

BOSNA REOSIGURANJE D.D.
SARAJEVO

Financial statements for the year
ended 31 December 2016
and Independent auditors' report

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

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Statement of Management's responsibility

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

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

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

Separate and consolidated financial statements set out on pages 3 to 43 were authorised by the Management on 29 March 2017 for issue to the Supervisory Board, and are signed below to signify this, on behalf of the Company, by:

Signed on behalf of Management:


Zlatan Filipović, Director



Bosna Reosiguranje d.d. Sarajevo

Zmaja od Bosne 74

71000 Sarajevo

Bosnia and Herzegovina



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

We have audited the accompanying separate financial statements of Bosna Reosiguranje d.d. (the "Company") and consolidated financial statements of Bosna Reosiguranje d.d. and its associates (the "Company and associates"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing that apply in Federation of Bosnia and Herzegovina. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate and consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Company and associates as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG B-H d.o.o. za reviziju
Registered Auditors
Zmaja od Bosne 7-7A
71000 Sarajevo
Bosnia and Herzegovina



29 March 2017

Bosna Reosiguranje d.d. Sarajevo

Statement of profit or loss

for the year ended 31 December

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

	Notes	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Reinsurance premium revenue	5	49,712,800	50,703,785	49,712,800	50,703,785
Reinsurance premium ceded to reinsurers, net	5	(25,620,537)	(24,898,324)	(25,620,537)	(24,898,324)
Net reinsurance premium revenue		24,092,263	25,805,461	24,092,263	25,805,461
Reinsurance claims and loss adjustment expenses	6	(30,600,472)	(28,807,111)	(30,600,472)	(28,807,111)
Reinsurance claims recovered from reinsurers, net	6	13,057,227	11,632,498	13,057,227	11,632,498
Net claims and loss adjustment expenses		(17,543,245)	(17,174,613)	(17,543,245)	(17,174,613)
Commission income		8,032,169	6,078,410	8,032,169	6,078,410
Commission expenses		(9,861,716)	(10,504,544)	(9,861,716)	(10,504,544)
Net commissions		(1,829,547)	(4,426,134)	(1,829,547)	(4,426,134)
Net income from insurance		4,719,471	4,204,714	4,719,471	4,204,714
Investment income	7	1,199,679	1,537,907	1,199,679	1,537,907
Other operating income	8	7,123	24,633	7,123	24,633
General and administrative expenses	9	(3,333,947)	(3,206,137)	(3,333,947)	(3,206,137)
Investment losses	10	(165,919)	(6,682)	(165,919)	(6,682)
Other expenses	11	(243,413)	(8,226)	(243,413)	(8,226)
Foreign exchange losses, net		(3,934)	(31,725)	(3,934)	(31,725)
Share of profit of associates	16	542,484	871,840	-	-
Profit before tax		2,721,544	3,386,324	2,179,060	2,514,484
Income tax expense	12	(219,495)	(394,463)	(219,495)	(394,463)
Net profit		2,502,049	2,991,861	1,959,565	2,120,021
Earnings per share	13	134.19	160.46	105.10	113.7

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

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

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

	Notes	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Net profit for the year		2,502,049	2,991,861	1,959,565	2,120,021
Other comprehensive income					
<i>Items that will not be subsequently reclassified to statement of profit or loss:</i>					
		-	-	-	-
<i>Items that will be subsequently reclassified to statement of profit or loss when specific conditions are met:</i>					
Net changes in fair value of financial assets available for sale	17	(139,677)	167,817	(139,677)	167,817
		<u>(139,677)</u>	<u>167,817</u>	<u>(139,677)</u>	<u>167,817</u>
Total comprehensive income		<u>2,362,372</u>	<u>3,159,678</u>	<u>1,819,888</u>	<u>2,287,838</u>

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

Bosna Reosiguranje d.d. Sarajevo

Statement of financial position

for the year ended 31 December

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

		Company and associates	Company and associates	Company	Company
	Notes	31 December 2016	31 December 2015	31 December 2016	31 December 2015
ASSETS					
Property, plant and equipment and intangible assets	14	4,279,485	4,390,837	4,279,485	4,390,837
Investment property	15	3,464,712	3,659,534	3,464,712	3,659,534
Investment in associates	16	16,563,997	17,630,177	3,296,535	4,633,832
Deferred acquisition costs	19	3,231,720	3,063,261	3,231,720	3,063,261
Financial assets available-for-sale	17	2,220,116	3,432,969	2,220,116	3,432,969
Financial assets held-to-maturity	18	2,397,912	1,923,975	2,397,912	1,923,975
Deposits	20	30,081,872	25,658,878	30,081,872	25,658,878
Reinsurance assets (reinsurers' share of reinsurance liabilities)	27	59,755,680	53,541,683	59,755,680	53,541,683
Reinsurance premium receivables and for claims recovered from reinsurers	21	11,138,015	16,487,679	11,138,015	16,487,679
Other receivables	22	87,252	96,819	87,252	96,819
Other assets	23	176,310	11,112	176,310	11,112
Cash and cash equivalents	24	5,165,348	3,415,108	5,165,348	3,415,108
TOTAL ASSETS		138,562,419	133,312,032	125,294,957	120,315,687
EQUITY AND LIABILITIES					
Share capital	25	6,339,300	6,577,300	6,339,300	6,577,300
Treasury shares		-	(238,000)	-	(238,000)
Share premium		-	(219,730)	-	(219,730)
Reserves		19,810,316	18,723,971	19,810,316	18,723,971
Revaluation reserves for financial assets available-for-sale		(252,862)	(257,651)	(252,862)	(257,651)
Retained earnings		16,596,960	16,202,711	3,329,498	3,206,366
		42,493,714	40,788,601	29,226,252	27,792,256
LIABILITIES					
Reinsurance liabilities	27	84,267,589	76,883,689	84,267,589	76,883,689
Reinsurance premium and claims payables	26	7,551,015	10,234,456	7,551,015	10,234,456
Deferred reinsurance commission	19	1,449,537	1,408,225	1,449,537	1,408,225
Other liabilities	28	2,321,914	3,533,143	2,321,914	3,533,143
Provisions for employee benefits		478,650	463,918	478,650	463,918
		96,068,705	92,523,431	96,068,705	92,523,431
TOTAL EQUITY AND LIABILITIES		138,562,419	133,312,032	125,294,957	120,315,687

