BOSNA REOSIGURANJE D.D.
SARAJEVO

Financial statements for the year
ended 31 December 2020
and Independent auditor's report

This version of the 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 our financial reports and the accompanying audit report takes precedence over this translation.

Contents

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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 Bosna Reosiguranje d.d. Sarajevo (the Company) and the Company and associates (the Group), and 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 Group 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 and Group 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 6 to 48 were authorised by the Management on 1 April 2021 for issue to the Supervisory Board, and are signed below to signify this, on behalf of the Company, by:

Signed on behalf of Management:

BOSNA REOSIGURANJE SARAJEVO 3 DIONIČKO DRUŠTVO

Zlatan Filipović, Director

Bosna Reosiguranje d.d. Sarajevo

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Bosnia and Herzegovina

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Independent auditor's 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 associates (together the "Group"), which comprise the statement of financial position of the Company and Group as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows of the Company and Group for the year then ended, and notes including a summary of significant accounting policies and other explanations.

In our opinion, the accompanying financial statements truly and fairly present the financial position of the Company and Group as at 31 December 2020, and their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the paragraph *Auditor's Responsibilities for the Audit of the Financial Statements*. We are independent of the Company and 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.

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.

Key audit matters (continued)

Valuation of technical reserves

Key audit matter	Our approach to the key audit matter
In the consolidated and separate financial statements as at 31 December 2020, reinsurance liabilities – technical reserves amounted to KM 119,288 thousand, which represents 93.84% of total liabilities of the Company (31 December 2019: KM 105,751 thousand, 84.15%). Please refer to Note 3 (Summary of significant accounting policies), Note 4 (Accounting estimates and key sources of estimation uncertainty), and Note 26 Assets and liabilities from reinsurance operations. The calculation of provisions for insurance contracts is complex because it involves a high degree of Management estimates and complex mathematical and statistical calculations. Models for calculating the amount of technical provisions are created separately for each category. The calculations largely depend on economic and demographic assumptions. Management reviews premiums, claims settlement and other model inputs and assumptions. The actuarial function of the Group and Company is responsible for verifying the adequacy of the estimated provisions. Reserves for insurance contracts are accounting estimates that are material positions in the financial statements and are subject to a high degree of estimate, which is why we considered these accounting estimates to be a key audit matter.	Our audit approach encompassed the following: We have gained an understanding of key controls and tested their operating effectiveness. We also reviewed the processes of analysing economic and non-economic assumptions used to calculate provisions. We have reviewed the adequacy of key management assumptions used to estimate the amount of technical reserves for individual cases and compared them with the relevant supporting documents. We assessed whether the liabilities recorded were consistent with the requirements of the accounting framework, industry best practices and regulatory requirements. In addition, we have reviewed the information disclosed in the financial statements to assess whether the disclosure are adequate for users of the financial statements. Actuarial experts were involved in the assessment of actuarial assumptions, including the testing assumptions used by the Management. Actuarial experts were involved in testing the Company model calculations, and in recalculation of reserves for insurance contracts.

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

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

In preparing the financial statements, the Management Board is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and 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 Group's financial reporting process.

Auditor's 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 independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.

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

- 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 concerning the financial statements of group companies or their business activities in order to express an opinion on the consolidated financial statements. We are responsible for conducting, overseeing and performing the audit of the Group. We have sole responsibility for the audit opinion expressed.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Yuri Sidorovich, procurator

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Sabina Softić, Partner and licensed auditor

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Sarajevo, Bosnia and Herzegovina
1 April 2021

	Notes	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Reinsurance revenue	5	60,480,903	56,486,952	60,480,903	56,486,952
Premium revenue ceded to reinsurers, net	5	(35,797,337)	(33,162,312)	(35,797,337)	(33,162,312)
Net premium revenue		**24,683,566**	**23,324,640**	**24,683,566**	**23,324,640**
Reinsurance claims and expenses	6	(38,808,514)	(37,074,170)	(38,808,514)	(37,074,170)
Reinsurance claims and expenses covered by reinsurers, net	6	20,801,283	20,575,440	20,801,283	20,575,440
Net claims expenses		**(18,007,231)**	**(16,498,730)**	**(18,007,231)**	**(16,498,730)**
Commission income		10,085,625	7,406,946	10,085,625	7,406,946
Commission expenses		(12,976,989)	(10,283,126)	(12,976,989)	(10,283,126)
Net commission expenses		**(2,891,364)**	**(2,876,180)**	**(2,891,364)**	**(2,876,180)**
Net income from insurance		**3,784,971**	**3,949,730**	**3,784,971**	**3,949,730**
Investment income	7	1,069,984	1,058,589	1,069,984	1,058,589
Other operating income	8	356,534	4,018	356,534	4,018
General and administrative expenses	9	(2,748,719)	(2,854,769)	(2,748,719)	(2,854,769)
Other expenses	10	(22,954)	(949)	(22,954)	(949)
Foreign exchange losses, net		(888)	(798)	(888)	(798)
Share in profit of associates	15	694,256	912,384	-	-
Profit before tax		**3,133,184**	**3,068,205**	**2,438,928**	**2,155,821**
Income tax expense	11	(210,190)	(179,875)	(210,190)	(179,875)
Net profit		**2,922,994**	**2,888,330**	**2,228,738**	**1,975,946**
Earnings per share	12	**156.77**	**154.91**	**119.54**	**105.98**

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 2020

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

	Notes	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Net profit for the year		**2,922,994**	**2,888,330**	**2,228,738**	**1,975,946**
Other comprehensive income					
Items that will not be subsequently reclassified to statement of profit or loss			-	-	-
Items that will be subsequently reclassified to statement of profit or loss when specific conditions are met			-	-	-
Net changes in fair value of financial assets available for sale	16	396,493	622,670	396,493	622,670
		396,493	***622,670***	***396,493***	***622,670***
Total comprehensive income		**3,319,487**	**3,511,000**	**2,625,231**	**2,598,616**

