trading	43.00	4,269	4,269
Privredna banka Sarajevo d.d. Sarajevo	Banking	0.022	1,144	1,697
			5,860,318	2,220,116

Movements in the fair value of shares were as follows:

	2017	2016
Balance at beginning of the year	2,220,116	3,432,969
Fair value gain/(loss)	477,202	(139,677)
Impairment allowance (Note 10)	(337,000)	(102,097)
Investments/(sales) during the year	3,500,000	(971,079)
Balance at end of the year	5,860,318	2,220,116

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18. FINANCIAL ASSETS HELD-TO-MATURITY

	31 December 2017	31 December 2016
Bonds of the Federation of Bosnia and Herzegovina ("FB&H")	<u>2,750,503</u>	<u>2,397,912</u>

In 2015 Company has bought 1,400 bonds issued by the Ministry of Finance of FB&H, with nominal value of BAM 1,400,000. Those bonds bought in 2015 bear annual interest of 3.9%; the maturity date is 27 November 2022. In 2016 the Company has bought 1,000 bonds issued by the Ministry of Finance of FB&H, with nominal value of BAM 1,000,000. Bonds bought in 2016 bear annual interest in the range of 3.6% to 3.95%, with the maturity date of 21 December 2021. During 2017, the Company purchased 350 bonds issued by the Sarajevo Canton with nominal value of BAM 350,000. Expected return on these bonds is in range 2.50%-2.90%, while the maturity date is 31 May 2020.

19. DEFERRED ACQUISITION COSTS, NET

	31 December 2017	31 December 2016
Deferred acquisition costs	3,017,612	3,231,720
Deferred reinsurance commission	<u>(1,452,620)</u>	<u>(1,449,537)</u>
	<u>1,564,992</u>	<u>1,782,183</u>

20. DEPOSITS

	31 December 2017	31 December 2016
NLB Banka d.d. Tuzla, 8 deposits due in the period from 3 March 2018 to 14 September 2019, bearing interest within the range from 1.10% to 2.10% p.a.	7,499,981	6,490,946
Ziraat Bank BH d.d Sarajevo, 8 deposits due in the period from 5 February 2018 to 26 August 2019, bearing interest within the range from 1.00% to 2.50% p.a.	6,085,108	3,737,432
Intesa Sanpaolo Bank d.d. Bosnia and Herzegovina, 9 deposits due in the period from 12 August 2018 to 17 April 2019, bearing interest within the range from 1.52% to 2.30% p.a.	7,251,033	5,749,085
UniCredit Bank d.d. Mostar, 3 deposits due in the period from 5 October 2018 to 16 November 2018, bearing interest within the range from 2.10% to 2.20% p.a.	1,564,664	2,218,663
Raiffeisen Bank d.d. Sarajevo, 7 deposits due in the period from 3 February 2019 to 21 July 2019, bearing interest within the range from 0.65% to 2.00% p.a.	6,200,904	4,046,057
Bosna Bank International d.d. Sarajevo, 2 deposits due in the period from 30 April 2019 to 25 May 2019, bearing interest within the range from 0.75% to 1.00% p.a.	3,109,272	2,762,163
Sparkasse Bank d.d. Sarajevo, 5 deposits due in the period from 6 February 2019 to 5 July 2019, bearing interest within the range from 0.90% to 1.20% p.a.	3,093,034	1,367,526
Sberbank BH d.d. Sarajevo, 9 deposits due in the period from 29 November 2018 to 19 June 2019, bearing interest within the range from 1.01% to 3.20% p.a.	<u>6,917,293</u>	<u>3,710,000</u>
	<u>41,721,289</u>	<u>30,081,872</u>

Deposits include due and accrued interest receivables.

