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TRANSLATION

# Independent Auditor's Report

## To the Shareholders of Dunav - Re a.d.o. Beograd

### Opinion

We have audited the accompanying financial statements of Dunav - Re a.d.o. Beograd (the "Company"), which comprise:

— the balance sheet as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the income statement;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the cash flow statement;

and

- notes, comprising a summary of significant accounting policies and other explanatory information

(the "financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia and other relevant laws and by-laws which regulate financial reporting of insurance companies in Republic of Serbia.

### Basis for Opinion

We conducted our audit in accordance with the Law on Auditing and the Law on Accounting of the Republic of Serbia, the Decision on the content of reports on the audit of financial statements of an insurance company and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for

Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key

audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon we have summarized our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matter:

#### Valuation of incurred but not reported claims (IBNR provisions)

As of 31 December 2020, the Company's technical reserves amounted to RSD 5,626,412 thousand. Of the total technical reserves, the outstanding claim reserves amounted to RSD 4,286,789 thousand (Notes 10.3). The major part of outstanding claim reserves relates to incurred but not reported claims and to reported but not settled claims. Within total outstanding claim reserves, incurred but not reported claims amounted to RSD 848,343 thousand.

For information on accounting and valuation policies used please refer to Note 3.5 (Summary of significant accounting policies - technical reserves) and for details about estimates and assumptions used please refer to Note 2.4.b) (Use of Estimates and Key Accounting Estimates and Judgments). Further information about line item in the financial statements can be found in Note 10.3 (Outstanding claims) and 27.4 (Disclosures Regarding Insurance Contracts).

<i>Key audit matter</i>	<i>Our response</i>
<p>The Company estimates incurred but not reported claims based on historical claims experience, adjusted for current developments in claims-related factors. In the estimation process variety of methods can be used, often generally accepted actuarial valuation methods have to be adjusted to particular circumstances, and those adjustments also include high level of judgment. In the estimation of incurred but not reported claims the Company uses data related to number and amount of already incurred and reported claims, average cost per claim request as well as claim frequency.</p>	<p>Our procedures performed, with the assistance from our own actuaries, included the following:</p> <ul style="list-style-type: none"> <li>— Tests of design, implementation and operating effectiveness of identified key controls;</li> <li>— Evaluation of whether key information used for developing incurred but not reported claims assumptions is appropriate (such as date of claim occurrence, date of claim reporting, date of claim settlement and claim amount paid), by tracing them to the underlying the Company evidence;</li> </ul>

The key assumptions used include assessment of adequacy of past trends for future claim development patterns and their final settlement.

Due to the above factors, we considered valuation of incurred but not reported claims as a key audit matter.

- Independent re-calculation of incurred but not reported claims for a sample of segments based on our assessment of risk considerations and comparison with the Company's calculations;
- Reassessment of key assumptions used for calculation of incurred but not reported claims. Among other things, we especially assessed whether development factors used by the Company are appropriate, based on our analysis of development factors in the past;
- Evaluation of adequacy of incurred but not reported claims recognized in the past, through comparison of historical estimates with actual settled claims ("run off test");
- Evaluation of the completeness and adequacy the disclosures in the notes to the financial statements against the relevant requirements of the applicable financial reporting framework.

#### Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an

unqualified opinion on those financial statements on 19 March 2020.

#### Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2020.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based solely on the work required to be undertaken in the course of the audit of the

financial statements, in our opinion the information given in the Annual Business Report for the financial year for which the financial statements are prepared, in all material respects:

- is consistent with the financial statements and
- has been prepared in accordance with the applicable legal requirements and by-laws issued by the National Bank of Serbia.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we are required to report if we identify material misstatements in the Annual Business Report and to give an indication of the nature of any of such misstatements. We have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting regulations effective in the Republic of Serbia and other relevant laws and by-laws which regulate financial reporting of insurance companies in Republic of Serbia, 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.

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Auditing of the Republic of Serbia, the Decision on the content of reports on the audit of financial statements of an insurance company and applicable auditing standards in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on the content of reports on the audit of financial statements of an insurance company and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to

the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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## KPMG d.o.o. Beograd

### *Signed on the Serbian original*

Nikola Đenić  
Key Audit Partner  
Licensed Certified Auditor

Belgrade, 22 March 2021

*This is a translation of the original Independent Auditor's Report issued in the Serbian language.  
All due care has been taken to produce a translation that is as faithful as possible to the original.  
However, if any questions arise related to interpretation of the information  
contained in the translation, the Serbian version of the document shall prevail.  
We assume no responsibility for the correctness of the translation of the Company's financial statements.*

## KPMG d.o.o. Beograd

  
Nikola Đenić  
Key Audit Partner  
Licensed Certified Auditor



Belgrade, 22 March 2021

**TRANSLATION****Dunav - Re a.d.o. Beograd**  
Financial Statements**INCOME STATEMENT**  
Year Ended December 31 2020

(Thousands of RSD)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>OPERATING (FUNCTIONAL) INCOME</b>	<b>13</b>	<b><u>1,701,922</u></b>	<b><u>974,696</u></b>
Written reinsurance and retrocession premiums	13.1	5,919,145	4,785,880
Premiums transferred through retrocession of reinsurance and retrocession	13.1	(3,994,260)	(3,362,433)
Increase in unearned premium reserves and reserves for unexpired risks	13.1	(222,963)	(448,751)
<b>OPERATING (FUNCTIONAL) EXPENSES</b>	<b>14</b>	<b><u>(924,862)</u></b>	<b><u>(604,473)</u></b>
Expenses for long-term provisions and functional contributions	14	(2,054)	(837)
Expenses for settlement of claims and contractual amounts	14.1	(521,122)	(518,614)
Increase in outstanding claims	14.2	(408,825)	(89,559)
Recourse revenues and revenues from sales of damaged assets insured		5,820	7,118
Increase in other technical reserves, net		(2,755)	(2,581)
Decrease in other technical reserves, net		4,074	-
<b>OPERATING PROFIT- GROSS OPERATING RESULT</b>		<b><u>777,060</u></b>	<b><u>370,223</u></b>
Income from investment of insurance assets	15.1	73,281	104,229
Expenses from investment of insurance assets	15.2	(12,874)	(21,097)
<b>PROFIT FROM INVESTING ACTIVITIES</b>		<b><u>60,407</u></b>	<b><u>83,132</u></b>
<b>INSURANCE ADMINISTRATION (UNDERWRITING) EXPENSES</b>	<b>16</b>	<b><u>(373,300)</u></b>	<b><u>(219,529)</u></b>
<i>Policy acquisition costs:</i>		<i>(756,929)</i>	<i>(543,175)</i>
Fees and commissions		(697,431)	(481,100)
Other acquisition costs		(59,498)	(62,075)
<i>Management costs:</i>		<i>(134,697)</i>	<i>(120,405)</i>
Amortization		(10,951)	(9,923)
Cost of materials, energy, services and non-material costs		(27,335)	(23,763)
Staff costs		(65,799)	(63,058)
Other management costs		(30,612)	(23,661)
Other insurance administration (underwriting) expenses		(9,248)	(9,341)
Reinsurance and retrocession commissions		527,574	453,392
<b>OPERATING PROFIT- NET OPERATING RESULT</b>		<b><u>464,167</u></b>	<b><u>233,826</u></b>
Finance income	17	43,580	31,590
Finance expenses	18	(60,167)	(29,220)
Gains on value adjustment of receivables and other assets	20	81,110	75,639
Losses from impairment of receivables and other assets	21	(121,488)	(83,066)
Other income	19	7,159	1,991
Other expenses	19	(522)	(1,752)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES</b>		<b><u>413,839</u></b>	<b><u>229,008</u></b>
Prior years' error adjustment		(807)	(492)
<b>PROFIT BEFORE TAXES</b>		<b><u>413,032</u></b>	<b><u>228,516</u></b>
<b>Income taxes:</b>			
Current income tax expense	22	(31,108)	(29,734)
Gains from created deferred tax assets and decrease in deferred tax liabilities	22	5,146	6,107
<b>NET PROFIT FOR THE YEAR</b>		<b><u>387,070</u></b>	<b><u>204,889</u></b>
Basic earnings per share (in RSD)	26	4,555	2,411

Belgrade, 22 March 2021

Place for seal

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Zorana Pejčić  
President of Executive Board

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Tatjana Komnениć  
Executive Board Member

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

**TRANSLATION****Dunav - Re a.d.o. Beograd**  
*Financial Statements***STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**Year Ended December 31 2020**

(Thousands of RSD)

	<u>2020</u>	<u>2019</u>
<b><i>Net operating result for the year</i></b>		
Profit for the year	<u>387,070</u>	<u>204,889</u>
<b><i>Components of other comprehensive income that may be subsequently reclassified to profit or loss</i></b>		
(Losses)/gains on securities available for sale	(6,600)	8,994
<b>Other (negative)/positive comprehensive income, gross</b>	<u>(6,600)</u>	<u>8,994</u>
<b>TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR, NET</b>	<u>380,470</u>	<u>195,895</u>

Belgrade, 22 March 2021

*Place for seal*

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**Zorana Pejčić**  
*President of Executive Board*

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**Tatjana Komnenić**  
*Executive Board Member*

**TRANSLATION***Dunav - Re a.d.o. Beograd*  
*Financial Statements***BALANCE SHEET****As of December 31, 2020**  
**(Thousands of RSD)**

	Note	December 31 2020	December 31 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
	<b>4</b>	<b>93,788</b>	<b>280,561</b>
Intangible assets, software and other rights	4.1	3,188	9,733
Property, Plant and Equipment	4.1	15,313	17,568
Long-term financial investments	4.2	75,287	253,260
<b>Current assets</b>			
		<b>9,354,133</b>	<b>5,754,673</b>
Inventories	5.1	1,072	463
Trade receivables		1,072,287	1,088,125
Receivables for prepaid income taxes	5.2	12,859	9,859
Financial investments	6	2,476,521	1,985,231
Cash and cash equivalents	7.1	771,517	454,658
Prepayments		55,470	14,630
Technical reserves borne by the coinsurers, reinsurers and retrocessionaires	7.2	4,334,407	2,192,707
<b>Total assets</b>		<b>9,447,921</b>	<b>6,026,234</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	<b>8</b>	<b>2,004,662</b>	<b>1,737,240</b>
Issued (share) capital	8.1	729,747	729,747
State and socially owned capital		35,055	35,055
Other capital		3,444	3,444
Reserves	8.2	211,756	211,756
Unrealized gains	8.3	18,516	26,928
Unrealized losses	8.3	(778)	(2,590)
Retained earnings		1,006,922	732,900
<b>Non-current provisions</b>			
	<b>9.1</b>	<b>56,481</b>	<b>46,779</b>
<b>Non-current liabilities</b>			
		200	
<b>Deferred tax liabilities</b>			
		561	2,839
<b>Current liabilities</b>			
	<b>9.2</b>	<b>1,616,518</b>	<b>1,011,428</b>
Short-term financial liabilities		133	
Liabilities for settlement of claims and contractual amounts	9.2	269,260	335,406
Liabilities for premiums, salaries and other liabilities	9.2	1,347,125	676,022
<b>Accruals</b>			
	<b>10</b>	<b>1,482,710</b>	<b>1,244,328</b>
Unearned premium reserves	10.1	1,317,551	1,094,588
Reserves for unexpired risks	10.4	2,755	4,074
Other accruals	10.2	162,404	145,666
Outstanding claim reserves	10.3	4,286,789	1,983,620
<b>Total liabilities</b>		<b>7,443,259</b>	<b>4,288,994</b>
<b>Total equity and liabilities</b>		<b>9,447,921</b>	<b>6,026,234</b>

Belgrade, March 22, 2021

*Place for seal*\_\_\_\_\_  
Zorana Pejčić  
President of Executive Board\_\_\_\_\_  
Tatjana Komnenić  
Executive Board Member

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## TRANSLATION

*Dunav - Re a.d.o. Beograd*  
*Financial Statements*

### STATEMENT OF CHANGES IN EQUITY Year Ended December 31, 2020

(Thousands of RSD)

	<u>Share capital</u>	<u>State and socially owned capital</u>	<u>Other capital</u>	<u>Reserves</u>	<u>Unrealized Gains</u>	<u>Unrealized losses</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Opening balance at January 1, 2019</b>	<b>729,747</b>	<b>35,055</b>	<b>3,444</b>	<b>211,756</b>	<b>36,216</b>	<b>(2,884)</b>	<b>646,780</b>	<b>1,660,114</b>
Increase in unrealized gains/(losses)					19,852			19,852
Decrease in unrealized gains/(losses)					(29,140)	294		(28,846)
Net profit for the year							204,889	204,889
Decrease through dividend payment							(118,769)	(118,769)
<b>Closing balance at December 31, 2019</b>	<b>729,747</b>	<b>35,055</b>	<b>3,444</b>	<b>211,756</b>	<b>26,928</b>	<b>(2,590)</b>	<b>732,900</b>	<b>1,737,240</b>
Increase in unrealized gains/(losses)					15,026	(6,965)		8,061
Decrease in unrealized gains/(losses)					(23,438)	8,777		(14,661)
Net profit for the year							387,070	387,070
Decrease through dividend payment							(113,048)	(113,048)
<b>Closing balance at December 31, 2020</b>	<b>729,747</b>	<b>35,055</b>	<b>3,444</b>	<b>211,756</b>	<b>18,516</b>	<b>(778)</b>	<b>1,006,922</b>	<b>2,004,662</b>

Belgrade, March 22, 2021

*Place for seal*

\_\_\_\_\_  
Zorana Pejčić  
President of Executive Board

\_\_\_\_\_  
Tatjana Komnenić  
Executive Board Member

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**TRANSLATION****Dunav - Re a.d.o. Beograd**  
Financial Statements**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2020

(Thousands of RSD)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b><i>Cash inflows from operating activities</i></b>	<b><u>5,173,397</u></b>	<b><u>4,579,487</u></b>
Reinsurance and retrocession premiums received	4,564,841	4,311,691
Receipts from share in claim settlement deductible	519,981	226,420
Other cash receipts from operating activities	88,575	41,376
<b><i>Cash outflows from operating activities</i></b>	<b><u>(4,441,091)</u></b>	<b><u>(4,311,233)</u></b>
Liabilities for claims and reinsurance and retrocession share in claims	(959,710)	(706,550)
Coinsurance, reinsurance and retrocession premiums	(3,246,725)	(3,386,878)
Cash paid to and on behalf of employees	(113,032)	(98,880)
Other insurance administration (underwriting) expenses	(81,628)	(70,988)
Interest paid	(354)	(222)
Income taxes paid	(34,108)	(39,593)
Other public duties paid	(5,534)	(8,122)
<b>Net cash generated by operating activities</b>	<b><u>732,306</u></b>	<b><u>268,254</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b><i>Cash inflows from investing activities</i></b>	<b><u>46,480</u></b>	<b><u>72,031</u></b>
Sales of intangible assets, property, plant and equipment and biological assets	33,738	27,163
Interest received from investing activities	12,742	44,868
Dividend and profit sharing receipts	12,742	44,868
<b><i>Cash outflows from investing activities</i></b>	<b><u>(349,938)</u></b>	<b><u>(86,298)</u></b>
Purchase of intangible assets, property, plant, equipment and biological assets	(1,760)	(12,631)
Other financial investments - deposits and investments, net outflows	(348,178)	(73,667)
<b>Net cash used in investing activities</b>	<b><u>(303,458)</u></b>	<b><u>(14,267)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b><i>Cash inflows from financing activities</i></b>	<b><u>125</u></b>	<b><u>125</u></b>
Long-term and short-term borrowings, net inflows	125	125
<b><i>Cash outflows from financing activities</i></b>	<b><u>(107,862)</u></b>	<b><u>(113,321)</u></b>
Dividend payment and profit sharing	(107,862)	(113,321)
<b>Net cash used in financing activities</b>	<b><u>(107,737)</u></b>	<b><u>(113,196)</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>321,111</u></b>	<b><u>140,791</u></b>
<b>Cash and cash equivalents, beginning of year</b>	<b>454,658</b>	<b>313,882</b>
<b>Foreign exchange (losses)gains on translation of cash, net</b>	<b>(4,252)</b>	<b>(15)</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>771,517</u></b>	<b><u>454,658</u></b>

Belgrade, March 22, 2021

Place for seal

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 Zorana Pejčić  
 President of Executive Board

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 Tatjana Komnenić  
 Executive Board Member

**TRANSLATION**

**DUNAV-RE A.D.O., BEOGRAD**

**Notes to the financial statements  
December 31, 2020**

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**1. BACKGROUND**

**1.1. Foundation and Activity**

The Shareholding Reinsurance Company Dunav-Re a.d.o., Beograd (hereinafter: "Company") was registered with the Serbian Business Registers Agency under Decision no. 43206 dated July 22, 2005 as a shareholding company involved in reinsurance.

The Company was originally established on July 1, 1977 under the name Reinsurance Association Dunav Re (Zajednica reosiguranja Dunav Re). On October 1, 1990 it was transformed into a shareholding company.

Under Decision of the Federal Ministry of Finance on Operating License Issue no. 4/1-11-004/97 dated May 15, 1997, the Company was registered to perform the activity from the said Decision with the Commercial Court of Belgrade under no. IV-Fi-6153/97 on June 20, 1997, with the corporate ID no. 07046901, which was registered with the Republic Statistical Office of Serbia in the form of Notification on Classification according to the Business Activity Classification – registry excerpt no. 052-89 dated January 29, 1998.

The Company's business activity code is 6520, and its tax identification number (fiscal code) is 100001327, while the corporate identification number is 07046901.

The person authorized to represent the Company is its Executive Board Chairperson, Ms. Zorana Pejčić.

During 2005 the Company harmonized its Statute with the Insurance Law (Official Gazette of RS no. 70/04), and changed its registered name into Dunav Re a.d.o.

On May 13, 2016, the Company aligned its business, assets, equity, liabilities, governing bodies, organization and bylaws and enactments with the provisions of the Insurance Law (Official Gazette of RS no. 139/2014) and fulfilled the requirements and criteria for performing reinsurance business in accordance with the Law.

The Company is headquartered in Belgrade, at no. 6, Knez Mihailova Street.

The Company is involved in assumption into reinsurance, i.e. retrocession, of risks of domestic and foreign insurance companies (active reinsurance operations) as well as assignment or ceding into retrocession with domestic and foreign reinsurance companies surplus risks assumed in reinsurance (passive reinsurance operations).

The Company is engaged in reinsurance of domestic and foreign insurer risks and assigns risks assumed from domestic and foreign cedents to foreign reinsurers.

**1.2. Share Capital Structure**

As of December 31, 2020, according to the records of the Central Securities Register, the structure of the Company's share capital was as follows:

<b>Description</b>	<b>Share Count</b>	<b>Interest Held in Share Capital %</b>	<b>Share Capital Amount RSD '000</b>	<b>Interest Held in Issued Capital %</b>
Domestic legal entities	79,817	98.44	718,434	93.94
Foreign legal entities	823	1.02	7,407	0.97
Domestic private individuals	443	0.54	3,906	0.51
<b>Total share capital</b>	<b>81,083</b>	<b>100.00</b>	<b>729,747</b>	<b>95.42</b>
<b>State-owned capital</b>	<b>3,895</b>	<b>-</b>	<b>35,055</b>	<b>4.58</b>
<b>Total issued capital</b>	<b>84,978</b>	<b>-</b>	<b>764,802</b>	<b>100.00</b>

The Company's majority shareholder is Shareholding Insurance Company Dunav Osiguranje a.d.o., Beograd holding a 92.65% interest in the share capital and an 88.41% interest in the total issued capital of the Company.

The total issued capital of Dunav Insurance Company is dominated by state-owned capital in the amount of 51.86%, and shares owned by legal entities account for 47.04% of the total issued capital (the rest is owned by individuals 0.7% and custody accounts 0.4%). The Republic of Serbia participates with 45% in the total issued capital, i.e. with 94.09% in the share capital of the Dunav Insurance Company.

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As of December 31, 2020, the Company had 39 employees.

The breakdown of qualification levels of employees as at December 31, 2019 and December 31, 2020 is provided in a table below:

<b>Qualification</b>	<b>Headcount</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
University graduates	22	22
College graduates	7	7
Secondary school graduates	10	10
<b>Total</b>	<b>39</b>	<b>39</b>
<b>Average number of employees</b>	<b>39</b>	<b>39</b>

## **2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**

### **2.1. Basis of Preparation and Presentation of the Financial Statements**

Companies registered for insurance and reinsurance operations in the Republic of Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to prepare, present, submit and disclose financial statements in conformity with the Law on Accounting (hereinafter: the Law, Official Gazette of the Republic of Serbia, no. 73/2019), Insurance Law (Official Gazette of the Republic of Serbia, no. 139/2014), Decision on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for Insurance Companies (Official Gazette of the Republic of Serbia, no. 135/2014 and 102/2015) and other relevant bylaws of the National Bank of Serbia, as well as other applicable legislation in the Republic of Serbia.

As a large entity, the Company is required to apply translation of the International Financial Reporting Standards ("IFRS"), which, as per the aforementioned Law, comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and subsequent amendments to those standards and related interpretations approved by the International Accounting Standards Board ("IASB"), the translations of which to the Serbian language were approved and issued by the competent Ministry of Finance (hereinafter: the Ministry).

The translation of standards established and published by the Ministry consists of the basic texts of IAS, i.e. IFRS, issued by the International Accounting Standards Board, as well as interpretations issued by the Accounting Standards Interpretation Committee in the form in which they are issued, but does not include the bases for closure, illustrating examples, guidelines and comments, contrary opinions, elaborated examples or other additional explanatory materials that can be adopted as associated with the standards and interpretations unless it is expressly stated that such materials form an integral part of the standards and interpretations.

The translation determined by the Decision of the Ministry of Finance and Economy No. 401-00-4980/2019-16 of November 21, 2019 was applied to these financial statements. The translated standards determined by the said decision shall be applied from the financial statements prepared as of December 31, 2020.

The decision of the Ministry of Finance and Economy No. 401-00-4351/2020-16 of September 10, 2020 established the translation of the International Financial Reporting Standards (IFRS) which will start to be applied from the financial statements prepared on December 31, 2021. while they can be applied on a voluntary basis and when preparing financial statements as of December 31, 2020 (with the disclosure of relevant information in the Notes to the financial statements). The Company has not opted for the voluntary application of this translation of IFRS in these financial statements for 2020. Management anticipates that all of the above interpretations and standards will be applied in the Company's financial statements for the periods since they become effective, and that their adoption will not have a material impact on the financial statements in the period of first application, except for the application of IFRS 16 Leasing.

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The Company will recognize assets with the right of use assets and lease liabilities that represent future lease payments. Short-term leases and low-value leases will be exempt from recognition under this standard as the Company has envisaged to prescribe in its internal acts. The Company will recognize new assets and liabilities based on the lease of business premises for the Company's headquarters, equipment whose value exceeds the amount prescribed by internal acts and other equipment necessary for the Company to perform its activities, increase business efficiency and provide benefits to employees. The presentation of the cost of rent in the income statement will be replaced by the cost of depreciation for assets with the right of use and the cost of interest for lease obligations. The Company will apply IFRS 16 to all contracts that entered into force before January 1, 2021, and which have been identified as leases in accordance with IAS 17 and IFRIC 4 using a modified retrospective approach. The Company has made preliminary calculations of the impact of the application of IFRS 16 on the financial statements. The actual effects will depend on future economic conditions, changes in the portfolio of leased assets, the Company's assessment of whether to use contract extension options and the extent to which the Company will use some practical solutions and the right to exemption from recognition in accordance with the standard. On January 1, 2021, it is estimated that the minimum future lease payments, assuming that the option of early termination before discounting will not be activated, will be between RSD 42,000 and 48,000 thousand, in the same range that is assumed to be recorded as an additional lease obligation.

With respect to the initial implementation of IFRS 16, the following should be considered:

- The presented valuation is preliminary because not all requirements of the transitional provisions have been finalized, so corrections are possible;
- The new standard requires the Company to audit its accounting processes and internal controls, and these changes have not yet been fully implemented;
- The company has not completed testing and valuation of controls over the calculations. Consequently, the preliminary effects shown may be altered when implementation is complete;
- The systems and related controls, established in accordance with the new requirements, were not operational during the entire reporting period; and
- New accounting policies, assumptions, judgments and valuation techniques in use are subject to change until the Company submits the first financial statements, which include the date of initial application.

Given the above and the fact that some laws and regulations prescribe accounting procedures that in some cases deviate from the requirements of IFRS and that the Law on Accounting determines the dinar as the official reporting currency, accounting regulations of the Republic of Serbia may deviate from IFRS may have an impact on the accompanying financial statements. Accordingly, the accompanying financial statements cannot be considered financial statements prepared in accordance with IFRS as defined in the provisions of IAS 1 "Presentation of Financial Statements".

In the preparation of the accompanying financial statements, the Company did not apply IFRS and IAS the provisions of which permit early adoption or those standards the translation of which has not been adopted and published by the Ministry of Finance.

In accordance with the requirements of IFRS 4 Insurance Contracts allows insurers that meet specific criteria to apply the transitional exemption for which they are exempt from the requirements of IFRS 9 until the application of IFRS 17 insurance contracts. Since it meets the required specific criteria, the Company decided to use the application exemption. In accordance with the foregoing, IFRS 9 will be applied at the same time as IFRS 17.

These financial statements were prepared at historical cost principle unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 3.

In accordance with the Law on Accounting, the Company's financial statements are stated in thousands of dinars (RSD), dinar being the official functional and reporting currency in the Republic of Serbia.

These financial statements have been approved by the Company's management.

## **2.2. Comparative Information**

Comparative information in these financial statements comprises the Company's financial statements as of and for the year ended December 31, 2019. Due to the need for better presentation, the company corrected comparative data in certain segments.

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**2.3. Going Concern**

The Company's financial statements have been prepared on a going concern basis, assuming that the Company will continue to operate for an indefinite period in the foreseeable future.

**2.4. Use of Estimates and Key Accounting Estimates and Judgments**

Presentation of the financial statements requires the Company's management to make the best possible estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on historical and other information available as of the financial statements' preparation date. Actual results may vary from these estimates. Estimates and assumptions are subject to constant review. Changes to accounting estimates are recognized in the period when they are made if their impact is limited to that period or in the current and future periods in cases where the change impacts future periods as well. Below are the key assumptions in respect of the future events and other sources of estimation uncertainties as of the balance sheet date which represent a significant risk for material adjustments to the amounts of balance sheet items in the fiscal year.

**a) Allowance for Impairment of Trade Receivables**

The Company calculates the allowance for impairment of doubtful trade receivables based on the estimated losses resulting from the customer inability to settle their liabilities. The assessment is based on the aging analysis of trade receivables, historical write-offs, customer creditworthiness and changes to the terms of sales when determining the adequacy of allowance for impairment of bad and doubtful receivables. This includes the assumptions on the future customer behavior and resultant future collections. The Company assesses the value and collectability of trade receivables under reinsurance contracts and other bases in accordance with the Instruction for valuation of trade receivables. Management believes that the formed allowance for impairment of trade receivables adequately reflects the value and collectability of trade receivables.

**b) Outstanding Claim Reserves**

Reserves for outstanding claims refer to the provisions for incurred and reported but not settled (RBNS) claims and provisions for incurred but not reported (IBNR) claims.

Each reported claim is assessed individually by the Company, on a case-by-case basis, taking into consideration the circumstances surrounding the claim, information available and historical experience with claimed amounts. The assessed amounts of reserves for claims are regularly reassessed and updated on an individual basis in accordance with the most recent information. Claims provisions are based on information currently available. However, actual amount of claims may vary as a result of subsequent changes in the available data.

The Company calculated IBNR reserves in line with its Rulebook on Forming Outstanding Claim Reserves, which is aligned with the National Bank of Serbia's Decision on Technical Provisions (Official Gazette of the Republic of Serbia, no. 42/2015 and 36/2017).

IBNR claim reserves were calculated using the lump sum method for all insurance classes (lump sum method defined by the Decision on Technical Provisions issued by the National Bank of Serbia and provisions for incurred but not reported claims are calculated based on data on resolved and reserved incurred reported but unresolved claims) except for motor third party liability insurance (MTPL), where the Company used the Chain Ladder method based on the reported claim development triangles, the chain ladder method based on the settled claim development triangles and expected claim ratio method, and the adopted method for 2020 is Chain Ladder method based on the settled claim development triangles. IBNR claim reserves entail by their nature a great extent of uncertainty and the assessment of such provisions requires actuarial judgment as well as that of the Company's management. The basic assumptions used in the calculation of IBNR claims provisions relate to the development of claims.

**c) Fair Value of Financial Instruments**

The fair value of financial instruments for which there is no active market is determined by applying appropriate assessment methods. The Company uses professional judgment when selecting appropriate methods and assumptions. For financial instruments that have a smaller trading volume and whose market prices are therefore less transparent, determining fair value is more subjective, i.e. it requires a higher degree of use of the assessment depending on the liquidity of the instrument, risk concentration, market uncertainty, price assumptions and other factors affecting a particular financial instrument.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1. Property, plant and equipment**

As of December 31, 2020, as in the comparable period, the Company has no property and plant.

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is recognized as an increase in cost of the respective assets or as separate assets, as applicable, only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the relevant asset will flow to the Company and if the cost can be reliably measured. All other expenses of current maintenance and repairs are charged to the relevant period income statement.

The Company depreciates equipment using the prescribed annual rates to write down the cost of assets over the useful lives of assets.

**3.2. Depreciation/Amortization**

Depreciation of equipment and amortization of intangible assets are calculated on straight-line basis in order to write down the cost of assets over their useful lives. Calculation of depreciation/amortization commences from the month following the month of placement in use of the property, plant and equipment. In 2020 there were no changes in depreciation/amortization applied in comparison to the previous year. The applicable rates were as follows:

<b>Description</b>	<b>Useful life in years</b>	<b>Depreciation / amortization rate</b>
<b>1. INTANGIBLE ASSETS</b>		
1.1. Investments in development	5.00	20.00%
1.2. Licenses	5.00	20.00%
1.3. Software	5.00	20.00%
<b>2. EQUIPMENT</b>		
2.1. Passenger vehicles	6.45	15.50%
2.2. Mobile telephones – handsets	3.00	33.33%
2.3. Telephone and telegraph switchboards and related equipment	14.29	7.00%
2.4. Telephone sets and related equipment	10.00	10.00%
2.5. Air conditioners and other ventilation equipment	6.06	16.50%
2.6. Equipment for maintenance of premises	5.00	20.00%
2.7. Carpets, paintings and other accessories for interior design of offices	8.00	12.50%
2.8. Office furniture	10.00	10.00%
2.9. Electronic computers, printers, photocopiers and other equipment for data processing	5.00	20.00%
2.10. Other equipment, elsewhere not mentioned	9.09	11.00%
2.11. Fire extinguishing equipment - fire extinguishers, devices, tools and other equipment	8.00	12.50%

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**3.3. Impairment of Non-Financial Assets**

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangible assets in order to determine the indications of impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable value of the cash generating unit to which the asset belongs. Recoverable amount is based on the higher of net selling price and value in use. The estimate of the value in use comprises the assessment of future cash flows discounted to their present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset at issue. If the estimated recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period under operating expenses, except in case of land and buildings that are not used as investment property which is stated at revalued amount in which case impairment loss is presented as a loss (decrease) on revaluation of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

A reversal of an impairment loss is recognized as income immediately, unless the respective asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

As of December 31, 2020 and December 31, 2019 in the assessment of the Company's management, there were no indications that the value of equipment and intangible assets had suffered impairment.

**3.4. Financial Instruments**

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, trade receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the purpose for which the financial assets were obtained. Management classifies its financial assets at the time of initial recognition. Having in mind the official prescribed forms of the balance sheet, the Company has presented all its financial assets in the balance sheet within the items long-term financial placements, trade receivables, financial placements and cash equivalents and cash.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis – date when the Company committed to sell or purchase a financial asset. Financial assets are initially recognized as increased for all transaction costs for all financial assets stated at fair value whose effects of changes in fair value are stated in the income statement. Borrowings and receivables and investments held to maturity are stated at amortized cost using the effective interest method.

**a) *Financial Assets Available for Sale***

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified as receivables, held-to-maturity investments or financial assets carried at fair value through profit or loss. Available-for-sale financial assets are placements that are intended to be held for an indefinite period of time, which may be sold due to the need for liquidity or due to changes in interest rates, foreign exchange rates or market prices.