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

Bosna Reosiguranje d.d. Sarajevo

Statement of financial position

as at 31 December 2020

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

	Notes	Company and associates 31 December 2020	Company and associates 31 December 2019	Company 31 December 2020	Company 31 December 2019
ASSETS					
Property, plant and equipment, and intangible assets	13	3,559,912	3,760,672	3,559,912	3,760,672
Investment property	14	2,929,292	3,060,877	2,929,292	3,060,877
Investment in associates	15	5,928,170	5,233,914	1,878,529	1,878,529
Deferred acquisition costs	18	3,700,243	3,479,335	3,700,243	3,479,335
Financial assets available-for-sale	16	3,250,354	2,853,861	3,250,354	2,853,861
Financial assets held-to-maturity	17	2,401,306	4,752,233	2,401,306	4,752,233
Deposits	19	37,287,791	33,736,222	37,287,791	33,736,222
Reinsurance assets (reinsurers' share in reinsurance liabilities)	26	89,870,558	78,984,274	89,870,558	78,984,274
Reinsurance premium receivables and for claims recovered by reinsurers	20	5,888,932	16,186,784	5,888,932	16,186,784
Other receivables	21	32,857	35,251	32,857	35,251
Corporate tax receivables		-	3,075	-	3,075
Other assets	22	13,448	12,944	13,448	12,944
Cash and cash equivalents	23	7,854,471	6,814,898	7,854,471	6,814,898
TOTAL ASSETS		**162,717,334**	**158,914,340**	**158,667,693**	**155,558,955**
EQUITY AND LIABILITIES					
Share capital	24	6,339,300	6,339,300	6,339,300	6,339,300
Reserves		20,098,815	20,098,815	20,098,815	20,098,815
Revaluation reserves for financial assets available-for-sale		1,547,532	1,151,039	1,547,532	1,151,039
Retained earnings		7,613,582	5,669,451	3,563,941	2,314,066
		35,599,229	**33,258,605**	**31,549,588**	**29,903,220**
LIABILITIES					
Reinsurance liabilities	26	119,287,794	105,751,066	119,287,794	105,751,066
Reinsurance premium and claims payables	25	5,593,868	14,504,259	5,593,868	14,504,259
Deferred reinsurance commission	18	1,798,293	1,724,533	1,798,293	1,724,533
Other liabilities	27	160,083	3,210,613	160,083	3,210,613
Provisions for employee benefits		265,422	465,264	265,422	465,264
Future period income		12,645	-	12,645	-
		127,118,105	**125,655,735**	**127,118,105**	**125,655,735**
TOTAL EQUITY AND LIABILITIES		**162,717,334**	**158,914,340**	**158,667,693**	**155,558,955**

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

Company and associates

	Share capital	Reserves	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2018	**6,339,300**	**20,098,815**	**528,369**	**9,081,043**	**36,047,527**
Dividend payment	-	-	-	(6,217,361)	(6,217,361)
Transfer to security reserves	-	-	-	(82,561)	(82,561)
Net profit	-	-	-	2,888,330	2,888,330
Other comprehensive income	-	-	622,670	-	622,670
Total comprehensive income	-	-	*622,670*	*2,888,330*	*3,511,000*
As at 31 December 2019	**6,339,300**	**20,098,815**	**1,151,039**	**5,669,451**	**33,258,605**
Dividend payment	-	-	-	(978,863)	(978,863)
Net profit	-	-	-	2,922,994	2,922,994
Other comprehensive income	-	-	396,493	-	396,493
Total comprehensive income	-	-	*396,493*	*2,922,994*	*3,319,487*
As at 31 December 2020	**6,339,300**	**20,098,815**	**1,547,532**	**7,613,582**	**35,599,229**

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

Company

	Share capital	Reserves	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2018	**6,339,300**	**20,098,815**	**528,369**	**6,638,042**	**33,604,526**
Dividend payment	-	-	-	(6,217,361)	(6,217,361)
Transfer to security reserves	-	-	-	(82,561)	(82,561)
Net profit	-	-	-	1,975,946	1,975,946
Other comprehensive income	-	-	622,670	-	622,670
Total comprehensive income	*-*	*-*	*622,670*	*1,975,946*	*2,598,616*
As at 31 December 2019	**6,339,300**	**20,098,815**	**1,151,039**	**2,314,066**	**29,903,220**
Dividend payment	-	-	-	(978,863)	(978,863)
Net profit	-	-	-	2,228,738	2,228,738
Other comprehensive income	-	-	396,493	-	396,493
Total comprehensive income	*-*	*-*	*396,493*	*2,228,738*	*2,625,231*
As at 31 December 2020	**6,339,300**	**20,098,815**	**1,547,532**	**3,563,941**	**31,549,588**