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21. RECEIVABLES FOR REINSURANCE PREMIUM AND FOR CLAIMS RECOVERED FROM REINSURERS

	31 December 2017	31 December 2016
Reinsurance premium receivables – domestic	12,248,805	10,120,142
Receivables for claims recovered from reinsurer	313,941	396,747
Reinsurance premium receivables – foreign	522,047	621,126
Bad and doubtful receivables	119,775	597,421
Less: Impairment allowance	<u>(119,775)</u>	<u>(597,421)</u>
	<u>13,084,793</u>	<u>11,138,015</u>

Movement in impairment allowance for reinsurance premium receivables and for claims recovered from reinsurers, were as follows:

	2017	2016
Balance at beginning of the year	597,421	121,225
Increase (Note 5)	-	458,235
Increase (Note 11)	4,639	24,193
Collected written off receivables (Note 8)	<u>(482,285)</u>	<u>(6,232)</u>
Balance at the end of the year	<u>119,775</u>	<u>597,421</u>

The impairment of the value of the receivables is done in accordance with the legal regulations defined by the Regulator.

The Company does not hold any collateral over these balances. Valuation and recognition of the allowance for impairment losses, if any, is done on a yearly basis.

Aging of receivables

	31 December 2017	31 December 2016
Undue	9,637,636	7,934,202
1 – 90 days	3,446,635	3,013,210
91 – 180 days	522	56,787
181 – 360 days	<u>-</u>	<u>133,816</u>
	<u>13,084,793</u>	<u>11,138,015</u>

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22. OTHER RECEIVABLES

	31 December 2017	31 December 2016
Commission receivables	288,398	84,800
Other receivables	2,713	2,452
Bad and doubtful receivables	-	219,220
Less: Allowance for impairment of other receivables	-	(219,220)
	<u>291,111</u>	<u>87,252</u>

Changes in allowance for impairment of other receivables can be shown as follows:

	2017	2016
Balance at the beginning of the year	219,220	-
Increase in allowance (Note 11)	-	219,220
Collected written off receivables (Note 8)	(219,220)	-
Balance at the end of the year	<u>-</u>	<u>219,220</u>

23. OTHER ASSETS

	31 December 2017	31 December 2016
Prepaid insurance expenses	8,472	11,146
Other prepaid expenses	3,507	4,642
	<u>11,979</u>	<u>15,788</u>

24. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash with domestic banks - BAM accounts	1,921,801	3,007,869
Cash with domestic banks - foreign currency accounts	1,439,787	2,156,454
Cash on hand	1,034	780
Cash with foreign banks - foreign currency accounts	824	245
	<u>3,363,446</u>	<u>5,165,348</u>

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25. SHARE CAPITAL

	31 December 2017	31 December 2016
18,645 ordinary shares of par value BAM 340 each (2016: 18,645 shares of per value BAM 340 each)	<u>6,339,300</u>	<u>6,339,300</u>

The Assembly of Bosna Reosiguranje d.d. at an extraordinary meeting held on 15 February 2016, adopted the decision to withdraw 700 treasury shares and reduce the Company's equity accordingly, due to inability to sell the shares within the legally defined timeframe. Before this decision was adopted, the share capital amounted to BAM 6,577,300, and was decreased by BAM 238.000, which is the nominal value of 700 treasury shares. After the withdrawal of treasury shares the value of the Company's share capital amounts to BAM 6,339,300.

Ownership of ordinary shares is as follows:

	31 December 2017		31 December 2016	
	% share	Share amount	% share	Share amount
Triglav osiguranje d.d. Sarajevo	13.65	865,300	13.65	865,300
Sarajevo osiguranje d.d. Sarajevo	12.74	807,500	12.74	807,500
Euroherc osiguranje d.d. Zagreb, Croatia	10.97	695,300	10.97	695,300
Bosna Sunce osiguranje d.d. Sarajevo	8.55	542,300	8.55	542,300
Union banka d.d. Sarajevo	5.87	372,300	5.87	372,300
UniCredit Bank d.d. Mostar	3.19	202,300	3.19	202,300
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	0.05	3,400	0.05	3,400
Other legal entities	11.03	699,040	11.03	699,040
Private persons	33.95	2,151,860	33.95	2,151,860
	<u>100.00</u>	<u>6,339,300</u>	<u>100.00</u>	<u>6,339,300</u>

26. REINSURANCE PREMIUM AND CLAIMS PAYABLE

	31 December 2017	31 December 2016
Claims payable, domestic	5,203,361	4,019,741
Claims payable, foreign	418,155	277,143
Reinsurance premium payables	<u>4,027,663</u>	<u>3,254,131</u>
	<u>9,649,179</u>	<u>7,551,015</u>

