

**STATE UNITARY ENTERPRISE  
„BELARUSIAN NATIONAL  
REINSURANCE ORGANIZATION”**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER  
2015**

*Contents*

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## Independent Auditors' Report

*To the Shareholder and General Director of  
State Unitary Enterprise "Belarusian National Reinsurance Organization"*

We have audited the accompanying financial statements of State Unitary Enterprise "Belarusian National Reinsurance Organization" (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*



In our opinion, the financial statements present fairly, in all material respects, the financial position of State Unitary Enterprise “Belarusian National Reinsurance Organization” as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Edgars Volskis

Director

LLC KPMG

Minsk, Belarus

18 March 2016

STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION” FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

***Statement of profit or loss and other comprehensive income for the year ended 31 December 2015***

*All amounts in millions of BYR*

	Notes	2015	2014
Gross written premiums	8	453 336	379 756
Retrocessioners' share in written premiums	8	(220 286)	(179 255)
<b><i>Net written premiums</i></b>	8	<b>233 050</b>	<b>200 501</b>
Gross changes in unearned premium and unexpired risk technical reserves	10	(84 084)	(11 739)
Retrocessioners' share	10	61 139	9 493
<b><i>Change in net unearned premium and unexpired risk technical reserves</i></b>		<b>(22 945)</b>	<b>(2 246)</b>
<b>Net earned premiums</b>	9	<b>210 105</b>	<b>198 255</b>
Paid claims		(73 368)	(35 737)
Loss adjustment expenses		(710)	(309)
Retrocessioners' share of claims paid	11	22 961	7 478
<b>Net paid claims</b>	11	<b>(51 117)</b>	<b>(28 568)</b>
<b>Change in outstanding claim technical reserves</b>			
Gross change in outstanding claim technical reserves	13	155 711	(291 804)
Retrocessioners' share	13	(167 170)	209 885
<b><i>Net change in outstanding claim technical reserves</i></b>	13	<b>(11 459)</b>	<b>(81 919)</b>
<b>Net incurred claims</b>	12	<b>(62 576)</b>	<b>(110 487)</b>
Client acquisition costs	14	(31 662)	(21 857)
Change in deferred client acquisition costs	14	12 313	1 501
Retrocessioners' commission income		7 752	5 656
Administrative expenses	15	(24 593)	(18 806)
<b>Net operating expenses</b>		<b>(36 190)</b>	<b>(33 506)</b>
Investment income	16	124 875	68 264
Investment expenses	17	(144 262)	-
Other income/(expenses), net	18	138 735	19 569
Loss on net monetary position due to hyperinflation effect		-	(210 592)
<b>Profit before tax</b>		<b>230 687</b>	<b>(68 498)</b>
Income tax expense	19	(73 600)	(30 413)
<b>Profit /(loss) for the year</b>		<b>157 087</b>	<b>(98 911)</b>
<b>Other comprehensive income</b>		<b>(74 902)</b>	<b>74 902</b>
<i>Items that are or may be reclassified to profit or loss:</i>		<i>(74 902)</i>	<i>74 902</i>
Change in fair value of financial assets available-for-sale		(128 610)	99 870
Change in fair value of financial assets available for sale reclassified to profit or loss for the year		28 740	-
Corresponding income tax		24 968	(24 968)
<b>Total comprehensive income /(loss) for the year</b>		<b>82 185</b>	<b>(24 009)</b>

The accompanying notes on pages 11-54 form an integral part of these financial statements.

A.V. Rychko  
Deputy Director  
18 March 2016

T. F. Sopeleva  
Chief Accountant

STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION”  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

*Statement of financial position as at 31 December 2015*

All amounts in millions of BYR

	Notes	31 December 2015	31 December 2014
<b>Assets</b>			
Property and equipment	21	1 059	747
Intangible assets		250	-
<b>Financial investments</b>			
Financial assets held to maturity	22	211 128	-
Available-for-sale financial assets	23	683 234	1 615 459
Deposits with banks	24	563 925	384 390
<b>Total financial investments</b>		<b>1 458 287</b>	<b>1 999 849</b>
<b>Receivables</b>			
Receivables from reinsurance activities	25	178 596	167 713
Receivables from retrocession activities		13 306	3 683
Other receivables	26	601	363
<b>Total receivables</b>		<b>192 503</b>	<b>171 759</b>
<b>Accrued deferred expenses</b>			
Deferred client acquisition costs	14	42 099	29 786
Other accrued deferred expenses		-	245
<b>Total accrued deferred expenses</b>		<b>42 099</b>	<b>30 031</b>
<b>Retrocession contract assets</b>			
Retrocessioners' share in unearned premium technical reserve	10	265 619	186 173
Retrocessioners' share in outstanding claim technical reserve	13	107 317	256 414
<b>Total assets from retrocession contracts</b>		<b>372 936</b>	<b>442 587</b>
Prepayments	26	32 791	21 133
Current income tax asset		9 364	-
Cash and cash equivalents	27	139 076	101 415
<b>Total assets</b>		<b>2 248 365</b>	<b>2 767 412</b>

The accompanying notes on pages 11-54 form an integral part of these financial statements.