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 2020

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

	Note	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Operating activities					
Profit before tax		3,133,184	3,068,205	2,438,928	2,155,821
Adjustments for:					
- depreciation and amortization	9	362,316	363,753	362,316	363,753
- allowance for impairment losses on premium and for claims recovered from reinsurers	10	21,601	949	21,601	949
- collected written off receivables	8	(156,260)	(3,999)	(156,260)	(3,999)
- share in profit of associates	16	(694,256)	(912,384)	-	-
- provision for unearned premium, net	5	707,088	972,497	707,088	972,497
- provision for incurred but not reported claims, net	6	536,407	(626,750)	536,407	(626,750)
- provision for reported but not settled claims, net	6	1,198,713	689,410	1,198,713	689,410
- provision for bonuses, discounts and premiums, net	6	208,237	(149,988)	208,237	(149,988)
- deferred acquisition costs, net	18	(147,148)	(91,268)	(147,148)	(91,268)
- provision for employee benefits, net	8, 9	(199,842)	51,270	(199,842)	51,270
- gain from sale of financial instruments	6, 7	-	(84,888)	-	(84,888)
- dividend income recognized in profit or loss	6, 7	(164,347)	(81,993)	(164,347)	(81,993)
- interest income recognized in profit or loss	6, 7	(738,762)	(743,090)	(738,762)	(743,090)
Operating cash flow before movements in working capital		*4,066,931*	*2,451,724*	*4,066,931*	*2,451,724*
Changes in:					
- reinsurance premium receivables and claims recovered from re-insurers	21	10,451,249	70,207	10, 451,249	70,207
- other assets and receivables	22	(16,186)	323,008	(16,186)	323,008
- reinsurance premium and claims payable	26	(8,910,392)	2,013,935	(8,910,392)	2,013,935
- other liabilities	28	(3,091,472)	(204,367)	(3, 091,472)	(204,367)
Cash generated from operations		*2,500,130*	*4,654,507*	*2,500,130*	*4,654,507*
Income tax paid	12	(169,250)	(15,998)	(169,250)	(15,998)
Net cash from operating activities		**2,330,880**	**4,638,509**	**2,330,880**	**4,638,509**
Investing activities					
Purchases of property and equipment	13	(29,971)	(19,426)	(29,971)	(19,426)
Proceeds from sale of financial assets available-for-sale	16	-	1,018,044	-	1,018,044
Dividends received	7	164,347	81,993	164,347	81,993
Interest received	19	593,233	744,516	593,233	744,516
Maturity of financial assets held-to-maturity	17	2,507,532	-	2,507,532	-
(Increase) / decrease in deposits	19	(3,550,000)	3,689,734	(3,550,000)	3,689,734
Net cash from investing activities		**(314,859)**	**5,514,861**	**(314,859)**	**5,514,861**
Financing activities					
Dividends paid		(976,448)	(6,217,028)	(976,448)	(6,217,028)
Net cash used in financing activities		**(976,448)**	**(6,217,028)**	**(976,448)**	**(6,217,028)**
Net increase in cash and cash equivalents		**1,039,573**	**3,936,342**	**1,039,573**	**3,936,342**
Cash and cash equivalents at the beginning of year		**6,814,898**	**2,878,556**	**6,814,898**	**2,878,556**
Cash and cash equivalents at the end of year	23	**7,854,471**	**6,814,898**	**7,854,471**	**6,814,898**

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

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 2020, the Company had 25 employees (2019: 25).

Management

Zlatan Filipović	Director
Bakir Pilav	Executive director for finance

Supervisory Board

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

Audit Committee

Alma Kozarić	President
Amra Karasalihović	Member
Kornelije Vujnović	Member since

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Initial application of new amendments to the existing standards effective for the current reporting period

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

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, has been 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 (1 January 2018) in the financial statements for 2018. 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 2023.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's and Company's financial statements.

2.2 New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 4 "Insurance Contracts" – Extension of the Temporary Exemption from Applying IFRS 9 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 New standards and amendments to existing standards in issue not yet adopted (continued)

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022).

The Company has elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates. The Company anticipates that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

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 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect application of accounting policies, and the reported amounts of assets, liabilities, revenues and expenses. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Gross 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 KM 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 jubilee awards in accordance with the internal Rulebook on salaries and employee benefits.

Retirement severance payments

According to the local legislation and internal Rulebook on salaries and remunerations, the Company makes retirement severance payments provisions in accordance with the Law on Personal Income Tax to the maximum amount of non-taxable income defined by the Rulebook on Implementation of the Law on personal Income Tax.

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.

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 started 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:

	2020	**2019**
Buildings	33.3 years (3%)	33.3 years (3%)
Equipment	4 to 6.67 years (15%-25%)	4 to 6.67 years (15%-25%)
IT equipment	3 to 5 years (20%-33.3%)	3 to 5 years (20%-33.3%)

The Company reassesses useful lives of its property and equipment annually. There were no changes compared to the previous period.

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.

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.

	2020	**2019**
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:

	2020	**2019**
Investment property – buildings	33.3 years (3%)	33.3 years (3%)

The Company annually evaluates the useful life of investment property.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Financial assets available-for-sale (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Impairment of financial assets (continued)

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.

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". As at the reporting date, the Company had no financial liabilities at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

b) Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities (continued)

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.

Reinsurance contracts

The Company issues reinsurance contracts for the transfer of reinsurance or finance risk. These contracts include contracts on personal accident reinsurance, property reinsurance, liability reinsurance and short-term life reinsurance contracts.

Liability insurance 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 liability 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 fire and allied perils insurance that property can be exposed to.

Personal accident insurance 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 - cedant, 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 reinsurance premium is recognized after statement of reinsurance account is confirmed by cedant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

Unearned premiums

Unearned premiums are calculated for reinsurances in which reinsurance coverage lasts after the end of accounting period, since accounting and reinsurance periods are not the same.

The gross unearned reinsurance premium is calculated using single calculation pro rata temporis method for each insurance policy for which the Company holds data on commencement and expiry of original insurance contract, and in cases where, according to the reinsurance contract, the Company does not hold data on commencement and expiry and insurance premium of original insurance contract and gross premium but holds summary data on insurance premium of certain accounting period by class of insurance, gross unearned reinsurance premium is calculated according to the method of eight/quarter/half (1/8-1/4-1/2) which is an aggregate method of calculating the gross unearned reinsurance premium. In such cases, the assumption of commencement of each individual policy in the middle of the accounting period is used. For certain specific reinsurance contracts, that contain specific items such profit commission as an example, gross unearned reinsurance premiums are accepted from the cedant's calculations.