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27. REINSURANCE ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Gross		
Provision for unearned premium	17,212,981	17,751,640
Provision for claims reported but not settled	32,780,681	25,902,135
Provision for claims incurred but not reported	46,163,702	40,604,815
Provision for bonuses, discounts and premiums	<u>(1,234,542)</u>	<u>8,999</u>
Total insurance liabilities, gross	<u>94,922,822</u>	<u>84,267,589</u>
Recoverable from reinsurers		
Provision for unearned premium	(6,725,685)	(6,454,988)
Provision for claims reported but not settled	(25,414,172)	(19,423,589)
Provision for claims incurred but not reported	(38,805,533)	(33,980,488)
Provision for bonuses, discounts and premiums	<u>246,562</u>	<u>103,385</u>
Total insurance assets, gross	<u>(70,698,828)</u>	<u>(59,755,680)</u>
Provision for unearned premium	10,487,296	11,296,652
Provision for claims reported but not settled	7,366,509	6,478,546
Provision for claims incurred but not reported	7,358,169	6,624,327
Provision of bonuses, discounts and premiums	<u>(987,980)</u>	<u>112,384</u>
Total insurance liabilities, net	<u>24,223,994</u>	<u>24,511,909</u>

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28. OTHER LIABILITIES

	31 December 2017	31 December 2016
Liabilities based on commissions	2,701,806	1,972,845
Employee payables	959,218	316,162
Advances received	30,788	-
Liabilities toward suppliers	9,531	13,655
Liabilities for VAT	3,694	3,756
Other	16,558	15,496
	<u>3,721,595</u>	<u>2,321,914</u>

Interest is not charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Company has no overdue liabilities nor has given any collateral for their timely repayment.

29. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions with related parties, who are related due to the Company's investments and respective equity participations. These transactions are related to the reinsurance premium and dividend income earned and claims paid, as well as related assets and liabilities at the reporting period date. The transactions are recorded at fair exchange amount, which is the amount agreed to between the related parties.

	Income		Expenses	
	2017	2016	2017	2016
Triglav osiguranje d.d. Sarajevo	-	7,517,588	-	4,462,844
ASA osiguranje d.d. Sarajevo	4,327,458	3,613,144	3,037,356	2,469,552
Sarajevo osiguranje d.d. Sarajevo	7,257,307	7,135,398	11,379,798	7,273,156
Bosna Sunce osiguranje d.d. Sarajevo	700,744	659,348	624,001	331,299
UniCredit Bank d.d. Mostar	37,434	50,316	16,001	2,287
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	134,970	90,671	1,690	4,389
	<u>12,457,913</u>	<u>19,066,456</u>	<u>15,058,946</u>	<u>14,543,527</u>

The Company has sold vehicle to the Board member with loss arising in amount of BAM 2,668. Taxes and contributions were paid regarding this loss.

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

At year-end the following amounts were due to or due (presented for the Company) from related parties:

	Receivables		Liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Triglav BH osiguranje d.d. Sarajevo	-	972,571	-	1,312,540
ASA osiguranje d.d. Sarajevo	1,604,980	1,238,712	1,520,157	1,024,344
Sarajevo osiguranje d.d. Sarajevo	1,929,195	418,478	1,388,207	61,647
Bosna Sunce osiguranje d.d. Sarajevo	178,806	132,310	61,096	55,979
Union banka d.d. Sarajevo	1,057	1,057	-	-
UniCredit Bank d.d. Mostar	1,910,158	2,536,448	16,101	-
Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina	8,103,098	6,416,992	1,690	-
	<u>13,727,294</u>	<u>11,716,568</u>	<u>2,987,251</u>	<u>2,454,510</u>

Management remuneration

The remuneration of directors and other members of key management during the year was as follows:

	2017	2016
Management	628,626	602,993
Supervisory Board	<u>68,900</u>	<u>68,900</u>
	<u>697,526</u>	<u>671,893</u>

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30. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

Insurance risks

The Company signs active reinsurance contracts on the basis of which insurance risk is transferred from its clients - insurance or reinsurance companies to the Company, as well as passive reinsurance contracts for the transfer of insurance risk from the Company to other reinsurance institutions.