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

Bosna Reosiguranje d.d. Sarajevo

Statement of changes in equity
for the year ended 31 December 2016

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

Company and associates

	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for properties	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2014	6,577,300	(238,000)	(219,730)	18,723,971	10,602	(575,468)	13,730,606	38,009,281
Dividend payment	-	-	-	-	-	-	(380,358)	(380,358)
Transfer of revaluations reserve to retained earnings	-	-	-	-	(10,602)	-	10,602	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	-	150,000	(150,000)	-
Net profit	-	-	-	-	-	-	2,991,861	2,991,861
Other comprehensive income	-	-	-	-	-	167,817	-	167,817
<i>Total comprehensive income</i>	-	-	-	-	-	167,817	2,991,861	3,159,678
As at 31 December 2015	6,577,300	(238,000)	(219,730)	18,723,971	-	(257,651)	16,202,711	40,788,601
Dividend payment	-	-	-	-	-	-	(380,358)	(380,358)
Transfer of treasury shares	(238,000)	238,000	-	-	-	-	-	-
Transfer of revaluations reserve to retained earnings	-	-	-	1,086,345	-	-	(1,086,345)	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	-	150,000	(150,000)	-
Transfer of share premium	-	-	219,730	-	-	-	(219,730)	-
Realized gains/(losses) from sale of financial assets available for sale	-	-	-	-	-	(5,534)	-	(5,534)
Sale of shares in associates	-	-	-	-	-	-	(271,367)	(271,367)
Net profit	-	-	-	-	-	-	2,502,049	2,502,049
Other comprehensive income	-	-	-	-	-	(139,677)	-	(139,677)
<i>Total comprehensive income</i>	-	-	-	-	-	(139,677)	2,502,049	2,362,372
As at 31 December 2016	6,339,300	-	-	19,810,316	-	(252,862)	16,596,960	42,493,714

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

Bosna Reosiguranje d.d. Sarajevo

Statement of changes in equity
for the year ended 31 December 2016

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

Company

	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for properties	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2014	6,577,300	(238,000)	(219,730)	18,723,971	10,602	(575,468)	1,606,101	25,884,776
Dividend payment	-	-	-	-	-	-	(380,358)	(380,358)
Transfer of revaluations reserve to retained earnings	-	-	-	-	(10,602)	-	10,602	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	-	150,000	(150,000)	-
Net profit	-	-	-	-	-	-	2,120,021	2,120,021
Other comprehensive income	-	-	-	-	-	167,817	-	167,817
<i>Total comprehensive income</i>	-	-	-	-	-	167,817	2,120,021	2,287,838
As at 31 December 2015	6,577,300	(238,000)	(219,730)	18,723,971	-	(257,651)	3,206,366	27,792,256
Dividend payment	-	-	-	-	-	-	(380,358)	(380,358)
Transfer of treasury shares	(238,000)	238,000	-	-	-	-	-	-
Transfer of revaluations reserve to retained earnings	-	-	-	1,086,345	-	-	(1,086,345)	-
Transfer of revaluation reserve for financial assets available-for-sale to retained earnings	-	-	-	-	-	150,000	(150,000)	-
Transfer of share premium	-	-	219,730	-	-	-	(219,730)	-
Realized gains/(losses) from sale of financial assets available for sale	-	-	-	-	-	(5,534)	-	(5,534)
Net profit	-	-	-	-	-	-	1,959,565	1,959,565
Other comprehensive income	-	-	-	-	-	(139,677)	-	(139,677)
<i>Total comprehensive income</i>	-	-	-	-	-	(139,677)	1,959,565	1,819,888
As at 31 December 2016	6,339,300	-	-	19,810,316	-	(252,862)	3,329,498	29,226,252