Available-for-sale (AFS) financial assets are initially measured at cost increased by transaction costs directly attributable to the acquisition of assets. AFS assets are subsequently stated at fair value. Fair value is determined in an active market (stock exchange) and represent the bidding price for an instrument as at the measurement date or, in the absence of an active market, the Company's best estimate of fair value based on discounted expected cash flows.

Gains and losses arising from changes in fair value are recognized in profit or loss against revaluation reserves within equity until the disposal of those financial assets when revaluation reserves are transferred to the income statement. The change in the amortized cost of these financial assets is recognized as interest income in the income statement. Impairment due to the existence of objective evidence of impairment is recognized as a gain or loss for the period.

**b) Financial Assets Held to Maturity**

Held-to-maturity investments in securities are recorded at amortized cost using the effective interest method. Amortized cost is cost of an asset net of principal repayment and adjusted for any difference between the cost and amount upon maturity and reduced by any principal repayment and any write-off due to impairment or irrecoverability. The effective interest rate is the rate used for discounting the expected cash flows of the future cash payment up to maturity.

Income earned over the period of holding these securities in the Company's portfolio is presented as interest income. All regular way purchases and sales of securities are accounted for upon transaction.

**c) Financial Assets Held for Trading**

Financial assets held for trading represent portion of the financial asset portfolio managed by the Company for which there is evidence that such assets:

- were acquired in order to be sold and/or repurchased in the near future;
- were acquired in order to derive profit from the short-term price fluctuations; or
- are derivatives of financial assets or financial liabilities (other than part of an effective hedging instrument).

Financial assets held for trading are initially measured at fair value. For this type of financial assets, fair value does not include transaction costs directly attributable to the acquisition or issue of a financial asset. Such costs are entirely charged to profit and loss upon asset acquisition/issue. Fair value of a financial instrument upon initial recognition is its common transaction cost.

Trading financial assets are subsequently measured at fair value. Fair value is determined in an active market (stock exchange) and represent the bidding price for a financial instrument as at the measurement date. Gains and losses arising from changes in fair value of trading financial assets are credited or charged to income statement of the period in which these occurred.

**d) Short-Term Loans and Receivables**

Loans and receivables are initially measured at cost increased by transaction costs directly attributable to the issue of such instruments. Subsequently, loans and receivables are stated at amortized cost using the effective interest rate. The effective interest rate is the rate that exactly discounts the future cash flows (inflows and outflows) to the initial carrying value of a loan or investment (present value) over the expected life of a loan or investment. Gains or losses due to amortization are recognized in the net amounts and credited or charged to the income statement. Interest and fee income is calculated by applying the effective interest rate to the amortized cost.

Short-term receivables are measured at originally invoiced amounts. If such amounts are denominated in foreign currencies, they are translated into RSD using the exchange rates effective as at the transaction date. Changes in the exchange rates occurred from the transaction date up to the receivable collection date are stated as foreign exchange gains or losses and included within income or expenses. Receivables stated in foreign currencies as at the balance sheet date are translated into RSD at the exchange rates prevailing at the balance sheet date and the resulting foreign exchange gains or losses are recognized within income or expenses of the period.

***Impairment Allowance of Receivables***

If it is probable that the Company will not be able to collect all its amounts receivable matured according to the contractually defined terms, the management assesses the amount of impairment allowance adjusting the receivables to their realistically recoverable values. The Company assesses the value and recoverability of receivables, i.e. appropriate individual recoverable amounts of the receivables based on the individual assessment of liquidity of each debtor.

The Company makes individual impairment allowance of receivables in the amount of the entire receivable on an individual invoice for: receivables that have not been collected within 90 days from the due date and receivables with a dubious or disputed legal basis.

Individual impairment allowance will also be made when there is objective evidence of impairment, i.e. probable irrecoverability of receivables.

Receivables arising from the core activity not subject to the individual impairment assessment are assessed by the Company for impairment (hereinafter: general impairment) at the level of the aggregate receivables from a single counterparty (hereinafter: the debtor) according to the following criteria:

- history of cooperation with the particular debtor;
- the debtor's arrears in matured liability settlement;
- the debtor's financial capability; and
- significance of cooperation with the debtor to the future operations of the Company.

The history of cooperation with the debtor means the ratio of collected and invoiced overdue receivables in the last 3 years preceding the year of calculation of the impairment.

Such receivables are classified into the following categories:

Category I

- receivables from debtors with good history of liability settlement;
- receivables from the debtor cooperation with which is significant to the future operations of the Company;
- receivables from the debtor with satisfactory financial standing/capability; and
- receivables from debtors who settle their materially significant liabilities in arrears of up to 180 days.

Category II

- receivables from debtors whose financial standing/capability is not satisfactory but not expected to deteriorate, except for receivables from non-liquid or insolvent debtors; and
- receivables from debtors who settle their materially significant liabilities in arrears of up to 360 days

Category III

- receivables from debtors whose financial standing/capability is not satisfactory, and
- receivables from debtors who settle their materially significant liabilities in arrears exceeding 360 days.

When determining materially significant liabilities, the nature of liabilities, their amount and the number of documents according to which the liabilities arose are observed.

General impairment is made according to the following rules for:

- category I in the amount from 0% to 30%;
- category II in the amount from 31% to 70%; and
- category III in the amount from 71% to 100%.

All uncollected receivables matured due from a single debtor are classified into a certain category based on the prevailing criterion.

**e) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand in RSD and foreign currencies and balances held on RSD and foreign accounts with commercial banks.

Cash and cash equivalents in the local currency are stated in nominal amounts in RSD.

Cash and cash equivalents denominated in foreign currencies are translated into RSD using the middle exchange rates of the National Bank of Serbia for respective currencies effective as at the balance sheet date.

Cash is assessed and stated as follows:

- local currency cash funds are stated at nominal value;
- foreign currency cash funds are translated into RSD using the middle exchange rates of the National Bank of Serbia for respective currencies effective as at the balance sheet date;
- funds held on the foreign currency accounts with commercial banks are translated into RSD using the middle exchange rates of the National Bank of Serbia for respective currencies effective as at the balance sheet date.

All subsequent measurements of cash and cash equivalents as at the balance sheet date are recognized within income or expenses in the income statement.

**f) Financial Liabilities**

Financial liabilities comprise non-current liabilities (liabilities due to related parties and legal entities with mutual interests, long-term borrowings, liabilities in respect of long-term securities and other long-term liabilities), current liabilities (trade payables and other operating liabilities) and other current liabilities.

Current liabilities are those maturing within a year from the performance date or from the annual balance sheet date.

A financial liability is each contractual obligation entailing:

- a) delivery of cash or another financial instrument to another legal entity; or
- b) exchange of financial instruments with other legal entities.

Financial liabilities are initially measured by the Company at cost representing the fair value of consideration received for the liability. Transaction costs are included within expenses of the period in which these were paid for.

After initial recognition, financial liabilities are measured by the Company at amortized cost, except for liabilities held for trading and derivatives representing liabilities measured at fair value. As at December 31, 2020, and for the comparative period, the Company has no liabilities held for trading and derivatives that represent liabilities measured at fair value.

***De-recognition***

Financial assets and liabilities are recognized on the Company's balance sheet from the moment the Company has become a party to the contractual provisions of a particular financial instrument. Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments, which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded.

Financial liabilities cease to be recognized when the Company fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

**3.5. Technical Reserves**

Having in mind the official prescribed forms of the balance sheet, the Company has presented all its technical reserves in the balance sheet within the positions of long-term provisions and accrued costs and deferred revenue.

The Company has formed technical reserves in accordance with the Insurance Law, National Bank of Serbia's Decision on Technical Provisions and the following Rulebooks:

- Rulebook on Forming and Manner of Calculating Mathematical Reserves;
- Rulebook on Forming Reserves for Unearned Premiums;
- Rulebook on Forming Reserves for Unexpired Risks;
- Rulebook on Forming Reserves for Bonuses and Rebates;
- Rulebook on Forming Outstanding Claim Reserves; and
- Rulebook on Forming Risk Equalization Reserves.

Technical Reserves are formed per type of insurance and their increase is charged to expenses, and their decrease or reversal is credited to income of the period.

***Mathematical Reserve***

Mathematical reserves are calculated in accordance with the Rulebook on Forming and Manner of Calculating Mathematical Reserves enacted and adopted by the Company in accordance with the Decision on Technical Provisions of the National Bank of Serbia. Mathematical reserves are calculated by risk cedents under the effective technical criteria approved by the National Bank of Serbia. It is the practice of most reinsurers to receive the calculated mathematical reserves from the cedents. The mathematical reserve calculation signed by a certified actuary is to be submitted to the reinsurer. The passive mathematical reserve of the cedent is actually the active mathematical reserve of the Company (reinsurer). In accordance with the prevailing regulations, unearned premiums are included in the mathematical reserves.

Mathematical reserves for foreign currency-denominated insurance contracts are calculated for each currency separately and shown in both foreign currency and RSD, applying the official middle RSD exchange rate at the date of mathematical reserve calculation.

***Unearned Premiums***

Reserves for unearned premiums are calculated in accordance with the Rulebook on Forming Reserves for Unearned Premiums enacted and adopted by the Company in accordance with the Decision on Technical Provisions of the National Bank of Serbia.

Reserves for unearned premiums are calculated using the pro rata temporis method. This method is applied to the contracts where a uniform spread of risk through the policy period may be assumed, which is the case of the Company's existing portfolio. In case of reinsurance contracts where the amount of coverage is subject to change during the reinsurance period, the pro rata temporis method is applied in calculation of reserves for unearned premiums in accordance with the change in the level of coverage during the reinsurance period. Unearned premium reserves are also calculated using the same method for contracts where the amount of coverage changes linearly during the reinsurance period by applying a special formula. In specific cases of coverage amount changes during the reinsurance period other accepted actuarial methods can be used.

The basis for calculation of the unearned premium reserves is the total reinsurance premium defined by each reinsurance contract.

An unearned premium represents portion of a premium that relates to the ensuing accounting period. In accordance with the Company's business policy enactments, unearned premiums are calculated on the last day of the current accounting period and as at the date of the portfolio transfer.

***Reserves for Unexpired Risks***

Reserves for unexpired risks are calculated in accordance with the Rulebook on Forming Reserves for Unexpired Risks enacted and adopted by the Company in accordance with the Decision on Technical Provisions of the National Bank of Serbia (Official Gazette of RS nos. 42/2015 and 36/2017).

Unexpired risk reserves are assessed by establishing the sufficiency/insufficiency of the unearned premium reserves for coverage of the expected claims and expenses of the Company in the ensuing period in connection with the contracts in force during the current period.

Unexpired risk reserves are only formed in the event that the Company has established that the expected amount of claims and expenses in the ensuing period in connection with the contracts in force during the current period exceeds the unearned premium reserves.

The expected amount of expenses is determined as the sum of the expected management expenses and other insurance administration expenses. The expected management expenses and other insurance administration expenses are assessed based on the share of the actual such expenses in the relevant premium in the current period and by applying the ratio to the unearned premium.

The expected amount of claims is calculated using the principles and rules of actuarial and insurance professions, by applying the relevant actuarial and statistical methods. A three-year average claims ratio per insurance class is used at each financial year-end as the relevant indicator of the expected claims ratio in the ensuing period.

***Reserves for Outstanding Claims***

Reserves for incurred and reported but not settled claims (RBNS) are determined based on the assessments and reports received from the cedents.

Reserves for incurred reported but not settled claims are determined on the basis of data on reserved claims received by the cedant as well as taking into account all known and relevant data on each individual claim, assessment and received reports by the cedant.

Reserves for incurred but not reported (IBNR) claims are calculated based on the lump sum method in all types of insurance (the lump sum method as defined by the Decision on the Technical Provisions enacted by the National Bank of Serbia and reserves for incurred but not reported claims are calculated based on data on the settled and reserved incurred reported but not settled claims) except for MTPL, where the calculation is based on the chain ladder method based on triangles of reported claims, chain ladder method based on triangles of settled claims and method of expected quota of claims were applied, and the adopted method for 2020 is the chain ladder method based on triangles of settled claims. The chain ladder method takes into account the settled and reported claims per year of occurrence, with the settled claims incurred in 2009 and prior years included in the calculation for the opening (base) year 2009.

All the Company's domestic motor third-party liability (MTPL) reinsurance contracts include the sunset clause – which stipulates a five-year period for the cedent to report the claims, after which period the reinsurer has no liability per claims.

***Risk Equalization Reserves (Provisions)***

The Company's Rulebook on Forming Risk Equalization Reserves governs the manner and the process of calculation of the risk equalization reserves for credit reinsurance. These provisions are formed, i.e. increased, only if net profit is realized in this insurance class.

**3.6. Employee Benefits*****Short-Term Employee Benefits***

Short-term employee benefits are measured on a non-discount basis and recognized as an expense when an appropriate service is available. The Company recognizes a liability and expense for the amount expected to be paid as a bonus or as part of a profit if the Company has a current legal or derived obligation to make such payments as a result of past services to employees and if liability can be assessed reliably.

***Defined contribution plans***

In accordance with the regulatory requirements applied in the Republic of Serbia, the Company is under an obligation to pay contributions to the relevant tax authorities and to various state social security funds that guarantee social security insurance benefits to employees. These legal obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in amounts computed by applying the specific, legally prescribed rates. The Company is also obligated to withhold contributions from gross salaries to employees, and on their behalf, to transfer such withheld portions directly to the appropriate government funds. These taxes and contributions, payable on the behalf of both, the employee and employer, are charged to expenses in the period in which they arise.

***Defined benefit plans***

Under the Collective Bargaining Agreement ("CBA"), the Company is required to pay retirement benefits to the vesting employees in the amount of two average salaries paid in the Republic of Serbia according to the most recent data published by the Republic Statistical Office or three salaries earned by the vesting employee/paid by the Company in the month preceding the month of the retirement benefit payment, whichever arrangement is the most favorable for the employee.

In addition, the Company is under obligation to pay the employees jubilee awards for 10, 20 and 30 consecutive years of service with the Company. Jubilee award amounts are determined based on the average monthly salary paid by the Company in the month preceding the jubilee award payment, ranging from one to three average salaries, depending on the years of service with the Company.

The Company calculated and stated long-term liabilities per retirement benefits and jubilee awards based on its own actuarial calculation performed in accordance with the requirements of accounting standards applicable in Serbia. Severance pays upon consensual employment termination are charged to the current year's income statement.

Liabilities for defined post-employment benefits are estimated on an annual basis by independent, qualified actuaries by applying the projected unit credit method. The present value of liabilities for defined benefits is determined by discounting expected future payments.

Actuarial gains or losses arising from the experience-based adjustments to or changes in the actuarial expectations are credited or charged to the income statement of the period of their occurrence.

Costs of vested employee benefits are recognized immediately to the extent the benefits are already vested, or are amortized on a straight-line basis over the average period until the benefits become vested. Long-term liabilities per defined benefit plans stated in the Company's balance sheet represent the present value of the expected future payments to employees adjusted for the costs of vested employee benefits.

Costs and liabilities per other long-term benefits are determined in the same manner as those per defined benefit plans, except for the vested employee benefits, which are recognized in the period when they become vested.

### **3.7. Taxes and Contributions**

#### **a) Current Income Tax**

Current income tax is payable at the legally prescribed rate of 15% (2019: 15%) on the taxable income determined and reported in the annual corporate income tax return, which includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits.

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years. Tax losses incurred before January 1, 2010 are available for carryforward for duration of ten ensuing years.

#### **b) Deferred Income Taxes**

Deferred income taxes are provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits carryforwards can be utilized. Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement.

#### **c) Indirect Taxes and Contributions**

Indirect taxes and contributions include property taxes, payroll taxes and contributions charged to the employer and various other taxes and contributions payable pursuant to the effective republic and municipal regulations.

#### **d) Transfer prices**

The tax balance for 2020 has not been submitted until the day of the Company's financial statements, considering that the deadline for submission is June 30, 2021. The Company calculated the tax effects on the basis of the Law on Corporate Income Tax. The Company has not completed the transfer pricing study, but the management believes that on this basis it will not have material effects on 2020 because so far the Company has not had, or had minimal adjustments based on transactions with related parties, which did not affect the amount of taxable profit, and in 2020 there were no significant changes in the types of services compared to the previous year.



**3.8. Income**

Income includes revenues from the Company's regular activities and gains. Revenues comprise operating revenues (from reinsurance premiums, from share in claim settlement, from recoured claims, fees and commissions from reinsurance operations, income from investment of reinsurance funds, finance income other than income from investing activity, gains on the value adjustment of receivables and other assets used for performance of the Company's registered activity and other income).

The accounts of revenues include reversal or decrease of provisions, gains on value adjustment of other assets and other income.

***Reinsurance Premium Income***

Income from reinsurance premiums represent amounts of premiums invoiced net of deferred (unearned) premium. A premium includes a net retained (pure) premium and an overhead expense load. The overhead expense load is used to cover for the reinsurance administration (claim handling) costs.

Income is stated at amounts invoiced for the period they relate to.

***Income from Investing Activities***

Income from investment of reinsurance assets is part of finance and other income. Finance income of this sort includes interest income from deposits and debt securities, foreign exchange gains on deposits, current accounts and dividend earned. Other income portion arising on investment of reinsurance assets relates to the effects of value adjustments of long-term and short-term financial investments.

***Finance Income***

Finance income other than finance income from investment of reinsurance assets includes foreign exchange gains (realized and unrealized) arising from receivables and payables, foreign exchange gains arising from impairment allowance of receivables and positive currency clause effects.

Policies related to the measurement and recognition of investment income and financial income and expenses are given within the relevant balance sheet items.

Dividend income is earned from investing own assets or assignment of own assets for use by other legal entities. Such income is recognized as follows:

- interest income - using the effective interest method; and
- dividend income - upon determining shareholder entitlement to dividend payment.

***Value Adjustment Effects***

Effects of value adjustment of receivables and other assets used for performance of the Company's registered business activity include receivables provided for in the previous period and collected in the following year and other valuation effects.

***Gains***

Gains represent increases in economic benefits and as such are no different from revenues. Gains refer to other items meeting the criteria of the income definition yet they need not arise from regular business activities.

Gains include gains on the sales of non-current assets and unrealized gains. Gains are presented in net amounts, i.e. less the related expenses.

All realized and unrealized gains on the fair market value adjustment of financial assets held for trading are credited or charged to the income statement.

All realized and unrealized gains on the fair market value adjustment of financial assets available for sale are credited or charged to equity and presented in the statement of other comprehensive income.

**3.9. Expenses**

Expenses relate to costs arising in the normal course of the Company's business and losses. Expense accounts include operating expenses, expenses arising from investment of reinsurance assets, finance expenses other than finance expenses arising from investment activity, effects of value adjustment of receivables and other assets used in the performance of the Company's business activity and other expenses.

***Claim Settlement Expenses***

Expenses for settlement of claims and contractual insurance amounts are expenses determined based on the relevant contracts and business policy enactments and bylaws of the Company. These expenses include claim appraisal expenses and other expenses stipulated by the Company's bylaws.

***Expenses from Investing Activities***

Expenses from investment of reinsurance assets are part of both finance and other expenses. Finance expenses that are included in the expenses from the investment of reinsurance assets include foreign exchange losses on deposits and securities. Other expenses portion arising on investment of reinsurance assets relates to the effects of value adjustments of long-term and short-term financial investments.

***Finance Expenses***

Finance expenses other than finance expenses from investing activities comprise foreign exchange losses (realized and unrealized) arising from receivables and liabilities, foreign exchange loss arising from impairment allowance of receivables and negative currency clause effects.

***Long-Term Provisions and Functional Contributions***

Expenses of long-term provisions and functional contributions arise on the increases in life insurance mathematical reserves except for the voluntary pension insurance, risk equalization reserves and provisions for employee retirement benefits and jubilee awards.

Costs of provisions for retirement benefits and jubilee awards represent increases in provisions for employee retirement benefits and jubilee awards as compared to the previous accounting period.

Policies regarding recognition and measurement of functional contribution expenses are provided within the relevant balance sheet items.

***Losses***

Losses represent reductions of economic benefits, and as such, are not in their nature different from other expenses. Losses include those losses arising from the sales of non-current and current assets. Expenses also include unrealized foreign exchange losses.

**3.10. Operating Expenses and Reinsurance Administration Expenses**

Total operating expenses which relate to depreciation/amortization charge and provisions, cost of materials, fuel and energy, cost of production services and non-material costs and staff costs are allocated per cost location to the insurance costs (management costs, policy acquisition costs, other insurance costs, forensic, appraisal and claim settlement costs) and are thereafter allocated to insurance classes using the defined allocation key.

Policy acquisition costs are costs incurred in obtaining reinsurance activities aimed at increase or maintenance of the existing volume of business and income therefrom.

Forensic, appraisal and claim settlement costs entail costs incurred in performance of the activities of examination, appraisal, settlement and payout of claims.

Management costs include all reinsurance administration costs not related to the direct reinsurance contract execution, settlement of claims and Company's investing activities.

Reinsurance administration costs comprise the management costs, policy acquisition costs and other reinsurance administration costs.

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The following accounts are classified into cost categories as follows:

- depreciation/amortization costs are entirely analytically allocated to the management costs;
- taxes and contributions payable are entirely analytically allocated to a separate analytical category of the other reinsurance administration costs;
- payroll contributions charged to employer and payable to chambers and membership fees payable to the insurers' associations are entirely allocated to the management costs;
- bank charges are entirely analytically allocated to the policy acquisition costs;
- remunerations to the Supervisory Board and Audit Committee members are not distributed, i.e., they are entirely analytically allocated to the management costs.

Cost location is determined based on the actual costs designated in the relevant accounting document. Costs for which it is not possible to determine the actual cost location are distributed using the allocation key for undistributed amounts.

The key for allocation of the undistributed amounts in the current accounting period to the cost categories is the number of staff and time the staff spent on operations of reinsurance management, policy acquisition, forensic, appraisal and claim settlement and payout at the previous accounting period-end. Distributions of the forensic, appraisal and claim settlement and payout costs is performed using the allocation key of the share of settled claims of each reinsurance class in the total claims settled at the previous accounting period-end.

Insurance costs are recognized in the period in which they are incurred, i.e. the Company does not differentiate policy acquisition costs in the proportion of the provision for unearned premiums and total premiums.

### 3.11. Foreign Exchange Translation

Foreign currency transactions (transactions performed in other than functional currency) are translated into reporting currency at the official middle exchange rates of NBS effective at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into reporting currency at the official middle exchange rates of NBS prevailing at the balance sheet date.

Foreign exchange positive and negative effects arising from the translation are recognized in profit or loss.

## 4. NON-CURRENT ASSETS

### 4.1. Intangible Assets, Software and Other Rights and Equipment

<u>In thousands of dinars</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Intangible assets (licenses)	627	2,049
Software and other rights	2,561	7,684
<b>Intangible assets, Software and Other Rights</b>	<b>3,188</b>	<b>9,733</b>
<b>Equipment</b>	<b>15,313</b>	<b>17,568</b>

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Movements on the accounts of equipment and intangible assets are presented in the table below:

In thousands of dinars	Equipment	Intangible assets	Software and other rights	Total
<b>COST</b>				
<b>Balance at January 1, 2019</b>	<b>35,965</b>	<b>11,581</b>	<b>51,051</b>	<b>98,597</b>
Additions for the period	9,673	1,187	-	10,860
Other decreases	(235)	(7)	-	(242)
<b>Balance at December 31, 2019</b>	<b>45,403</b>	<b>12,761</b>	<b>51,051</b>	<b>109,215</b>
Additions for the period	2,150	-	-	2,150
Retirement and disposal	(10,637)	(1,621)	-	(12,258)
<b>Balance at December 31, 2020</b>	<b>36,916</b>	<b>11,140</b>	<b>51,051</b>	<b>99,107</b>
<b>VALUE ADJUSTMENT</b>				
<b>Balance at January 1, 2019</b>	<b>25,486</b>	<b>8,502</b>	<b>38,244</b>	<b>72,232</b>
Amortization for the period	2,584	2,217	5,123	9,924
Depreciated/amortized cost	(235)	(7)	-	(242)
<b>Balance at December 31, 2019</b>	<b>27,835</b>	<b>10,712</b>	<b>43,367</b>	<b>81,914</b>
Amortization for the period	4,405	1,423	5,123	10,951
Depreciated/amortized cost	(10,637)	(1,622)	-	(2,259)
<b>Balance at December 31, 2020</b>	<b>21,603</b>	<b>10,513</b>	<b>48,490</b>	<b>80,606</b>
<b>NET BOOK VALUE</b>				
<b>at December 31, 2019</b>	<b>17,568</b>	<b>2,049</b>	<b>7,684</b>	<b>27,301</b>
<b>at December 31, 2020</b>	<b>15,313</b>	<b>627</b>	<b>2,561</b>	<b>18,501</b>

## 4.2. Long-Term Financial Investments

### 4.2.1. Investments Held to Maturity

In thousands of dinars	December 31, 2020	December 31, 2019
Debt securities of the Republic of Serbia	74,435	74,752
Deposits held with banks	-	177,621
Other investments held to maturity	852	887
<b>Balance at</b>	<b>75,287</b>	<b>253,260</b>

The breakdown of debt securities of the Republic of Serbia as of December 31, 2020 and December 31, 2019 is provided in the table below:

	December 31, 2020				December 31, 2019			
	Nominal Interest Rate	Maturity	Amount in EUR	RSD '000	Nominal Interest Rate	Maturity	Amount in EUR	RSD '000
RS bonds	5.85%	16.02.2026	204,387.50	24,047	5.85%	16.02.2026	204,387.50	24,052
RS bonds	4.15%	25.01.2023	-	50,388	4.15%	25.01.2023	-	50,700
<b>Total</b>			<b>204,387.50</b>	<b>74,435</b>			<b>204,387.50</b>	<b>74,752</b>

On July 25, 2019 the Company placed EUR 1,500,000 as a term deposit with Halk banka a.d. for a period up to August 25, 2021 at an interest rate of 1.6% per annum, which made the total of RSD 177,621 thousand of term deposits held with banks as of December 31, 2019. Considering that on December 31, 2020, the maturity of the said deposit is less than one year, the deposit is relocated to a short-term deposit.

## 5. CURRENT ASSETS

## 5.1. Trade Receivables

<u>In thousands of dinars</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Reinsurance premium receivables	1,644,861	939,905
Receivables from reinsurers and retrocessionaires	181,326	248,082
Recourse receivables	524	988
Other receivables	35,705	19,990
<b>Total gross receivables</b>	<b>1,862,416</b>	<b>1,208,965</b>
Reinsurance premium receivables	(82,413)	(34,155)
Receivables from reinsurers and retrocessionaires	(77,716)	(86,685)
<b>Total impairment allowance of receivables</b>	<b>(160,129)</b>	<b>(120,840)</b>
<b>Total</b>	<b>1,702,287</b>	<b>1,088,125</b>

The growth of receivables based on reinsurance premiums is due to the increase in reinsurance premiums and changes in the maturity structure in favor of overdue receivables.

## 5.2. Financial Investments

Financial investments of the Company are comprised of the following:

<u>In thousands of dinars</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Receivables</b>		
Financial assets available for sale	367,089	642,081
Short-term deposits held with banks	2,109,432	1,343,150
<b>Balance at December 31</b>	<b>2,476,521</b>	<b>1,985,231</b>

## 5.2.1. Financial Assets Available for Sale

Financial investments available for sale are comprised of the following:

<u>In thousands of dinars</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity securities available for sale	83,778	126,707
Debt securities available for sale	230,254	463,116
Investment funds available for sale	53,057	52,258
<b>Balance at December 31</b>	<b>367,089</b>	<b>642,081</b>

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Equity securities available for sale are comprised of the following:

In thousands of dinars	Address of the Issuer	% interest	December 31, 2020	December 31, 2019
<b>Investments in banks and other legal entities</b>				
Komercijalna banka a.d.	Belgrade	Below 1%	51,626	58,030
MTS banka a.d.	Belgrade	0%	-	37,705
Nikola Tesla Airport	Belgrade	Below 1%	29,247	28,174
<b>Total</b>			<b>80,873</b>	<b>123,909</b>
<b>Investments in insurance companies</b>				
Lovcen osiguranje a.d.	Podgorica	Below 1%	677	395
Bosna RE a.d.	Sarajevo	Below 1%	2,228	2,228
Swiss osiguranje a.d.	Podgorica	0%	-	175
<b>Total</b>			<b>2,905</b>	<b>2,798</b>
<b>Balance at December 31</b>			<b>83,778</b>	<b>126,707</b>

Equity instruments available for sale are measured at fair value. Fair value changes are recorded within equity and presented in the statement of other comprehensive income.

During 2020, the Company disposed of 238,095 shares of MTS Bank at a value of RSD 180.71 per share and generated accounting profit in the amount of RSD 5,322 thousand, as well as shares of Swis osiguranje a.d. Podgorica at a value of EUR 10.63 per share. and made an accounting profit in the amount of 717 thousand dinars.

Debt securities available for sale are comprised of the following:

Securities	December 31, 2020				December 31, 2019			
	Interest Rate	Maturity	Amount in EUR RSD '000		Interest Rate	Maturity	Amount in EUR RSD '000	
RS bonds					3.00%	29.10.2020	1,928,779.81	226,811
RS bonds					2.00%	24.03.2020	2,009,520.38	236,305
RS bonds	1.10%	20.03.2025	1,958,273.64	230,254				
<b>Total</b>			<b>1,958,273.64</b>	<b>230,254</b>			<b>3,938,300.19</b>	<b>463,116</b>

Investment funds available for sale are comprised of the following:

Investment Fund	December 31, 2020			December 31, 2019		
	Unit count	Unit price	RSD '000	Unit count	Unit price	RSD '000
KomBank Cash Fund	37,478	1,394	53,057	37,478	1,361	52,258
<b>Total</b>			<b>53,057</b>			<b>52,258</b>

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## 5.2.2. Short-Term Deposits with Banks

The Company's short-term deposits placed with banks at December 31, 2020 are provided below:

31.12.2020	Interest Rate	Maturity	Amount in EUR	RSD '000
Addiko Bank a.d., Beograd	1.45%	04.01.2021	1,000,000	117,580
Addiko Bank a.d., Beograd	1.60%	28.12.2021	1,000,000	117,581
Srpska banka a.d., Beograd	1.60%	21.01.2021	500,000	58,790
Halkbank a.d., Beograd	1.40%	11.02.2021	500,000	58,790
Halkbank a.d., Beograd	1.60%	25.08.2021	1,500,000	176,370
ProCredit banka a.d., Beograd	1.25%	12.06.2021	1,000,000	117,580
Eurobank a.d., Beograd	1.10%	20.07.2021	2,000,000	235,161
NLB LHB banka a.d., Beograd	1.35%	20.08.2021	1,000,000	117,580
Banca Intesa a.d., Beograd	2.31%	09.04.2021	-	100,000
Direktna banka a.d., Kragujevac	1.85%	23.04.2021	-	100,000
Vojvodanska banka a.d., Novi Sad	2.00%	14.06.2021	-	100,000
Banka Postanska stedionica a.d., Beograd	2.20%	27.12.2021	-	150,000
Credit Agricole banka Srbija a.d., Novi Sad	2.20%	07.05.2021	-	100,000
UniCredit bank Srbija a.d., Beograd	2.12%	30.07.2021	-	60,000
SberBank Srbija a.d., Beograd	2.30%	28.12.2021	-	100,000
Halkbank a.d., Beograd	2.70%	09.03.2021	-	100,000
Halkbank a.d., Beograd	2.40%	28.12.2021	-	100,000
Srpska banka a.d., Beograd	2.80%	09.03.2021	-	150,000
Srpska banka a.d., Beograd	2.25%	28.12.2021	-	50,000
Univerzal banka a.d., Beograd in bankruptcy			1,000,000	117,580
Univerzal banka (impairment allowance)			(1,000,000)	(117,580)
<b>Total</b>			<b>8,500,000</b>	<b>2,109,432</b>

The Company's short-term deposits placed with banks at December 31, 2019 are provided below:

31.12.2019	Interest Rate	Maturity	Amount in EUR	RSD '000
Addiko Bank a.d., Beograd	1.70%	03.07.2020	1,000,000	117,593
Srpska banka a.d., Beograd	1.60%	23.01.2020	500,000	58,796
SberBank Srbija a.d., Beograd	0.90%	08.04.2020	1,000,000	117,593
Halkbank a.d., Beograd	1.40%	11.02.2020	500,000	58,796
ProCredit banka a.d., Beograd	1.10%	13.06.2020	1,000,000	117,593
Eurobank a.d., Beograd	1.50%	20.01.2020	2,000,000	235,186
NLB LHB banka a.d., Beograd	1.45%	20.08.2020	1,000,000	117,593
Banka Postanska stedionica a.d., Beograd	3.10%	10.04.2020	-	100,000
Direktna banka a.d., Kragujevac	2.90%	24.04.2020	-	100,000
Vojvodanska banka a.d., Novi Sad	3.50%	30.07.2020	-	60,000
Vojvodanska banka a.d., Novi Sad	3.80%	12.06.2020	-	100,000
Komercijalna Banka a.d., Beograd	3.15%	27.09.2020	-	60,000
Komercijalna Banka a.d., Beograd	2.75%	08.05.2020	-	100,000
Univerzal banka a.d., Beograd in bankruptcy			1,000,000	117,593
Univerzal banka (impairment allowance)			(1,000,000)	(117,593)
<b>Total</b>			<b>7,000,000</b>	<b>1,343,150</b>

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**6. CASH AND CASH EQUIVALENTS**

In thousands of dinars	December 31, 2020	December 31, 2019
Foreign currency accounts	548,886	218,994
Current accounts - RSD funds	222,391	235,664
Other cash funds	240	-
<b>Balance at December 31</b>	<b>771,517</b>	<b>454,658</b>

**7. PREPAID EXPENSES AND ACCRUED INCOME****7.1. Prepaid expenses and accrued income**

In thousands of dinars	December 31, 2020	December 31, 2019
Prepaid expenses	2,288	835
Accrued income	53,182	13,795
<b>Balance at December 31</b>	<b>55,470</b>	<b>14,630</b>

Prepaid expenses in 2020 are mostly related to the purchase of Microsoft licenses, in the amount of 1,828 thousand dinars.