Net unearned premium is gross unearned premium decreased by portion recoverable from retrocessionaries. Participation of retrocessionaries in unearned premiums is determined by the terms of existing retrocession contracts. Provision for unearned premium and deferred acquisition cost are in the statement of financial position presented separately.

Provisions for reported but not settled claims

Provisions for reported claims refer to claims incurred and reported by the end of the accounting period for which a claim reserve is formed, that is, until the balance sheet date, if they have not been settled by that date. The level of provisions is determined by the cedant by assessing each potential claim individually, taking into account circumstances related to the claim, available information and historical experience on size of similar claims, and the reinsurer accepts the cedant's assessment.

Provision for incurred but not reported claims

Provisions for claims that are incurred but are yet to be reported are calculated on the basis of the Company's own statistical data for such claims, claims data and claims processing technology, and other available data and information. Depending on the quality and quantity of data and given the specificity of reinsurance business technology, the Company uses Bornhuetter-Ferguson and the expected claims ratio method in calculating the IBNR claims reserves.

These provisions are based on estimates, while final liabilities may be lower or higher than the estimated amounts. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

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 retrocessionaries with the intention of limiting the potential loss. Retrocession contracts do not deprive the Company of any direct liabilities towards insurance companies. Reinsurance premiums and retroceded reinsurance premiums as well as reinsurer and retrocessionaries' shares in claims are presented at the appropriate income statement positions based on gross principle.

On every reporting period date the Company re-evaluates the recorded amounts of its receivables on the basis of reinsurance and retrocession 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

The acquisition costs primarily involves reinsurance commissions granted by the reinsurer to the cedants and fees to brokers for the provision of new (re)insurance in accordance with concluded contracts. Reinsurance acquisition costs are included in statement of profit or loss when the calculation from which these costs result is reconciled with the cedant. Acquisition costs are deferred in line with the movement in provision for unearned premiums. During the financial year, provision for unearned premium and unearned commission related to future periods are presented separately in the statement of financial position.

Liability adequacy test

Testing of adequacy of technical reserves is carried out regularly at annual intervals, during the annual calculation, using the so-called run-off analysis. The run-off analysis takes into account the overall technical reserves of the "zero" date versus the paid claims in the period from the zero to the current date and the current technical reserves. Testing is performed for each type of insurance separately and the final result is considered at the overall portfolio level. Testing is done on a net basis. If the test result shows that the technical reserves are insufficient, the Company performs additional reserving in accordance with the test results, and if the test result shows that the technical reserves have been overvalued, the Company does not adjust (decrease) the technical reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 2019 and 2020 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 by type of insurance. The Company makes the calculation of the unexpired risk reserve by applying a premium sufficiency test. The Company performs the premium sufficiency test using the methodology of the premium sufficiency test characteristic for reinsurance companies. In case the premium sufficiency test shows that the unexpired risk reserve for a certain class of insurance is higher than the unearned premium of that class of insurance, the Company sets an additional provision for that class of insurance as the difference between the previous two. Such provision is included in the unearned premium.

Estimation of 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 by the cedant 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 reinsurance and retrocession contracts, 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 retrocession arrangements and through appropriate methods of calculating IBNR reserves.

Estimation of provisions for claims incurred but not reported (IBNR)

Provision for claims incurred but not reported are estimated using actuarial methods. The sources of data used in the provisioning calculation are internal statistics for such claims, claims data and other available data and information, and when information needed to reliably assess the development of claims are insufficient, prudent assumptions are used..

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

Key sources of estimation uncertainty (continued)

Provision for claims incurred but not reported (IBNR) (continued)

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 claims statistical data for several recent years. For the calculation of provision following methods are used:

- 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/retrocession contracts receivables impairment. Impairment of receivables arising from reinsurance/retrocession 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.

5. REINSURANCE REVENUE

	2020	2019
Reinsurance premium, domestic	59,478,681	53,606,642
Reinsurance premium, foreign	5,035,908	4,612,754
Change in unearned premium	(3,892,941)	(1,729,753)
Impairment of reinsurance premium	(140,745)	(2,691)
Reinsurance revenue arising from the reinsurance contracts issued	***60,480,903***	***56,486,952***
Reinsurance premium ceded to reinsurers	(38,983,190)	(33,919,568)
Change in unearned premiums ceded to reinsurers	3,185,853	757,256
Reinsurance premium ceded to reinsurers, net	***(35,797,337)***	***(33,162,312)***
	24,683,566	**23,324,640**

6. REINSURANCE CLAIMS AND EXPENSES

	2020	2019
Reinsurance claims and expenses, domestic	27,355,574	29,188,524
Reinsurance claims and expenses, foreign	1,809,153	2,102,432
Change in the provision for incurred but not reported claims	7,670,171	6,847,768
Change in the provision for reported but not settled claims	1,751,852	(905,142)
Change in the provision for bonuses, discounts and premiums	221,764	(159,412)
Reinsurance claims and expenses	***38,808,514***	***37,074,170***
Reinsurance claims and expenses covered by reinsurers	(13,100,852)	(14,704,897)
Change in the provision for incurred but not reported claims	(6,471,458)	(6,158,358)
Change in the provision for reported but not settled claims	(1,215,445)	278,392
Change in the provision for bonuses, discounts and premiums	(13,528)	9,423
Reinsurance claims and expenses covered by reinsurers, net	***(20,801,283)***	***(20,575,440)***
	18,007,231	**16,498,730**