The accompanying notes are an integral part of these financial statements

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

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

	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Operating activities				
Profit before tax	2,721,544	3,386,324	2,179,060	2,514,484
Adjustments for:				
- depreciation and amortization	360,401	386,840	360,401	386,840
- allowance for impairment losses on other receivables	219,220	6,071	219,220	6,071
- allowance for impairment losses on premium and for claims recovered from reinsurers	482,248	2,574	482,248	2,574
- collected written off receivables	(6,232)	(21,674)	(6,232)	(21,674)
- recycling of irreversible losses on financial assets available-for-sale	102,097	-	102,097	-
- share of net result of associates	(542,484)	(871,840)	-	-
- provision for unearned premium, net	1,179,023	1,144,602	1,179,023	1,144,602
- provision for incurred but not reported claims, net	(168,572)	1,587,259	(168,572)	1,587,259
- provision for reported but not settled claims, net	235,481	(625,725)	235,481	(625,725)
- provision for bonuses, discounts and premiums, net	(76,029)	(112,708)	(76,029)	(112,708)
- deferred acquisition costs, net	(127,147)	(259,467)	(127,147)	(259,467)
- carrying value of assets held for sale reclassified to investment property	-	6,682	-	6,682
- provision for employee benefits, net	14,732	38,269	14,732	38,269
- loss / (gain) from disposal of fixed assets	(84,571)	-	(84,571)	-
- loss / (gain) from disposal of assets held for sale	-	(340,372)	-	(340,372)
- loss / (gain) from disposal of financial assets available-for-sale	(6,229)	-	(6,229)	-
- loss from disposal of shares in associates	63,822	-	63,822	-
- dividend income recognized in the statement of profit or loss	(143,900)	(98,668)	(143,900)	(98,668)
- interest income recognized in the statement of profit or loss	(739,299)	(820,060)	(739,299)	(820,060)
Operating cash flow before movements in working capital	3,484,285	3,408,107	3,484,285	3,408,107
Changes in:				
- reinsurance premium receivables and claims recovered from re-insurers	4,873,468	2,644,800	4,873,468	2,644,800
- other assets and receivables	(214,329)	53,999	(214,329)	53,999
- reinsurance premium and claims payable	(2,683,441)	(1,985,239)	(2,683,441)	(1,985,239)
- other liabilities	(1,044,118)	(160,120)	(1,044,118)	(160,120)
Cash generated from operations	4,415,835	3,961,547	4,415,835	3,961,547
Income tax paid	(547,097)	(158,818)	(547,097)	(158,818)
Net cash from operating activities	3,868,738	3,802,729	3,868,738	3,802,729
Investing activities				
Purchases of property and equipment	(116,064)	(81,281)	(116,064)	(81,281)
Proceeds from sale of investment property	144,762	872,000	144,762	872,000
Proceeds from sale of fixed assets	1,646	-	1,646	-
Proceeds from sale of financial assets available-for-sale	971,773	-	971,773	-
Proceeds from sale of shares in associates	1,273,475	-	1,273,475	-
Dividends received	143,900	98,668	143,900	98,668
Interest received	695,809	818,735	695,809	818,735
Purchase of financial assets held-to-maturity	(473,937)	(1,416,501)	(473,937)	(1,416,501)
Purchase of financial assets available-for-sale	-	(965,544)	-	(965,544)
(Increase) / decrease in deposits	(4,379,504)	3,472	(4,379,504)	3,472
Net cash used in investing activities	(1,738,140)	(670,451)	(1,738,140)	(670,451)
Financing activities				
Dividends paid	(380,358)	(380,154)	(380,358)	(380,154)
Net cash used in financing activities	(380,358)	(380,154)	(380,358)	(380,154)
Net increase in cash and cash equivalents	1,750,240	2,752,124	1,750,240	2,752,124
Cash and cash equivalents at the beginning of year	3,415,108	662,984	3,415,108	662,984
Cash and cash equivalents at the end of year	5,165,348	3,415,108	5,165,348	3,415,108

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

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
for the year ended 31 December 2016

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

1. GENERAL INFORMATION

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

As at 31 December 2016, the Company had 27 employees (2015: 27).

Management

Zlatan Filipović	Director
Hasan Delić	Executive director for finance

Supervisory Board

Ismet Hadžić	President
Husnija Kurtović	Member
Enisa Babić	Member
Midhad Salčin	Member
Dragan Milojević	Member until 8 September 2016
Jasenka Karahmet	Member from 8 September 2016

Audit Committee

Izudin Kešetović	President until 30 March 2016
Alma Kozarić	President from 30 March 2016
Midhat Terzić	Member until 8 September 2016
Suad Idrizović	Member until 30 March 2016
Edin Muhović	Member from 8 September 2016
Semiha Repak	Member from 30 March 2016

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
for the year ended 31 December 2016

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

2. ADOPTION OF NEW AND REVISED STANDARDS

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- IFRS 9 (Financial instruments) published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance of recognition and derecognition of financial instruments from IAS 39. Although the mandatory adoption of IFRS 9 is from 1 January 2018, adoption for insurance companies was postponed until the adoption of the new standards IFRS 17 Insurance Contracts which is not yet endorsed by the International Accounting Standards Board, but whose mandatory adoption is expected from 1 January 2021.
- IFRS 15 (Revenue from Contracts with Customers) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.
- Disclosure Initiative (Amendments to IAS 7)
- Deferred tax assets recognition for unrealized losses (Amendments to IAS 12)
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
- IFRS 16 Leases (early application of IFRS 16 is permitted only for companies that also apply IFRS 15)
- Sale and contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application, except for IFRS 9. Management is currently analysing the impact of IFRS 9 on the Company's financial statements.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Agriculture: Bearer plants (Amendments to IAS 16 and IAS 41);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28);
- Disclosure Initiative (Amendments to IAS 1).

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
for the year ended 31 December 2016

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

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

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

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

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
for the year ended 31 December 2016

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

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

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

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

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

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.

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.

Bosna Reosiguranje d.d. Sarajevo
Notes to financial statements
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(All amounts are expressed in BAM, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

Foreign currencies

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

Employee benefits

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

Jubilee awards

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

Retirement severance payments

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

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

Taxation

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

Current income tax

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

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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:

	2016	2015
Buildings	33.3 years (3%)	33.3 years (3%)
Equipment	4 to 6.67 years (15% to 25%)	4 to 5 years (20% to 25%)
IT equipment	3 to 5 years (20% to 33.3%)	3 years (33.3%)

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

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

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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. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

	2016	2015
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:

	2016	2015
Investment property - buildings	33.3 years (3%)	33.3 years (3%)

The Company annually evaluates the useful life of investment property.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

a) Financial assets

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

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

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

Effective interest method

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

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

Loans and receivables

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

Financial assets available-for-sale

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Financial assets available-for-sale (continued)

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

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

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

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

Held-to-maturity investments

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

Impairment of financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Impairment of financial assets (continued)

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

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

Derecognition of financial assets

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

b) Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

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

Derecognition of financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts

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

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

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

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

Written premiums

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

Unearned premiums

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

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

Provisions for claims reported but not settled

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

Provision for incurred but not reported claims

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

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

Mathematical reserve of life-insurance premium

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

Reinsurance assets and liabilities

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

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

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

Acquisition costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts (continued)

Liability adequacy test

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

Capital and reserves

Share capital

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

Reserves

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

Retained earnings

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

Revaluation reserve for properties

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

Revaluation reserve for financial assets available for sale

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

Dividends

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

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

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

During 2015 and 2016 there were no dilution effects.