Accrued income relates to income of the current period based on claims that are not invoiced but are calculated. The largest share in accrued income in 2020 has a partner Guy Carpenter & Company Ltd London in the amount of 22,057 thousand dinars (December 31, 2019 – 5,403 thousand dinars) and partner Aon Central and Eastern Europe a.s. Prague in the amount of 7,266 thousand dinars (December 31, 2019 – 1,780 thousand dinars).

**7.2. Technical reserves borne by reinsurers and retrocessionaires**

As of December 31, 2020, the technical reserves borne by reinsurers and retrocessionaires totaled RSD 4,334,407 thousand (December 31, 2019: RSD 2,192,707 thousand). Breakdown per type of reserves is provided below:

In thousands of dinars	December 31, 2020	December 31, 2019
Reserves for unearned premiums borne by the reinsurers	1,245,334	997,550
Reserves for outstanding claims borne by the reinsurers	3,071,442	1,179,348
Passive mathematical reserve	17,631	15,809
<b>Balance at December 31</b>	<b>4,334,407</b>	<b>2,192,707</b>

**8. SHARE AND OTHER CAPITAL**

In thousands of dinars	December 31, 2020	December 31, 2019
Share capital	729,747	729,747
State and socially owned capital	35,055	35,055
Other capital	3,444	3,444
Reserves	211,756	211,756
Unrealized gains	18,516	26,928
Unrealized losses	778	2,590
Retained earnings	1,006,922	732,900
<b>Balance at December 31</b>	<b>2,004,662</b>	<b>1,737,240</b>

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In accordance with Article 27 of the Insurance Law, a reinsurance company's core capital must at all times be equal to or above EUR 3,200,000, whereas the Company's issued capital as of December 31, 2020 amounted to EUR 6,533,804 (December 31, 2019: EUR 6,533,104). The Company's shares are listed on the stock exchange, where the price per share as of December 31, 2020 amounted to RSD 19,000 (December 31, 2019: RSD 13,589) exceeding the par value per share (RSD 9,000). The Company's market capitalization amounted to EUR 13,102,351 (2019: EUR 9,369,935).

### 8.1. Shareholders

The Company's shareholders as of December 31, 2020 and December 31, 2019 were as follows:

	December 31, 2020				December 31, 2019			
	Share Count	Share Capital Amount	Interest Held in Share Capital %	Interest Held in Issued Capital %	Share Count	Share Capital Amount	Interest Held in Share Capital %	Interest Held in Issued Capital %
Dunav osiguranje a.d.o. Beograd	75,126	676,134	92.65	88.41	75,126	676,134	92.65	88.41
Sava Osiguranje a.d.o. Beograd	2,731	24,579	3.37	3.21	2,731	24,579	3.37	3.21
Konvest a.d. Novi Sad	910	8,190	1.12	1.07	910	8,190	1.12	1.07
Lovcen osiguranje Podgorica	631	5,679	0.78	0.74	631	5,679	0.78	0.74
Erste banka - custody acc.	629	5,661	0.78	0.74	629	5,661	0.78	0.74
AMS osiguranje a.d.o.	353	3,177	0.44	0.42	353	3,177	0.44	0.42
Swiss agroosiguranje a.d.o.	192	1,728	0.24	0.23	192	1,728	0.24	0.23
Sebic Sasa	214	1,926	0.26	0.25	214	1,926	0.26	0.25
Lukic Nikola	69	621	0.09	0.08	69	621	0.09	0.08
Hadžini Adire	58	522	0.07	0.07	58	522	0.07	0.07
Brkic Milenko	51	459	0.06	0.06	51	459	0.06	0.06
Triglav osiguranje a.d.o. Beograd	46	414	0.06	0.05	46	414	0.06	0.05
Vojvodanska banka - custody acc.	31	279	0.04	0.04	31	279	0.04	0.04
Perisic Veljko	19	171	0.02	0.02	19	171	0.02	0.02
Perisic Marko	6	54	0.01	0.01	6	54	0.01	0.01
Varasenovic Darko	4	36	0.00	0.00	4	36	0.00	0.00
Drakulic Slobodan	4	36	0.00	0.00	4	36	0.00	0.00
Macura Slobodan	3	27	0.00	0.00	3	27	0.00	0.00
Lukic Stefan	3	27	0.00	0.00	3	27	0.00	0.00
Poznanovic Rade	1	9	0.00	0.00	2	18	0.00	0.00
Adamov Predrag	1	9	0.00	0.00	1	9	0.00	0.00
Milovanovic Boban	1	9	0.00	0.00	0	0	0.00	0.00
<b>Share capital</b>	<b>81,083</b>	<b>729,747</b>	<b>100.00</b>	<b>95.42</b>	<b>81,083</b>	<b>729,747</b>	<b>100.00</b>	<b>95.42</b>
<b>State-owned capital</b>	<b>3.95</b>	<b>35,055</b>		<b>4.58</b>	<b>3,895</b>	<b>35,055</b>		<b>4.8</b>
<b>Total issued capital</b>	<b>84,978</b>	<b>764,802</b>		<b>100.00</b>	<b>84,978</b>	<b>764,802</b>		<b>100.00</b>

### 8.2. Reserves

In thousands of dinars	December 31, 2020	December 31, 2019
Share premium	57,996	57,996
Legal, statutory and other reserves	153,760	153,760
<b>Balance at December 31</b>	<b>211,756</b>	<b>211,756</b>

The share premium arose as the difference between the price at which the shares were issued and the price at which they were paid, while legal, statutory and other reserves refer to security reserves formed in previous years in accordance with then applicable legislation and can be used primarily for increase in share capital or cover losses.

### 8.3. Unrealized Gains and Losses

Unrealized gains and losses relate to securities that are available for sale in accordance with the accounting policy classified as securities available for sale and their changes in fair value are recorded in the balance sheet and presented in the Statement of other results.

## 9. PROVISIONS AND LIABILITIES

## 9.1. Long-Term Provisions

In thousands of dinars	December 31, 2020	December 31, 2019
Mathematical reserves	21,414	19,438
Risk equalization reserves	903	1,253
Other long-term provisions	34,164	26,088
<b>Balance at December 31</b>	<b>56,481</b>	<b>46,779</b>

Movements on the accounts of long-term provisions are provided below:

	Mathematical reserves	Risk equalization reserves	Other long-term provisions	Total
<b>Balance at January 1, 2019</b>	<b>19,211</b>	<b>1,117</b>	<b>18,881</b>	<b>39,209</b>
Charge for the year	309	136	8,342	8,787
Release	-	-	(1,135)	(1,135)
Other	(82)	-	-	(82)
<b>Balance at December 31, 2019</b>	<b>19,438</b>	<b>1,253</b>	<b>26,088</b>	<b>46,779</b>
Charge for the year	1,976	(350)	9,676	11,302
Release	-	-	(1,600)	(1,600)
Other	-	-	-	-
<b>Balance at December 31, 2020</b>	<b>21,414</b>	<b>903</b>	<b>34,164</b>	<b>56,481</b>

**Other Long-Term Provisions**

Other long-term provisions amount to a total of 34,164 thousand dinars, and are related to provisions for employee benefits and provisions based on litigation that do not relate to the core business. The total amount of long-term provisions based on provisions for retirement benefits and jubilee awards as at December 31, 2020 is RSD 32,764 thousand (December 31, 2019: RSD 26,088 thousand). Of that, the reserved amount for severance pay upon retirement amounts to RSD 18,929 thousand (December 31, 2019: RSD 15,094 thousand), and for jubilee awards RSD 13,835 thousand (December 31, 2019: RSD 10,994 thousand). Provisions for litigation amount to RSD 1,400 thousand (December 31, 2019: RSD 0 thousand).

Long-term provisions for retirement benefits and jubilee awards, were calculated using the following:

- data on the employees - their age, years of service and amount of salaries in accordance with the internal bylaws of the Company;
- data of the Republic Statistical Office on wages and salaries paid in the Republic of Serbia and provisions of the effective Labor Law and Personal Income Tax Law;
- forecasts of economic trends issued by the Republic of Serbia Government and National Bank of Serbia; and
- actuarial assumptions.

The following actuarial assumptions were used for calculation of long-term provisions for employee benefits:

- projected salary growth rate of 5.5%, based on forecasts of economic trends issued by the Republic of Serbia Government and National Bank of Serbia;
- discount rate of 3%, according to the projection on return on the high-quality securities with the longest maturities; and
- Detailed mortality rate tables for the Republic of Serbia in the period from 2010 to 2012, published by the Republic Statistical Office (ISBN 978-86-6161-119-3).

## 9.2. Current Liabilities

In thousands of dinars	December 31, 2020	December 31, 2019
Short-term financial liabilities	133	-
Liabilities for reinsurance claim settlement and contractual amounts	269,260	335,406
Reinsurance premium payable, staff costs and other liabilities	1,347,125	676,022
<b>Balance at December 31</b>	<b>1,616,518</b>	<b>1,011,428</b>

Liabilities based on reinsurance claim settlement and contractual amounts as at December 31, 2020 amount to RSD 269,260 thousand (December 31, 2019: RSD 335,406 thousand), and relate to liabilities for claims in the country of RSD 217,272 thousand (December 31, 2019: 256,336 thousand dinars), and liabilities for claims abroad in the amount of 51,988 thousand dinars (December 31, 2019: 79,070 thousand dinars).

Liabilities for premiums payable, staff costs and other liabilities stated as at December 31, 2020 in the amount of RSD 1,347,125 thousand (December 31, 2019: RSD 676,022 thousand) relate mostly to liabilities for reinsurance premiums abroad in the amount of RSD 1,213,764 thousand, which is 90.10% (December 31, 2019: RSD 567,666 thousand, 83.97%), and other liabilities amount to RSD 133,361 thousand or 9.90% (December 31, 2019: 108,356 thousand dinars, 16.03%). Other liabilities relate to liabilities for dividends in the amount of RSD 44,287 thousand (December 31, 2019: RSD 39,101 thousand), liabilities for commissions in the amount of RSD 62,580 (December 31, 2019: RSD 48,929 thousand) and other liabilities in the amount of RSD 26,494 (December 31, 2019: RSD 20,325 thousand).

## 10. ACCRUED EXPENSES AND DEFERRED INCOME

## 10.1. Reserves for Unearned Premiums

In thousands of dinars	December 31, 2020	December 31, 2019
Reserves for unearned premiums	1,317,551	1,094,588
Reserves for unearned premiums borne by the coinsurers, reinsurers and retrocessionaires	(1,245,334)	(997,550)
<b>Unearned premiums in retention</b>	<b>72,217</b>	<b>97,038</b>

The breakdown of unearned premiums in self-retention per insurance class is provided below:

Class code	Insurance class	December 31, 2020	December 31, 2019
1	Accident insurance	172	103
2	Voluntary medical insurance	351	-
3	Motor hull (Casco)	2,077	2,414
4	Rolling stock insurance	158	2,337
5	Aircraft Casco	1,052	647
6	Marine Casco	574	-
7	Goods in transit	3,235	3,298
8	Insurance against fire and other perils	18,071	18,045
9	Other damage to property	26,998	54,083
10	Motor third-party liability	12	1,519
11	Aircraft liability	108	119
12	Marine liability	1,107	1,313
13	General liability	17,852	12,357
14	Credit insurance	-	33
15	Surety insurance	-	4
16	Miscellaneous financial losses	450	766
<b>Balance at December 31</b>		<b>72,217</b>	<b>97,038</b>

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## 10.2. Other Accruals

In thousands of dinars	December 31, 2020	December 31, 2019
Deferred interest income	20,876	10,389
Other accruals	-	71
Uninvoiced accrued expenses	136,174	131,512
Provisions for unused employees' annual leaves	5,354	3,694
<b>Total other accruals</b>	<b>162,404</b>	<b>145,666</b>

Uninvoiced accrued expenses of RSD 136,174 thousand as of December 31, 2020 (December 31, 2019: RSD 131,512 thousand) pertain to the estimated expenses for premiums, claim settlements, recoured claims and reinsurance fees and commissions, which, in their substance, belong to the expenses of the current period.

## 10.3. Outstanding Claim reserves

In thousands of dinars	December 31, 2020	December 31, 2019
Reserves for outstanding claims	4,286,789	1,983,620
Reserves for outstanding claims borne by the coinsurers, reinsurers and retrocessionaires	(3,071,442)	(1,179,348)
<b>Outstanding claims in retention</b>	<b>1,215,347</b>	<b>804,272</b>

Breakdown of outstanding claims in self-retention per insurance class as of December 31, 2020 and December 31, 2019 is provided below:

In thousands of dinars	December 31, 2020	December 31, 2019
<b>Insurance class</b>		
01-Accident insurance	310	400
02-Voluntary medical insurance	114	205
03-Motor hull (Casco)	90,388	76,286
04-Rolling stock insurance	2,048	813
05-Aircraft Casco	2,821	856
06-Marine Casco	242	379
07-Goods in transit	73,451	71,519
08-Insurance against fire and other perils	617,326	351,708
09-Other damage to property	169,039	60,289
10-Motor third-party liability	165,763	151,140
11-Aircraft liability	148	27
12-Marine liability and inland waterway liability	564	134
13-General liability	34,482	37,744
14-Credit insurance	3,495	945
15-Guarantee (surety) insurance	48,270	48,923
16-Miscellaneous financial losses	4,368	523
18-Road assistance insurance	12	25
<b>Total non-life insurance</b>	<b>1,212,841</b>	<b>801,916</b>
20-Life insurance	803	114
22-Life insurance rider	1,703	2,242
<b>Total life insurance</b>	<b>2,506</b>	<b>2,356</b>
<b>Balance at December 31</b>	<b>1,215,347</b>	<b>804,272</b>

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The structure of reserved claims (division of Incurred reported but not settled claims (RBNS) with provision for settlement costs and Incurred but not reported claims (IBNR) with provision for settlement costs) as at December 31, 2020 is given in the following table:

In thousands of dinars	Incurred but not settled claims (RBNS)	Incurred but not reported claims (IBNR)	Total reserved claims
<b>Insurance class</b>			
01-Accident insurance	1,416	868	2,284
02-Voluntary medical insurance	182	606	789
03-Motor hull (Casco)	27,957	63,135	91,092
04-Rolling stock insurance	786	1,767	2,553
05-Aircraft Casco	82,977	81,283	164,260
06-Marine Casco	220	22	242
07-Goods in transit	322,537	33,623	356,161
08-Insurance against fire and other perils	1,833,734	219,531	2,053,265
09-Other damage to property	606,972	173,332	780,304
10-Motor third-party liability	278,012	227,949	505,961
11-Aircraft liability	971	4,945	5,916
12- Marine liability and inland waterway liability	17,262	6,597	23,859
13-General liability	185,102	30,828	215,930
14-Credit insurance	2,866	5,040	7,906
15-Guarantee (surety) insurance	43,882	4,388	48,270
16-Miscellaneous financial losses	3,931	437	4,368
18-Road assistance insurance	34	301	335
20- Life insurance	4,855	-	4,855
22-Life insurance rider	12,389	6,051	18,440
<b>Total</b>	<b>3,426,086</b>	<b>860,703</b>	<b>4,286,789</b>

The structure of reserved claims (division of Incurred reported but not settled claims (RBNS) with provision for settlement costs and Incurred but not reported claims (IBNR) with provision for settlement costs) as at December 31, 2019 is given in the following table:

In thousands of dinars	Incurred but not settled claims (RBNS)	Incurred but not reported claims (IBNR)	Total reserved claims
<b>Insurance class</b>			
01-Accident insurance	1,719	1,095	2,814
02-Voluntary medical insurance	610	528	1,138
03-Motor hull (Casco)	28,980	47,306	76,286
04-Rolling stock insurance	704	534	1,238
05-Aircraft Casco	4,010	24,099	28,109
06-Marine Casco	41	338	379
07-Goods in transit	304,740	34,752	339,492
08-Insurance against fire and other perils	562,104	79,510	641,614
09-Other damage to property	71,225	47,064	118,289
10-Motor third-party liability	305,159	162,500	467,659
11-Aircraft liability	1,068	397	1,465
12- Marine liability and inland waterway liability	-	1,838	1,838
13-General liability	191,445	32,449	223,894
14-Credit insurance	790	598	1,388
15-Guarantee (surety) insurance	44,476	4,448	48,924
16-Miscellaneous financial losses	315	6,498	6,813
18-Road assistance insurance	435	267	702
20- Life insurance	630	-	630
22-Life insurance rider	14,061	6,887	20,948
<b>Total</b>	<b>1,532,512</b>	<b>451,108</b>	<b>1,983,620</b>

The increase in incurred reported but not settled claims was mostly due to the class of insurance 08 Insurance against fire and other perils. The main reason for this increase are two extremely large damages that occurred and were reported in 2020 in the total amount of 898 million dinars. The amount of the provision in the Company's self-retention for these two claims amounts to RSD 9.12 million.

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Structure of reserved claims according to the nature of the reservation:

<b>In thousands of dinars</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Reported but not settled claims without costs (RBNS)	3,377,269	1,507,894
Incurred but not reported claims without costs (IBNR)	848,343	443,718
Provisions for claims settlement costs	61,177	32,008
<b>Total reserved claims</b>	<b>4,286,789</b>	<b>1,983,620</b>

Bearing in mind that the data on the historical development of claims represent the basic assumption in the calculation of incurred but not reported claims (IBNR), the data on the number and amount of settled and reserved claims by class of insurance and years of occurrence are given below.

Data related to the historical development of claims are shown in the tables that follow:

***Breakdown of settled claims during 2020 by class of insurance and by year of occurrence (by number)***

<b>Number</b>	<b>Before 2015</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
Accident insurance	2	-	-	1	6	41	52	102
Voluntary medical insurance	-	-	-	-	-	5	16	21
Motor hull (Casco)	2	4	25	69	698	7,056	4,385	12,239
Rolling stock insurance	-	-	-	-	10	21	12	43
Aircraft Casco	-	-	-	-	1	4	1	6
Marine Casco	-	-	-	-	-	-	-	-
Goods in transit	-	-	1	-	1	8	21	31
Insurance against fire and other perils	7	6	4	6	7	60	411	501
Other damage to property	5	2	2	4	11	251	717	992
Motor third-party liability	6	-	-	2	4	28	19	59
Aircraft liability	-	-	-	-	3	9	3	15
Marine liability and inland waterway liability	-	-	-	-	-	-	2	2
General liability	2	-	-	9	12	25	23	71
Credit insurance	-	-	-	-	-	-	5	5
Guarantee (surety) insurance	-	-	-	-	-	-	-	-
Miscellaneous financial losses	1	2	-	-	4	2	-	9
Legal protection costs insurance	-	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	-	43	169	212
<b>Total non-life</b>	<b>25</b>	<b>14</b>	<b>32</b>	<b>91</b>	<b>757</b>	<b>7,553</b>	<b>5,836</b>	<b>14,308</b>
Life	3	2	4	10	28	229	256	532
<b>Total life</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>10</b>	<b>28</b>	<b>229</b>	<b>256</b>	<b>532</b>
<b>Total</b>	<b>28</b>	<b>16</b>	<b>36</b>	<b>101</b>	<b>785</b>	<b>7,782</b>	<b>6,092</b>	<b>14,840</b>

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**Breakdown of settled claims during 2020 by class of insurance and by year of occurrence  
(in '000 RSD)**

Number	Before 2015	2015	2016	2017	2018	2019	2020	Total
Accident insurance	144	-	-	1,195	141	921	1,127	3,528
Voluntary medical insurance	-	-	-	-	-	1,249	4,545	5,794
Motor hull (Casco)	499	21	68	448	4,881	60,612	134,024	200,553
Rolling stock insurance	-	-	-	-	485	1,590	239	2,314
Aircraft Casco	-	-	-	-	-	40,766	9,257	50,023
Marine Casco	-	-	-	-	-	-	1	1
Goods in transit	-	-	61	-	-	11,957	1,482	13,500
Insurance against fire and other perils	5,637	246	(38)	1,121	5,968	94,572	248,848	356,354
Other damage to property	670	804	6	138	66,365	135,166	74,449	277,598
Motor third-party liability	66,159	-	-	-	93	30,628	1,058	97,938
Aircraft liability	-	-	-	-	-	5,651	42,128	47,779
Marine liability and inland waterway liability	-	-	-	-	-	-	9,130	9,130
General liability	728	-	-	622	3,428	2,100	986	7,864
Credit insurance	-	-	-	-	(95)	739	30,321	30,965
Guarantee (surety) insurance	-	-	-	-	-	-	-	-
Miscellaneous financial losses	45	146	-	-	69	89	87	436
Legal protection costs insurance	-	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	-	654	2,274	2,928
<b>Total non-life</b>	<b>73,882</b>	<b>1,217</b>	<b>97</b>	<b>3,524</b>	<b>81,335</b>	<b>386,694</b>	<b>559,956</b>	<b>1,106,705</b>
Life	123	195	147	345	5,425	13,495	20,399	40,129
<b>Total life</b>	<b>123</b>	<b>195</b>	<b>147</b>	<b>345</b>	<b>5,425</b>	<b>13,495</b>	<b>20,399</b>	<b>40,129</b>
<b>Total</b>	<b>74,005</b>	<b>1,412</b>	<b>244</b>	<b>3,869</b>	<b>86,760</b>	<b>400,189</b>	<b>580,355</b>	<b>1,146,834</b>

**Breakdown of reserved reported claims by years of occurrence as of December 31, 2020  
(number)**

In pieces	Before 2015	2015	2016	2017	2018	2019	2020	Total
Accident insurance	6	1	-	-	2	3	23	35
Voluntary medical insurance	-	-	-	-	-	-	2	2
Motor hull (Casco)	15	6	7	21	80	923	1,024	2,076
Rolling stock insurance	-	-	-	-	2	1	2	5
Aircraft Casco	-	-	-	1	1	-	1	3
Marine Casco	-	-	-	-	-	1	2	3
Goods in transit	-	-	1	2	1	1	6	11
Insurance against fire and other perils	21	5	17	9	18	36	99	205
Other damage to property	13	5	7	5	7	25	120	182
Motor third-party liability	39	1	2	1	6	5	2	56
Aircraft liability	-	-	2	-	-	-	-	2
Marine liability and inland waterway liability	-	-	-	-	-	-	1	1
General liability	4	2	1	5	8	4	11	35
Credit insurance	-	-	-	1	2	2	-	5
Guarantee (surety) insurance	-	-	-	-	1	-	-	1
Miscellaneous financial losses	-	-	1	1	-	1	2	5
Legal protection costs insurance	-	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	1	-	1	2
<b>Total non-life</b>	<b>98</b>	<b>20</b>	<b>38</b>	<b>46</b>	<b>129</b>	<b>1,002</b>	<b>1,296</b>	<b>2,629</b>
Life	7	-	1	3	9	16	114	150
<b>Total life</b>	<b>7</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>16</b>	<b>114</b>	<b>150</b>
<b>Total</b>	<b>105</b>	<b>20</b>	<b>39</b>	<b>49</b>	<b>138</b>	<b>1,018</b>	<b>1,410</b>	<b>2,779</b>

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**Breakdown of reserved reported claims by years of occurrence as of December 31, 2020  
(in '000 RSD)**

In thousands of dinars	Before 2015	2015	2016	2017	2018	2019	2020	Total
Accident insurance	137	17	-	-	70	211	961	1,396
Voluntary medical insurance	-	-	-	-	-	-	180	180
Motor hull (Casco)	1,304	1,381	418	498	1,788	6,224	15,941	27,554
Rolling stock insurance	-	-	-	-	603	4	168	775
Aircraft Casco	-	-	-	47,827	472	-	33,479	81,778
Marine Casco	-	-	-	-	-	37	183	220
Goods in transit	-	-	1,110	259,116	720	50,035	6,894	317,875
Insurance against fire and other perils	467,377	17,589	596	4,197	11,004	154,699	1,151,803	1,807,265
Other damage to property	11,572	316	186	4,759	1,746	113,813	465,818	598,210
Motor third-party liability	218,590	-	19,139	-	1,229	34,691	351	274,000
Aircraft liability	-	-	957	-	-	-	-	957
Marine liability and inland waterway liability	-	-	-	-	-	-	17,012	17,012
General liability	834	21,842	626	364	868	156,863	1,037	182,434
Credit insurance	-	-	-	3	135	2,686	-	2,824
Guarantee (surety) insurance	-	-	-	-	43,882	-	-	43,882
Miscellaneous financial losses	-	-	4	50	-	4	3,820	3,878
Legal protection costs insurance	-	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	21	-	13	34
<b>Total non-life</b>	<b>699,814</b>	<b>41,145</b>	<b>23,036</b>	<b>316,814</b>	<b>62,538</b>	<b>519,267</b>	<b>1,697,660</b>	<b>3,360,274</b>
Life	2,466	-	129	195	1,124	982	12,099	16,995
<b>Total life</b>	<b>2,466</b>	<b>-</b>	<b>129</b>	<b>195</b>	<b>1,124</b>	<b>982</b>	<b>12,099</b>	<b>16,995</b>
<b>Total</b>	<b>702,280</b>	<b>41,145</b>	<b>23,165</b>	<b>317,009</b>	<b>63,662</b>	<b>520,249</b>	<b>1,709,759</b>	<b>3,377,269</b>

The amount in the table is shown without the cost of provisions for costs related to settlement and payment of claims.

**Breakdown of the number of claims transferred from the previous period, by years of occurrence  
(in pieces)**

In thousands of dinars	Before 2015	2015	2016	2017	2018	2019	Total
Accident insurance	7	1	-	1	8	34	51
Voluntary medical insurance	-	-	-	-	-	2	2
Motor hull (Casco)	16	7	14	45	376	1,242	1,700
Rolling stock insurance	-	-	-	-	2	6	8
Aircraft Casco	-	-	-	-	1	1	2
Marine Casco	-	-	-	-	-	1	1
Goods in transit	-	-	2	2	2	3	9
Insurance against fire and other perils	25	8	17	13	17	46	126
Other damage to property	18	5	6	8	11	64	112
Motor third-party liability	45	1	2	3	2	2	55
Aircraft liability	-	-	2	-	-	-	2
Marine liability and inland waterway liability	-	-	-	-	-	-	-
General liability	5	2	-	12	17	6	42
Credit insurance	-	-	-	-	1	2	3
Guarantee (surety) insurance	-	-	-	-	1	-	1
Miscellaneous financial losses	1	-	1	1	1	1	5
Legal protection costs insurance	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	-	19	19
<b>Total non-life</b>	<b>117</b>	<b>24</b>	<b>44</b>	<b>85</b>	<b>439</b>	<b>1,429</b>	<b>2,138</b>
Life insurance	-	-	-	-	1	1	2
Life insurance rider	7	1	4	5	22	128	167
<b>Total life</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>23</b>	<b>129</b>	<b>169</b>
<b>Total</b>	<b>124</b>	<b>25</b>	<b>48</b>	<b>90</b>	<b>462</b>	<b>1,558</b>	<b>2,307</b>

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**Breakdown of the amount of claims transferred from the previous period, by years of occurrence  
(in '000 RSD)**

In thousands of dinars	Before 2015	2015	2016	2017	2018	2019	Total
Accident insurance	153	17	-	277	236	1,008	1,691
Voluntary medical insurance	-	-	-	-	-	600	600
Motor hull (Casco)	1,663	1,386	631	638	3,717	20,466	28,501
Rolling stock insurance	-	-	-	-	604	88	692
Aircraft Casco	-	-	-	-	518	3,426	3,944
Marine Casco	-	-	-	-	-	40	40
Goods in transit	-	-	1,757	252,637	1,094	44,209	299,697
Insurance against fire and other perils	448,310	17,678	1,130	6,187	13,037	66,464	552,806
Other damage to property	13,117	1,196	1,216	4,920	28,453	21,145	70,047
Motor third-party liability	265,345	-	19,141	4,917	6,996	3,712	300,111
Aircraft liability	-	-	1,049	-	-	-	1,049
Marine liability and inland waterway liability	-	-	-	-	-	-	-
General liability	1,033	21,842	-	1,042	7,217	157,144	188,278
Credit insurance	-	-	-	3	774	-	777
Guarantee (surety) insurance	-	-	-	-	44,476	-	44,476
Miscellaneous financial losses	48	-	4	33	84	141	310
Legal protection costs insurance	-	-	-	-	-	-	-
Road assistance insurance	-	-	-	-	-	428	428
<b>Total non-life</b>	<b>729,669</b>	<b>42,119</b>	<b>24,928</b>	<b>270,654</b>	<b>107,206</b>	<b>318,871</b>	<b>1,493,447</b>
Life insurance	-	-	-	-	466	153	619
Life insurance rider	2,479	140	385	128	1,307	9,389	13,828
<b>Total life</b>	<b>2,479</b>	<b>140</b>	<b>385</b>	<b>128</b>	<b>1,773</b>	<b>9,542</b>	<b>14,447</b>
<b>Total</b>	<b>732,148</b>	<b>42,259</b>	<b>25,313</b>	<b>270,782</b>	<b>108,979</b>	<b>328,413</b>	<b>1,507,894</b>

The amount in the table is shown without the cost of provisions for costs related to settlement and payment of claims.

**10.4 Unexpired Risk Reserves**

Under the relevant Rulebook, unexpired risk reserves are only formed in the event that the Company has established that the expected amount of claims and expenses in the ensuing period in connection with the contracts in force during the current period exceeds the unearned premium reserves. The assessed unexpired risk reserves as of December 31, 2020 amounted to RSD 2,755 thousand (December 31, 2019: RSD 4,074 thousand).

**11. TECHNICAL RESERVE FUNDS**

The breakdown of technical reserve funds was as follows:

In thousands of dinars	December 31, 2020	December 31, 2019
Mathematical reserves	21,414	19,438
Unearned premiums	1,317,551	1,094,588
Risk equalization reserves	903	1,253
Outstanding claim reserves	4,286,789	1,983,620
Unexpired risk reserves	2,755	4,074
<b>Balance at December 31</b>	<b>5,629,412</b>	<b>3,102,973</b>

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As of December 31, 2020 and 2018, the Company invested the funds of technical reserves as follows:

<b>In thousands of dinars</b>	<b>The part used to cover technical reserves</b>	<b>Other funds to cover guarantee reserves</b>	<b>Total</b>
<b>As of December 31, 2020</b>			
Deposits placed with banks	646,940	1,462,492	2,109,432
Shares from the A list of the Belgrade Stock Exchange	80,874	2,904	83,778
RS bonds – non-life insurance	298,402	-	298,402
RS bonds – life insurance	6,287	-	6,287
Assets held on accounts without restrictions - non-life insurance	262,499	509,015	771,514
Assets held on accounts without restrictions - life insurance	3	-	3
Cash Fund assets	-	53,057	53,057
Assets in unearned premiums and claim reserves - life insurance	38,420	-	38,420
Assets in unearned premiums and claim reserves - non - life insurance	4,295,987	-	4,295,987
<b>Balance at December 31</b>	<b>5,629,412</b>	<b>2,027,468</b>	<b>7,656,880</b>

The structure of invested technical reserve funds is in conformity with requirements of the Insurance Law and NBS Decision on Investment of Insurance Funds (Official Gazette of RS, no. 55/2015, 111/2017 and 149/2020).