7. INVESTMENT INCOME – COMPANY

	2020	2019
Interest on bank deposits	594,801	539,663
Rent income	166,875	216,274
Dividends	164,347	81,993
Interest on financial assets held to maturity	143,961	135,771
Gains on sale of financial instruments	-	84,888
	1,069,984	**1,058,589**

8. OTHER OPERATING INCOME

	2020	2019
Decrease in provisions for other employee benefits, net	199,842	-
Collected written-off reinsurance premium receivables and claims recovered from reinsurers (Note 20)	153,470	3,999
Collected written-off receivables – other and commission	3,035	-
Other	187	19
	356,534	**4,018**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Gross salaries	1,497,867	1,480,442
Depreciation (Notes 13 and 14)	362,316	363,753
Services	335,299	348,489
Memberships	209,369	200,728
Other employee benefits	104,002	161,644
Fees to members of Supervisory Board and Audit Committee	79,279	79,279
Material and energy	46,618	44,438
Maintenance	35,321	28,275
Insurance premiums	21,629	18,866
Costs of payment transactions	18,349	21,710
Taxes	16,742	17,307
Donations and scholarships	11,900	8,400
Advertising and entertainment	10,013	30,163
Provisions for other employee benefits	-	51,270
Other expenses	15	5
	2,748,719	**2,854,769**

10. OTHER EXPENSES

	2020.	2019.
Impairment losses on claims receivables and other receivables (Note 21)	21,601	949
Other expenses	1,353	-
	22,954	**949**

11. INCOME TAX EXPENSE

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

	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Current income tax	210,190	179,875	210,190	179,875
Income tax	**210,190**	**179,875**	**210,190**	**179,875**

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

	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Profit before income tax	**3,133,184**	**3,068,205**	**2,438,928**	**2,155,821**
Income tax expense at 10% - statutory rate	313,318	306,821	243,893	215,582
Effect of non-deductible expenses	9,353	9,814	9,353	9,814
Effect of non-taxable income	(112,481)	(136,760)	(43,056)	(45,521)
Income tax	**210,190**	**179,875**	**210,190**	**179,875**
Effective tax rate for the year	**6.71%**	**5.86%**	**8.62%**	**8.34%**

12. EARNINGS PER SHARE

	Company and associates 2020	Company and associates 2019	Company 2020	Company 2019
Net profit available to the shareholders	2,922,994	2,888,330	2,228,738	1,975,946
Weighted average number of ordinary shares during the year	18,645	18,645	18,645	18,645
Basic earnings per share	**156.77**	**154.91**	**119.54**	**105.98**

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

13. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

	Land	Buildings	Equipment and furniture	Electronic equipment	Other	Total
COST						
At 31 December 2018	**95,850**	**5,121,687**	**470,829**	**319,240**	**664,667**	**6,672,273**
Additions	-	-	1,134	6,843	11,449	19,426
Disposals	-	-	-	-	(5,148)	(5,148)
At 31 December 2019	**95,850**	**5,121,687**	**471,963**	**326,083**	**670,968**	**6,686,551**
Additions	-	29,971	-	-	-	29,971
Disposals	-	-	-	(5,522)	-	(5,522)
At 31 December 2020	**95,850**	**5,151,658**	**471,963**	**320,561**	**670,968**	**6,711,000**
ACCUMULATED DEPRECIATION						
At 31 December 2018	-	**1,478,888**	**361,294**	**210,571**	**648,106**	**2,698,859**
Depreciation	-	153,651	29,396	40,353	8,768	232,168
Disposals	-	-	-	-	(5,148)	(5,148)
At 31 December 2019	-	**1,632,539**	**390,690**	**250,924**	**651,726**	**2,925,879**
Depreciation		154,300	28,653	39,563	8,215	230,731
Disposals	-	-	-	(5,522)	-	(5,522)
At 31 December 2020	-	**1,786,839**	**419,343**	**284,965**	**659,941**	**3,151,088**
CARRYING VALUE						
At 31 December 2020	**95,850**	**3,364,819**	**52,620**	**35,596**	**11,027**	**3,559,912**
At 31 December 2019	**95,850**	**3,489,148**	**81,273**	**75,159**	**19,242**	**3,760,672**

14. INVESTMENT PROPERTY

	Land	Buildings	Total
COST			
At 31 December 2018	**81,650**	**4,386,159**	**4,467,809**
Disposals and sale	-	-	-
At 31 December 2019	**81,650**	**4,386,159**	**4,467,809**
Disposals and sale	-	-	-
At 31 December 2020	**81,650**	**4,386,159**	**4,467,809**
ACCUMULATED DEPRECIATION			
Balance as of 31 December 2018	-	**1,275,347**	**1,275,347**
Depreciation	-	131,585	131,585
Disposals and sale	-	-	-
Balance as of 31 December 2019	-	**1,406,932**	**1,406,932**
Depreciation			
Disposals and sale	-	131,585	131,585
Balance as of 31 December 2020	-	**1,538,517**	**1,538,517**
CARRYING VALUE			
At 31 December 2020	**81,650**	**2,847,642**	**2,929,292**
At 31 December 2019	**81,650**	**2,979,227**	**3,060,877**

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.

15. INVESTMENTS IN ASSOCIATES

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

Company name	Business	Voting interest %	Company and associates 31 December 2020	Company and associates 31 December 2019	Company 31 December 2020	Company 31 December 2019
DUF Prof-in d.o.o. Sarajevo	Fund management company	35.39	3,041,358	2,834,694	678,529	678,529
ASA osiguranje d.d. Sarajevo	Insurance	20.00	2,886,812	2,399,220	1,200,000	1,200,000
			5,928,170	**5,233,914**	**1,878,529**	**1,878,529**

Reporting period date for all associates is 31 December.