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimation of uncertainty in relation to actuarial reserves

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

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

Provisions for claims reported

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

Provision for claims incurred but not reported (IBNR)

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

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

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

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

Useful lives of property and equipment, and investment property

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

Provision for claims arising from reinsurance contracts

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

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5. NET REINSURANCE PREMIUM REVENUE

	2016	2015
Reinsurance premium, domestic	44,049,163	42,856,959
Reinsurance premium, foreign	8,181,882	8,630,113
Change in the provision for unearned premium	(2,060,010)	(780,713)
Written-off premiums	(458,235)	(2,574)
Premium revenue arising from the insurance contracts issued	49,712,800	50,703,785
Reinsurance premium ceded to reinsurers	(26,501,525)	(24,534,434)
Change in the provision for unearned premium ceded to reinsurers	880,988	(363,890)
Reinsurance premium ceded to reinsurers, net	(25,620,537)	(24,898,324)
	24,092,263	25,805,461

6. REINSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2016	2015
Reinsurance claims and loss adjustment expenses, domestic	20,357,068	21,137,829
Reinsurance claims and loss adjustment expenses, foreign	4,919,514	4,977,417
Change in the provision for incurred but not reported claims	3,601,442	5,457,763
Change in the provision for reported but not settled claims	1,883,134	(2,770,419)
Change in the provision for bonuses, discounts and premiums	(160,686)	4,521
Reinsurance claims arising from the insurance contracts issued	30,600,472	28,807,111
Reinsurance claims recovered from reinsurers	(7,724,217)	(9,789,459)
Change in the provision for incurred but not reported claims	(3,770,014)	(3,870,504)
Change in the provision for reported but not settled claims	(1,647,653)	2,144,694
Change in the provision for bonuses, discounts and premiums	84,657	(117,229)
Reinsurance claims recovered from reinsurers, net	(13,057,227)	(11,632,498)
	17,543,245	17,174,613

7. INVESTMENT INCOME

	2016	2015
Interest on bank deposits	672,641	797,539
Rent income	225,680	278,807
Dividends	143,900	98,668
Interest on financial assets held to maturity	66,658	22,521
Income from sales of assets held for sale	-	340,372
Realized gains from sale of financial assets available for sale	6,229	-
Income from sale of fixed assets	84,571	-
	1,199,679	1,537,907

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8. OTHER OPERATING INCOME	2016	2015
Collected written off reinsurance premium receivables and claims recovered from reinsurers (Note 21)	6,232	14,078
Collected written off other receivables (Note 22)	-	7,596
Other	891	2,959
	7,123	24,633
9. GENERAL AND ADMINISTRATIVE EXPENSES	2016	2015
Gross salaries	1,724,229	1,582,580
Services	406,614	353,155
Depreciation (Notes 14 and 15)	360,401	386,840
Other employee benefits	238,717	244,795
Memberships	197,745	177,539
Fees to members of Supervisory Board and Audit Committee	89,658	89,658
Bank fees	74,470	80,500
Maintenance	72,347	87,905
Material and energy	63,601	68,964
Advertising and entertainment	43,692	47,958
Donations and scholarships	13,844	9,767
Provisions for other employee benefits	14,732	38,269
Insurance premiums	15,734	16,631
Taxes	16,635	21,235
Other expenses	1,528	341
	3,333,947	3,206,137
10. INVESTMENT LOSSES	2016	2015
Losses on financial assets available for sale (Note 17)	102,097	-
Losses from the sale of financial assets (Note 16)	63,822	-
Value adjustment of assets held for sale reclassified to investment properties	-	6,682
	165,919	6,682
11. OTHER EXPENSES	2016.	2015.
Impairment losses on commissions (Note 22)	219,220	6,071
Impairment losses on premiums (Note 21)	24,193	-
Other expenses	-	2,155
	243,413	8,226

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12. INCOME TAX EXPENSE

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

	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Current income tax	219,495	394,463	219,495	394,463
Income tax	219,495	394,463	219,495	394,463

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

	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Profit before income tax	2,721,544	3,386,324	2,179,060	2,514,484
Income tax expense at 10% - statutory rate	272,154	338,632	217,906	251,448
Effect of non-deductible expenses	18,606	165,490	18,606	165,490
Effect of non-assessable income	(71,265)	(109,659)	(17,017)	(22,475)
Income tax	219,495	394,463	219,495	394,463
Effective tax rate for the year	8.07%	11.65%	10.07%	15.69%

13. EARNINGS PER SHARE

	Company and associates 2016	Company and associates 2015	Company 2016	Company 2015
Net profit available to the shareholders	2,502,049	2,991,861	1,959,565	2,120,021
Average number of ordinary shares during the year	18,645	18,645	18,645	18,645
Basic earnings per share	134.19	160.46	105.10	113.70