A.V. Rychko  
Deputy Director

T. F. Sopeleva  
Chief Accountant

18 March 2016

STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION”  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

*Statement of financial position as at 31 December 2015*

*All amounts in millions of BYR*

<b>Equity and liabilities</b>	<b>Notes</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Equity</b>			
Share capital	28	3 230 407	3 120 446
Fair value reserve		-	74 902
Accumulated loss		(1 970 317)	(1 393 074)
<b>Total equity</b>		<b>1 260 090</b>	<b>1 802 274</b>
<b>Equity</b>			
<b>Technical reserves</b>			
Technical reserves for unearned premium and unexpired risks	10	503 401	344 321
Outstanding claim technical reserves	13	317 396	413 265
<b>Total technical reserves</b>		<b>820 797</b>	<b>757 586</b>
<b>Creditors</b>			
Reinsurance creditors		15 748	17 107
Creditors from retrocession activities		77 313	75 501
Current income taxes liabilities		-	9 498
Other creditors		320	21 087
<b>Total creditors</b>		<b>93 381</b>	<b>123 193</b>
<b>Deferred tax liabilities</b>	19	74 097	84 359
<b>Total liabilities</b>		<b>988 275</b>	<b>965 138</b>
<b>Total equity and liabilities</b>		<b>2 248 365</b>	<b>2 767 412</b>

The accompanying notes on pages 11-54 form an integral part of these financial statements.

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A.V. Rychko  
Deputy Director

18 March 2016

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T. F. Sopeleva  
Chief Accountant

STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION” FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

*Statement of cash flows for the year ended 31 December 2015*

All amounts in millions of BYR

	Notes	2015	2014
<b>Cash flows from reinsurance activities</b>			
<b>Profit/(loss) for the year</b>		<b>157 087</b>	<b>(98 911)</b>
Adjustments for:			
Investment income	16	(124 875)	(68 264)
Net foreign exchange gain	18	(149 553)	(24 966)
Depreciation of property and equipment	21	231	179
Impairment loss of available-for-sale financial assets	17	28 740	-
Income tax expense	19	73 600	30 413
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(14 770)</b>	<b>(161 549)</b>
<i>(Increase)/decrease in operating assets:</i>			
Receivables from reinsurance activities		90 175	8 880
Receivables from retrocession activities		(7 634)	1 545
Other receivables		(138)	626
Prepayments		(11 154)	-
Retrocession contracts' assets		126 031	(167 889)
Accrued income and deferred expenses		(12 068)	(1 394)
<i>Increase/(decrease) in operating liabilities :</i>			
Technical reserves for unearned premium and unexpired risks		104 084	283 866
Outstanding claim technical reserves		(120 188)	-
Reinsurance creditors		(9 549)	(238)
Creditors from retrocession activities		(23 896)	(42 398)
Other creditors		(20 772)	(307)
<b>Net cash flows from reinsurance activities before income tax paid</b>		<b>100 121</b>	<b>(78 858)</b>
Income tax paid		(78 348)	(39 330)
<b>Net cash flows from reinsurance activities</b>		<b>21 773</b>	<b>(118 188)</b>
<b>Cash flows from investing activities</b>			
Interest income received		49 018	145 475
Aquisition of available-for-sale financial assets		(19 166)	-
Disposal of available-for-sale financial assets		6 960	217
Net acquisition of deposits with banks		37 566	40 552
Purchase of property and equipment		(565)	(433)
Purchase of intangible assets		(250)	-
Dividends received		19 117	22 659
<b>Net cash flows used in investing activities</b>		<b>92 680</b>	<b>208 470</b>

(continued)



STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION”  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

*Statement of cash flow for the year ended 31 December 2015*

		(continued)
	2015	2014
<b>Cash flows from financing activities</b>		
Dividends paid	(78 852)	(31 188)
<b>Net cash flows from financing activities</b>	<b>(78 852)</b>	<b>(31 188)</b>
<b>Net increase in cash and cash equivalents</b>	<b>35 601</b>	<b>59 094</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>101 415</b>	<b>42 319</b>
Effect of inflation on cash and cash equivalents	-	(5 900)
Effect of exchange rate fluctuations on cash and cash equivalents	2 060	5 902
<b>Cash and cash equivalents at the end of the year</b>	<b>139 076</b>	<b>101 415</b>

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The accompanying notes on pages 11-54 form an integral part of these financial statements.