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summary of financial information of the Company's associates is presented below:

	31 December 2020	31 December 2019
Total revenue	32,084,265	29,132,872
Result for the period	3,127,941	3,175,766
Share in profit of associates	**715,460**	**782,909**
Total assets	57,354,845	48,844,525
Total liabilities	(34,326,951)	(28,838,554)
Net assets	**23,027,894**	**20,005,971**
Share in net assets of associates	**5,928,170**	**5,233,914**

Movement in investments in associates can be presented as follows:

	Company and associates	Company and associates	Company	Company
	at equity method		at cost	
	2020	2019	2020	2019
Balance at the beginning of the year	**5,233,914**	**4,321,530**	**1,878,529**	**1,878,529**
Share in total comprehensive income of associates	694,256	912,384	-	-
Balance at the end of the year	**5,928,170**	**5,233,914**	**1,878,529**	**1,878,529**

16. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Available for sale	**Principal activity**	**Proportion of ownership interest (%) 31 December 2020**	**31 December 2020**	**31 December 2019**
Adriatic osiguranje d.d., Sarajevo	Insurance	5.20%	1,653,600	1,277,406
Sarajevo osiguranje d.d., Sarajevo	Insurance	1.45%	1,078,272	985,945
Osiguratelna Polisa, Skopje, Macedonia	Insurance	4.44%	423,634	425,071
Union banka d.d., Sarajevo	Banking	0.48%	71,071	142,141
Sava reosiguranje d.d., Ljubljana, Slovenia.d., Sarajevo	Reinsurance	0.0029%	18,091	17,603
Conny d.o.o., Belgrade, Serbia	Trading	43.00%	4,269	4,269
Privredna banka Sarajevo d.d. Sarajevo	Banking	0.0039%	1,417	1,426
			3,250,354	**2,853,861**

Movements in the fair value of shares were as follows:

	2020	**2019**
Balance at beginning of the year	**2,853,861**	**3,164,347**
Fair value gain	396,493	622,670
(Sale) / purchase during the year	-	(933,156)
Balance at end of the year	**3,250,354**	**2,853,861**

17. FINANCIAL ASSETS HELD-TO-MATURITY

	31 December 2020	**31 December 2019**
Bonds of the Federation of Bosnia and Herzegovina ("FBiH")	2,401,306	4,752,233
	2,401,306	**4,752,233**

In 2015, Company purchased 1,400 bonds issued by the Ministry of Finance of FBiH, with nominal value of KM 1,400,000. Those bonds purchased in 2015 bear annual interest of 3.90%; the maturity date is 27 November 2022. In 2016, the Company purchased 1,000 bonds issued by the Ministry of Finance of FBiH, with nominal value of KM 1,000,000. Bonds purchased in 2016 bear annual interest in the range of 3.6% to 3.95%, with the maturity date of 21 December 2021. In 2017, the Company purchased 350 bonds issued by the Sarajevo Canton with nominal value of KM 350,000. Expected return on these bonds is in the range of 2.50%-2.90%, while the maturity date is 31 May 2020. In 2018, the Company purchased 20,000 bonds issued by JP Autoceste FBiH, with nominal value of KM 2,000,000. Maturity date of bonds purchased in 2018 is 28 December 2020, while they bear interest rate of 2.6%. Bonds of the Sarajevo Canton and the bonds of JP Autoceste FBiH have been collected during 2020 in the amount of KM 350,000 and KM 2,000,000.

18. DEFERRED ACQUISITION COSTS, NET

	31 December 2020	31 December 2019
Deferred acquisition costs	3,700,243	3,479,335
Deferred reinsurance commission	(1,798,293)	(1,724,533)
	1,901,950	**1,754,802**

19. DEPOSITS

	31 December 2020	31 December 2019
ASA banka dd Sarajevo, 8 deposits due in the period from 8 February 2021 to 23 December 2023, bearing interest within the range from 1.75% to 1.90% p.a.	6,560,122	5,722,002
Sberbank BH d.d. Sarajevo, 9 deposits due in the period from 8 March 2021 to 10 April 2023, bearing interest within the range from 1.33% to 2.10% p.a.	6,419,835	6,419,842
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina, 7 deposits due in the period from 7 February 2021 to 30 May 2023, bearing interest within the range from 1.55% to 1.75% p.a.	6,376,222	6,376,222
Ziraat Bank BH d.d Sarajevo, 5 deposits due in the period from 1 March 2021 to 28 September 2022, bearing interest within the range from 1.40% to 1.95% p.a.	5,158,969	6,375,884
UniCredit Bank d.d. Mostar, 6 deposits matured in the period from 11 February 2022 to 11 August 2022, bearing interest within the range from 1.65% to 2.00% p.a.	4,928,764	4,928,358
Raiffeisen Bank d.d. Sarajevo, 4 deposits due in the period from 24 August 2021 to 30 May 2023, bearing interest within the range from 0.40% to 1.55% p.a.	3,800,000	2,250,000
Union banka d.d. Sarajevo, 3 deposits due in the period from 18 July 2023 to 23 December 2023, bearing interest rate of 1.50% p.a.	2,379,971	-
Sparkasse Bank dd BiH, 1 deposit due on 28 September 2022, bearing interest of 1.45% p.a.	1,663,908	1,663,914
	37,287,791	**33,736,222**

Deposits include due and accrued interest receivables.