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment and furniture	Electronic equipment	Other	Total
COST						
At 31 December 2014	95,850	5,121,687	682,394	275,025	631,023	6,805,979
Additions	-	-	2,257	70,603	12,057	84,917
Disposals and sale	-	-	(170,585)	(55,800)	-	(226,385)
At 31 December 2015	95,850	5,121,687	514,066	289,828	643,080	6,664,511
Additions	-	-	4,589	91,564	19,911	116,064
Disposals and sale	-	-	(20,086)	-	-	(20,086)
At 31 December 2016	95,850	5,121,687	498,569	381,392	662,991	6,760,489
ACCUMULATED DEPRECIATION						
At 31 December 2014	-	864,284	537,307	258,600	600,824	2,261,015
Depreciation	-	153,651	44,702	25,920	11,210	235,483
Disposals and sale	-	-	(167,024)	(55,800)	-	(222,824)
At 31 December 2015	-	1,017,935	414,985	228,720	612,034	2,273,674
Depreciation	-	153,651	33,506	27,619	12,640	227,416
Disposals and sale	-	-	(20,086)	-	-	(20,086)
At 31 December 2016	-	1,171,586	428,405	256,339	624,674	2,481,004
CARRYING VALUE						
At 31 December 2016	95,850	3,950,101	70,164	125,053	38,317	4,279,485
At 31 December 2015	95,850	4,103,752	99,081	61,108	31,046	4,390,837

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15. INVESTMENT PROPERTY

	Land	Buildings	Total
COST			
At 31 December 2014	81,650	5,702,955	5,784,605
Transfer from the assets held for sale	-	46,482	46,482
Disposals and sale	-	(1,199,390)	(1,199,390)
At 31 December 2015	81,650	4,550,047	4,631,697
Disposals and sale	-	(140,647)	(140,647)
At 31 December 2016	81,650	4,409,400	4,491,050
ACCUMULATED DEPRECIATION			
Balance as of 31 December 2014	-	1,464,520	1,464,520
Depreciation	-	151,357	151,357
Transfer from Assets held for sale	-	25,531	25,531
Disposals and sale	-	(669,245)	(669,245)
Balance as of 31 December 2015	-	972,163	972,163
Depreciation	-	132,985	132,985
Disposals and sale	-	(78,810)	(78,810)
Balance as of 31 December 2016	-	1,026,338	1,026,338
CARRYING VALUE			
At 31 December 2016	81,650	3,383,062	3,464,712
At 31 December 2015	81,650	3,577,884	3,659,534

In March 2016, the Company has sold offices located in Mis Irbina street no. 5, Sarajevo.

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

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16. INVESTMENTS IN ASSOCIATES

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

Company name	Business	Voting Interest % 31 December 2016	Company and associates 31 December 2016	Company and associates 31 December 2015	Company 31 December 2016	Company 31 December 2015
Triglav osiguranje d.d. Sarajevo	Insurance	29.06	12,905,670	12,740,153	1,418,006	1,418,006
Sarajevostan d.d. Sarajevo	Housing service	-	-	1,576,785	-	1,337,297
DUF Prof-in d.o.o. Sarajevo	Asset management company	35.39	2,221,146	2,013,309	678,529	678,529
ASA osiguranje d.d. Sarajevo	Insurance	20.00	1,437,181	1,299,930	1,200,000	1,200,000
			16,563,997	17,630,177	3,296,535	4,633,832

Reporting period date for all associates is 31 December.

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

	31 December 2016	31 December 2015
Total revenue	55,911,613	51,160,370
Result for the period	1,954,815	2,821,391
Share in profit of associates	542,484	871,840
Total assets	127,193,310	125,869,348
Total liabilities	(70,416,343)	(64,602,811)
Net assets	56,776,967	61,266,537
Share of net assets of associates	16,563,997	17,630,177

Movement in investments in associates can be presented as follows:

	Company and associates at equity method 2016	Company and associates 2015	Company at cost 2016	Company 2015
Balance at the beginning of the year	17,630,177	16,758,337	4,633,832	4,633,832
Share of net results of associates	542,484	871,840	-	-
Sale of shares during the year	(1,608,664)	-	(1,337,297)	-
Balance at the end of the year	16,563,997	17,630,177	3,296,535	4,633,832

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16. INVESTMENT IN ASSOCIATES (CONTINUED)

In July 2016, the Company has sold its 22.19% share in Sarajevostan d.d. Sarajevo, which comprised 13,405 ordinary shares of Sarajevostan d.d. Sarajevo, at the price of BAM 95 per share. The total sale price was BAM 1,273,475. The sale price of shares was BAM 63,822 less than their book value, and the difference was recorded as a loss from sale of financial assets.

17. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Available for sale	Principal activity	Proportion of ownership interest (%)	31 December 2016	31 December 2016	31 December 2015
Raiffeisen CASH	Open-ended investment fund	-	-	-	971,079
Bosna Sunce osiguranje d.d., Sarajevo	Insurance	5.20	702,780		826,800
ZIF Prof plus d.d., Sarajevo	Investment fund	2.52	548,770		650,867
Osiguratelna Polisa, Skopje, Macedonia	Insurance	4.44	425,077		424,355
Sarajevo osiguranje d.d., Sarajevo	Insurance	1.45	424,570		424,570
Union banka d.d., Sarajevo	Banking	0.62	100,025		114,450
Sava reosiguranje d.d., Ljubljana, Slovenia d.d., Sarajevo	Reinsurance	0.001	12,928		12,664
Privredna banka Sarajevo d.d. Sarajevo	Banking	0.022	1,697		3,915
Conny d.o.o., Belgrade, Serbia	Trading	43.00	4,269		4,269
			2,220,116	3,432,969	

Movements in the fair value of shares were as follows:

	2016	2015
Balance at beginning of the year	3,432,969	2,299,607
Fair value gain	(139,677)	167,817
Impairment allowance (Note 10)	(102,097)	-
(Sales)/Investments during the year	(971,079)	965,545
Balance at end of the year	2,220,116	3,432,969

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18. FINANCIAL ASSETS HELD-TO-MATURITY

	31 December 2016	31 December 2015
The Federation of Bosnia and Herzegovina ("FB&H")	<u>2,397,912</u>	<u>1,923,975</u>

In 2013 the Company has bought 500 bonds issued by the Ministry of Finance of FB&H, with nominal value of 500 thousands BAM. Those bonds bear annual interest of 4.55%; maturity date is 24 December 2016. In 2015 Company has bought 1,400 bonds issued by the Ministry of Finance of FB&H, with nominal value of BAM 1,400,000. Those bonds bought in 2015 bear annual interest of 3.9%; the maturity date is 27 November 2022. In 2016 the Company has bought 1,000 bonds issued by the Ministry of Finance of FB&H, with nominal value of BAM 1,000,000. Bonds bought in 2016 bear annual interest in the range of 3.6% to 3.95%, with the maturity date of 21 December 2021.