## 12. CAPITAL ADEQUACY

According to the calculation of the Company, the legal requirements of capital adequacy have been met. According to the Company's calculation, the guarantee capital is higher than 1/3 of the required solvency margin and is higher than the share capital prescribed by Article 27 of the Insurance Law. Also, the guarantee reserve (available solvency margin) is, according to the Company's calculation, higher than the required solvency margin.

## 13. OPERATING (FUNCTIONAL) INCOME

### 13.1. Income from reinsurance premium and retrocession

<b>In thousands of dinars</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Reinsurance and retrocession premiums	5,919,145	4,785,880
Unearned premiums assigned into reinsurance retrocession	(3,994,260)	(3,362,433)
Increase in unearned premium reserves	(222,963)	(448,751)
<b>Balance at December 31</b>	<b>1,701,922</b>	<b>974,696</b>

Reinsurance and retrocession premium income stated in the income statement as totaling RSD 1,701,922 thousand in 2020 (2019: RSD 974,696 thousand) includes life and non-life reinsurance premiums, domestic and foreign, less the passive premiums and less the increase of unearned reinsurance premiums.

Reinsurance premium increased by RSD 1,133,265 thousand, i.e. 23.68%, mainly due to an increase in premiums on property classes of insurance, namely insurance 08 Insurance against fire and other perils by RSD 537,747 thousand (41.53%) and class of insurance 09 Other damage to property for RSD 247,822 thousand (14.04%), as a result of portfolio development under existing and new automatic contracts, as well as the conclusion of new optional contracts.

**14. OPERATING (FUNCTIONAL) EXPENSES**

<b>In thousands of dinars</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Long-term provisions	2,054	837
Expenses for claim settlement and contractual amounts	521,122	518,614
Increase in reserves for outstanding claims	408,825	89,559
Recourse claim income	(5,820)	(7,118)
Increase in other technical reserves	2,755	2,581
Decrease in other technical reserves	(4,074)	-
<b>Balance at December 31</b>	<b>924,862</b>	<b>604,473</b>

**14.1. Expenses for claim settlement and contractual amounts**

<b>In thousands of dinars</b>	<b>For the year ending on December 31,</b>	
	<b>2020</b>	<b>2019</b>
Settled claims - share in reinsurance and retrocession claim settlement	1,146,834	970,771
Forensic, appraisal, claim settlement and payout costs	16,797	16,329
Income from the share in reinsurance claim settlement	(642,509)	(468,486)
<b>Total</b>	<b>521,122</b>	<b>518,614</b>

**14.2. Increase in reserves for outstanding claims**

<b>In thousands of dinars</b>	<b>For the year ending on December 31,</b>	
	<b>2020</b>	<b>2019</b>
Provisions - net increase	411,075	90,224
Life insurance claims provisions	(1,900)	(665)
Reduction of provisions – share	(350)	-
<b>Total</b>	<b>408,825</b>	<b>89,559</b>

Reserved claims – increase consists of expenses based on the increase in provisions less income from the reduction of provisions.

**15. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES****15.1. Income from Investing Reinsurance Funds**

<b>In thousands of dinars</b>	<b>For the year ending on December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income	50,858	55,545
Gains on the value adjustment of financial assets measured at fair value through profit and loss	1,768	1,765
Gains from the sale of securities	6,038	-
Foreign exchange gains	1,875	2,051
Dividend income	12,742	44,868
<b>Total</b>	<b>73,281</b>	<b>104,229</b>

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Interest income stated for 2020 in the amount of RSD 50,858 thousand (2019: RSD 55,545 thousand) relates to income from RS bonds and interest income on deposits. Income from adjusting the value of assets that are valued through the income statement in the amount of 1,768 thousand dinars (2019: 1,765 thousand dinars) refers to income from adjusting the value of long-term financial investments and adjusting the value of housing loans.

During 2020, the company sold shares of MTS banka and shares of Swiss osiguranje Podgorica and made a profit of 6,038 thousand dinars, as the difference between the accounting and sale price of shares.

Foreign exchange gains in the amount of RSD 1,875 thousand (2019: RSD 2,051 thousand) relate to foreign exchange gains on deposits, interest and foreign exchange differences on the foreign currency account. Other income on the basis of investment activity in the amount of RSD 12,742 thousand (2019: RSD 44,868 thousand) relates to realized dividends on the basis of participation in the capital of other legal entities.

## 15.2. Expenses from Investing Reinsurance Funds

In thousands of dinars	For the year ending on December 31,	
	2020	2019
Losses on the value adjustment of financial assets measured at fair value through profit and loss	6,847	11,524
Foreign exchange losses	6,027	9,573
<b>Total</b>	<b>12,874</b>	<b>21,097</b>

Losses on the value adjustment of financial assets measured at fair value through profit and loss of RSD 6,847 thousand (2019: RSD 11,524 thousand) relate to the value adjustment of securities held for trading.

Foreign exchange losses of RSD 6,027 thousand for 2020 (2019: RSD 9,573 thousand) relate to foreign exchange losses per deposits, current account funds and securities.

## 16. REINSURANCE ADMINISTRATION COSTS

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<i>Policy acquisition costs</i>	756,929	543,175
Commissions payable	697,431	481,100
Other policy acquisition costs	59,498	62,075
<i>Management costs</i>	134,697	120,405
Depreciation/amortization charge	10,951	9,923
Cost of materials, fuel and energy	27,335	23,763
Staff costs	65,799	63,058
Other management costs	30,612	23,661
Other reinsurance administration costs	9,248	9,341
Reinsurance commissions	(527,574)	(453,392)
<b>Total</b>	<b>373,300</b>	<b>219,529</b>

## 17. FINANCE INCOME

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<i>Finance income other than income from investing activities</i>		
Foreign exchange gains	32,097	20,334
Positive currency clause effects	11,483	11,256
<b>Total</b>	<b>43,580</b>	<b>31,590</b>

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**18. FINANCE EXPENSES**

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<i>Finance expenses other than expenses from investing activities</i>		
Interest on public revenues	1	12
Default interest and interest payable under court rulings	353	210
Foreign exchange losses	32,962	16,068
Negative currency clause effects	26,851	12,930
<b>Total</b>	<b>60,167</b>	<b>29,220</b>

**19. OTHER INCOME AND OTHER EXPENSES**

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<b>Other income</b>	<b>7,159</b>	<b>1,991</b>
<b>Other expenses</b>	<b>(522)</b>	<b>(1,752)</b>

**20. GAINS ON THE VALUE ADJUSTMENT OF RECEIVABLES AND OTHER ASSETS USED IN PERFORMANCE OF BUSINESS ACTIVITY**

Gains on the value adjustment of receivables and other assets used in performance of business activity totaling RSD 81,110 thousand in 2020 (2019: RSD 75,639 thousand) entirely relate to the value adjustment of receivables, i.e., receivables impaired (provided for) in the previous accounting period and collected in the current period.

**21. LOSSES ON THE VALUE ADJUSTMENT OF RECEIVABLES AND OTHER ASSETS USED ON PERFORMANCE OF BUSINESS ACTIVITY**

Losses on the value adjustment of receivables and other assets used in performance of business activity of RSD 121,488 thousand in 2020 (2019: RSD 83,066 thousand) entirely refer to the impairment allowance of receivables.

**22. INCOME TAXES****a) Components of Income Taxes**

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<b>Deferred taxes</b>		
Gains on creation of deferred tax assets	(5,283)	(6,564)
Losses on creation of deferred tax liabilities	137	457
<b>Net deferred tax benefits</b>	<b>(5,146)</b>	<b>(6,107)</b>
<b>Current tax</b>		
Current income tax expense	31,108	29,734
<b>Total current tax</b>	<b>31,108</b>	<b>29,734</b>
<b>Total income tax</b>	<b>25,962</b>	<b>23,627</b>

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**b) Numerical Reconciliation of the Tax Expense and the Product of Accounting Results as Multiplied by the Statutory Income Tax Rate**

In thousands of dinars	For the year ending on December 31,	
	2020	2019
<b>Profit before taxes</b>	<b>413,032</b>	<b>228,516</b>
Income tax calculated at the statutory tax rate of 15%	61,955	34,277
Tax effects of expenses not recognized for tax purposes	10,637	6,864
Tax effects of income not recognized for tax purposes	(41,484)	(11,407)
<b>Income tax liability</b>	<b>31,108</b>	<b>29,734</b>
<b>Effective tax rate</b>	<b>7.53%</b>	<b>13.01%</b>

The tax base and taxable income reported in the tax statement represent the gross profit from the statutory income statement increased by expenses not recognized for tax purposes under the effective Corporate Income Tax Law, and decreased by interest income on debt securities issued by the Republic of Serbia.

**23. LITIGATION**

As of December 31, 2020, the Company participates in four litigations outside the insurance business. The total value of disputes against the Company on these grounds is 262 thousand dinars and USD 223,930. The total amount of provisions based on disputes outside insurance is 1,400 thousand dinars.

As of December 31, 2020, the Company is participating in seven insurance litigations. In all cases where the claim relates to compensation from the insurance contract, a provision has been made in accordance with the law.

The Company considers, having in mind the amount of reserved funds, that the outcomes of ongoing litigations will not have materially significant negative effects on the financial standing or results of operations of the Company.

**24. RELATED PARTY TRANSACTIONS****Parent legal entity and its beneficial owner**

The parent legal entity is Dunav osiguranje a.d.o. Belgrade and the beneficial owner is the Republic of Serbia.

In the ordinary course of business, the Company conducts various transactions with related parties, primarily on the basis of contracts related to the provision of mutual services. These transactions are conducted under commercial and market conditions.

During 2020, the income and remuneration of the key management of the Company – members of the Supervisory and Executive Board of the Company amounted to 20,179 thousand dinars (2019: 18,556 thousand dinars). Of the total amount of key management compensation, short-term employee benefits amount to RSD 19,379 thousand, while other long-term employee benefits amount to RSD 800 thousand. In the previous year, the total amount refers to short-term employee benefits. The Company has no other key management fees.

Identified related parties are the owner of shares of the Company – Dunav Osiguranje a.d.o., Belgrade and members of Dunav osiguranje group: Dunav osiguranje a.d., Banja Luka, Dunav Auto d.o.o., Beograd, Dunav Stokbroker a.d., Belgrade, Dunav – voluntary pension fund management company and Dunav turist d.o.o., Zlatibor.

**TRANSLATION****DUNAV RE A.D.O., BEOGRAD**  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020

Balances of receivables and payables, and revenues and expenses arising from the transactions with related parties are provided in the following tables:

<b>In thousands of dinars</b>	<b>For the year ending on</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>INCOME</b>		
<i>Income from reinsurance premiums and retrocession</i>	2,419,560	1,882,557
Kompanija Dunav Osiguranje a.d.o., Belgrade	2,347,724	1,824,311
Dunav osiguranje a.d., Banja Luka	71,836	58,246
<i>Income from recourses and sale of insured and damaged items</i>	-	1,687
Kompanija Dunav Osiguranje a.d.o., Belgrade	-	1,687
<i>Commissions per reinsurance and retrocession contracts</i>	37,687	24,966
Kompanija Dunav Osiguranje a.d.o., Belgrade	36,864	24,966
Dunav osiguranje a.d., Banja Luka	823	-
<i>Positive currency clause effects</i>	6,674	5,375
Kompanija Dunav Osiguranje a.d.o., Belgrade	6,674	5,375
<i>Foreign exchange gains</i>	54	44
Dunav osiguranje a.d., Banja Luka	54	44
<i>Gains on the value adjustment of assets</i>	9,988	3,051
Kompanija Dunav Osiguranje a.d.o., Belgrade	3,597	357
Dunav osiguranje a.d., Banja Luka	6,391	2,694
<b>Total income</b>	<b>2,473,963</b>	<b>1,917,680</b>
<b>EXPENSES</b>		
<i>Expenses for share in the reinsurance and retrocession claims</i>	327,318	225,161
Kompanija Dunav Osiguranje a.d.o., Belgrade	308,180	208,757
Dunav osiguranje a.d., Banja Luka	19,138	16,404
<i>Commissions for domestic and foreign reinsurance operations</i>	134,894	115,892
Kompanija Dunav Osiguranje a.d.o., Belgrade	122,242	105,098
Dunav osiguranje a.d., Banja Luka	12,652	10,794
<i>Cost of production services</i>	13,636	14,048
Kompanija Dunav Osiguranje a.d.o., Belgrade	11,851	11,961
Dunav Auto d.o.o., Beograd	1,785	2,087
<i>Costs of insurance premiums</i>	1,226	1,144
Kompanija Dunav Osiguranje a.d.o., Belgrade	1,226	1,144
<i>Cost of non-production services</i>	1,309	1,183
Kompanija Dunav Osiguranje a.d.o., Belgrade	327	421
Dunav Stockbroker a.d., Beograd	982	762
<i>Other expenses, elsewhere not mentioned</i>	2,116	2,244
MTS banka commission expense	7	58
Dunav Voluntary Pension Fund Management Company, Belgrade	2,109	2,186
<i>Negative currency clause effects</i>	16,804	6,834
Kompanija Dunav Osiguranje a.d.o., Belgrade	16,804	6,834
<i>Foreign exchange losses</i>	35	161
Dunav osiguranje a.d., Banja Luka	35	161
<i>Losses on value adjustment of assets</i>	36,689	7,693
Kompanija Dunav Osiguranje a.d.o., Belgrade	723	1,881
Dunav osiguranje a.d., Banja Luka	35,966	5,812
<i>Prior years' expenses</i>	-	31
Kompanija Dunav Osiguranje a.d.o., Belgrade	-	31
<b>Total expenses</b>	<b>534,027</b>	<b>374,391</b>
<b>Income, net</b>	<b>1,939,936</b>	<b>1,543,289</b>

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**TRANSLATION**

In thousands of dinars	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<i>Equity investments</i>	1,243	1,243
Dunav turist d.o.o., Zlatibor	1,243	1,243
<i>Impairment allowance of equity investments</i>	(1,243)	(1,243)
Dunav turist d.o.o., Zlatibor	(1,243)	(1,243)
<i>Reinsurance premium receivables</i>	870,853	415,818
Kompanija Dunav Osiguranje a.d.o., Belgrade	804,234	367,653
Dunav osiguranje a.d., Banja Luka	66,619	48,165
<i>Advances paid</i>	179	-
Dunav Voluntary Pension Fund Management Company, Belgrade	179	-
<i>Commission receivables</i>	412	294
Kompanija Dunav Osiguranje a.d.o., Belgrade	412	294
<i>Impairment allowance of receivables</i>	(43,521)	(16,819)
Kompanija Dunav Osiguranje a.d.o., Belgrade	(805)	(3,679)
Dunav osiguranje a.d., Banja Luka	(42,716)	(13,140)
<i>Prepaid expenses</i>	81	52
Kompanija Dunav Osiguranje a.d.o., Belgrade	81	52
<b>Total assets</b>	<b>828,004</b>	<b>399,345</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Liabilities for reinsurance claim settlement and contractual amounts</i>	89,490	130,466
Kompanija Dunav Osiguranje a.d.o., Belgrade	76,711	130,295
Dunav osiguranje a.d., Banja Luka	12,779	171
<i>Reinsurance commissions payable</i>	36,999	30,413
Kompanija Dunav Osiguranje a.d.o., Belgrade	36,999	30,413
<i>Reinsurance premium refunds</i>	3,380	1,482
Kompanija Dunav Osiguranje a.d.o., Belgrade	3,127	1,482
Kompanija Dunav osiguranje a.d.o., Banja Luka	253	-
<i>Domestic trade payables</i>	1,442	1,288
Kompanija Dunav Osiguranje a.d.o., Belgrade	1,260	994
Dunav Stockbroker a.d., Belgrade	122	120
Dunav auto	60	174
<i>Accruals - uninvoiced accrued expenses</i>	-	71
Kompanija Dunav Osiguranje a.d.o., Belgrade	-	71
<b>Total equity and liabilities</b>	<b>131,311</b>	<b>163,720</b>
<b>Liabilities, net</b>	<b>696,693</b>	<b>235,625</b>

**25. BALANCE RECONCILIATION OF RECEIVABLES AND LIABILITIES**

For the purpose of preparing the annual financial statements, the Company performed annual balance reconciliation of liabilities and receivables as of October 31, 2020.

In accordance with its internal bylaw, the Company sent outstanding item statements (OIS) to its counterparties as of October 31, 2020 requesting balance confirmations. The OIS forms were not sent to the entities subject to the liquidation procedure, domestic and foreign or to a group of business partners taking part in the risk assumed for the claim of EOS vessel, which was provided in the amount of 100% and subject to an international arbitration procedure against the leading reinsurer.

There was an unreconciled receivable balance with Triglav Osiguranje a.d.o., Beograd in respect of KOLZEC claim of RSD 236,690 thousand subject to litigation, which the Company provided for in full.

These unreconciled receivables of the Company have been completely corrected.



**26. EARNINGS PER SHARE**

In thousands of dinars	December 31, 2020	December 31, 2019
Net profit attributable to ordinary shareholders (basic and diluted)	387,070	204,889
Weighted average number of ordinary shares outstanding	84,978	84,978
<b>Basic earnings per share (basic and diluted)</b>	<b>4,555</b>	<b>2,411</b>

**27. OTHER INFORMATION****27.1. External Inspection Findings**

With the notification on the control of the National Bank of Serbia KG no. 3380/1/20 dated December 17, 2020, the Company is informed that the National Bank of Serbia, starting from December 22, 2020, will perform direct control of the Company's operations for the period from January 1, 2019, until the date of control. As of the date of preparation of these financial statements, the direct control has not been completed nor has the Minutes on the performed control been submitted.

**27.2. Internal Controls and Risks Arising in the Course of Reinsurance Business Activity**

The Company organizes, implements and develops a system of internal controls and risk management in accordance with Article 147 of the Insurance Law, Decision on the Internal Control System and Risk Management by the Insurance Undertaking (Official Gazette of RS no. 51/2015) and the Company's Risk Management Strategy dated March 4, 2016.

The overall internal control function is performed by the Controlling and Business Development Department in collaboration with all other organizational units of the Company in accordance with the Rulebook on the Internal Organization and Basics of Job Classification no. IA-350 dated June 21, 2016.

Identification, assessment, measurement and control of the risks the Company is exposed to are developed on an ongoing basis and adapted to changing condition of the reinsurance business across all the Company's organizational units in accordance with its internal organization and job classification, adopted internal bylaws, rules of the insurance/reinsurance profession, good business practices, business ethics and effective legislation. Management of certain risks is the responsibility of the competent Company's organizational units where the risks have been identified. Executive Officers/Department Heads are responsible for consistent implementation of the Company's adopted risk management policies at all levels within the Company and for thorough understanding of the responsibilities entailed by the risk management processes on the part of all employees participating in such processes, observing the ethical and professional standards in place.

In the process of risk management, the procedures in place enable comprehensive and preventive identification, assessment and measurement of risks the Company is exposed to in its operations, in such a manner that the Company ensures permanent maintenance of the capital adequacy and risk exposure at the level that will not compromise its assets and operations.

The risk management process allows consideration of all the key factors and elements instrumental in streamlining all the financial, human and other resources so as to achieve high risk dispersion and distribution and risk minimization.

The Company's risk profile is defined by the acceptable risk exposure level, i.e., the level of risk that the Company is willing to assume, which is in line in the Company's adopted risk management policies, objectives and principles. The Company's Executive Board continually monitors and evaluates the risk management system in place and reports its findings to the Supervisory Board.

During the observed period, there were no changes to the Company's set of instruments for risk identification, assessment, measurement and control. The Company continued monitoring the movements of the risk impact on its operations, achievement of the business goals and implementation of the strategies and operating plans. In accordance with the Decision on the Internal Control System and Risk Management by the Insurance/Reinsurance Undertaking, the Company identified the total of 35 risks.

The Company has an internal control system in place, which, among other things, entails procedures and actions aimed at prevention of the Company's excessive exposure to risks.

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The Company's internal controls promote efficiency, minimize a risk of loss of assets and contribute to the reliability of the financial statements and compliance with the legislation, policies and internal business policy bylaws. In implementing internal controls the focus is on preservation of the integrity of assets, prevention and detection of operational errors, as well as on accuracy and completeness of the accounting records and timely preparation of reliable financial information and improvement of the Company's information system.

The risks are classified into 7 groups, as follows:

1. Reinsurance risks,
2. Market risks,
3. Counterparty default risks,
4. Liquidity risks,
5. Operational risks,
6. Legal risks, and
7. Other significant risks.

Upon classification, risks are ranked according to the extent of their impact on the Company's operations as low, medium-intensity, high-intensity and extreme risks, i.e., insignificant, low, significant, critical and unacceptable risks.

### 27.3. Disclosures Regarding Insurance Contracts

#### *Breakdown of Reinsurance Premium per Insurance Classes*

Reinsurance risk is a risk of loss or adverse changes in the value of liabilities in the event the Company is unable to absorb the risks assumed, which are inherent to the reinsurance business.

The Company exercises control of all risks prior to risk assumption into the reinsurance coverage. In addition to the control of risk acceptability, before making the final decision on risk acceptance, the Company assesses the risk and provides adequate risk dispersions, both horizontal and vertical, through retrocession and self-insured retention.

The table below shows the structure of reinsurance premiums by classes of insurance:

<b>In thousands of dinars</b>	<b>Current year</b>	<b>Previous year</b>
<b>Reinsurance class</b>		
01 Accident insurance	10,048	7,424
03 Motor hull (Casco)	338,261	244,369
07 Goods in transit	94,191	90,388
10 Motor third-party liability	302,156	267,162
08, 09 Property insurance	3,845,555	3,059,986
Other	1,182,401	982,789
<b>Total non-life insurance</b>	<b>5,772,612</b>	<b>4,652,118</b>
<b>Life insurance</b>	<b>146,533</b>	<b>133,762</b>
<b>Total (note 13)</b>	<b>5,919,145</b>	<b>4,785,880</b>

#### *Concentration Risks*

The Company had no significant exposures to any group of retrocedents and was not exposed to the concentration risk in this respect.

As for the risk type, the highest probability of significant losses to the Company arises from the catastrophic events such as floods, storms, hail storms, fires or damages caused by earthquakes.

The Company ensured adequate coverage through retrocession, which significantly neutralizes concentration risks arising from catastrophic events.

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*Disclosure of Information Regarding the Breakdown of Settled Claims*

*Breakdown of Settled Claims per Risk Lines*

Portion of settled claims	Current year			Previous year		
	Non-Life	Life	Total	Non-Life	Life	Total
In self-retention	499,032	5,293	504,325	493,285	9,000	502,285
In reinsurance	607,673	34,836	642,509	415,820	52,666	468,486
<b>Total (note 14.1)</b>	<b>1,106,705</b>	<b>40,129</b>	<b>1,146,834</b>	<b>909,105</b>	<b>61,666</b>	<b>970,771</b>

*Breakdown of Settled Claims per Reinsurance Class*

In thousands of dinars	Current year	Previous year
<b>Reinsurance class</b>		
01 Accident insurance	3,528	5,501
03 Motor hull (Casco)	200,553	147,664
07 Goods in transit	13,500	42,070
10 Motor third-party liability	97,938	127,231
08, 09 Property insurance	633,953	431,670
Other	157,233	154,969
<b>Total non-life insurance</b>	<b>1,106,705</b>	<b>909,105</b>
<b>Life insurance</b>	<b>40,129</b>	<b>61,666</b>
<b>Total (note 14.1)</b>	<b>1,146,834</b>	<b>970,771</b>

Decisions on the type and amount of risk coverage through retrocession are made under the Company's Rules on the Criteria and Manner of Coinsurance and Reinsurance and Decision on the Company's Maximum Self-Retention.

*Breakdown of Gross Premium per Risk Lines*

Portion of gross premium	Current year			Previous year		
	Non-Life	Life	Total	Non-Life	Life	Total
In self-retention	1,659,791	17,310	1,677,101	986,779	15,793	1,002,572
In reinsurance	4,112,821	129,223	4,242,044	3,665,339	117,969	3,783,308
<b>Total (note 13)</b>	<b>5,772,612</b>	<b>146,533</b>	<b>5,919,145</b>	<b>4,652,118</b>	<b>133,762</b>	<b>4,785,880</b>

**Breakdown of Technical Reserves**

The Company calculates technical reserves in accordance with the Insurance Law and regulations enacted under the Law, as well as its own internal bylaws and enactments.

In thousands of dinars	December 31, 2020	December 31, 2019
<b>Portion of technical reserves</b>		
Unearned premiums (note 10.1)	1,317,551	1,094,588
Outstanding claim reserves (non-life insurance) (note 10.3)	4,263,494	1,962,042
Risk equalization reserves	903	1,253
Other technical reserves	2,755	4,074
<b>Technical reserves (non-life insurance), gross</b>	<b>5,584,703</b>	<b>3,061,957</b>
Transferred to reinsurance (non-life insurance)	4,295,987	2,157,676
<b>Technical reserves in self-retention (non-life insurance)</b>	<b>1,288,716</b>	<b>904,281</b>
Mathematical reserves	21,414	19,438
Outstanding claim reserves (life insurance)	23,295	21,578
<b>Technical reserves (life insurance), gross</b>	<b>44,709</b>	<b>41,016</b>
Transferred to reinsurance (life insurance)	38,420	35,031
<b>Technical reserves in self-retention (life insurance)</b>	<b>6,289</b>	<b>5,985</b>
<b>Total technical reserves, gross</b>	<b>5,629,412</b>	<b>3,102,973</b>
Total transferred to reinsurance (note 7)	4,334,407	2,192,707
<b>Total technical reserves in self-retention</b>	<b>1,295,005</b>	<b>910,266</b>

Movements on unearned premiums are presented below:

In thousands of dinars	Current year			Previous year		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Indicators</b>						
Balance at January 1	1,094,588	997,550	97,038	645,838	576,675	69,163
Premium written over the year	5,919,145	4,242,044	1,677,101	4,785,880	3,783,308	1,002,572
Net earned premium	5,696,182	3,994,260	1,701,922	4,337,130	3,362,433	974,697
<b>Balance at December 31 (notes 7, 10.1)</b>	<b>1,317,551</b>	<b>1,245,334</b>	<b>72,217</b>	<b>1,094,588</b>	<b>997,550</b>	<b>97,038</b>

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*Movements on Outstanding Claims*

The Company calculates outstanding claim reserves under the relevant regulations of the National Bank of Serbia as the regulator and the Company's own internal bylaws.

*Movements on Outstanding (Reported but not Settled – RBNS) Claims*

In thousands of dinars	Current year			Previous year		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Indicators</b>						
Balance at January 1	1,540,998	901,941	639,057	1,093,612	506,475	587,137
Changes in outstanding claim reserves during previous year +/-	1,893,574	1,555,661	337,913	447,386	395,466	51,920
<b>Balance at December 31</b>	<b>3,434,572</b>	<b>2,457,602</b>	<b>976,970</b>	<b>1,540,998</b>	<b>901,941</b>	<b>639,057</b>

*Movements on Outstanding (Incurred but not reported – IBNR) Claims*

In thousands of dinars	Current year			Previous year		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Indicators</b>						
Balance at January 1	442,622	277,407	165,215	335,388	208,477	126,911
Increase during the year	409,595	336,433	73,162	107,234	68,930	38,304
<b>Balance at December 31</b>	<b>852,217</b>	<b>613,840</b>	<b>238,377</b>	<b>442,622</b>	<b>277,407</b>	<b>165,215</b>

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**TRANSLATION**

Disclosure of information and data on underwriting results and expenses per insurance class for 2020 and 2019 are provided below:

a) *Ratios per active operations*

Insurance class	December 31, 2020						December 31, 2019					
	Premium, Net earned	Net claims	CLAIMS RATIO	Reinsurance administration expenses	EXPENSE RATIO	COMBINED RATIO	Premium, Net earned	Net claims	CLAIMS RATIO	Reinsurance administration expenses	EXPENSE RATIO	COMBINED RATIO
Accident insurance	10,047,940	3,048,941	30.34%	3,678,992	36.61%	66.96%	7,398,405	6,183,927	83.58%	2,093,438	28.30%	111.88%
Voluntary medical insurance	37,478,639	5,529,230	14.75%	2,186,700	5.83%	20.59%	20,758,022	5,609,228	27.02%	819,085	3.95%	30.97%
Motor hull (Casco)	336,709,681	218,295,794	64.83%	91,474,034	27.17%	92.00%	245,588,247	166,174,823	67.66%	62,900,713	25.61%	93.27%
Rolling stock insurance	17,990,679	3,662,547	20.36%	636,944	3.54%	23.90%	18,703,800	-380,798	-2.04%	1,034,821	5.53%	3.50%
Aircraft Casco	74,109,201	186,906,755	252.20%	6,488,706	8.76%	260.96%	103,709,946	61,041,110	58.86%	5,413,620	5.22%	64.08%
Marine Casco	4,555,363	-135,683	-2.98%	769,993	16.90%	13.92%	2,791,827	3,721,534	133.30%	374,803	13.43%	146.73%
Goods in transit	94,485,267	30,365,771	32.14%	13,277,043	14.05%	46.19%	91,192,453	86,753,251	95.13%	11,678,727	12.81%	107.94%
Insurance against fire and other perils	1,784,383,796	1,773,225,594	99.37%	348,349,275	19.52%	118.90%	1,235,087,414	307,906,050	24.92%	234,586,470	18.99%	43.92%
Other damage to property	1,948,897,311	943,678,503	48.42%	251,663,596	12.91%	61.33%	1,564,316,240	190,541,583	12.18%	205,516,587	13.14%	25.32%
Motor third-party liability	303,729,063	137,674,220	45.33%	12,023,574	3.96%	49.29%	265,324,354	64,860,324	24.45%	11,064,441	4.17%	28.62%
Aircraft liability	82,977,713	52,930,043	63.79%	3,111,247	3.75%	67.54%	88,679,915	-399,791	-0.45%	4,772,877	5.38%	4.93%
Marine liability	28,267,761	31,284,380	110.67%	1,174,222	4.15%	114.83%	21,010,293	9,022,254	42.94%	1,503,864	7.16%	50.10%
General liability	500,551,057	15,706	0.00%	53,052,642	10.60%	10.60%	395,852,995	239,167,264	60.42%	48,819,589	12.33%	72.75%
Credit insurance	192,458,808	37,935,815	19.71%	46,398,755	24.11%	43.82%	36,433,304	5,344,913	14.67%	9,178,460	25.19%	39.86%
Guarantee insurance	12,972,777	-652,945	-5.03%	5,960,381	45.95%	40.91%	22,351,931	-579,775	-2.59%	13,200,645	59.06%	56.46%
Miscellaneous financial losses	115,279,642	-2,001,872	-1.74%	11,559,102	10.03%	8.29%	76,649,596	35,655,264	46.52%	9,918,664	12.94%	59.46%
Road assistance insurance	4,754,063	2,603,950	54.77%	163,365	3.44%	58.21%	7,518,531	2,922,101	38.87%	296,699	3.95%	42.81%
<b>TOTAL</b>	<b>5,549,648,761</b>	<b>3,424,366,749</b>	<b>61.70%</b>	<b>851,968,571</b>	<b>15.35%</b>	<b>77.05%</b>	<b>4,203,367,273</b>	<b>1,183,543,261</b>	<b>28.16%</b>	<b>623,173,503</b>	<b>14.83%</b>	<b>42.99%</b>

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b) *Ratios for self-retention*

Insurance class	December 31, 2020						December 31, 2019					
	Premium, Net earned	Net claims	CLAIMS RATIO	Reinsurance administration expenses	EXPENSE RATIO	COMBINED RATIO	Premium, Net earned	Net claims	CLAIMS RATIO	Reinsurance administration expenses	EXPENSE RATIO	COMBINED RATIO
Accident insurance	3,430,599	375,476	10.94%	1,416,325	41.29%	52.23%	1,062,036	733,609	69.08%	131,735	12.40%	81.48%
Voluntary medical insurance	4,194,998	959,530	22.87%	1,427,377	34.03%	56.90%	3,459,670	1,010,819	29.22%	819,085	23.68%	52.89%
Motor hull (Casco)	302,191,895	216,062,729	71.50%	76,686,045	25.38%	96.88%	214,864,630	166,176,049	77.34%	49,001,227	22.81%	100.15%
Rolling stock insurance	17,143,522	3,437,278	20.05%	607,538	3.54%	23.59%	17,499,911	-737,494	-4.21%	945,591	5.40%	1.19%
Aircraft Casco	2,367,886	3,304,005	139.53%	-249,640	-10.54%	128.99%	1,694,376	1,355,143	79.98%	1,304,563	76.99%	156.97%
Marine Casco	4,457,903	-135,683	-3.04%	769,993	17.27%	14.23%	2,673,110	3,721,533	139.22%	374,803	14.02%	153.24%
Goods in transit	13,029,559	2,461,213	18.89%	-786,957	-6.04%	12.85%	15,075,764	15,719,255	104.27%	-501,827	-3.33%	100.94%
Insurance against fire and other perils	721,210,888	477,981,903	66.27%	164,502,512	22.81%	89.08%	373,891,111	165,379,302	44.23%	73,005,324	19.53%	63.76%
Other damage to property	484,159,520	180,134,613	37.21%	120,734,202	24.94%	62.14%	182,363,792	153,064,813	83.93%	69,342,383	38.02%	121.96%
Motor third-party liability	78,250,953	34,248,547	43.77%	-3,002,573	-3.84%	39.93%	72,332,464	52,107,764	72.04%	-2,047,038	-2.83%	69.21%
Aircraft liability	1,670,198	1,444,875	86.51%	634,651	38.00%	124.51%	1,017,590	-21,527	-2.12%	2,446,831	240.45%	238.34%
Marine liability	5,033,368	656,257	13.04%	-275,083	-5.47%	7.57%	1,704,912	655,747	38.46%	231,322	13.57%	52.03%
General liability	34,153,340	-2,449,386	-7.17%	-1,745,673	-5.11%	-12.28%	43,916,327	38,895,199	88.57%	7,890,563	17.97%	106.53%
Credit insurance	5,542,022	3,962,836	71.51%	3,893,041	70.25%	141.75%	2,522,141	987,170	39.14%	1,330,700	52.76%	91.90%
Guarantee insurance	848,864	-652,945	-76.92%	220,717	26.00%	-50.92%	17,288,094	-579,775	-3.35%	3,591,788	20.78%	17.42%
Miscellaneous financial losses	6,835,289	4,287,686	62.73%	1,616,404	23.65%	86.38%	7,386,973	580,968	7.86%	1,999,013	27.06%	34.93%
Road assistance insurance	91,450	87,449	95.62%	59,285	64.83%	160.45%	150,370	105,734	70.32%	183,920	122.31%	192.63%
<b>Non-life insurance</b>	<b>1,684,612,254</b>	<b>926,166,383</b>	<b>54.98%</b>	<b>366,508,164</b>	<b>21.76%</b>	<b>76.74%</b>	<b>958,903,271</b>	<b>599,154,309</b>	<b>62.48%</b>	<b>210,049,983</b>	<b>21.91%</b>	<b>84.39%</b>

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**28. RISK MANAGEMENT**

**28.1. Reinsurance Risk**

Reinsurance risk arises from the Company's inability to absorb the risks assumed and is inherent to the reinsurance business. The Company executes active reinsurance contracts whereby the insurance risk is transferred from the insurers (ceding companies) to the Company and passive reinsurance contracts whereby the reinsurance risk is transferred from the Company to retrocessionaires.