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

	31 December 2020	31 December 2019
Reinsurance premium receivables – domestic	4,993,203	15,574,288
Reinsurance premium receivables – foreign	497,902	512,273
Receivables for claims recovered from reinsurer	397,827	100,223
Bad and doubtful receivables	112,270	117,261
Less: Impairment allowance	(112,270)	(117,261)
	5,888,932	**16,186,784**

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

	2020	2019
Balance at beginning of the year	**117,261**	**118,069**
Increase (Notes 5 and 10)	148,624	3,191
Collected impaired receivables (Note 8)	(153,615)	(3,999)
Balance at the end of the year	**112,270**	**117,261**

The impairment of 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 structure of receivables:

	31 December 2020	31 December 2019
Undue	5,883,141	16,126,157
1 – 90 days	5,791	60,627
91 – 180 days	-	-
181 – 360 days	-	-
Over 36 days	-	-
	5,888,932	**16,186,784**

21. OTHER RECEIVABLES

	31 December 2020	31 December 2019
Commission and brokerage receivables	31,273	20,536
Other receivables	1,584	14,715
Bad and doubtful receivables	397,257	386,181
Less: Allowance for impairment of other receivables	(397,257)	(386,181)
	32,857	**35,251**

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

	2020	2019
Balance at the beginning of the year	**386,181**	**385,732**
Increase (Note 10)	13,721	449
Collected impaired receivables (Note 8)	(2,645)	-
Balance at the end of the year	**397,257**	**386,181**

22. OTHER ASSETS

	31 December 2020	31 December 2019
Prepaid insurance expenses	9,304	9,275
Other prepaid expenses	4,144	3,669
	13,448	**12,944**

23. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash with domestic banks – KM accounts	7,370,365	6,619,055
Cash with domestic banks – foreign currency accounts	482,122	194,298
Cash on hand	1,738	1,299
Cash with foreign banks – foreign currency accounts	246	246
	7,854,471	**6,814,898**

24. SHARE CAPITAL

	31 December 2020	31 December 2019
18,645 ordinary shares of par value KM 340 each (2019: 18,645 shares of per value KM 340 each)	6,339,300	6,339,300
	6,339,300	**6,339,300**

Ownership of ordinary shares is as follows:

	31 December 2020 % share	31 December 2020 Share amount	31 December 2019 % share	31 December 2019 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
Adriatic 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	10.73	680,000	10.73	680,000
Private persons	34.25	2,170,900	34.25	2,170,900
	100.00	**6,339,300**	**100.00**	**6,339,300**

25. REINSURANCE PREMIUM AND CLAIMS PAYABLE

	31 December 2020	31 December 2019
Reinsurance premium payables	4,099,752	7,480,202
Claims payable, domestic	1,485,946	6,993,652
Claims payable, foreign	8,170	30,405
	5,593,868	**14,504,259**

26. REINSURANCE ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Gross		
Provision for unearned premium	23,843,031	19,950,090
Provision for claims reported but not settled	37,613,974	35,862,122
Provision for claims incurred but not reported and reactivated	58,398,077	50,727,906
Provision for bonuses, discounts and premiums	(567,288)	(789,052)
Total insurance liabilities, gross	**119,287,794**	**105,751,066**
Covered by reinsurers		
Provision for unearned premium	(11,187,304)	(8,001,451)
Provision for claims reported but not settled	(29,173,908)	(27,958,463)
Provision for claims incurred but not reported and reactivated	(49,585,113)	(43,113,655)
Provision for bonuses, discounts and premiums	75,767	89,295
Total insurance assets, gross	**(89,870,558)**	**(78,984,274)**
Provision for unearned premium	12,655,727	11,948,639
Provision for claims reported but not settled	8,440,066	7,903,659
Provision for claims incurred but not reported and reactivated	8,812,964	7,614,251
Provision of bonuses, discounts and premiums	(491,521)	(699,757)
Total insurance liabilities, net	**29,417,236**	**26,766,792**

27. OTHER LIABILITIES

	31 December 2020	31 December 2019
Employee payables	80,952	80,952
Income tax payables	37,864	-
Liabilities toward suppliers	14,868	11,210
Liabilities based on commissions	5,142	3,090,611
Liabilities for VAT	3,698	3,718
Advances received	-	8,260
Other liabilities	17,559	15,862
	160,083	**3,210,613**

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.

28. 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 equity share. 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	
	2020	**2019**	**2020**	**2019**
Triglav osiguranje d.d. Sarajevo	14,248,123	10,605,317	10,013,689	8,198,512
Sarajevo osiguranje d.d. Sarajevo	9,290,414	8,481,117	8,588,303	8,143,075
ASA osiguranje d.d. Sarajevo	7,995,686	6,435,087	6,118,028	5,101,613
Adriatic osiguranje d.d. Sarajevo	1,266,090	1,382,297	788,737	929,293
Euroherc osiguranje d.d. Sarajevo	1,032,781	951,445	730,482	508,066
	33,833,094	**27,855,263**	**26,239,239**	**22,880,559**

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

	Receivables		Liabilities	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Triglav osiguranje d.d Sarajevo	895,418	3,812,999	1,004,461	3,008,667
Sarajevo osiguranje d.d. Sarajevo	242,319	1,863,414	-	1,621,677
ASA osiguranje d.d. Sarajevo	80,848	1,332,957	72,462	1,364,601
Adriatic osiguranje d.d. Sarajevo	291,316	530,749	890	251,239
Euroherc osiguranje d.d. Sarajevo	17,466	102,124	43,062	83,079
	1,527,367	**7,642,243**	**1,120,875**	**6,329,263**

Management remuneration

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

	2020	**2019**
Management	516,709	536,876
Supervisory Board	68,900	68,900
	585,609	**605,776**

29. 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 obligatory or facultative reinsurance contracts, proportional or unproportional 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.

The Company pays attention to diversification of retrocessionists and geographical dispersion for prevention of risk concentration and credit risk related to insurance risk.