19. DEFERRED ACQUISITION COSTS, NET

	31 December 2016	31 December 2015
Deferred acquisition costs	3,231,720	3,063,261
Deferred reinsurance commission	<u>(1,449,537)</u>	<u>(1,408,225)</u>
	<u>1,782,183</u>	<u>1,655,036</u>

20. DEPOSITS

	31 December 2016	31 December 2015
NLB Banka d.d. Tuzla, 7 deposits due in the period from 24 April 2017 to 18 June 2019, bearing interest within the range from 2% to 3.42% p.a.	6,490,946	4,665,828
Ziraat Bank BH d.d. Sarajevo, 6 deposits due in the period from 22 April 2017 to 9 December 2018, bearing interest within the range from 2.20% to 3% p.a.	3,737,432	3,736,036
Intesa Sanpaolo Bank d.d. Bosnia and Herzegovina, 7 deposits due in the period from 12 August 2017 to 17 April 2019, bearing interest with the range from 1.61% to 2.30% p.a.	5,749,085	3,949,524
UniCredit Bank d.d. Mostar, 4 deposits due in the period from 25 April 2017 to 16 November 2018, bearing interest within the range from 2.00% to 2.20% p.a.	2,218,663	3,392,160
Raiffeisen Bank d.d. Sarajevo, 5 deposits due in the period from 8 February 2017 to 21 July 2019, bearing interest within the range from 1.7% to 2.02% p.a.	4,046,057	2,870,708
Bosna Bank International d.d. Sarajevo, 4 deposits due in the period from 24 April 2017 to 18 April 2019, bearing interest within the range from 1.40% to 2.25% p.a.	2,762,163	2,562,137
Sparkasse Bank d.d. Sarajevo, 3 deposits due in the period from 6 February 2017 to 5 June 2017, bearing interest within the range from 1.95% to 2.10% p.a.	1,367,526	1,955,318
Sberbank BH d.d. Sarajevo, 6 deposits due in the period from 6 February 2017 to 29 January 2018, bearing interest within the range from 2.23% to 3.20% p.a.	<u>3,710,000</u>	<u>2,527,167</u>
	<u>30,081,872</u>	<u>25,658,878</u>

Deposits include due and accrued interest receivables.

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

	31 December 2016	31 December 2015
Reinsurance premium receivables – domestic	10,120,142	14,347,978
Receivables for claims recovered from reinsurer	396,747	1,436,119
Reinsurance premium receivables – foreign	621,126	703,582
Bad and doubtful receivables	597,421	121,225
Less: Impairment allowance	<u>(597,421)</u>	<u>(121,225)</u>
	<u>11,138,015</u>	<u>16,487,679</u>

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

	2016	2015
Balance at beginning of the year	121,225	132,729
Increase (Note 5)	458,235	2,574
Increase (Note 11)	24,193	-
Collected written off receivables (Note 8)	<u>(6,232)</u>	<u>(14,078)</u>
Balance at the end of the year	<u>597,421</u>	<u>121,225</u>

Interest on receivables from customers is not calculated. Before accepting any new customer, the Company uses an internal credit assessment of the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further allowance for credit losses required in excess of the allowance for doubtful debts.

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

Aging of receivables

	31 December 2016	31 December 2015
Undue	7,934,202	9,967,948
1 – 90 days	3,013,210	6,513,110
91 – 180 days	56,787	879
181 – 360 days	133,816	5,742
over 360 days	<u>-</u>	<u>-</u>
	<u>11,138,015</u>	<u>16,487,679</u>

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22. OTHER RECEIVABLES

	31 December 2016	31 December 2015
Commission receivables	84,800	94,015
Other receivables	2,452	2,804
Bad and doubtful receivables	219,220	-
Less: Allowance for impairment of other receivables	(219,220)	-
	87,252	96,819

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

	2016	2015
Balance at the beginning of the year	-	1,525
Increase in allowance (Note 11)	219,220	6,071
Collected written off receivables (Note 8)	-	(7,596)
Balance at the end of the year	219,220	-

23. OTHER ASSETS

	31 December 2016	31 December 2015
Prepaid income tax	160,522	-
Prepaid insurance expenses	11,146	7,237
Other prepaid expenses	4,642	2,325
Advances paid	-	1,550
	176,310	11,112

24. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash with domestic banks - BAM accounts	3,007,869	2,712,737
Cash with domestic banks - foreign currency accounts	2,156,454	700,706
Cash on hand	780	1,420
Cash with foreign banks - foreign currency accounts	245	245
Less: Allowance for impairment	-	-
	5,165,348	3,415,108

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25. SHARE CAPITAL

	31 December 2016	31 December 2015
18,645 ordinary shares of par value BAM 340 each (2015: 19,345 shares of per value BAM 340 each)	<u>6,339,300</u>	<u>6,577,300</u>

The Assembly of Bosna Reosiguranje d.d. at an extraordinary meeting held on 15 February 2016, adopted the decision to withdraw 700 treasury shares and reduce the Company's equity accordingly, due to inability to sell the shares within the legally defined timeframe. Before this decision was adopted, the share capital amounted to BAM 6,577,300, and was decreased by BAM 238,000, which is the nominal value of 700 treasury shares. After the withdrawal of treasury shares the value of the Company's share capital amounts to BAM 6,339,300.