Within reinsurance risks, the Company regularly monitors and analyzes the following risks:

- a) risk of adequacy of technical reserves and risks with regard to the planning of the Company's technical reserves,
- b) risk of inadequately calculated mathematical reserve,
- c) risk of inadequately determined reinsurance premium,
- d) risk of inappropriate definition of reinsurance terms,
- e) risk of inadequately determined self-retention, and
- f) risk of inadequately assessed risks assumed in reinsurance.

in order to ensure permanent and constant maintenance of the risk exposure at the level where the assets and operations of the Company will not be compromised and which will ensure protection of the interests of the Company's cedents (ceding insurance companies) and other creditors and vendors

Within the reinsurance risk group, all the risks were classified as insignificant according to their impact on the Company's operations.

**28.2. Categories of Financial Instruments**

Categories of financial instruments are provided in the table below:

<b>In thousands of dinars</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Long-term financial investments	75,287	253,260
Trade receivables	1,702,287	1,088,125
Short-term financial investments	2,476,521	1,985,231
Cash and cash equivalents	771,517	454,658
<b>Financial assets</b>	<b>5,025,612</b>	<b>3,781,274</b>
Long-term financial liabilities	200	-
Short-term financial liabilities	133	-
Liabilities for settlement of claims and other contractual amounts	269,260	335,406
Liabilities for premiums, commissions and other liabilities	1,347,125	676,022
<b>Financial liabilities</b>	<b>1,616,718</b>	<b>1,011,428</b>

**28.3. Market Risks**

Market risks arise from the unfavorable changes in the market, primarily insurance and financial markets. These may be manifest as contingent gains or losses.

These risks include in particular:

- a) competition risk;
- b) risk of inadequate adjustment to the requirements of reinsurance service users;
- c) risk of decrease in self-retention premium;
- d) interest rate risk;
- e) equity (security) price risk; and
- f) foreign currency risk.

All risks within market risk group are classified as low-intensity risks according to their impact on the Company's business operations.

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**a) Competition Risk**

The Company regularly analyzes its positioning in the reinsurance market both in the country and abroad and makes efforts to preserve the trust and reputation in the European market through direct contact with reinsurers and increased cooperation with reinsurers from the Balkans Region (principally Bosnia and Herzegovina and Slovenia).

**b) Risk of Inadequate Adjustment to the Requirements of Reinsurance Service Users**

In order to minimize the risk of inadequate adjustment to the requirements of reinsurance service users, the Company follows up on the European and global trends in new reinsurance product development and assesses their adequacy of implementation in relation to the user requirements.

As a result of better adjustment to the requirements of insurers, the Company increased the active reinsurance premium.

**c) Risk of Decrease in Self-Retention Premium**

The Company analyzes the achievement in a certain period against the plan and achievement for the same period in the previous year.

The Company focuses on recovery or the self-retention premium from other reinsurance operations such as:

- i) execution of new reinsurance contracts with other cedents where the Company's capacities would be engaged to the maximum extent; and
- ii) the Company ensures that there are capacities and resources for new products in the market and for the less developed products with potential in the local market.

**d) Interest Rate Risk**

Risk of changes in interest rates relates to the risk that the Company's asset value and income will suffer due to the fluctuations of interest rates. In addition, the Company is also exposed to the risk of changes in the future cash flows, i.e. decrease in the future inflows caused by the decline in interest rates. The Company regularly monitors and analyzes the impact of the interest rate risk, which is part of the risk of decrease in income from depositing and investing activities due to decrease in interest rates and equity prices, which are classified as low risks. Income from the investment portfolio is monitored and analyzed on regular basis by the Company's management as are the parameters of the financial market, particularly the fluctuations in the interest rates, for the purpose of controlling the financial assets downgrade risk.

Financial instruments exposed to the interest rate risk are presented below:

In thousands of dinars	December 31, 2020	December 31, 2019
<b>Financial assets</b>		
<i>Non-interest bearing</i>		
Trade receivables	1,702,287	1,088,125
<i>Fixed interest rate</i>		
Long-term financial investments	75,287	253,260
Short-term financial investments	2,476,521	1,985,231
<i>Total</i>	<i>2,551,808</i>	<i>2,238,491</i>
<i>Variable interest rate</i>		
Cash and cash equivalents	771,517	454,658
<b>Total financial assets</b>	<b>5,025,612</b>	<b>3,781,274</b>
<b>Financial liabilities</b>		
<i>Non-interest bearing</i>		
Liabilities for settlement of claims and other contractual amounts	269,260	335,406
Liabilities for premiums, commissions and other liabilities	1,347,125	676,022
<i>Total</i>	<i>1,616,385</i>	<i>1,011,428</i>
<i>Variable interest rate</i>		
Long-term financial liabilities	200	-
Short-term financial liabilities	133	-
<i>Total</i>	<i>333</i>	<i>-</i>
<b>Total financial liabilities</b>	<b>1,616,718</b>	<b>1,011,428</b>

The previous year's downward trend in interest rates continued in 2020. The Company will continue ongoing monitoring of the interest yield rates in the financial market in order to invest in the financial instruments with the highest interest. The following table provides the contractually agreed interest rate ranges for specific financial instruments:

Financial assets	Interest rate range	
	2020	2019
<b>Long-term financial investments</b>	0.68%-5.85%	1.60%-5.85%
<b>Short-term financial investments</b>		
RSD demand deposits	0.00%-2.25%	1.25%-3.00%
RSD term deposits	1.85%-3.80%	2.50%-3.80%
Foreign currency term deposits	0.80%-1.70%	0.90%-1.70%
Bonds	0.50%-1.50%	0.90%-1.60%

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Breakdown of the interest income earned in 2020 and 2019 per type of investment is provided below:

In thousands of dinars	2020	2019
<b>Assets</b>		
<i>Term deposits held with banks</i>	30,154	27,451
Dinars	16,670	16,544
Foreign currency	13,484	10,907
<i>Demand deposits held with banks</i>	7,280	6,010
Dinars	5,640	4,369
Foreign currency	1,640	1,641
<i>Interest income on bonds</i>	13,424	22,084
<b>Total</b>	<b>50,858</b>	<b>55,545</b>
<b>The effect of a 10% interest rate decline</b>	<b>5,086</b>	<b>5,555</b>
<b>Equity</b>	<b>2,004,662</b>	<b>1,737,240</b>
<b>Equity after the interest rate decline effect</b>	<b>1,999,576</b>	<b>1,731,685</b>

**e) Equity (Securities) Price Risk**

The Company analyzes the movements in the value of securities included in the Company's portfolio and monitors the impact of the gains/losses from such investments on the total gains/losses from depositing and investing the Company's reinsurance funds.

In addition to regular monitoring of the movement in the value of securities within its portfolio, the Company maintains an ongoing communication with the corporate agent in order to be able to consider the optimum terms for sale or acquisition of new securities.

The Company invested funds in accordance with the relevant NBS Decision and investment policy.

**f) Foreign Currency Risk**

In monitoring this sort of risk the Company analyzes the foreign exchange rate trends and assesses the currency structure of assets and liabilities. In order to hedge large currency risk exposures, the Company always includes currency clause in reinsurance contracts executed with its cedents, and deposits and invests funds in such a manner that a high share of foreign currency items within assets is ensured.

The Company regularly monitors foreign exchange risk and in 2020 it was classified as insignificant.

*Breakdown of the Company's currency risk exposure per currency*

In thousands of dinars	USD	EUR	Other currencies	RSD	Total
Long-term financial investments	-	24,032	-	51,255	75,287
Trade receivables	277,617	1,215,253	43,965	165,452	1,702,287
Short-term financial investments	-	1,229,686	2,905	1,243,930	2,476,521
Cash and cash equivalents	65,248	461,505	22,133	222,631	771,517
<b>Total</b>	<b>342,865</b>	<b>2,930,476</b>	<b>69,003</b>	<b>1,683,268</b>	<b>5,038,472</b>
Long-term provisions	-	21,226	1,078	34,177	56,481
Long-term liabilities	-	-	-	200	200
Short-term liabilities	206,210	1,220,103	62,919	127,286	1,616,518
<b>Total</b>	<b>206,210</b>	<b>1,241,329</b>	<b>63,997</b>	<b>161,663</b>	<b>1,673,199</b>
<b>Net foreign currency position at December 31, 2020</b>	<b>136,655</b>	<b>1,689,147</b>	<b>5,006</b>	<b>1,534,465</b>	<b>3,365,273</b>
<b>Net foreign currency position at December 31, 2019</b>	<b>23,726</b>	<b>1,627,412</b>	<b>89,757</b>	<b>982,172</b>	<b>2,723,067</b>

Given that the Company has a surplus of assets over liabilities in EUR and USD in the amount of RSD 1,825,802 thousand, the exchange rate risk of 5% has the effect of RSD 91,290 thousand.

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## 28.4. Credit Risk

Credit risk is a risk of adverse effects on the financial position and equity of the Company due to counterparty default.

In thousands of dinars	December 31, 2020			December 31, 2019
	Gross exposure	Impairment allowance	Net exposure	Net exposure
<b>Financial assets</b>				
Long-term financial investments	76,264	(977)	75,287	253,260
Trade receivables	1,863,321	(161,034)	1,702,287	1,088,125
Cash and cash equivalents	772,455	(938)	771,517	454,658
Short-term financial investments	2,594,101	(117,580)	2,476,521	1,985,231
<b>Total</b>	<b>5,306,141</b>	<b>(285,529)</b>	<b>5,025,612</b>	<b>3,781,274</b>

The Company is exposed to the credit risk through the items of premium receivables, claims, commission and recourses, as well as in the respect of depositing and investing funds with the commercial banks.

The Company monitors and analyzes credit risk exposure on an ongoing basis and prevention and protection are ensured by implementing the Rules on the Manner of Assessment of Balance Sheet and Off-Balance Sheet Items and through depositing and investing funds in accordance with NBS Decision on Restrictions of Specific Forms of Depositing and Investing Technical Reserve Assets and Maximum Amounts of Specific Forms of Depositing and Investing Guarantee Reserve Assets of the Insurance Undertakings and the Company's internal Rules.

December 31, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
<b>Receivables</b>					
Insurance, co-insurance and reinsurance premium receivables	1,487,980	82,241	57,719	16,920	1,644,860
Receivables from reinsurers and retrocessionaires	91,473	16,259	5,973	67,621	181,326
Receivables for recourses	524	-	-	-	524
Other receivables	35,705	-	-	906	36,611
<b>Total</b>	<b>1,615,682</b>	<b>98,500</b>	<b>63,692</b>	<b>85,447</b>	<b>1,863,321</b>
<b>Adjustment of receivables</b>					
Insurance, co-insurance and reinsurance premium receivables	14,842	6,700	44,919	15,951	82,412
Receivables from reinsurers and retrocessionaires	929	3,261	5,973	67,553	77,716
Receivables for recourses	-	-	-	-	-
Other receivables	-	-	-	906	906
<b>Total</b>	<b>15,771</b>	<b>9,961</b>	<b>50,892</b>	<b>84,410</b>	<b>161,034</b>
<b>Net value of receivables</b>					
Insurance, co-insurance and reinsurance premium receivables	1,473,138	75,541	12,800	969	1,562,448
Receivables from reinsurers and retrocessionaires	90,544	12,998	-	68	103,610
Receivables for recourses	524	-	-	-	524
Other receivables	35,705	-	-	-	35,705
<b>Total</b>	<b>1,599,911</b>	<b>88,539</b>	<b>12,800</b>	<b>1,037</b>	<b>1,702,287</b>

Long-term and short-term financial investments refer to investments in bonds of the Republic of Serbia and deposits placed with banks based in the territory of Serbia. When placing funds in deposits, as well as on the balance sheet date, the bank analyzes the financial indicators of banks and assesses the level of credit risk. In accordance with the above analysis, the credit risk of the banks to which the Company placed deposits was assessed as acceptable.

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**28.5. Operational Risk**

Operational risk arises from the omissions occurring in the work of the Company's employees and bodies, inappropriate internal procedures and processes, inadequate information and other system management as well as due to unpredictable external events.

In order to protect itself from operational risks recognized and quantified by the management, the Company has commenced active upgrading and improvement of the internal control system that is in line with the nature, complexity and risk inherent in the reinsurance business.

Within operational risks, the Company particularly monitors the following:

- strategic risk of departures of actually achieved parameters from those projected;
- risk of information system management;
- ITC security risk;
- business continuity and disaster recovery risk management; and
- risk of inadequate protection from computer viruses.

**28.6. Risk of Maturity and Structural Mismatch between Assets and Liabilities**

In thousands of dinars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Intangible assets	-	-	-	627	-	627
Software and other rights	-	-	-	2,561	-	2,561
Equipment	-	-	-	15,313	-	15,313
Long-term financial investments	-	-	-	50,388	24,899	75,287
Inventories	1,072	-	-	-	-	1,072
Trade receivables	1,579,977	102,811	30,675	1,683	-	1,715,146
Short-term financial investments	229,429	308,790	1,624,270	230,254	83,778	2,476,521
Cash and cash equivalent	771,517	-	-	-	-	771,517
Prepayments	-	-	4,389,877	-	-	4,389,877
<b>Total</b>	<b>2,581,995</b>	<b>411,601</b>	<b>6,044,822</b>	<b>300,826</b>	<b>108,677</b>	<b>9,447,921</b>
Equity and reserves	-	-	-	-	2,004,662	2,004,662
Long-term provisions and liabilities	-	-	-	22,517	34,164	56,681
Current liabilities	1,486,028	89,741	40,749	-	-	1,616,518
Accruals	-	-	1,482,710	-	-	1,482,710
Reserved claims	-	-	4,286,789	-	-	4,286,789
Deferred tax liabilities	-	-	561	-	-	561
<b>Total</b>	<b>1,486,028</b>	<b>89,741</b>	<b>5,810,809</b>	<b>22,517</b>	<b>2,038,826</b>	<b>9,447,921</b>
<b>Maturity mismatch at December 31, 2020</b>	<b>1,095,967</b>	<b>321,860</b>	<b>234,013</b>	<b>278,309</b>	<b>(1,930,149)</b>	<b>-</b>
<b>Maturity mismatch at December 31, 2019</b>	<b>1,031,318</b>	<b>605,208</b>	<b>(775,149)</b>	<b>699,605</b>	<b>(1,560,982)</b>	<b>-</b>

**28.7. Liquidity Risk**

In general, liquidity risk results from financing the Company's business operations as well as from managing risk-weighted items. It also includes the risk of the failure to disburse payments either when they fall due or if increased by interest accrued and the risk of incapability of asset liquidation at an acceptable price and within acceptable time frame.

The ultimate responsibility for liquidity risk management resides with the Company's management, which is also responsible for managing the Company's short-term, medium-term and long-term financing and liquidity management. The Company manages liquidity risk by maintaining the necessary level of cash reserves, based on continued monitoring over the planned and actual cash flows, as well as by adequately matching the maturities of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity of its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets liabilities based on the earliest date on which the Company may be required to collect such receivables or make payments based on such liabilities.

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Maturities of the Company's financial assets at December 31, 2019 and 2020:

In thousands of dinars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>December 31, 2020</b>						
<b>Financial assets</b>						
Long-term financial investments	-	-	-	50,388	24,899	75,287
Trade receivables	1,579,977	102,811	17,816	1,683	-	1,702,287
Short-term financial investments	229,429	308,790	1,624,270	230,254	83,778	2,476,521
Cash and cash equivalents	771,517	-	-	-	-	771,517
<b>Total financial assets</b>	<b>2,580,923</b>	<b>411,601</b>	<b>1,642,086</b>	<b>282,325</b>	<b>108,677</b>	<b>5,025,612</b>
<b>Financial liabilities</b>						
Long-term financial liabilities	-	-	-	200	-	200
Short-term financial liabilities	-	-	133	-	-	133
Liabilities for settlement of claims and other contractual amounts	155,056	73,588	40,616	-	-	269,260
Liabilities for premiums, commissions and other liabilities	1,330,972	16,153	-	-	-	1,347,125
<b>Total financial liabilities</b>	<b>1,486,028</b>	<b>89,741</b>	<b>40,749</b>	<b>200</b>	<b>-</b>	<b>1,616,718</b>
<b>Maturity mismatch at</b>	<b>1,094,895</b>	<b>321,860</b>	<b>1,601,337</b>	<b>282,125</b>	<b>108,677</b>	<b>3,408,894</b>

## 28.8. Fair Value of Financial Instruments

The following table provides the carrying values of financial assets and liabilities arising from insurance contracts and their fair values as of December 31, 2019 and December 31, 2020:

In thousands of dinars	December 31, 2020		December 31, 2019	
	Carrying Value	Fair value	Carrying Value	Fair value
<b>Financial assets</b>				
Long-term financial investments	75,287	74,826	253,260	255,019
Trade receivables	1,702,287	1,702,287	1,088,125	1,088,125
Short-term financial investments	2,476,521	2,476,521	1,985,231	1,985,231
Cash and cash equivalents	771,517	771,517	454,658	454,658
<b>Total financial assets</b>	<b>5,025,612</b>	<b>5,025,151</b>	<b>3,781,274</b>	<b>3,783,033</b>
<b>Financial liabilities</b>				
Short-term financial liabilities	133	133	-	-
Liabilities for settlement of claims and other contractual amounts	269,260	269,260	335,406	335,406
Liabilities for premiums, commissions and other liabilities	1,347,125	1,347,125	676,022	676,022
<b>Total financial liabilities</b>	<b>1,616,518</b>	<b>1,616,518</b>	<b>1,011,428</b>	<b>1,011,428</b>

Management believes that the carrying value is a reasonable approximation of fair value for cash equivalents and cash, receivables and financial liabilities. The Company's management believes that, given the regular business activities of the Company and its general policy, as well as the predominantly short-term structure of these positions, there are no significant differences between the carrying value of assets and liabilities and their fair value.

Fair values of financial assets and financial liabilities are determined in the following manner:

- Level 1 of fair value measurement arises from quoted market value (unadjusted) in active markets for identical assets and liabilities,
- Level 2 of the fair value measurement arises from input parameters, other than the quoted market value covered by Level 1, which are visible from assets or liabilities, directly (for example, price) or indirectly (i.e., derived from prices), and
- Level 3 of fair value measurement arises from valuation techniques that include input parameters for financial assets or liabilities, which represent data that cannot be found on the market (unexplored input parameters).

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The following table provides the breakdown of financial instruments measured at fair value after initial recognition at fair value and grouped into levels 1 to 3, depending on the fair value assessability:

In thousands of dinars	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term financial investments	83,778	283,311	-	367,089	77,746	564,335	-	642,081
<b>Total</b>	<b>83,778</b>	<b>283,311</b>	<b>-</b>	<b>367,089</b>	<b>77,746</b>	<b>564,335</b>	<b>-</b>	<b>642,081</b>

The Company has no financial liabilities measured at fair value.

## 28.9 Legal and Reputation Risks

Legal risk arises from the non-compliance of the operations and enactments of the Company with the prevailing regulations, from contracts that cannot be performed in entirety or in part (e.g. void and null contracts) and potential litigation losses.

The Company monitors all legislative regulations and enactments governing the reinsurance business and harmonizes all its bylaws and acts with amendments and supplements to those regulations.

Reputational risk arises from the reduced trust the public places into the Company's business operations. Relying on its 40-year long experience of involvement with the reinsurance business, the Company has developed its reputation of a reliable partner in the territory of the Balkans, always ready and willing to respond to the client's requests with all its expertise and efficacy.

## 28.10. Other risks

Almost the entire year 2020 was marked by the pandemic of the COVID 19 virus, which resulted in the application of a set of measures by countries around the world, with the aim of suppressing its negative effects on the economy and the population. The virus pandemic that modern humanity is facing for the first time to this extent, has left consequences on all countries of the world, all economic areas, while for certain areas, the consequences will be irreparable. Namely, according to the estimates of the World Bank, global economic activity will fall by 4.3% in 2020, which is the deepest recession since the end of the Second World War. As the World Bank estimated at the beginning of the year that global economic growth in 2020 will amount to 2.5%, that means that the current forecast is 6.8 percentage points worse than the original one. The United States is expected to have a decline in gross domestic product of 3.6%, while China, as the second largest world economy, should record a marginal growth of 2.0%. At the same time, an economic decline of 7.4% is forecast for 19 eurozone countries.

Estimates of the impact of the corona virus pandemic on the global insurance industry still vary significantly. In any case, the effects of the current crisis, together with low rates of return in the financial markets, will significantly affect the ability to achieve the planned net profits of the reinsurance industry. On the other hand, there will certainly be a fall in the capital adequacy ratio and consequently a threat to the existing ratings of individual companies in the industry.

However, despite the negative global trends in 2020, the Company not only realized the set business plans, but also recorded a positive result. The effects of the corona virus pandemic did not have a negative impact on the company's business volume or on indicators of profitability, productivity, liquidity, etc.

The realized gross reinsurance premium is 23.68% higher compared to the realization from 2019, i.e. 3.75% higher compared to the plan. The reinsurance premium in self-retention is within the planned amounts, while it is 67% higher compared to the realization in 2019. In terms of settled claims in self-retention, the realization in 2020 is at the level of the previous year, while compared to the plan it is lower by 14.2%. The total net profit amounts to 387 million dinars, which is over 88% more than in 2019. The ratio of damages in the Company's self-retention recorded a decrease of 7.69 percentage points, the cost ratio decreased by 0.59 percentage points, so that the combined ratio 1 in self-retention recorded a decrease of 8.28 percentage points. Indicators of return on invested capital are also significantly improved in 2020 – return on total capital is 19.31% compared to 11.79% in 2019 while the rate of return on total assets is 6.67% (2019 – 3,4%).

Rates of collection or payment of liabilities in relation to total receivables/liabilities are at approximately the same levels as in the previous period, with an increase in collection of receivables of almost 13%. Total investment assets increased by 23.4% in 2020, i.e. an increase in the investment portfolio of 846 million dinars was recorded. The largest part of the growth of the investment portfolio arose from the internal potential of the Company to generate free cash from business activities.

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On December 31, 2020, the guarantee capital was 2.58 times higher than the required solvency margin for reinsurance, i.e. the ratio of the required solvency margin for reinsurance and guarantee capital was 0.31, which speaks volumes about the stable capital base of the Company.

In terms of reinsurance risk, the company has taken a number of measures aimed at managing the emerging market conditions caused by the coronavirus pandemic. The company introduced adequate exclusions when introducing reinsurance programs for types of insurance where there was a potential risk of damages due to COVID-19.

Considering the structure of the Company's portfolio by lines or classes of insurance, the dynamics of concluded and contracted reinsurance business for 2020, the operational implementation of reinsurance contracts has been ensured.

The company has not planned reinsurance contracts that cover the consequences of the pandemic in the development of its portfolio such as CBI (Contingent Business Interruption), ECI (Event Cancellation Insurance), WCI (Workers Compensation Insurance), SCI (Supply Chain Insurance) which according to previous international market analysis represent the greatest risks of accumulation of claims against the insurance or reinsurance industry. Also, the Company has no plans to develop reinsurance coverage for cases caused by COVID-19.

The company concludes that there is no significant negative impact of COVID-19 on the company's operations. In the coming period, the company will continue to actively monitor the risks arising from the COVID-19 pandemic and provide its clients with all the necessary information on coverage in effect and new reinsurance programs.

## 29. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the reporting date (December 31, 2020).

## 30. EXCHANGE RATES

The official middle exchange rates for major currencies as determined at the interbank foreign exchange market and used in the translation of balance sheet components into RSD were as follows:

<b>In dinars</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
USD	95.6637	104.9186
EUR	117.5802	117.5928
GBP	130.3984	137.5998
CHF	108.4388	108.4004

Belgrade, March 22, 2021

Signed on behalf of the Company by:

*Place for seal*

\_\_\_\_\_  
Zorana Pejčić  
Executive Board President

\_\_\_\_\_  
Tatjana Komnenić  
Executive Board Member



# BUSINESS REPORT –

Reinsurance Company DUNAV – RE a.d.o. Belgrade

2020

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## 1. INTRODUCTORY STATEMENT BY THE PRESIDENT OF THE EXECUTIVE BOARD



The past 2020 is marked by the COVID-19 virus pandemic with its negative consequences for the health and living standard of the population, as well as a dramatic, almost devastating effect on the global economy. There is almost no economic area or industry that is not affected by the negative impact of the corona virus pandemic. Globally, the re/insurance industry has also been hit by a corona virus pandemic. The main directions of our industry's activities were aimed at ensuring the availability of re/insurance services, then managing risks, primarily solvency and liquidity, and supporting policyholders and insurance beneficiaries (from claims to relief in premium payment and finally in terms of flexible access to determining insurance coverage).

However, despite the negative business climate in 2020, difficult working conditions, global uncertainty in financial and other markets, Dunav Re managed not only to maintain exceptional business performance but also to register record results. The realized gross reinsurance premium of almost 6 billion dinars, the growth of the reinsurance premium in self-retention of over 67% and the record net profit only partially reflect a successful business year. Even more gratifying is the fact that the effort, commitment, expertise and knowledge invested in establishing an adequate management and risk-taking system, obtaining and improving the credit rating in the previous period as well as obtaining a license to operate in the Chinese reinsurance market have borne fruit. In turbulent and difficult to predict times, the company has managed to position itself as a reliable partner not only in the market of the Republic of Serbia or the region, but also in the highly developed and sophisticated reinsurance markets of Europe, the Far East and Russia.

In the end, the satisfaction is even greater because we have once again proved that there are no insurmountable obstacles, nor are there tasks that we are not up to. In the coming period, we will continue on the same path of growth with undisguised optimism regarding the future of the Company. Significant activities await us to further strengthen the capital base, portfolio development and market position with a special focus on staff development without whose commitment, expertise and dedication such results would certainly not be possible.

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## 2. GENERAL INFORMATION

Shareholding Reinsurance Company "Dunav Re" (hereinafter: Company) was registered in the Serbian Business Registers Agency under decision number 43206 of July 22, 2005 as a shareholding company for reinsurance.

Registered seat of the Company is Knez Mihailova 6, Belgrade.

The Company was originally established on July 1, 1977 under the name Reinsurance Community "Dunav Re".

The Company's business activity code is 6520.

Registration number is 07046901.

Tax identification number is 100001327.

Authorized representative is the President of Executive Board, Zorana Pejčić.

### **Management bodies of the Company are:**

- ✓ Assembly,
- ✓ Supervisory Board, and
- ✓ Executive Board.

### **Members of the Supervisory Board**

- ✓ Ms. Nataša Bašić (Dunav Insurance Company), President;
- ✓ Ms. Gordana Milićević (Sava Insurance Company), member; and
- ✓ Mr. Goran Govedarica (Dunav Insurance Company), member.

### **Members of the Executive Board**

- ✓ Ms. Zorana Pejčić;
- ✓ Ms. Tatjana Komnenić;
- ✓ Mr. Bojan Maričić.

Based on the Article 44 of the Company's Articles of Association, the Supervisory Board has formed an Audit Commission.

### **Members of the Audit Commission**

- ✓ Ms. Ivana Soković (Dunav Insurance Company), President;
- ✓ Ms. Simonida Nisić (Dunav Insurance Company), member;
- ✓ Mr. Damjan Šagovnović (Sava Insurance Company), member.

Internal organization and management are regulated by the Company's Articles of Association and other general acts.

Audit of the financial reports is performed by the audit company KPMG d.o.o. from Belgrade.

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**Shareholders**

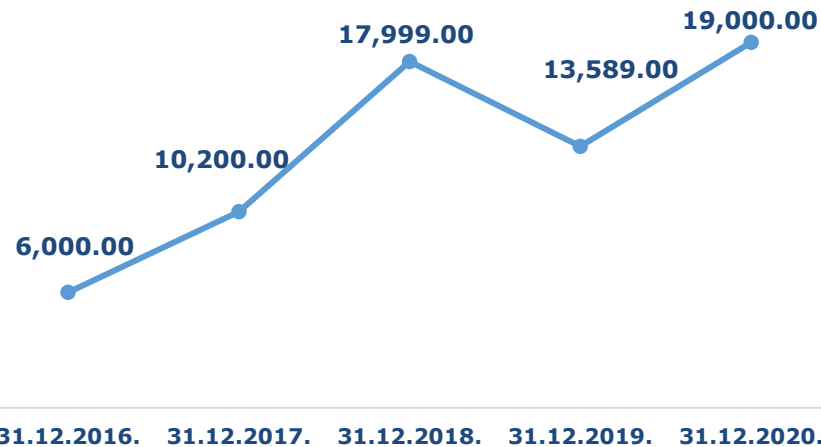
The Company's majority shareholder is Shareholding Insurance Company Dunav Osiguranje a.d.o., Beograd holding a 92.65% interest in the share capital and an 88.41% interest in the total issued capital of the Company.

The Company did not buy up its own shares.

**Market Capitalization**

The Company's basic and other capital amounts to RSD 768,246 thousand. Of this, 94.99% refers to equity capital, 4.56% to social capital, and 0.45% to other equity.

The price of the share as of December 31, 2020 is 19.000,00 dinars, and the nominal price is 9.000,00 dinars. In relation to the day December 31, 2019, the market price per share increased by RSD 5,411.00, i.e. by 39.82%.