The nature of every particular insurance risk is such that it is unpredictable and fortuitous. Reinsurance operations relate to various methods of covering individual risks by means of facultative reinsurance contracts; thus the risk is reflected in the possibility of the realisation of damage whose monetary value cannot be determined before it occurs.

When reinsuring entire portfolios or parts of portfolios of one or several different types of insurance provided by an insurance or reinsurance company, the basic risk arises from the fact that total claims and compensation payments disbursed in accordance to contracts may exceed the amount paid in as premium or the liability commitments for each individual risk, due to recurrence or extent of the damage.

Past experiences have shown that larger portfolios, when reinsured, tend to produce smaller discrepancies from expectation; therefore the Company aims to develop its operations in such a direction as to increase the portfolios of some types of reinsurance by increasing the number of assignors, which contributes to better personal and geographic dispersion which is favourable to the business position of the Company as a regional reinsurance company.

The Company has not been exposed to potentially numerous claims arising from responsibility for the use of asbestos; elimination of asbestos is one of the standard eliminations in the business of the Company. Reinsurance from responsibility (with the exception of responsibility for motor vehicles) and life insurance policies constitute a marginal portion of the Company's total operations, due to the low volume of such reinsurance in the present market.

The basic operations include: reinsurance from accidents of property, from motor vehicle responsibility – both within the country and "green card" reinsurance – and comprehensive motor vehicle insurance.

The Company transfers excessive risk on to other reinsurance companies. For particular types of insurance the maximum risk exposure is limited through contracts on insurance from excess damage, as well as from cumulative claims, depending on the requirements arising from this particular risk.

31. FINANCIAL INSTRUMENTS

31.1. Categories of financial instruments

	31 December 2017	31 December 2016
Financial assets		
Deposits and receivables (including cash and cash equivalents)	58,460,639	46,472,487
Financial assets available-for-sale	5,860,318	2,220,116
Financial assets held-to-maturity	2,750,503	2,397,912
	67,071,460	51,090,515
Financial liabilities		
At amortised cost	13,367,080	9,869,173
	13,367,080	9,869,173

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.2 Financial risk management objectives

The Finance function provides services to the business co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

31.3 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

31.4 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The amounts of the monetary assets and monetary liabilities of the Company at the reporting period date denominated in foreign currencies were as follows:

<i>(amounts in BAM)</i>	Assets		Liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EUR	43,779,042	33,127,969	4,381,336	3,494,096
USD	168,796	96,710	72,258	37,178
GBP	-	-	2,026	3

31.4.1 Foreign currency sensitivity analysis

The Company is exposed to foreign currency risk related to EUR, USD and GBP. The following table details the Company's sensitivity to a 10% increase and decrease in BAM against these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where BAM strengthens 10% against the relevant currency. For a 10% weakening of BAM against the relevant currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Gain or loss	
	2017	2016
Effects of change in EUR rate	3,939,771	2,963,387
Effects of change in USD rate	9,654	5,953
Effects of change in GBP rate	(203)	-

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4 Foreign currency risk management (continued)

31.4.1 Foreign currency sensitivity analysis (continued)

In the Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk related to change of EUR exchange rate, since in accordance with the Law on Central Bank of Bosnia and Herzegovina the Convertible Mark ("BAM") is officially tied to the Euro. Change in the exchange rate would require the amendments of the law and approval by Parliamentary Assembly of Bosnia and Herzegovina.

31.5 Interest rate risk management

The Company is exposed to interest rate risk as it places funds at fixed interest rates. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in liquidity risk management section, Note 31.7.

31.5.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting period date. The analysis is prepared assuming the amount of financial instruments outstanding at the reporting period date was outstanding for the whole year. A 50 basis point increase or decrease (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (0.5%) higher/lower and all other variables were held constant, the net result of the Company for the year ended 31 December 2017 would increase / decrease by BAM 218,020 (2016: BAM 143,375).