Ownership of ordinary shares is as follows:

	31 December 2016 % share	Share amount	31 December 2015 % share	Share amount
Triglav osiguranje d.d. Sarajevo	13.65	865,300	13.16	865,300
Sarajevo osiguranje d.d. Sarajevo	12.74	807,500	12.28	807,500
Euroherc osiguranje d.d. Zagreb, Croatia	10.97	695,300	10.57	695,300
Bosna Sunce osiguranje d.d. Sarajevo	8.55	542,300	8.24	542,300
Union banka d.d. Sarajevo	5.87	372,300	5.66	372,300
UniCredit Bank d.d. Mostar	3.19	202,300	3.08	202,300
Intesa SanPaolo Banka d.d. Bosna i Hercegovina	0.05	3,400	0.05	3,400
Other legal entities	11.03	699,040	14.24	936,700
Private persons	33.95	2,151,860	32.72	2,152,200
	<u>100.00</u>	<u>6,339,300</u>	<u>100</u>	<u>6,577,300</u>

26. REINSURANCE PREMIUM AND CLAIMS PAYABLE

	31 December 2016	31 December 2015
Claims payable, domestic	4,019,741	6,554,407
Claims payable, foreign	277,143	203,950
Reinsurance premium payables	<u>3,254,131</u>	<u>3,476,099</u>
	<u>7,551,015</u>	<u>10,234,456</u>

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27. REINSURANCE ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Gross		
Provision for unearned premium	17,751,640	15,691,630
Provision for claims reported but not settled	25,902,135	24,019,001
Provision for claims incurred but not reported	40,604,815	37,003,373
Provision for bonuses, discounts and premiums	8,999	169,685
Total insurance liabilities, gross	84,267,589	76,883,689
Recoverable from reinsurers		
Provision for unearned premium	(6,454,988)	(5,574,001)
Provision for claims reported but not settled	(19,423,589)	(17,775,936)
Provision for claims incurred but not reported	(33,980,488)	(30,210,473)
Provision for bonuses, discounts and premiums	103,385	18,727
Total insurance assets, gross	(59,755,680)	(53,541,683)
Provision for unearned premium	11,296,652	10,117,629
Provision for claims reported but not settled	6,478,546	6,243,065
Provision for claims incurred but not reported	6,624,327	6,792,900
Provision of bonuses, discounts and premiums	112,384	188,412
Total insurance liabilities, net	24,511,909	23,342,006

Movements in reinsurance liabilities are shown below:

Gross	1 January 2016	Additions	Uses and releases	31 December 2016
Provision for unearned premium	15,691,630	17,751,640	(15,691,630)	17,751,640
Provision for claims reported but not settled	24,019,001	11,832,243	(9,949,109)	25,902,135
Provision for claims incurred but not reported	37,003,373	18,928,915	(15,327,473)	40,604,815
Provision for bonuses, discounts and premiums	169,685	8,999	(169,685)	8,999
Total	76,883,689	48,521,797	(41,137,897)	84,267,589
Recoverable from reinsurers	1 January 2016	Additions	Uses and releases	31 December 2016
Provision for unearned premium	(5,574,001)	(6,454,988)	5,574,001	(6,454,988)
Provision for claims reported but not settled	(17,775,936)	(4,508,988)	2,861,335	(19,423,589)
Provision for claims incurred but not reported	(30,210,473)	(8,632,897)	4,862,882	(33,980,488)
Provision for bonuses, discounts and premiums	18,727	103,385	(18,727)	103,385
Total	(53,541,683)	(19,493,488)	13,279,491	(59,755,680)

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28. OTHER LIABILITIES

	31 December 2016	31 December 2015
Liabilities based on commissions	1,972,845	2,972,303
Employee payables	316,162	311,704
Liabilities toward suppliers	13,655	17,537
Liabilities for VAT	3,756	4,276
Liabilities for income tax	-	167,080
Liabilities for withholding tax	-	45,031
Advances received	-	652
Other	15,496	14,560
	2,321,914	3,533,143

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

29. RELATED PARTY TRANSACTIONS

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

	Income		Expenses	
	2016	2015	2016	2015
Triglav osiguranje d.d. Sarajevo	7,517,588	7,100,275	4,462,844	7,233,793
ASA osiguranje d.d. Sarajevo	3,613,144	1,644,448	2,469,552	2,563,232
Sarajevo osiguranje d.d. Sarajevo	7,135,398	10,088,322	7,273,156	11,241,306
Bosna Sunce osiguranje d.d. Sarajevo	659,348	412,620	331,299	816,306
UniCredit Bank d.d. Mostar	50,316	105,364	2,287	8,686
Intesa SanPaolo Banka d.d. Bosna i Hercegovina	90,671	117,616	4,389	6,947
	19,066,456	19,468,645	14,543,527	21,870,270

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29. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Receivables		Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Triglav BH osiguranje d.d. Sarajevo	972,571	1,307,323	1,312,540	1,910,481
ASA osiguranje d.d. Sarajevo	1,238,712	904,065	1,024,344	754,041
Sarajevo osiguranje d.d. Sarajevo	418,478	5,271,265	61,647	3,717,666
Bosna Sunce osiguranje d.d. Sarajevo	132,310	182,819	55,979	85,207
Union banka d.d. Sarajevo	1,057	1,067	-	-
UniCredit Bank d.d. Mostar	2,536,448	3,490,430	-	-
Intesa SanPaolo Banka d.d. Bosna i Hercegovina	6,416,992	5,695,665	-	85,207
	11,716,568	16,852,634	2,454,510	6,467,395

Management remuneration

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

	2016	2015
Management	602,993	596,122
Supervisory Board	68,900	68,900
	671,893	665,022

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30. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