**MOVEMENT IN THE PRICE OF DUNAV RE SHARES IN DINARS****Stock Indicators**

<b>Market capitalization</b>	1,540,577.000 dinars
<b>EPS</b>	4,554.94 dinars
<b>R/E</b>	4.17
<b>P/V</b>	2.11

<b>AM BEST</b>	<b>Financial</b>	<b>Credit</b>
<b>Rating</b>	B+/good	BBB -/stable outlook
<b>Date</b>	July 31, 2020	July 31, 2020

**Employees**

Breakdown of qualification level of employees as at December 31, 2019 and December 31, 2020:

Qualification	Headcount	
	31.12.2019.	31.12.2020.
University graduates	22	22
College graduates	7	7
Secondary school graduates	10	10
Total	39	39
<b>Average number of employees</b>	<b>39</b>	<b>39</b>

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### 3. BUSINESS ENVIRONMENT IN 2020

According to the statement of the Statistical Office of the Republic of Serbia from December 30, 2020 it was estimated that:

- the overall economic activity in 2020 measured by gross domestic product and presented at constant prices, registered a real decline of 1.1 % in relation to the previous year, and
- gross fixed capital investments in 2020 compared to the previous year, registered a real decline of 2.8%.

Also, it was established that:

- that the turnover in retail trade in 2020 had an increase of 5.0% compared to the previous year, while the turnover in wholesale trade had a decrease of 6.1%, and
- agricultural production during this year, compared to the previous year, achieved a physical volume growth of 4.4%.

Also during the year 2020, National Bank of Serbia have successfully maintained inflation at the level of 1.6%. Low inflationary pressures are also indicated by core inflation of 2.1% in December, as well as anchored inflation expectations. Inflation will be within the lower limit of the target range in 2021.

According to previous data, COVID-19 and the global slowdown had smaller consequences for Serbia compared to other European countries due to the achieved macroeconomic and financial stability, previous growth dynamics and created fiscal space, timely and comprehensive package of measures, and

economic structure. The high fiscal deficit during the second quarter of 2020 is a consequence of the effects of the pandemic, primarily lower indirect taxes, delays in the collection of direct taxes, as well as double-digit growth in expenditures, due to support measures for economic entities and procurement of medical equipment. The slowdown in expenditures and a partial recovery in revenues in the third quarter led to a reduction in the deficit to 3.6% of GDP.

Credit rating of Serbia:

	Standard and Poor's	Fitch Ratings	Moody's Investors Service
Rating	BB+ / positive outlook	BB+ / stable outlook	Ba3 / positive outlook
Date	14.12.2020	25.09.2020	02.09.2020
Activity	Rating confirmed	Rating confirmed	Rating confirmed

In 2020, all three agencies confirmed Serbia's credit rating. In September and December 2020, the credit rating of Serbia was confirmed by authorized agencies. The confirmation of the rating is the result of the resistance of economic growth to challenges from the international environment, strengthening of macroeconomic indicators, preserved fiscal discipline and adequate monetary policy measures in a year that was extraordinary by all criteria, due to the COVID-19 virus pandemic.

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### 3.1. Economic aspect

According to estimates of the Statistical Office of the Republic of Serbia, Serbia's GDP fell by 1.1% in 2020, which is one of the best results in Europe, thanks to responsible economic policy and achieved and preserved macroeconomic, financial and fiscal stability in previous years, and due to a comprehensive and timely package of measures.

According to estimates, the decline did not come from the tradable sectors (agriculture, industry), but from the part of the service sectors most severely affected by the pandemic (tourism, catering and traffic), while construction recorded a minimal decline.

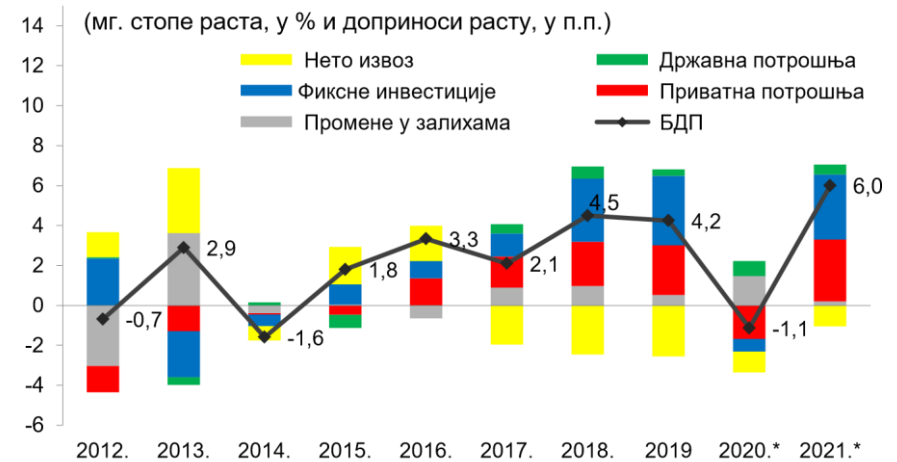
In the first eleven months of 2020, FDI inflows remained strong despite the coronavirus pandemic, with a gross inflow of €2.3 billion (net €2.2 billion).

Serbia is ranked first on the Greenfield FDI Performance Index for 2019 (Financial Times).

In the eleven months of 2020, the current deficit amounted to 1.9 billion euros, which is 27.3% lower than a year earlier, while in November 2020 the deficit was lower by 15.6% y-o-y.

During the eleven months of 2020, public debt increased to 56.8% (from 52.0% at the end of 2019), mainly due to the issuance of a seven-year Eurobond of 2 billion euros, at a rate of 3.375% (coupon rate of 3.125%), to cover growing funding needs due to the pandemic.

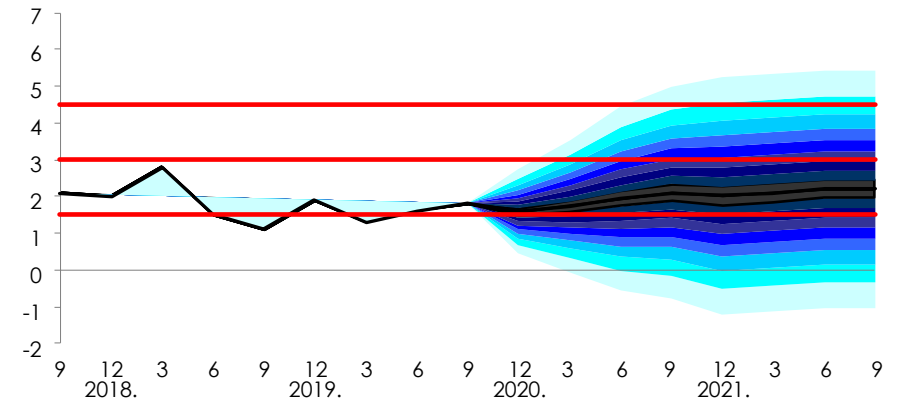
### Insurance market



\* Процена НБС

Source: Statistical Office of the Republic of Serbia

### Inflation projection



Source: National Bank of Serbia

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**International market**

The 2019 global insurance premium reached the amount of 6.3 trillion dollars, while the consolidated amount of the premium for 2020 is still not available, but due to the coronary virus pandemic, a drop of 3% in real terms is expected. In terms of life insurance premiums, a decline of 6% is expected, while the estimate that non-life insurance premiums will remain at approximately the same level as in 2019.

The impact of the corona virus pandemic on the global insurance industry is not yet possible to measure precisely, but in any case, the effects of the crisis, together with low rates of return in the financial markets, will significantly affect business performance. A significant decline in net profit at the global level is expected, as well as a decline in the capital adequacy ratio and a consequent threat to the existing ratings of individual companies.

According to the latest projections in 2021, the following is expected for the insurance industry:

- moderate growth of insurance premiums at the global level;
- challenges due to COVID-19 will continue to affect the financial and economic position of companies and consumers (insured), which may consequently affect the profitability of the industry itself;
- consumers and companies will expect insurers to have a much better understanding of their individual needs in line with changing behavior;
- efforts in the process of digitalization of the industry will be accelerated; and

- the number and amount of damages due to extreme natural disasters will continue not only in 2021 but also in the coming years.

**Catastrophic damages**

According to published estimates, the total economic damages caused by natural disasters in 2020 amount to 210 billion dollars.

Total insured damages for 2020 are estimated at 40% of the total catastrophic damages, i.e. 82 billion dollars, and are significantly lower than the recorded 157 billion dollars in 2017 and 100 billion dollars in 2018, while they are higher than the realization in the previous 2019.

Of the total estimated amount of economic damage in 2020, the largest part refers to the market of the United States of over 95 billion dollars, while at the same time the market of the European Union participated with only 12 billion dollars. The share of insured damages in the total catastrophic damages incurred on the US market is over 70%.

The biggest single damage is related to the floods in China, \$17 billion, of which only 2% was covered by insurance.

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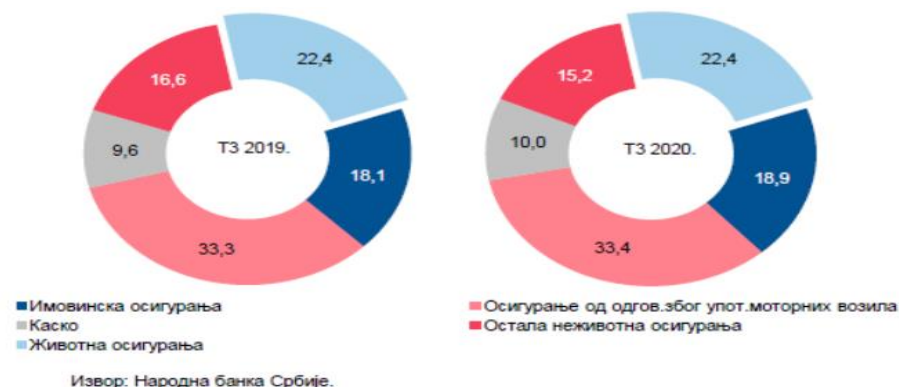
**Domestic market**

According to the report of the National Bank of Serbia, for the third quarter of 2020, the following most important indicators of the insurance sector in the Republic of Serbia are highlighted:

- An unchanged number of insurance companies operate on the market of the Republic of Serbia (20). 16 companies exclusively deal with insurance operations, while 4 companies deal exclusively with reinsurance activities.
- The total premium amounts to 80.7 billion dinars (687 billion euros), which is an increase of 2.2% compared to the same period last year.
- The structure of insurance premiums by type of insurance remained unchanged compared to the same period in 2019 due to almost equal growth in life and non-life insurance premiums. The share of non-life insurance in the structure of premiums is 77.6%, and the share of life insurance is 22.4. Property insurance premium increased by 7.1%, motor own damage insurance premium - comprehensive insurance - 6.4%, and voluntary health insurance premium - 19.5%.

**Overview of insurance premiums by class of insurance**

- The balance sum of the Company amounts to RSD 313.3 billion, which is an increase of 7.0% compared to the same period of the previous year.
- The total capital amounts to 65.2 billion dinars, which represents an increase of 12.8%, compared to the same period of the previous year.

**Insurance premium structure**

- Technical reserves, despite the decline in the first half of 2020 due to the final resolution of large property damage, show an increase of 3.6% and amount to 208.4 billion dinars.
- At the level of all insurance companies dealing with non-life insurance, the basic indicator of capital adequacy (ratio of available and required solvency margin) was 225.3%, while with companies dealing mainly with life insurance this indicator is 266.9%.
- In the case of non-life insurance companies, the value of the combined ratio decreased to 79.4% from 83.5%, as it was in the same period of the previous year.

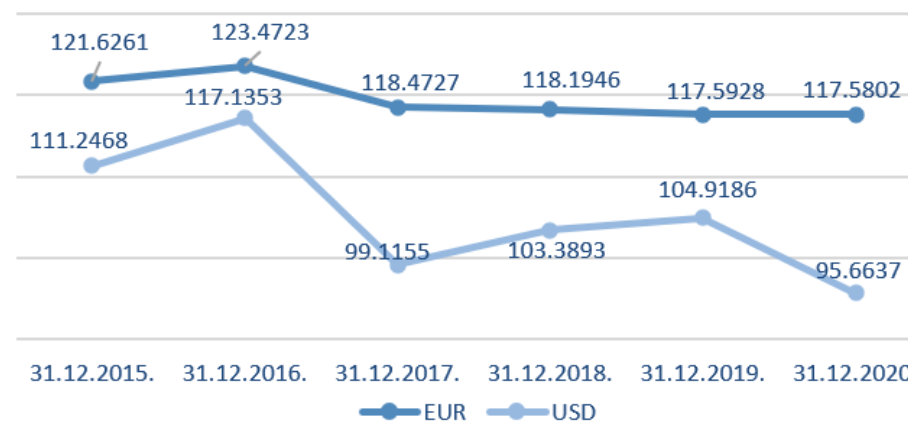
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**Financial market**

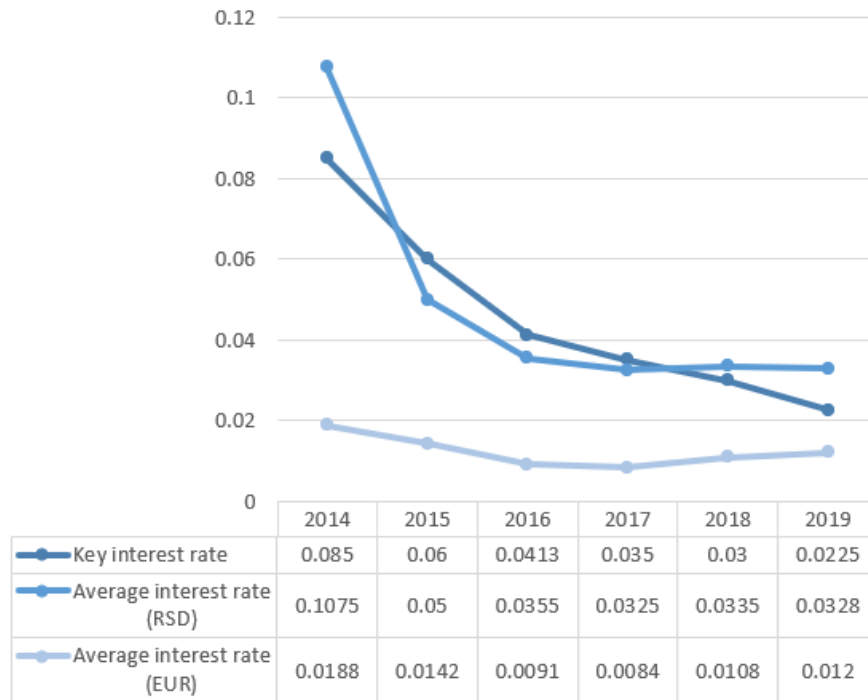
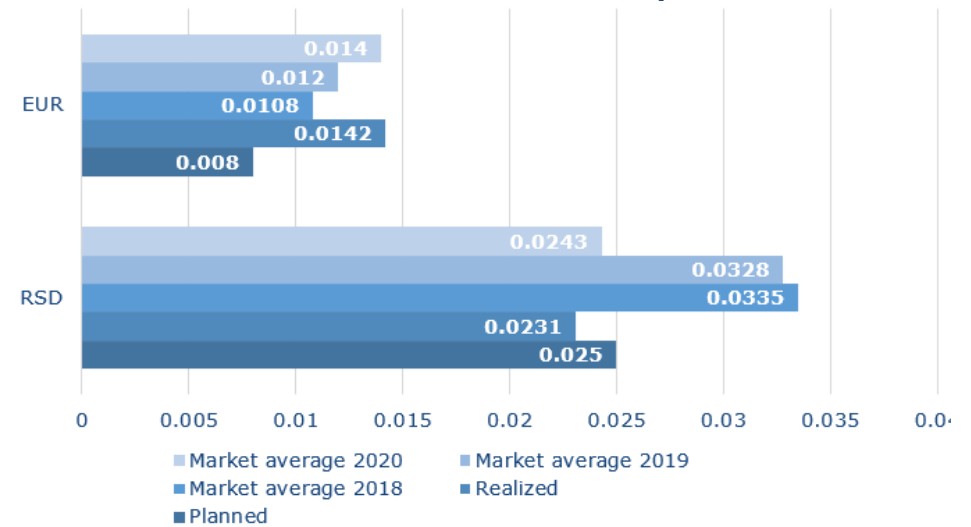
During 2020, the National Bank of Serbia reduced the keza interest rate on four occasions, from 2.25% to 1.00%, i.e. it was reduced by a total of 1.25 pp.

Looking at global stock markets and their benchmark indices at the end of 2020 (but also movements in the course of the year in particular), we can say that the year was very turbulent. The development, speed and spread of the COVID-19 virus pandemic, the closure of economies, the restriction of movement, the huge aid packages of many countries, the further reduction of interest rates, the optimism and reactions of investors regarding vaccines, elections in the United States and implications for the Senate and the rest of the world, are only some of the things that marked the year 2020, and which significantly affected and still affect stock market indices, but also the whole world. The benchmark indices of world stock exchanges at the end of 2020 still show noticeable optimism of investors, so that all indices ended in a positive zone.

The value of BELEX sentiment was in the red zone seven times during 2020, the index of the most liquid shares BELEX15 on December 31, 2020 is 6.62% lower compared to the end of 2019, while the general index of shares BELEXline on December 31, 2020 amounted to 1,566.03 index points and recorded a decrease compared to the end of the previous year of 9.31%, when it amounted to 1,726.82 index points.

**Movement of EUR and USD FX**

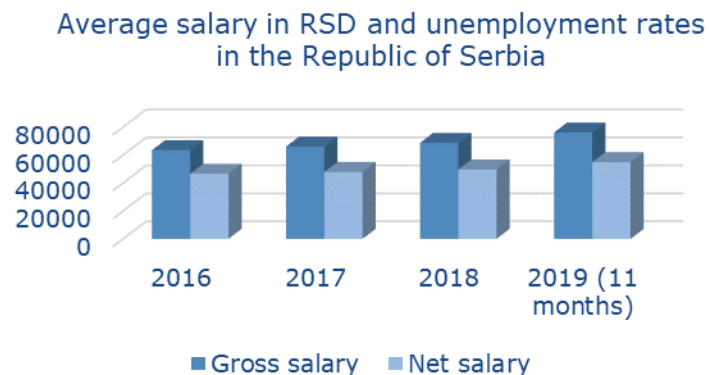
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**Overview of interest rates movement****Movement of interest rates on deposits**

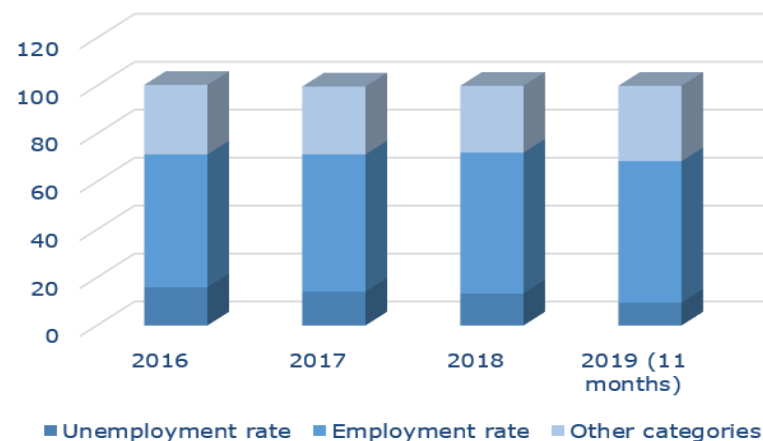
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### 3.2. Sociological aspect

According to the Statistical Office of the Republic of Serbia data, the average gross salary in November 2020 amounted to 84,201 dinars and was nominally higher by 9.4% or 7.7% in real terms compared to December 2019. In the same period, the average net salary increased by 9.3% in nominal terms and amounted to 60,926 dinars (real growth amounted to 7.6%).



According to the data of the Statistical Office of the Republic of Serbia, in the third quarter of 2020, the unemployment rate was 9% and was lower by 0.50 percentage points compared to 2019. In the same period, the number of employees decreased by 0.1%.



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## 4. BUSINESS RESULTS

### 4.1. Profit and Loss Account

\*In RSD 000

Item	Realization 31.12.2019	Realization 31.12.2020	Index 2020/2019
Operating income	974,696	1,701,922	174.61
Operating expenses	604,473	924,862	153.00
<b>Gross operating result</b>	<b>370,223</b>	<b>777,060</b>	<b>209.89</b>
Income from investment	104,229	73,281	70.31
Expenses from investment	21,097	12,874	61.02
<b>Result from investment activities</b>	<b>83,132</b>	<b>60,407</b>	<b>72.66</b>
Acquisition, administration and other reins	672,921	900,874	133.88
Income from commission	453,392	527,574	116.36
<b>REINSURANCE COSTS</b>	<b>219,529</b>	<b>373,300</b>	<b>170.05</b>
<b>NET OPERATING RESULT</b>	<b>233,826</b>	<b>464,167</b>	<b>198.51</b>
Financial result	2,370	-16,587	699.87
Depreciation result	-7,427	-40,378	543.67
Other result	239	6,637	2,776.99
Profit from the business operations	229,008	413,839	180.71
Correction result from the previous years	-492	-807	164.02
<b>Profit before tax</b>	<b>228,516</b>	<b>413,032</b>	<b>180.75</b>
Income tax	23,627	25,962	109.88
<b>NET PROFIT</b>	<b>204,889</b>	<b>387,070</b>	<b>188.92</b>

In 2020, the profit after tax was 387.070 which represents an increase of 88.92% compared to the previous year.

The dominant source of profit increase in 2020 is the growth of operating income, i.e. the growth of reinsurance premiums in retention.

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## 4.2. Performance indicators

In the observed period, the trend of improving productivity indicators and return on invested capital continued.

At the same time, the ratio of damages in the Company's retention recorded a decrease of 7.69 percentage points, the cost ratio decreased by 0.59 percentage points, so that the combined ratio 1 in the retention recorded a decrease of 8.28 percentage points.

	31.12.2019	31.12.2020
<b>CAPITAL ADEQUACY - S</b>		
S1: "Premium in self-retention / Total equity"	56.11	84.90
S2: "Total equity / Total assets"	28.83	21.22
<b>ASSET QUALITY - A</b>		
A1: "Illiquid assets / Total assets"	18.39	18.20
<b>REINSURANCE AND ACTUARY POSITIONS - R</b>		
R1: "Applicable premium in self-retention / Total applicable premium"	22.47	29.88
R2: "Technical reserves in self-retention / Average settled claims in self-retention (3 years)"	181.30	256.78
R3: "Technical reserves in self-retention / Average premium in self-retention (3 years)"	93.43	76.09
<b>PRODUCTIVITY - MANAGEMENT - M</b>		
M1: "Gross premium / Number of employees"	122,715	151,773
M2: "Total assets / Number of employees"	154,519	242,254
<b>PROFITABILITY - E</b>		
E1: claims ratio	62.46	54.77
E2: cost ratio	22.52	21.93
E3: Investment yield ratio	8.53	3.55
E4: Combined ratio1	84.99	76.71
E5: Combined ratio2	76.46	73.16
ROE: Net result / share capital*	26.68	50.40
ROE 2: Net result / average total capital*	11.79	19.31
ROA: Net result / assets*	3.40	6.67
CIR 1: Reinsurance costs / operating functional income	22.52	21.93
<b>LIQUIDITY - L</b>		
L1- I degree liquidity ratio	2.41	2.01
L2: II degree liquidity ratio	3.49	3.06
L3: Liquidity ratio	1.35	1.26

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## 5. RESULTS FROM THE REINSURANCE ACTIVITIES

### 5.1. Business policy of the Company in 2020

#### 5.1.1. Basics of the Company's business policy in 2020

During the business year 2020, the Company tried to realize the business plan for 2020 with its activities, as well as to get closer to the realization of its strategic goals that it set for the period 2020-2024.

Activities have been undertaken with the aim of territorial diversification of the portfolio with maximum use of the acquired status in the international reinsurance market, which includes a financial rating of B+ and the characteristics of a financially stable reinsurer with a positive outlook.

During the business year 2020, the Company undertook a number of activities in terms of introducing innovative solutions in various segments of its operations. The company recognized innovation as a very important segment of successful business on the one hand, while on the other hand it managed to provide its cedants with a better quality of service and understanding of their real needs. The purpose of the innovative approach is to create, offer and deliver to cedants a new value of reinsurance service, all with the aim of contributing to the development of cedant companies and the creation of long-term business relationships.

During the business year 2020, the Company implemented the ESG factor in its business practice. The Company monitored E ("environmental") factor through the introduction of energy saving and paper saving regimes. Also, the Company has paid special attention to the storage and destruction of electronic waste and has contributed to the reduction of harmful emissions of HC/CO/CO2 by using eco-engines.

During 2020, the Company carried out several projects in terms of respecting the S ("social") factor as an important segment of business policy. A donation was made to the Republic of Serbia for the purchase of a respirator, as well as a donation to the "Be Human" fund for the treatment of children suffering from spinal muscular atrophy.

Given the importance of the G ("governance") factor, the Company constantly takes all measures to avoid possible non-compliance with regulations and, above all, using an up-to-date and transparent method of reporting to regulators, shareholders and other stakeholders.

#### 5.1.2. Republic of Serbia and COVID 19

The year 2020 was marked by a pandemic caused by the COVID 19 virus. The Government of the Republic of Serbia adopted during the year a series of measures aimed at helping in the fight against the virus as well as to protect the economy of our country. According to still unofficial data, the Republic of Serbia recorded a relatively low mortality rate (around 1.93%). The economy of the state has shown a kind of flexibility, and it has even been achieved that some branches of the economy reorient their business and focus their efforts on the immediate satisfaction of needs in the new situation.

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### 5.1.3. The impact of the COVID 19 pandemic on the Company's operations

On several occasions during 2020, the Company performed an analysis of the impact of the pandemic on the Company's operations, in order to prevent possible adverse events.

TYPE OF ANALYSIS	RESULT
➤ ANALYSIS OF CURRENT OPERATIONS	➤ WITHOUT IMPACT
➤ PLAN REALIZATION ANALYSIS	➤ WITHOUT SIGNIFICANT IMPACT
➤ CASH FLOW ANALYSIS	➤ The percentage of receivables collection during 2020 is about 12.97% higher than in the same period last year
➤ ANALYSIS OF THE IMPACT ON CAPITAL ADEQUACY	➤ WITHOUT IMPACT

### 5.2. Portfolio structure

Despite the situation caused by the pandemic caused by the COVID 19 virus, the company pursued its strategic goal and during 2020 achieved the desired portfolio structure dominated by property insurance (insurance types 08 and 09).

### 5.2.1. Structure and development of reinsurance portfolio by classes of insurance

	2018	2019	2020
PROPERTY (08 and 09)	59.17%	63.94%	64.97%
GENERAL THIRD PARTY LIABILITY (13)	10.05%	11.35%	9.76%
MOTOR THIRD PARTY LIABILITY (10)	6.86%	5.58%	5.10%
MOTOR OWN DAMAGE (03)	6.83%	5.11%	5.71%
OTHER NON-LIFE	12.97%	11.23%	11.98%
LIFE	4.12%	2.79%	2.48%
TOTAL	100.00%	100.00%	100.00%

### 5.2.2. Structure and development of reinsurance portfolio in retention by classes of insurance

	2018	2019	2020
PROPERTY (08 and 09)	57.63%	58.10%	70.26%
GENERAL THIRD PARTY LIABILITY (13)	3.91%	4.46%	2.36%
MOTOR THIRD PARTY LIABILITY (10)	7.44%	7.37%	4.58%
MOTOR OWN DAMAGE (03)	22.33%	21.27%	18.00%
OTHER NON-LIFE	6.86%	7.22%	3.77%
LIFE	1.83%	1.58%	1.03%
TOTAL	100.00%	100.00%	100.00%

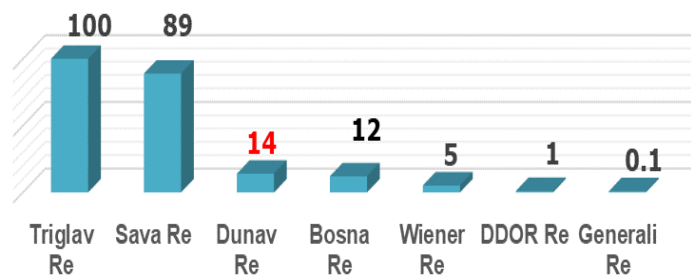
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### 5.3. The position of the Company in relation to the competition in the region

A.M.BEST FSR	Country category
SAVA RE	A CRT-2
TRIGLAV RE	A CRT-2
DUNAV RE	B+ CRT-4
BOSNA RE	B+ CRT-5
Wiener Re	/ CRT-4
Generali Re	/ CRT-4
DDOR RE	/ CRT-4

### NET REINSURANCE PREMIUM IN millions of EUR



### 5.4. Premium, sources of premiums and reinsurance claims

#### 5.4.1. Premium

##### 5.4.1.1. Reinsurance premium

#### REINSURANCE PREMIUM REALIZATION 2019 – 2020 in 000 RSD

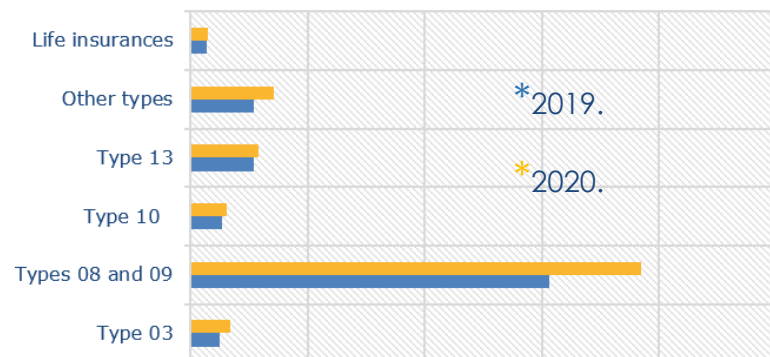
	2019	2020	Index
Type 03	244,369	338,261	138.42
Types 08 and 09	3,059,986	3,845,555	125.67
Type 10	267,162	302,156	113.10
Type 13	543,333	577,742	106.33
Other types	537,268	708,898	131.94
Life insurances	133,762	146,533	109.55
<b>Total:</b>	<b>4,785,880</b>	<b>5,919,145</b>	<b>123.68</b>

#### REINSURANCE PREMIUM PLAN 2020 - REALIZATION 2020 in 000 RSD

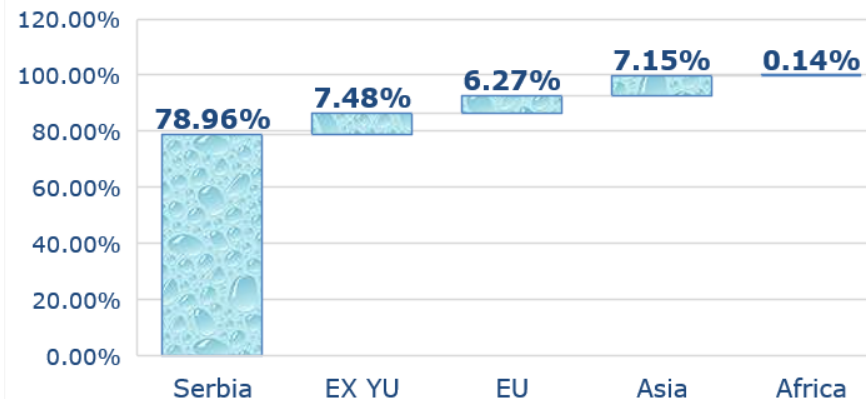
	2020 P	2020 R	Index
Type 03	317,615	338,261	106.50
Types 08 and 09	3,778,342	3,845,555	101.78
Type 10	268,866	302,156	112.38
Type 13	566,665	577,742	101.95
Other types	639,429	708,898	110.86
Life insurances	134,382	146,533	109.04
<b>Total:</b>	<b>5,705,299</b>	<b>5,919,145</b>	<b>103.75</b>

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## REINSURANCE PREMIUM REALIZATION 2019-2020



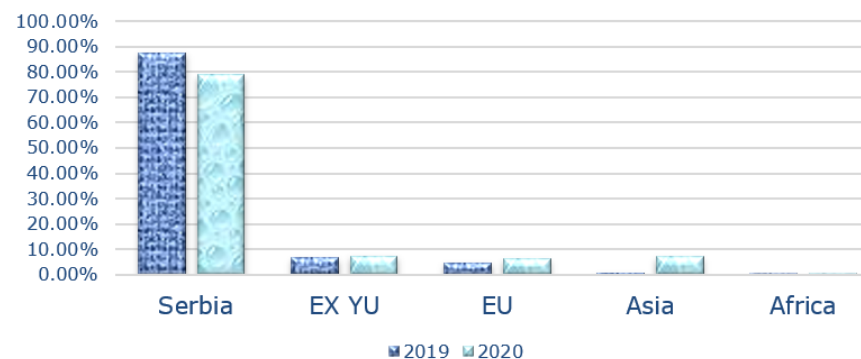
## REINSURANCE PREMIUM PER TERRITORY REALIZATION 2020



## REINSURANCE PREMIUM PER TERRITORY REALIZATION 2019 – 2020

	2019	2020
Serbia	87.65%	78.96%
EX YU	6.63%	7.48%
Europe	4.69%	6.27%
Asia	0.83%	7.15%
Other territories	0.21%	0.14%