The Company has not been exposed to potentially numerous claims arising from liability for the use of asbestos; exclusion of asbestos is one of the standard reinsurance contract exclusion. Liability reinsurance (with the exception of MTPL) and life insurance policies constitute a marginal portion of the Company's total operations, due to the low volume of such reinsurance on the Company's market.

The main businesses include: personal accident reinsurance, property reinsurance, motor third party liability – both within the country and "green card" reinsurance – and motor hull reinsurance.

The Company transfers excess of risk to other reinsurance companies. For particular class of insurance the maximum risk exposure is limited by retention protection excess of loss contracts.

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

	31 December 2020	31 December 2019
Financial assets		
Loans and receivables (including cash and cash equivalents)	51,064,051	56,776,230
Financial assets available-for-sale	3,250,354	2,853,861
Financial assets held-to-maturity	2,401,306	4,752,233
	56,715,711	**64,382,324**
Financial liabilities		
At amortised cost	5,753,951	17,714,872
	5,753,951	**17,714,872**

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 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.

30.3 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.

30.4 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:

(amounts in KM)	Assets		Liabilities	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
EUR	38,686,450	34,555,144	4,107,933	7,510,618
USD	1,083	350	-	-

30.4.1 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 KM 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 KM strengthens 10% against the relevant currency. For a 10% weakening of KM 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	
	2020	**2019**
Effects of change in EUR rate	3,457,852	3,458,556
Effects of change in USD rate	108	1,519

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Foreign currency risk management (continued)

30.4.1 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 ("KM") 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.

30.5 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 30.7.

30.5.1 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 2020 would increase / decrease by KM 186,439 (2019: KM 187,468).

30.6 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 statements (Note 30.1) decreased by impairment losses.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 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.

30.7.1 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 2020							
Non-interest bearing	-	13,776,260	-	3,250,354	-	-	17,026,614
Fixed interest rate instruments	1.67%	-	11,718,804	5,632,266	19,927,093	-	37,278,163
		13,776,260	**11,718,804**	**8,882,620**	**19,927,093**	**-**	**54,304,777**
31 December 2019							
Non-interest bearing	-	23,040,008	-	2,853,861	-	-	25,893,869
Fixed interest rate instruments	1.64%	-	2,297,473	1,218,090	30,212,600	-	33,728,163
		23,040,008	**2,297,473**	**4,071,951**	**30,212,600**	**-**	**59,622,032**

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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Liquidity risk management (continued)

30.7.1 Liquidity and interest risk tables (continued)

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 2020							
Non-interest bearing	-	11.347.818	-	-	-	-	11.347.818
TOTAL		**11.347.818**	**-**	**-**	**-**	**-**	**11.347.818**
31 December 2019							
Non-interest bearing	-	17,714,872	-	-	-	-	17,714,872
TOTAL		**17,714,872**	**-**	**-**	**-**	**-**	**17,714,872**

31. FAIR VALUE MEASUREMENT

31.1 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 2020	31 December 2019		
Financial assets at fair value through profit and loss (see Note 16)	Listed equity securities on stock exchanges in Bosnia and Herzegovina: • Adriatic osiguranje d.d., Sarajevo – KM 1,653,600 • Sarajevo osiguranje d.d., Sarajevo – KM 1,078,272 • Union banka d.d., Sarajevo – KM 71,071 • Privredna banka Sarajevo d.d., Sarajevo – KM 1,417 Freely Transferable Securities: - Listed equity securities on stock exchanges in other countries: • Sava reosiguranje d.d., Ljubljana, Slovenia – KM 18,091 • Osiguritelna Polisa, Skoplje, Macedonia – KM 423,634	Listed equity securities on stock exchanges in Bosnia and Herzegovina: • Adriatic osiguranje d.d., Sarajevo – KM 1,277,406 • Sarajevo osiguranje d.d., Sarajevo – KM 985,945 • Union banka d.d., Sarajevo – KM 142,141 • Privredna banka Sarajevo d.d., Sarajevo – KM 1,426 Freely Transferable Securities: - Listed equity securities on stock exchanges in other countries: • Sava reosiguranje d.d., Ljubljana, Slovenia – KM 17,603 • Osiguritelna Polisa, Skoplje, Macedonia – KM 425,071	Level 1	Quoted bid prices in an active market.
	Listed equity securities not quoted on stock exchanges in other countries: • Conny d.o.o., Beograd, Serbia – KM 4,269	Listed equity securities not quoted on stock exchanges in other countries: • Conny d.o.o., Beograd, Serbia – KM 4,269	Level 1	Quoted bid prices in an active market.

31. FAIR VALUE MEASUREMENT (CONTINUED)

31.2 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 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- deposits	37,287,791	35,830,790	33,736,222	31,752,128

	Fair value hierarchy as at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- deposits	-	35,830,790	-	35,830,790
Total	**-**	**35,830,790**	**-**	**35,830,790**

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.

32. IMPACT OF COVID-19

The unexpected and rapid development of the COVID-19 virus epidemic in the world, as well as in Bosnia and Herzegovina, has contributed to the general decline in social and economic performance, as well as the need for rapid response of the Company's Management Board to change assumptions and estimates in 2020. The company is constantly assessing the potential impact of the COVID-19 virus pandemic on the social and economic environment, and the consequences on business activities. Based on current knowledge, the impact of the COVID-19 virus pandemic did not have a significant impact on the Company's operations in the previous period. The Company is financed from current operating activities and does not expect disturbances in current liquidity or other business indicators. At the date of the financial statements, the Company is able to meet its obligations and continues to use the going concern principle as a basis for preparing the financial statements.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 1 April 2021.

BOSNA REOSIGURANJE SARAJEVO 3 DIONIČKO DRUŠTVO

Zlatan Filipović, Director