Insurance risks

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

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

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

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

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

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

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

31. FINANCIAL INSTRUMENTS

31.1. Categories of financial instruments

	31 December 2016	31 December 2015
Financial assets		
Loans and receivables (including cash and cash equivalents)	46,472,487	45,655,680
Financial assets available-for-sale	2,220,116	3,432,969
Financial assets held-to-maturity	2,397,912	1,923,975
	51,090,515	51,012,624
Financial liabilities		
At amortised cost	9,869,173	13,551,212
	9,869,173	13,551,212

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.2 Financial risk management objectives

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

31.3 Market risk

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

31.4 Foreign currency risk management

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

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

	Assets		Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
EUR	33,127,969	28,476,249	3,494,096	3,524,073
USD	96,710	98,493	37,178	151,279
GBP	-	-	3	4,699

31.4.1 Foreign currency sensitivity analysis

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

	Gain or loss	
	2016	2015
Effects of change in EUR rate	2,963,387	1,833,401
Effects of change in USD rate	5,953	128,178
Effects of change in GBP rate	-	10,288

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4 Foreign currency risk management (continued)

31.4.1 Foreign currency sensitivity analysis (continued)

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

31.5 Interest rate risk management

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

31.5.1 Interest rate sensitivity analysis

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

If interest rates had been 50 basis points (0.5%) higher/lower and all other variables were held constant, the net result of the Company for the year ended 31 December 2016 would increase / decrease by BAM 143,375 (2015: BAM 131,225).

31.6 Credit risk management

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

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

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

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

31.7 Liquidity risk management

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

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Liquidity risk management (continued)

31.7.1 Liquidity and interest risk tables

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

Maturity of non-derivative financial assets

	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2016							
Non-interest bearing		16,303,363	87,252	-	2,220,116	-	18,610,731
Fixed interest rate instruments	2.29%	1,278,792	6,085,925	2,122,396	24,325,456	-	33,812,569
		17,582,155	6,173,177	2,122,396	26,545,572	-	52,423,300
31 December 2015							
Non-interest bearing	-	19,899,983	96,819	-	3,432,969	-	23,429,771
Fixed interest rate instruments	2.80%	64,412	5,860,697	4,453,357	16,988,562	1,555,019	28,922,047
		19,964,395	5,957,516	4,453,357	20,421,531	1,555,019	52,351,818

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

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2016							
Non-interest bearing	-	9,846,947	-	22,225	-	-	9,869,172
TOTAL		9,846,947	-	22,225	-	-	9,869,172
31 December 2015							
Non-interest bearing	-	11,358,901	2,327,294	32,097	-	-	13,718,292
TOTAL		11,358,901	2,327,294	32,097	-	-	13,718,292

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32. FAIR VALUE MEASUREMENT

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

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

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2016	31 December 2015		
Financial assets at fair value through profit and loss (see Note 16)	Listed equity securities on stock exchanges in Bosnia and Herzegovina:	Listed equity securities on stock exchanges in Bosnia and Herzegovina:		
	<ul style="list-style-type: none"> Bosna Sunce osiguranje d.d., Sarajevo - BAM 702,780 Sarajevo osiguranje d.d., Sarajevo - BAM 424,570 ZIF Prof plus d.d., Sarajevo - BAM 548,770 Union banka d.d., Sarajevo - BAM 100,025 Privredna banka Sarajevo d.d., Sarajevo - BAM 1,697 	<ul style="list-style-type: none"> Bosna Sunce osiguranje d.d., Sarajevo - BAM 826,800 Sarajevo osiguranje d.d., Sarajevo - BAM 424,570 ZIF Prof plus d.d., Sarajevo - BAM 650,867 Union banka d.d., Sarajevo - BAM 114,450 Privredna banka Sarajevo d.d., Sarajevo - BAM 3,915 	Level 1	Quoted bid prices in an active market.
		Transferable securities :		
		<ul style="list-style-type: none"> Open-ended Investment fund with Public Offering Raiffeisen CASH - BAM 971,079 		
	Listed equity securities on stock exchanges in other countries:	Listed equity securities on stock exchanges in other countries:		
	<ul style="list-style-type: none"> Osiguratelna Polisa, Skoplje, Macedonia - BAM 425,077 Sava reosiguranje d.d., Ljubljana, Slovenia - BAM 12,928 	<ul style="list-style-type: none"> Osiguratelna Polisa, Skoplje, Macedonia - BAM 424,355 Sava reosiguranje d.d., Ljubljana, Slovenia - BAM 12,664 	Level 1	Quoted bid prices in an active market.
	Listed equity securities on stock exchanges in other countries:	Listed equity securities on stock exchanges in other countries:		
	<ul style="list-style-type: none"> Conny d.o.o., Beograd, Serbia - BAM 4,269 	<ul style="list-style-type: none"> Conny d.o.o., Belgrade, Serbia - BAM 4,269 	Level 2	Discounted cash flow, by considering the last available rate on owned or similar equity securities as yield rate

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

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32. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
<i>Loans and receivables:</i>				
- deposits	30,081,872	29,223,913	25,658,878	24,813,480

	Fair value hierarchy as at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Loans and receivables:</i>				
- deposits	-	29,244,584	-	29,244,583
Total	-	29,244,584	-	29,244,584

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

33. EVENTS AFTER THE REPORTING DATE

During January 2017, the company has sold 4,693 preference shares and 7,384 ordinary shares of Triglav Osiguranje dd Sarajevo, in accordance with an earlier decision of the shareholders Assembly of the Company, at a price of BAM 1,105.50 per share or 5.5275 more compared to the nominal value. The total amount of the transaction is BAM 13,351,124, and realized gains on sale of these financial assets amounted to BAM 11,933,118.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 29 March 2017.

Zlatan Filipović, Director