## REINSURANCE PREMIUM PER TERRITORY REALIZATION 2019 -2020



## REINSURANCE PREMIUM PER TERRITORY PLAN 2020 – REALIZATION 2020

	2020 P.	2020 R.
Serbia	74%	78.96%
EX YU	10%	7.48%
Europe	7%	6.27%
Asia	8%	7.15%
Other territories	1%	0.14%

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**5.4.1.2. Reinsurance premium in retention**REINSURANCE PREMIUM IN RETENTION  
REALIZATION 2019 – 2020 in 000 RSD

	2019	2020	Index
Type 03	213,222	301,854	141.57
Types 08 and 09	582,447	1,178,311	202.30
Type 10	73,852	76,744	103.92
Type 13	44,734	39,649	88.63
Other types	72,524	63,232	87.19
Life insurances	15,793	17,310	109.61
Total:	1,002,572	1,677,100	167.28

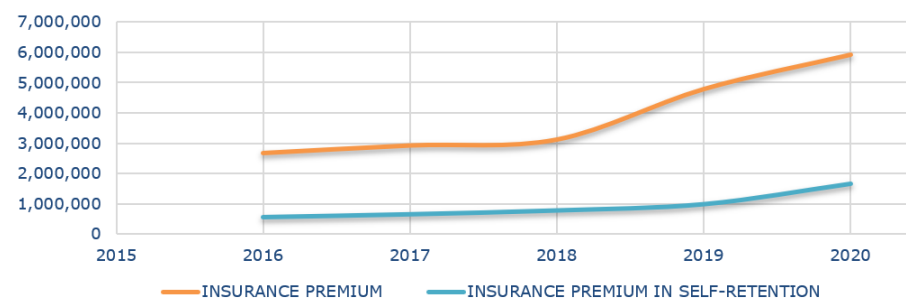
REINSURANCE PREMIUM IN RETENTION  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
Type 03	286,116	301,854	105.50
Types 08 and 09	1,209,203	1,178,311	97.45
Type 10	73,298	76,744	104.70
Type 13	40,891	39,649	96.96
Other types	61,348	63,232	103.07
Life insurances	16,020	17,310	108.05
Total:	1,686,876	1,677,100	99.42

OVERVIEW OF REINSURANCE PREMIUM AND REINSURANCE  
PREMIUM IN RETENTION IN THE PERIOD 2016 – 2020

IN 000 RSD

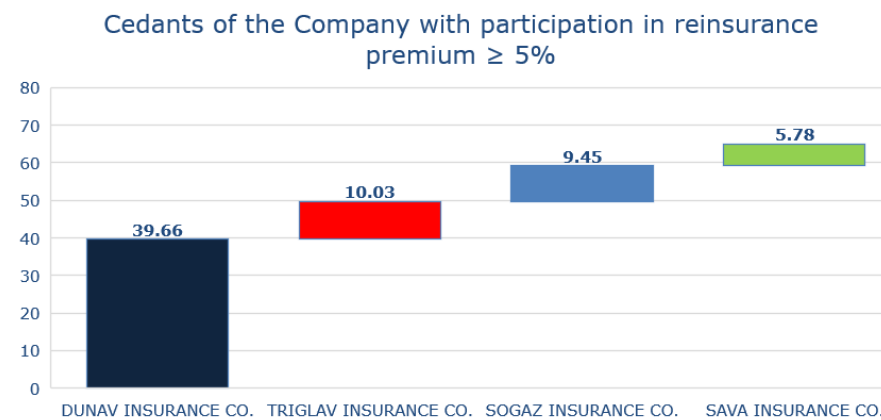
	2016	2017	2018	2019	2020
INSURANCE PREMIUM	2,677,619	2,928,217	3,122,259	4,785,880	5,919,145
INSURANCE PREMIUM IN RETENTION	574,601	669,334	796,026	1,002,572	1,677,100

OVERVIEW OF REINSURANCE PREMIUM AND REINSURANCE  
PREMIUM IN SELF-RETENTION IN THE PERIOD 2016 - 2020

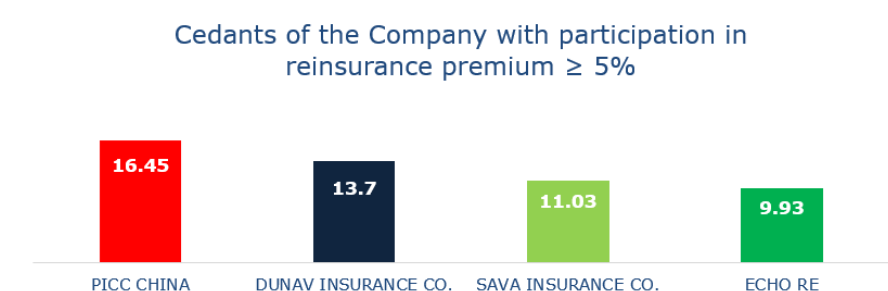
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**5.4.2. Sources of reinsurance premium****5.4.2.1. Cedants of the Company with participation in reinsurance premium  $\geq$  5%**

31.12.2019		31.12.2020	
CEDANT	PARTICIPATION IN %	CEDANT	PARTICIPATION IN %
DUNAV INSURANCE CO.	38.12	DUNAV INSURANCE CO.	39.66
SOGAZ INSURANCE CO.	23.47	SOGAZ INSURANCE CO.	10.03
TRIGLAV INSURANCE CO.	6.41	TRIGLAV INSURANCE CO.	9.45
SAVA INSURANCE CO.	5.70	SAVA INSURANCE CO.	5.78
TOTAL	73.70	TOTAL	64.92

**5.4.2.2. Cedants of the Company with participation in reinsurance premium in retention  $\geq$  5%**

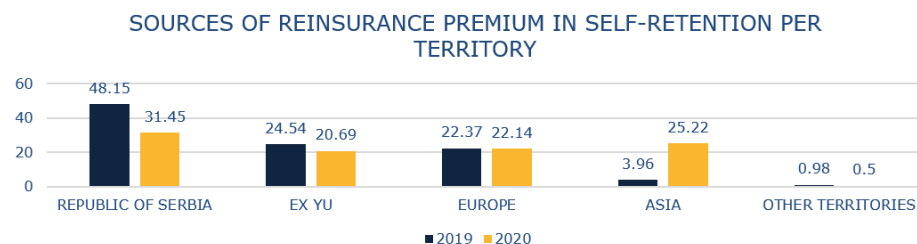
31.12.2019		31.12.2020	
CEDANT	PARTICIPATION IN %	CEDANT	PARTICIPATION IN %
DUNAV INSURANCE CO.	21.69	PICC CHINA	16.45
SAVA INSURANCE CO.	16.63	DUNAV INSURANCE CO.	13.70
ECHO RE	8.04	SAVA INSURANCE CO.	11.03
SWISS INSURANCE CO.	5.58	ECHO RE	9.93
SAVA RE	5.19		/
TOTAL	57.13	TOTAL	51.11



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### 5.4.2.3. Sources of reinsurance premium in retention per territory in %

31.12.2019		31.12.2020	
CEDANT	PARTICIPATION IN %	CEDANT	PARTICIPATION IN %
REPUBLIC OF SERBIA	48.15	REPUBLIC OF SERBIA	31.45
EX YU	24.54	EX YU	20.69
EUROPE	22.37	EUROPE	22.14
ASIA	3.96	ASIA	25.22
OTHER TERR.	0.98	OTHER TERR.	0.50
TOTAL	100.00	TOTAL	100.00



### 5.4.3. Claims

#### 5.4.3.1. Settled claims

#### SETTLED CLAIMS REALIZATION 2019 – 2020 in 000 RSD

	2019	2020	Index
Type 03	147,664	200,553	135.82
Types 08 and 09	431,670	633,953	146.86
Type 10	127,231	97,938	76.98
Type 13	21,821	7,864	36.04
Other types	180,719	166,397	92.07
Life insurances	61,666	40,129	65.07
Total:	970,771	1,146,834	118.14

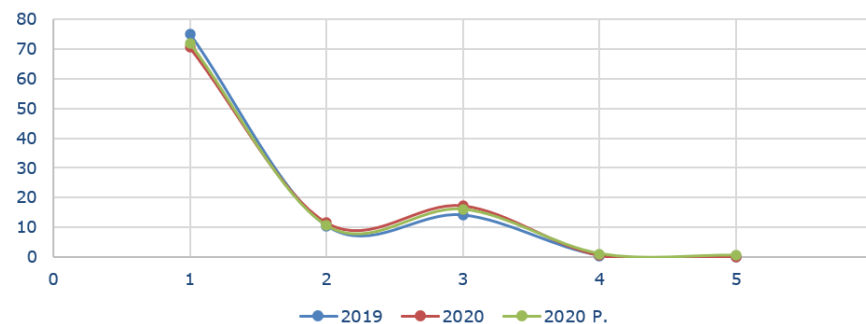
#### SETTLED CLAIMS PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
Type 03	192,393	200,553	104.24
Types 08 and 09	577,781	633,953	109.72
Type 10	97,499	97,938	100.45
Type 13	14,580	7,864	53.94
Other types	118,568	166,397	140.34
Life insurances	64,177	40,129	62.53
Total:	1,064,998	1,146,834	107.68

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SETTLED CLAIMS PER TERRITORY  
REALIZATION 2019 – 2020

TERRITORY	2019	2020
Serbia	75.12	70.57
EX YU	10.41	11.56
Europe	14.02	10.28
Asia	0.43	0.56
Other territories	0.02	0.03

SETTLED CLAIMS PER TERRITORY  
REALIZATION 2019 – 2020 and PLAN 2020SETTLED CLAIMS PER TERRITORY  
PLAN 2020 – REALIZATION 2020

TERRITORY	2020 P	2020 R
Serbia	72.00	70.57
EX YU	10.50	11.56
Europe	16.00	17.28
Asia	1.00	0.56
Other territories	0.50	0.03

SETTLED CLAIMS IN COMPANY'S RETENTION  
REALIZATION 2019 – 2020

	2019	2020	Index
Type 03	147,664	199,023	134.78
Types 08 and 09	257,523	274,463	106.58
Type 10	71,969	18,191	25.28
Type 13	1,732	698	40.30
Other types	14,397	6,658	46.25
Life insurances	9,000	5,293	58.81
<b>Total:</b>	<b>502,285</b>	<b>504,326</b>	<b>100.41</b>

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SETTLED CLAIMS IN THE COMPANY'S RETENTION  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P.	2020 R.	Index
Type 03	190,863	199,023	104.28
Types 08 and 09	358,187	274,463	76.63
Type 10	18,759	18,191	96.97
Type 13	1,371	698	50.91
Other types	9,360	6,658	71.13
Life insurances	9,286	5,293	57.00
<b>Total:</b>	<b>587,826</b>	<b>504,326</b>	<b>85.80</b>

**5.4.4. Technical reserves**

RESERVED REPORTED CLAIMS  
REALIZATION 2019 - 2020 in 000 RSD

	2019	2020	Index
Type 03	28,501	27,554	96.68
Types 08 and 09	622,852	2,405,476	386.20
Type 10	300,111	274,000	91.30
Type 13	188,278	182,434	96.90
Other types	353,704	470,810	133.11
Life insurances	14,448	16,995	117.63
<b>Total:</b>	<b>1,507,894</b>	<b>3,377,269</b>	<b>223.97</b>

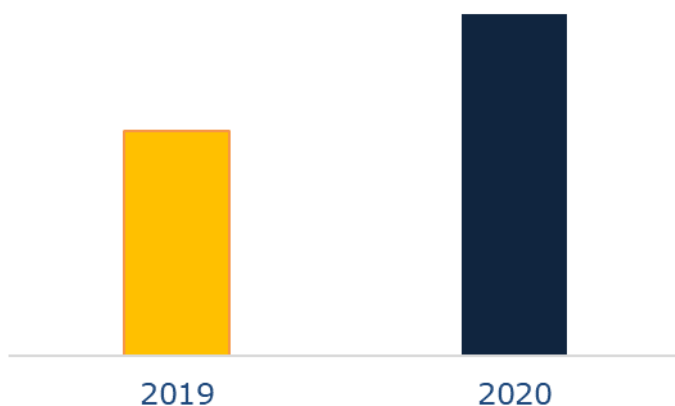
RESERVED REPORTED CLAIMS  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P.	2020 R.	Index
Type 03	34,800	27,554	79.18
Types 08 and 09	3,300,260	2,405,476	72.89
Type 10	277,899	274,000	98.60
Type 13	182,789	182,434	99.81
Other types	517,538	470,810	90.97
Life insurances	16,916	16,995	100.47
<b>Total:</b>	<b>4,330,202</b>	<b>3,377,269</b>	<b>77.99</b>

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**Reserved claims in the Company's retention**RESERVED CLAIMS IN RETENTION  
REALIZATION 2019 - 2020 in 000 RSD

	2019	2020	Index
Type 03	28,500	27,328	95.89
Types 08 and 09	329,220	636,467	193.33
Type 10	111,699	113,445	101.56
Type 13	29,324	26,954	91.92
Other types	105,793	113,760	107.53
Life insurances	1,417	1,713	120.89
<b>Total:</b>	<b>605,953</b>	<b>919,667</b>	<b>151.77</b>

RESERVED CLAIMS IN THE COMPANY'S RETENTION  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
Type 03	34,798	27,328	78.53
Types 08 and 09	643,151	636,467	98.96
Type 10	117,084	113,445	96.89
Type 13	26,475	26,954	101.81
Other types	107,780	113,760	105.55
Life insurances	1,555	1,713	110.16
<b>Total:</b>	<b>930,843</b>	<b>919,667</b>	<b>98.80</b>



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**Reserved incurred but not reported claims**RESERVED NOT REPORTED CLAIMS  
REALIZATION 2019 -2020

	2019	2020	Index
IBNR	443,718	848,343	191.19

RESERVED INCURRED BUT NOT REPORTED CLAIMS  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
IBNR	856,122	848,343	99.09

RESERVED INCURRED BUT NOT REPORTED CLAIMS IN THE  
COMPANY'S RETENTION REALIZATION 2019 -2020

	2019	2020	Index
IBNR - RETENTION	166,311	234,503	141.00

RESERVED INCURRED BUT NOT REPORTED CLAIMS IN THE  
COMPANY'S RETENTION PLAN 2020 – REALIZATION 2020 in 000  
RSD

	2020 P	2020 R	Index
IBNR - RETENTION	233,798	234,503	100.30

**Other reserves**MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVE,  
UNEXPIRED RISK RESERVES, RESERVES FOR THE CLAIM  
SETTLEMENT COSTS REALIZATION 2019 -2020

	2019	2020	Index
MATHEMATICAL RESERVE	19,438	21,414	110.17
RISK EQUALIZATION RESERVE	1,253	903	72.07
UNEXPIRED RISK RESERVES	4,074	2,755	67.62
RESERVES FOR THE CLAIM SETTLEMENT COSTS	32,008	61,177	191.13
TOTAL:	56,773	86,249	151.92

MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVE,  
UNEXPIRED RISK RESERVES, RESERVES FOR THE CLAIM  
SETTLEMENT COSTS PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
MATHEMATICAL RESERVE	20,000	21,414	107.07
RISK EQUALIZATION RESERVE	1,998	903	45.20
UNEXPIRED RISK RESERVES	2,764	2,755	99.67
RESERVES FOR THE CLAIM SETTLEMENT COSTS	77,577	61,177	78.86
TOTAL:	102,339	86,249	84.28

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MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVE,  
UNEXPIRED RISK RESERVES, RESERVES FOR THE CLAIM  
SETTLEMENT COSTS IN RETENTION  
REALIZATION 2019 -2020

	2019	2020	Index
MATHEMATICAL RESERVE	3,629	3,782	104.22
RISK EQUALIZATION RESERVE	1,253	903	72.07
UNEXPIRED RISK RESERVES	4,074	2,755	67.62
RESERVES FOR THE CLAIM SETTLEMENT COSTS	32,008	61,177	191.13
TOTAL:	40,964	68,617	167.51

MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVE,  
UNEXPIRED RISK RESERVES, RESERVES FOR THE CLAIM  
SETTLEMENT COSTS IN RETENTION  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 П	2020 P	Index
MATHEMATICAL RESERVE	3,800	3,782	99.53
RISK EQUALIZATION RESERVE	1,998	903	45.20
UNEXPIRED RISK RESERVES	2,764	2,755	99.67
RESERVES FOR THE CLAIM SETTLEMENT COSTS	77,577	61,177	78.86
TOTAL:	86,139	68,617	79.66

TOTAL TECHNICAL RESERVES REALIZATION 2019 -2020

	2019	2020	index
RESERVES	2,008,385	4,311,861	214.69
TRANSFERABLE PREMIUM	1,094,588	1,317,551	120.37
TOTAL	3,102,973	5,629,412	181.42

TOTAL TECHNICAL RESERVES  
PLAN 2020 – REALIZATION 2020

	2020 P	2020 R	index
RESERVES	5,288,663	4,311,861	81.53
TRANSFERABLE PREMIUM	1,263,183	1,317,551	104.30
TOTAL	6,551,846	5,629,412	85.92

TECHNICAL RESERVES IN RETENTION  
REALIZATION 2019 -2020

	2019	2020	index
RESERVES	813,228	1,222,788	150.36
TRANSFERABLE PREMIUM	97,038	72,217	74.42
TOTAL	910,266	1,295,005	142.27

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TECHNICAL RESERVES IN RETENTION  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 P	2020 R	Index
RESERVES	1,250,780	1,222,788	97.76
TRANSFERABLE PREMIUM	87,766	72,217	82.28
TOTAL	1,338,546	1,295,005	96.75

### 5.5. Claims ratio

CLAIMS RATIO  
REALIZATION 2019 -2020

	2019	2020	Index
CLAIMS RATIO	28.57	60.86	213.02

CLAIMS RATIO  
PLAN 2020 – REALIZATION 2020 in 000 RSD

	2020 П	2020	Index
CLAIMS RATIO	78.77	60.86	77.26

CLAIMS RATIO  
REALIZATION IN RETENTION 2019 -2020

	2019	2020	Index
CLAIMS RATIO	62.46	54.77	87.69

CLAIMS RATIO IN RETENTION  
PLAN 2020 – REALIZATION 2020

	2020 П	2020 P	Index
CLAIMS RATIO	61.42	54.77	89.17

CLAIMS RATIO  
IN THE PERIOD 2016 – 2020

	2016	2017	2018	2019	2020
CLAIMS RATIO	13.40	31.22	15.29	28.57	60.86
CLAIMS RATIO IN RETENTION	57.55	49.68	51.63	62.46	54.77

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**5.6. Types of reinsurance coverage in 2020**

PARTICIPATION OF PROPORTIONAL AND NON-PROPORTIONAL CONTRACTS IN REINSURANCE PREMIUMS IN THE COMPANY'S RETENTION

	PROPORTIONAL CONTRACTS	NON-PROPORTIONAL CONTRACTS
PARTICIPATION IN THE RETENTION PREMIUM	13.51%	86.49%

**5.7. Retro programs of the Company – protection of retention**

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**5.8. Territories in which the company operates**

NUMBER OF COUNTRIES IN WHICH THE COMPANY APPEARS AS A  
REINSURER

	2018	2019	2020
NUMBER OF COUNTRIES	50	90	115

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## 5.9. Conclusion

Despite difficult market conditions caused by the COVID-19 virus, the company achieved a positive business result. In the period 01.01.2020 - 31.12.2020 the company recorded a premium growth of 23.68% compared to the premium from the same period last year. Also, the Company records a premium growth of 3.75% compared to the planned values for 2020.

As in previous years, the most significant share in the premium is played by reinsured risks from the territory of the Republic of Serbia, around 78.96%, which is in line with the planned values for 2020.

Compared to the previous year, the Company achieved a significant growth of as much as 67.28% in the reinsurance premium in retention. Also, the realized reinsurance premium in retention is at the level of planned values (realization of the plan 99.42%).

The cedant with the largest share in the premium is, as in the previous year, the company Dunav Insurance Company, whose share is 39.66%. Observed from the aspect of net reinsurance premium, the cedant with the largest share is PICC CHINA, whose share is 16.45%. The share of Dunav Insurance Company records a decline of 7.99% and in 2020 it amounts to 13.70%.

Claims settled on 31.12.2020 amount to RSD 1,146,834 thousand, while settled claims in retention amount to RSD 504,326 thousand. The total claims settled were 18.14% higher than the total claims settled in the previous year, while the settled claims in retention were 0.41% higher than the settled claims in retention during the previous year.

Total reserved claims are 123.97% higher than the total reserved claims of the previous year, while total reserved claims in retention are higher by 51.77% than the total reserved claims in retention in the same period last year.

Significant growth compared to the previous year is recorded in unreported claims, which are 91.19% higher than the incurred but not reported claims on 31.12.2019. Reserved incurred but not reported claims in retention are 41% higher than in the previous year and are at the planned level.

Technical reserves amount to RSD 5,629,413 thousand and are higher than last year by 81.42%. Technical reserves in retention amount to RSD 1,295,005 thousand and are higher by 42.27% than in the previous year.

The total claims ratio is 60.86% while the claims ratio in retention is 54.77%.

In order to protect its own capacities, the Company concluded a contract on reinsurance of excess damage per risk in the amount of EUR 2.5 million, as well as a contract on reinsurance of catastrophic risks per event of EUR 16.5 million.

The company operates in over 100 countries around the world.

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## 6. INVESTING OF THE REINSURANCE ASSETS

### 6.1. Investment portfolio

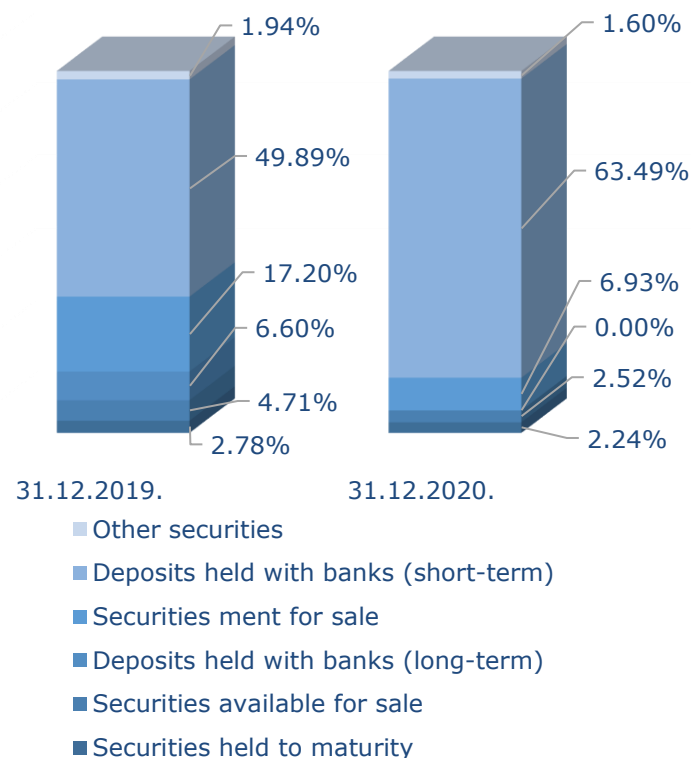
\* in 000 RSD

Position	Balance as at 31.12.2019	Balance as at 31.12.2020	index
Securities held to maturity	74,752	74,435	99.58
Securities available for sale	126,707	83,778	66.12
Long-term deposits held with banks	177,621	0	0.00
Securities available for trading	463,116	230,254	49.72
Short-term deposits held with banks	1,343,150	2,109,432	157.05
Cash and cash equivalents	454,658	771,517	169.69
Other securities and financial assets	52,258	53,057	101.53
<b>TOTAL</b>	<b>2,692,262</b>	<b>3,322,473</b>	<b>123.41</b>

In 2020, the investment portfolio grew by 846 million dinars. The largest part of the growth of the investment portfolio arose from the internal potential of the Company to generate free cash from business activities. The overall generated growth of the investment portfolio is aimed at increasing liquid investment assets.

In the structure of the investment portfolio, the share of debt securities decreased from 17.20% to 6.93%, and the share of deposits with banks increased from 49.89% to 63.49%.

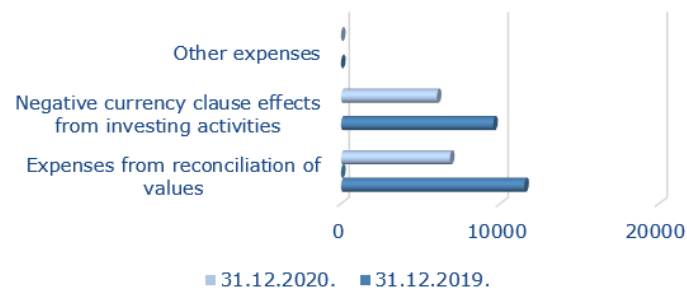
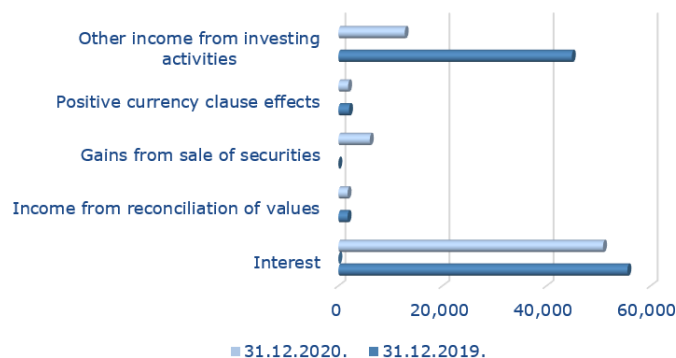
Structure of the investment portfolio



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**6.2. Results of investing of reinsurance assets**

Item	*In 000 RSD		
	31.12.2019.	31.12.2020.	Index 2020. / 2019.
<b>RESULTS OF INVESTING OF REINSURANCE ASSETS</b>			
Interest	55,545	50,858	91.56
Income from reconciliation of values	1,765	1,768	100.17
Gains from sale of securities	0	6,038	100.00
Positive currency clause effects	2,051	1,875	91.42
Other income from investing activities	44,868	12,742	28.40
<b>Total</b>	<b>104,229</b>	<b>73,281</b>	<b>70.31</b>
<b>EXPENSES FROM INVESTING REINSURANCE ASSETS</b>			
Expenses from reconciliation of values	11,524	6,847	59.42
Negative currency clause effects from investing activities	9,573	6,027	62.96
<b>Total</b>	<b>21,097</b>	<b>12,874</b>	<b>61.02</b>
<b>PROFIT FROM INVESTMENT ACTIVITY</b>	<b>83,132</b>	<b>60,407</b>	<b>72.66</b>



The result from investment activity in the observed period is lower by 22,725 thousand dinars compared to the previous year. The decline in results is a consequence of lower interest rates, but also lower dividend income. Namely, in the same period in 2019,

dividends were collected on the basis of shares of "Nikola Tesla" Airport in the amount of 43,052 thousand dinars, while in the current year, income from dividends of "Komerčijalna banka" a.d. was registered in the amount of 12,457 thousand dinars.

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## 7. OPERATING COSTS

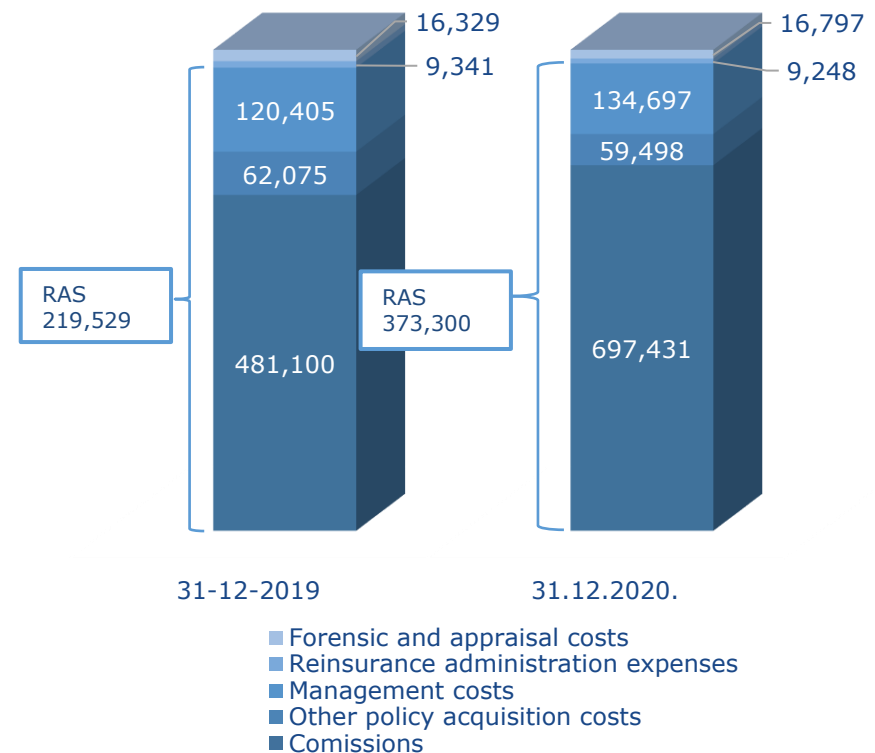
### Operating costs

\* in 000 RSD

	31.12.2019	31.12.2020
1. Acquisition costs	543,175	756,929
<i>Commissions</i>	481,100	697,431
<i>Other acquisition costs</i>	62,075	59,498
2. Management costs	120,405	134,697
3. Reinsurance administration expenses (RAS)	9,341	9,248
4. Reinsurance commissions	453,392	527,574
<b>TOTAL RAS</b>	<b>219,529</b>	<b>373,300</b>
5. Forensic and appraisal costs	16,329	16,797
<b>Total costs</b>	<b>235,858</b>	<b>390,097</b>

The total operating costs in 2020 are higher than those realized in the previous year by 154,239 thousand dinars. The largest impact on the growth of costs was the growth of commission costs of 44.97% in line with the growth of reinsurance premium.