31.6 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management Board annually.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

Maximum exposure to credit risk is the carrying value of financial assets presented in financial reports (Note 31.1) decreased by impairment losses.

31.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework for the management of the Company's short medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserve, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Liquidity risk management (continued)

31.7.1 Liquidity and interest risk tables

The following table details the remaining contractual maturity of the Company for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Maturity of non-derivative financial assets

	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2017							
Non-interest bearing Fixed interest rate instruments		16,448,239	291,111	-	5,860,318	-	22,599,668
	1.79%	2,491,509	6,700,296	6,234,415	30,051,514	-	45,477,734
		18,939,748	6,991,407	6,234,415	35,911,832	-	68,077,402
31 December 2016							
Non-interest bearing Fixed interest rate instruments		16,303,363	87,252	-	2,220,116	-	18,610,731
	2.29%	1,278,792	6,085,925	2,122,396	24,325,456	-	33,812,569
		17,582,155	6,173,177	2,122,396	26,545,572	-	52,423,300

The following table details the remaining contractual maturity for non-derivative financial liabilities of the Company. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2017							
Non-interest bearing	-	11,818,371	1,539,178	9,531	-	-	13,367,080
TOTAL		11,818,371	1,539,178	9,531	-	-	13,367,080
31 December 2016							
Non-interest bearing	-	9,846,947	-	22,225	-	-	9,869,172
TOTAL		9,846,947	-	22,225	-	-	9,869,172

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32. FAIR VALUE MEASUREMENT

32.1 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2017	31 December 2016		
Financial assets at fair value through profit and loss (see Note 17)				
Listed equity securities on stock exchanges in Bosnia and Herzegovina:		Listed equity securities on stock exchanges in Bosnia and Herzegovina:		
• Bosna Sunce osiguranje d.d., Sarajevo - BAM 1,155,453		• Bosna Sunce osiguranje d.d., Sarajevo - BAM 702,780		
• Sarajevo osiguranje d.d., Sarajevo - BAM 336,960		• Sarajevo osiguranje d.d., Sarajevo - BAM 425,570		
• ZIF Prof plus d.d., Sarajevo - BAM 298,633		• ZIF Prof plus d.d., Sarajevo - BAM 548,770	Level 1	Quoted bid prices in an active market.
• Union banka d.d., Sarajevo - BAM 100,025		• Union banka d.d., Sarajevo - BAM 100,025		
• Privredna banka Sarajevo d.d., Sarajevo - BAM 1,144		• Privredna banka Sarajevo d.d., Sarajevo - BAM 1,697		
Freely Transferable Securities:				
• Open Investment Fund with a public offering Raiffeisen CASH - BAM 3,012,425				
• Open Investment Fund with a public offering Raiffeisen BALANCE - BAM 510,881				
Listed equity securities on stock exchanges in other countries:		Listed equity securities on stock exchanges in other countries:	Level 1	Quoted bid prices in an active market.
• Sava reosiguranje d.d., Ljubljana, Slovenia - BAM 15,451		• Sava reosiguranje d.d., Ljubljana, Slovenia - BAM 12,928		
Listed equity securities on stock exchanges in other countries:		Listed equity securities on stock exchanges in other countries:	Level 2	Discounted cash flow, by considering the last available rate on owned or similar equity securities as yield rate
• Osiguratelna Polisa, Skoplje, Macedonia - BAM 425,077		• Osiguratelna Polisa, Skoplje, Macedonia - BAM 425,077		
• Conny d.o.o., Beograd, Serbia - BAM 4,269		• Conny d.o.o., Belgrade, Serbia - BAM 4,269		

There were no transfers between Level 1 and Level 2 during the period.

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32. FAIR VALUE MEASUREMENT (CONTINUED)

32.2 Fair value of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Loans and receivables:</i>				
- deposits	41,721,289	41,125,037	30,081,872	29,223,913

	Fair value hierarchy as at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Loans and receivables:</i>				
- deposits	-	41,125,037	-	41,125,037
Total	-	41,125,037	-	41,125,037

The fair values of the financial assets included in Level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 30 March 2018.


 Zlatan Filipović, Director