### Structure of costs per location



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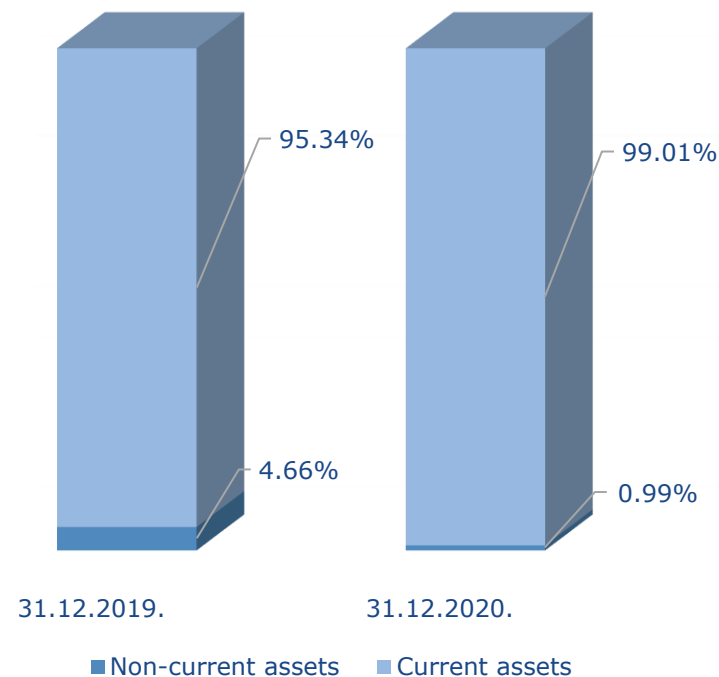
## 8. BALANCE SHEET

### 8.1. Assets

\* in 000 RSD

CATEGORY	31.12.2019	31.12.2020	Index 2020/2019
Intangible investments	2,049	627	30.60
Software and other rights	7,684	2,561	33.33
Property, plant and equipment	17,568	15,313	87.16
Long-term financial investments	253,260	75,287	29.73
<b>Non-current assets</b>	<b>280,561</b>	<b>93,788</b>	<b>33.43</b>
Inventories	463	1,072	231.53
Receivables	1,088,125	1,702,287	156.44
Income tax recoverables	9,859	12,859	130.43
Financial placements	1,985,231	2,476,521	124.75
Cash and cash equivalents	454,658	771,517	169.69
Receivables for uninvoiced income	14,630	55,470	379.15
Receivables for unearned premiums	997,550	1,245,334	124.84
Receivables for outstanding claims in retrocession	1,179,348	3,071,442	260.44
Other technical reserves at the expense of reinsurance and retrocession	15,809	17,631	111.53
<b>Current assets</b>	<b>5,745,673</b>	<b>9,354,133</b>	<b>162.80</b>
<b>TOTAL ASSETS (CURRENT)</b>	<b>6,026,234</b>	<b>9,447,921</b>	<b>156.78</b>

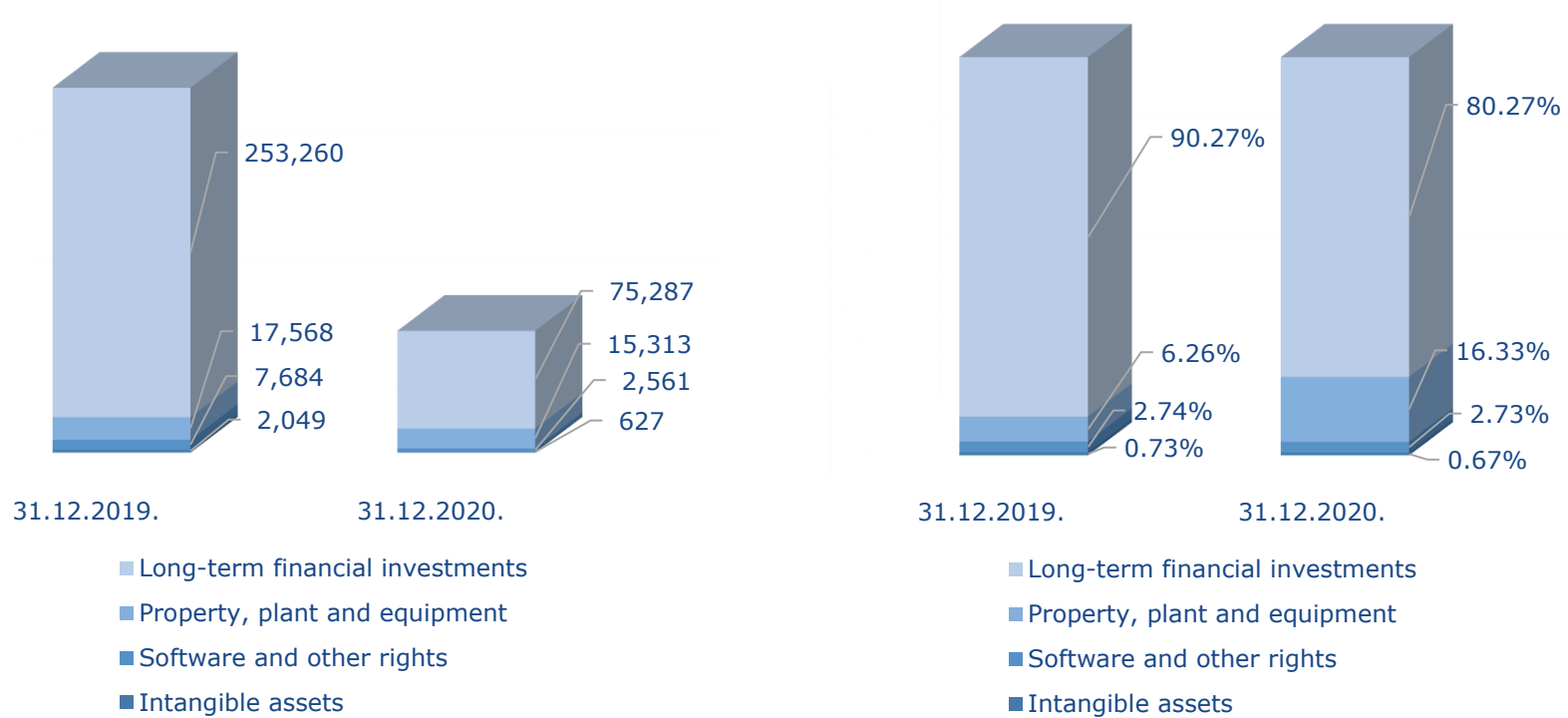
### Current assets



The assets structure is dominated by current assets with 99.01%.

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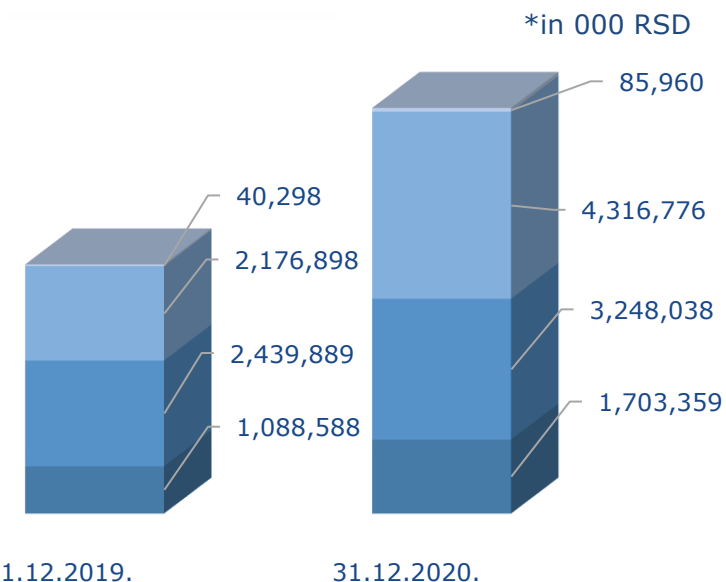
**8.1.1. Non-current assets**



Non-current assets are lower than last year by 66.57%. The reason for the decrease in non-current assets compared to the previous year is the reclassification of the long-term deposit with

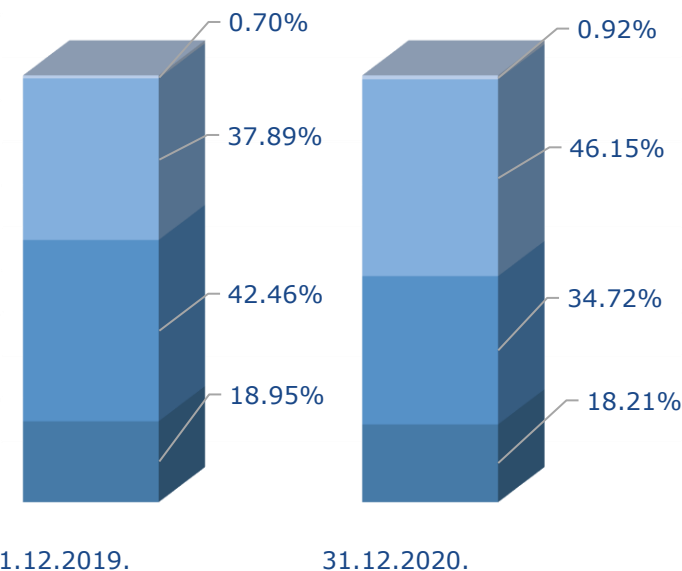
"Halkbank" a.d., Belgrade. The mentioned deposit was relocated to the position of short-term deposits, bearing in mind that the maturity of the deposit is less than one year.

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**8.1.2. Current assets**

- Prepaid expenses, accrued income, deferred tax assets
- Technical reserves borne by reinsurers and retrocessionaires
- Financial investments and cash
- Trade receivables

Current assets increased compared to the previous year by 62.80%. Total receivables are higher by 56.44% compared to the previous year. The increase in receivables is a consequence of the increase in reinsurance premiums and the change in the maturity structure in favor of outstanding receivables.



- Prepaid expenses, accrued income, deferred tax assets
- Technical reserves borne by reinsurers and retrocessionaires
- Financial investments and cash
- Trade receivables

Financial placements increased by 24.75%. Short-term deposits with banks have the largest share in the structure of financial placements.

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**8.1.3. Structure of receivables****Structure of receivables as at 31.12.2019**

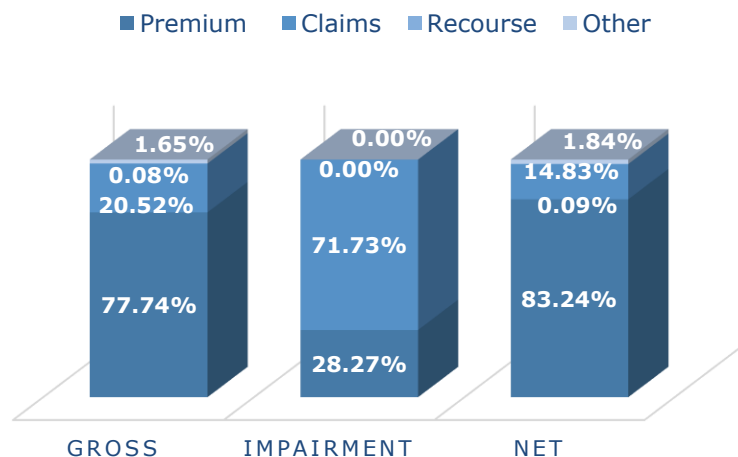
\*in 000 RSD

Receivables	Gross	Correction	Net
Premium	939,905	34,155	905,750
Claims	248,082	86,685	161,397
Recourse receivables	988	0	988
Other	19,990	0	19,990
<b>TOTAL</b>	<b>1,208,965</b>	<b>120,840</b>	<b>1,088,125</b>

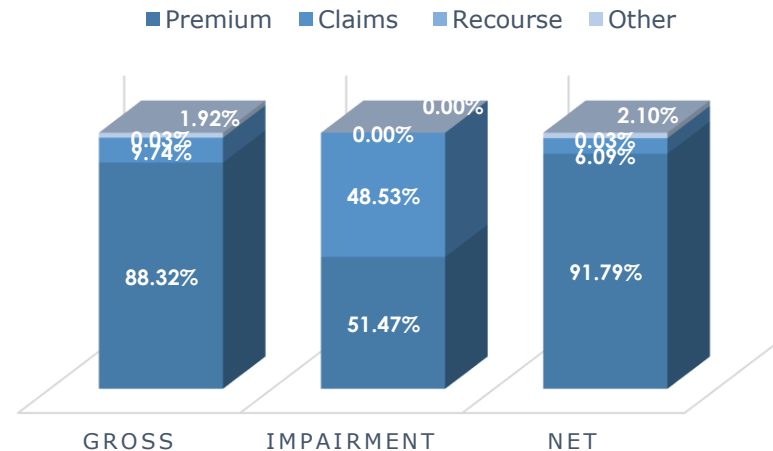
**Structure of receivables as at 31.12.2020**

\*in 000 RSD

Receivables	Gross	Correction	Net
Premium	1,644,861	82,413	1,562,448
Claims	181,326	77,716	103,610
Recourse receivables	524	0	524
Other	35,705	0	35,705
<b>TOTAL</b>	<b>1,862,416</b>	<b>160,129</b>	<b>1,702,287</b>

**STRUCTURE OF RECEIVABLES AS AT 31.12.2019**

In the structure of receivables, receivables based on reinsurance premiums have a dominant share with 88.32%.

**STRUCTURE OF RECEIVABLES AS AT 31.12.2020**

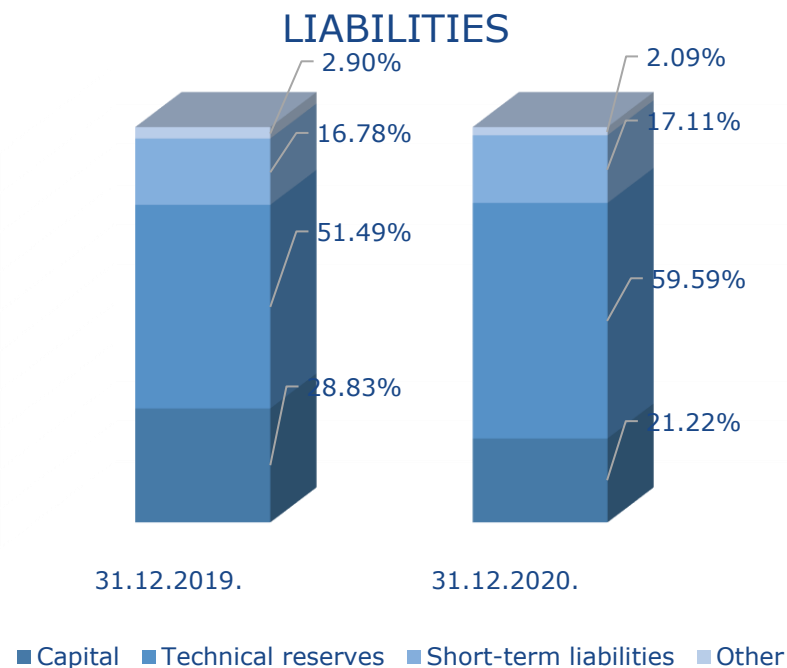
The total value correction is higher compared to 31.12.2019 by 32.51%.

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**8.2. Liabilities**

CATEGORY	31.12.2019	31.12.2020	* in 000 RSD
			Index 2020 / 2019
Capital and reserves	1,737,240	2,004,662	115.39
Long term provisions	46,779	56,481	120.74
Long term liabilities	0	200	0.00
Deferred tax liabilities	2,839	561	19.76
Short-term liabilities	1,011,428	1,616,518	159.83
Accrued liabilities	1,244,328	1,482,710	119.16
Outstanding claims	1,983,620	4,286,789	216.11
<b>TOTAL LIABILITIES</b>	<b>6,026,234</b>	<b>9,447,921</b>	<b>156.78</b>

Liabilities are higher by 56.78% compared to the previous year. The largest share in liabilities has a technical reserve of 59.59%, followed by capital and reserves and short-term liabilities.



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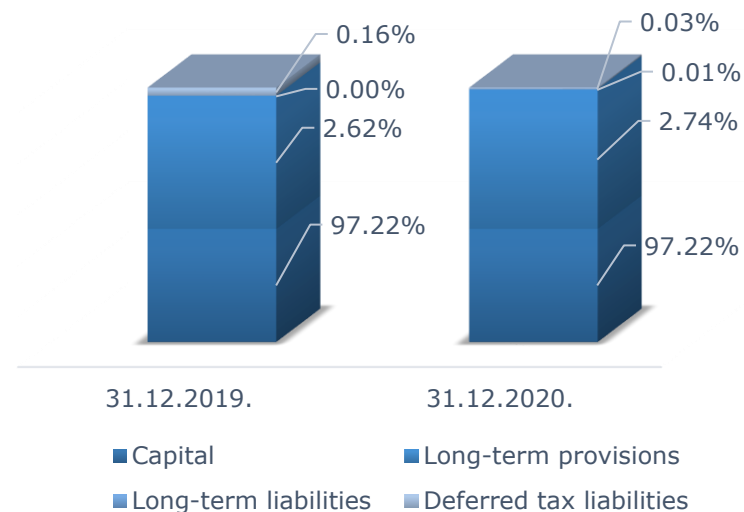
**8.2.1. Capital**

\* in 000 RSD

	31.12.2019	31.12.2020	Index
Equity	1,737,240	2,004,662	115.39
Long-term provisions	46,779	56,481	120.74
Long-term liabilities	0	200	0.00
Deferred tax liabilities	2,839	561	19.76
<b>TOTAL</b>	<b>1,786,858</b>	<b>2,061,904</b>	<b>115.39</b>

Total equity, reserves, long-term provisions and long-term liabilities of the Company as at 31.12.2020 mount to 2,061,904 thousand dinars, which represents a growth of 15.39% compared to the previous year.

Article 27 of the Insurance Law prescribes that reinsurance company's core capital must be equal to or above EUR 3.2 million, whereas the Company's issued capital as of 31.12.2020 amounts EUR 6,5 million.



The Company did not repurchase its stocks during 2020.

Earnings per share amount to 4,554.94 dinars.

In June 2020 the Company paid dividends to shareholders in the total amount of 113.048 thousand dinars, i.e. in the amount of 1,330.32 dinars per share.

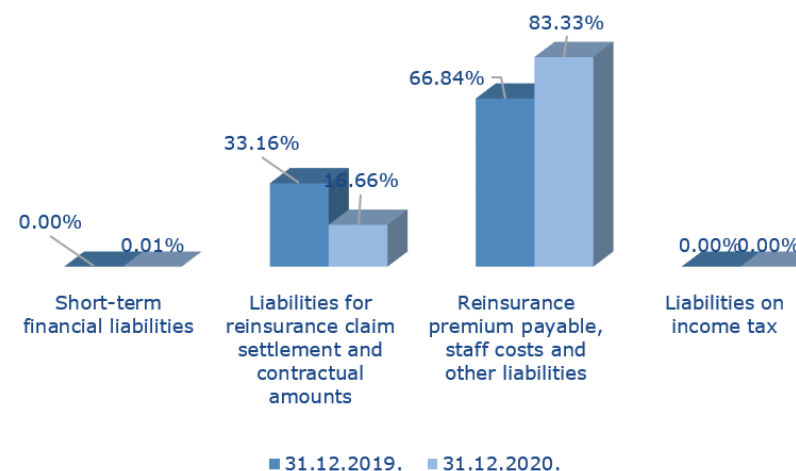
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**8.2.2. Short-term liabilities**

\* in 000 RSD

Item	31.12.2019	31.12.2020
Short term financial liabilities	-	133
Liabilities for settlement of claims and contractual amounts	335,406	269,260
Liabilities for premiums, salaries and other liabilities	676,022	1,347,125
<b>TOTAL</b>	<b>1,011,428</b>	<b>1,616,518</b>

Short-term liabilities increased by 59.83% compared to the previous year. Structure of the short-term liabilities are dominated by the reinsurance premium (80.14%) and liabilities for settlement of claims (16.66%).



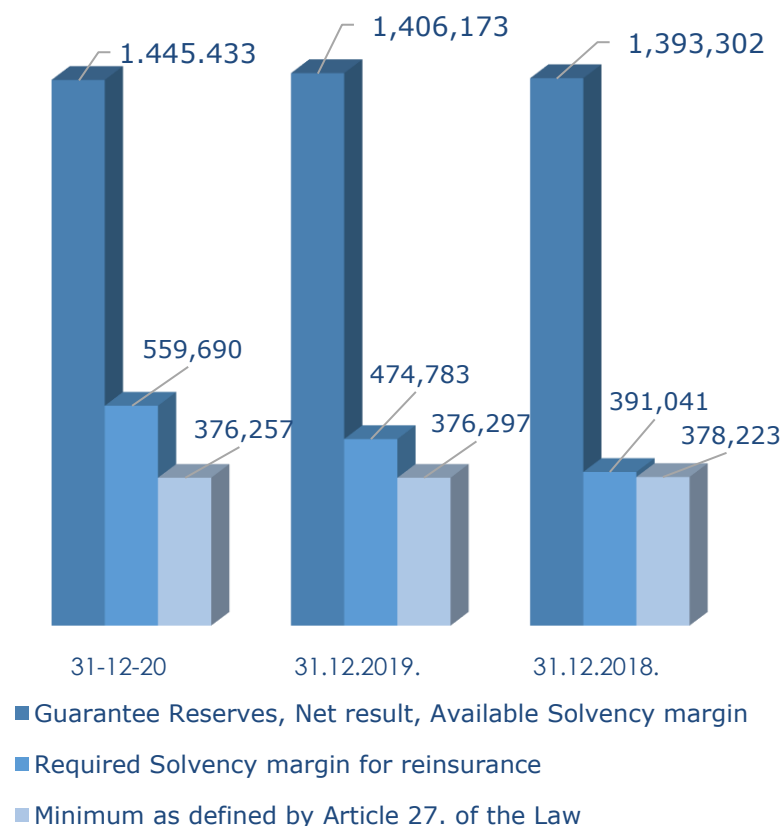
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**8.3. Guarantee reserve and capital adequacy**

\*in 000 RSD

	DESCRIPTION	31.12.2020	31.12.2019	31.12.2018
I	PAID IN CAPITAL	1,807,683	1,631,352	1,549,041
III	DEDUCTIONS, PART ONE (9+10+11+12)	627	2,049	3,078
9.	Non material property (investments)	627	2,049	3,078
IV	GUARANTEE CAPITAL (I+II-III)	1,807,056	1,629,303	1,545,963
V	DEDUCTIONS, PART TWO			
VI	GUARANTEE RESERVE, PRELIMINARY RESULT (I+II-III-V)	1,807,056	1,629,303	1,545,963
VII	GUARANTEE RESERVE, FINAL RESULT, AVAILABLE SOLVENCY MARGIN	1,445,433	1,406,173	1,393,302
VIII	REQUIRED SOLVENCY MARGIN FOR REINSURANCE	559,690	474,783	391,041
IX	DIFFERENCE IN AVAILABLE AND REQUIRED SOLVENCY MARGIN FOR REINSURANCE VII-VIII $\geq 0$	885,743	931,390	1,002,261
X	RATIO OF REQUIRED SOLVENCY MARGIN FOR REINSURANCE AND GUARANTEE CAPITAL (ARTICLE 128 PARAGRAPH 1 OF THE LAW)	0.31	0.29	0.25
XI	AMOUNT PRESCRIBED BY THE ARTICLE 27 OF THE LAW (in line with the valid license)	376,257	376,297	378,223
XII	DIFFERENCE BETWEEN GUARANTEE CAPITAL AND THE AMOUNT PRESCRIBED BY THE ARTICLE 27 OF THE LAW (Article 128, Paragraph 2 of the law) IV-XI $\geq 0$	1,430,799	1,253,006	1,167,740



The same as in previous years, the Company satisfies all requirements in terms of the capital adequacy. Ratio of the guarantee reserve and solvency margin is 2.58.

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## 9. PARTICIPATION OF DUNAV INSURANCE COMPANY AND DUNAV INSURANCE BANJA LUKA

Below is a graphical presentation of the participation of Dunav Insurance Company, which is also the majority owner of the Company with 88.41% share in the total fixed capital, and Dunav Insurance Banja Luka in the reinsurance premium and total reinsurance claims.

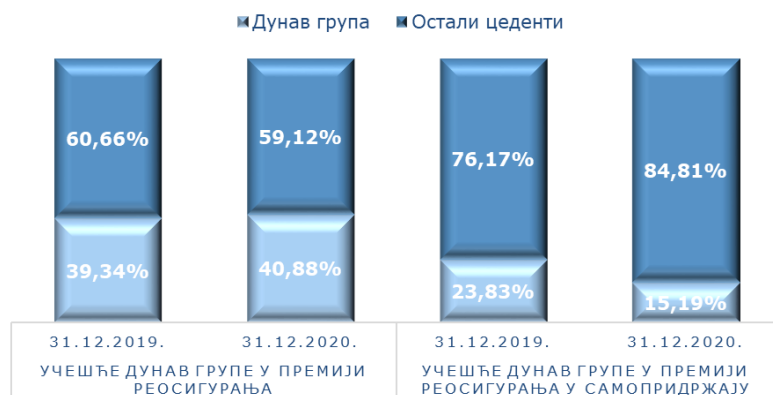
Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the reinsurance recorded an increase in the year 2020, compared to 2019 by 1.54 percentage points.

Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the reinsurance premium in retention premium recorded an increase in the year 2020, compared to the same period of the previous year by 8.64 percentage points.

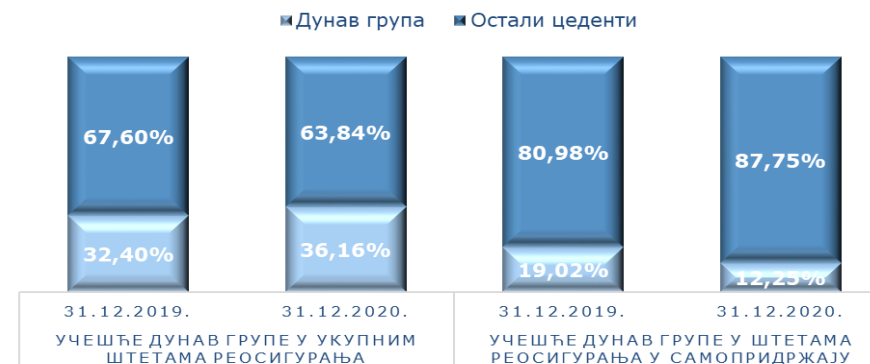
Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the total reinsurance claims is increased by 3.76 percentage points in 2020 compared to the same period of the previous year.

At the same time, the share of Dunav Insurance Company and Dunav Insurance Banja Luka in the total reinsurance claims in retention decreased by 6.77 percentage points.

### УЧЕШЋЕ ПОВЕЗАНИХ ЛИЦА У ПРЕМИЈИ



### УЧЕШЋЕ ПОВЕЗАНИХ ЛИЦА У ШТЕТАМА



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## 10. OPERATIONAL RISKS

The Company organizes, implements and develops a system of internal controls and risk management in accordance with Article 147 of the Insurance Law, Decision on the Management System in the Company for Insurance/Reinsurance of Risks (Official Gazette of RS no. 51/2015) and the Company's Risk Management Strategy dated March 4, 2016.

Identification, assessment, measurement and control of the risks the Company is exposed to are developed on an ongoing basis and adapted to changing conditions of the reinsurance business across all the Company's organizational units in accordance with its internal organization and job classification, adopted internal bylaws, rules of the insurance/reinsurance profession, good business practices, business ethics and valid legislation.

Management of certain risks is the responsibility of those competent Company's organizational units, where risks have been identified. Executive Officers/Department Heads are responsible for consistent implementation of the Company's adopted risk management policies at all levels within the Company and for thorough understanding of the responsibilities entailed by the risk management processes on the part of all employees participating in such processes, observing the ethical and professional standards in place.

In accordance with the Decision on the management system in the insurance/reinsurance company, the Company identified and monitors a total of 35 risks divided in accordance with the decision of the National Bank of Serbia into 7 groups, and 2 risks according to the Law on Accounting, as follows:

Group of risks	Description	Assessment	Response
Price risk	Setting of reinsurance premium by the Company is established based on the movement of the premium on the foreign reinsurance market, i.e. according to the criteria of the external reinsurers who are leading in the businesses retroceded and who, as leaders, determine conditions and prices of the cover in line with general trends on the international markets, based on the policy premium of the cedant (according to the tariffs of the NBS) and then based on the statistical and other relevant data.	Insignificant	The Company continuously monitors and analyses subject matter of the reinsurance treaty, risks covered, sums reinsured, cover limits, amount of average losses, probability of occurrence of large losses, declining of the real from expected losses as well as the degree of risk equalization inside of the portfolio.

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Group of risks	Description	Assessment	Response
Credit risk	Credit risk relates to the possible negative effects on the financial result and capital due to default in obligations of the Company's debtor. The Company is exposed to the credit risk through premium receivables, claims, commission and recourses, as well as in the respect of depositing and investing its funds with the banks.	Insignificant	The Company monitors and analyzes credit risk exposure on a regular basis, whilst prevention and protection are effected through implementation of the Rules on the Manner of Assessment of Balance Sheet and Off-Balance Sheet Items and through depositing and investing funds in accordance with NBS Decision on Restrictions of Specific Forms of Depositing and Investing Technical Reserve Assets and Maximum Amounts of Specific Forms of Depositing and Investing Guarantee Reserve Assets of the Insurance Companies and the Company's internal Rules.
Cash flow risk	This risk includes the flow of cash from operational, financial and investment activities of the Company.	Significant	The Company continuously monitors the movement of net inflows and net outflows.
Concentration risk	The risk of non-life reinsurance concentration is the risk arising from the lack of diversification of the non-life reinsurance portfolio, or which as a consequence of the same or similar harmful event. The cause is the Company's exposure to categories that have significant potential for the occurrence of a claim or loss.	Insignificant	The Company primarily considers a set of exposures that are linked by common risk factors (the same economic sector, that is, the geographical area, identical operations / assumed risks / financial instruments).
Market risk	Market risks arise from the unfavorable changes in the market, primarily insurance and financial markets. These may be manifested through possible losses and gains. These are risks that depend on the fluctuations and/or volatility of market prices of assets, liabilities and financial instruments.	Insignificant	The Company regularly monitors and analyzes the movement of market performances related to each market risk individually, and specifically considers the causal links between risk categories and the overall impact of this risk on other risks to which the Company is exposed.
Operational risk	Operational risk arises from omissions occurred in the work of the Company's employees and bodies, inappropriate internal procedures and processes, inadequate management of the information and other systems as well as due to unpredictable external events.	Insignificant	In order to protect itself from operational risks recognized and quantified by the management, the Company has commenced active upgrading and improvement of the internal control system that is in line with the nature, complexity and risk inherent in the reinsurance business as well as the application of IIS.

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Group of risks	Description	Assessment	Response
Liquidity risk	Liquidity risk generally arises from the financing of the Company's business activities and risk management. They also include the risk of failure to pay funds on maturity and interest rates, and the risk of inability to liquidate assets at an acceptable price and within an acceptable time frame.	Insignificant	The Company establishes an appropriate management system for the needs of short-term, medium-term and long-term financing as well as liquidity management. The Company manages the liquidity risk by maintaining adequate cash reserves by continuously monitoring the planned and actual cash flow, as well as by maintaining an adequate ratio of maturity of financial assets and liabilities.
Legal and Reputational risk	Legal risk arises from the non-compliance of the operations and enactments of the Company with the prevailing regulations, from contracts that cannot be performed in entirety or in part (e.g. void and null contracts) and potential litigation losses. Reputational risk arises from the reduced trust of the public in the Company's business operations.	Insignificant	The Company monitors all legislative regulations and enactments governing the business and harmonizes all its acts with amendments and supplements to those regulations. The Company has developed reputation of a reliable partner in the territory of Balkans, which is ready at all times to respond to its client's requests with its expertise and efficacy.
Reinsurance risk	Reinsurance risk stems from the Company's inability to absorb assumed risks, inherent in reinsurance business. The Company concludes reinsurance contracts whereby insured risk is transferred from the insurer to the Company as well as passive contracts of reinsurance whereby reinsurance risk is further transferred from the Company to retrocedents.	Insignificant	Within the reinsurance risk the Company on a regular basis monitors and analyzes all subgroups in order to maintain permanent degree of the risk exposure at the level where assets and operations of the Company will not be compromised and which will ensure protection of the interests of the Company's cedants and other creditors.

The report on the results of own risk and solvency assessment is an integral part of this annual business report (attached to the report) and is not published in accordance with the Decision of the National Bank of Serbia on the management system in insurance / reinsurance companies ("Official Gazette of RS", no. 51/2015, 29/2018 and 84/2020).

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## **11. SIGNIFICANT EVENTS OCCURRED AFTER EXPIRY OF 2020 BUSINESS YEAR**

There were no major business events that arose after the expiry of 2020 business year.

## **12. INVESTMENTS IN ENVIRONMENTAL PROTECTION**

No natural resources were consumed by the Company in the course of its business operations, so that it is not obliged to invest in environmental protection.

## **13. EXPECTED DEVELOPMENT, PLAN AND BUSINESS POLICY OF THE COMPANY IN THE FOLLOWING PERIOD**

The following activities are planned in the coming period:

1. From the main activity:

- moderate increase in the level of premiums in retention while maintaining the achieved level of quality of the reinsurance portfolio,
- support to cedants for the development of new products,
- concluding reinsurance contracts with new cedants,
- improving the implementation of existing reinsurance contracts, and
- further territorial expansion and diversification of the reinsurance portfolio.

2. From financial and economic activities:

- renewal of credit and financial rating with the agency authorized to determine the credit rating, AM Best,
- In the coming period, the Company will continue to undertake all necessary activities to minimize the potential negative effects of the COVID-19 virus pandemic on the unhindered operation of the Company, in order to maintain current liquidity in the short term and maintain the Company's long-term solvency, and
- strengthening the capital base of the Company by increasing the share capital from retained earnings and reserves of the Company.

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## 14. CORPORATE GOVERNANCE CODE

Pursuant to Article 368 of the Company Law ("Official Gazette of RS", No. 36/11, 99/11, 83/14 - other law, 5/15, 44/18, 95/18, 91/19) and Article 42 of the Company's Articles of Association (consolidated text dated March 23, 2016), the Company's Supervisory Board issues a Statement on the application of the corporate governance code, which is an integral part of the business report. The Company applies the Corporate

Governance Code number NO 5/12 adopted at the 12th session held on June 18, 2013 by the Company's Supervisory Board, which was published on the Company's website [www.dunavre.rs](http://www.dunavre.rs) and is publicly available to shareholders and other interested parties.

Belgrade, March 22, 2021

For the Company:

President of the Executive Board

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Pejčić Zorana

Member of the Executive Board

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Komnenić Tatjana

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