A.V. Rychko  
*Deputy Director*

T. F. Sopeleva  
*Chief Accountant*

18 March 2016

STATE UNITARY ENTERPRISE „BELARUSIAN NATIONAL REINSURANCE ORGANISATION”  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

*Statement of changes in equity as at 31 December 2015*

*All amounts in millions of BYR*

	Notes	Share capital	Fair value reserve	Accumulated loss	Total equity
<b>Balance at 1 January 2014</b>		<b>3 040 286</b>	<b>-</b>	<b>(1 182 815)</b>	<b>1 857 471</b>
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>74 902</b>	<b>(98 911)</b>	<b>(24 009)</b>
Loss for the year		-	-	(98 911)	(98 911)
<b>Other comprehensive income</b>		<b>-</b>	<b>74 902</b>	<b>-</b>	<b>74 902</b>
Change in fair value of financial assets available-for-sale		-	99 870	-	99 870
Corresponding income tax		-	(24 968)	-	(24 968)
<b>Transactions with owner</b>		<b>80 160</b>	<b>-</b>	<b>(111 348)</b>	<b>(31 188)</b>
Increase of share capital due to profit reallocation		80 160	-	(80 160)	-
Dividends paid		-	-	(31 188)	(31 188)
<b>Balance at 31 December 2014</b>		<b>3 120 446</b>	<b>74 902</b>	<b>(1 393 074)</b>	<b>1 802 274</b>
<b>Balance at 31 December 2014 (as presented in the financial statements for the year ended 31.12.2014)</b>	34	<b>3 120 446</b>	<b>-</b>	<b>(1 318 072)</b>	<b>1 802 274</b>
<b>Balance at 1 January 2015</b>	28	<b>3 120 446</b>	<b>74 902</b>	<b>(1 393 074)</b>	<b>1 802 274</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(74 902)</b>	<b>157 087</b>	<b>82 185</b>
Profit for the year		-	-	157 087	157 087
<b>Other comprehensive loss</b>		<b>-</b>	<b>(74 902)</b>	<b>-</b>	<b>(74 902)</b>
Change in fair value of financial assets available-for-sale		-	(128 610)	-	(128 610)
Change in fair value of financial assets available for sale reclassified to profit or loss for the year		-	28 740	-	28 740
Corresponding income tax		-	24 968	-	24 968
<b>Transactions with owner</b>		<b>109 961</b>	<b>-</b>	<b>(734 330)</b>	<b>(624 369)</b>
Increase of share capital due to profit reallocation	28	109 961	-	(109 961)	-
Dividends paid		-	-	(78 852)	(78 852)
Initial recognition of bonds at fair value	28	-	-	(545 517)	(545 517)
<b>Balance at 31 December 2015</b>	<b>28</b>	<b>3 230 407</b>	<b>-</b>	<b>(1 970 317)</b>	<b>1 260 090</b>

The accompanying notes on pages 11-54 form an integral part of these financial statements.

A.V. Rychko  
Deputy Director

T. F. Sopeleva  
Chief Accountant

18 March 2016

*Notes to the financial statements*

**(1) GENERAL INFORMATION**

The Company was incorporated in 2006 as a State Unitary Enterprise and registered under the laws of the Republic of Belarus. The Company is the first specialized reinsurance organization in the Republic of Belarus and was established by Regulation of the Council of Ministers of the Republic of Belarus dated 4 November 2006 № 1463 “On Establishment of Belarusian National Reinsurance Organization” in compliance with the Order of the President of the Republic of Belarus dated 25 August 2006 № 530 “On Insurance Operations”. During the reporting year the Company operated under the reinsurance license #02200/0060594 valid until 30 November 2016. In the autumn of 2016 the Company intended to renew the license to carry out reinsurance activities.

The Company underwrites assumed reinsurance contracts exclusively and cannot conclude insurance contracts directly with insured. Consequently, all references to insurance contracts refer to reinsurance assumed. In accordance with the legislation of the Republic of Belarus all insurance companies operating on the territory of the Republic of Belarus are obliged to cede to State Unitary Enterprise “Belarusian National Reinsurance Organization” a portion of liabilities insured by them in excess of liability limits set by the legislation of the Republic of Belarus. Insurance companies are obliged to agree their tariffs for such cases with the Company.

The main insurance lines of the Company are aviation reinsurance, liability reinsurance, transport reinsurance, property reinsurance, pecuniary reinsurance, motor reinsurance (third party liability of motor vehicles owners – “green card”), marine reinsurance and accident reinsurance.

The head office is located in Minsk, Chkalova str., 14-2, Republic of Belarus.

As at 31 December 2015 and 31 December 2014 the Company’s shareholder was:

	<b>31 December 2015</b>	<b>31 December 2014</b>
The Council of Ministers of the Republic of Belarus	100,00%	100,00%
	<b>100,00%</b>	<b>100,00%</b>

**(2) BASIS OF PREPARATION**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on a going concern basis.

The financial year of the Company coincides with the calendar year.

The financial statements for the year ended 31 December 2015 was approved on 18 March 2016 and signed by the management on behalf of Deputy Director and Chief Accountant.

**Hyperinflation**

In 2014 and earlier the economy of the Republic of Belarus was classified as a hyperinflationary economy under the criteria included in IAS 29, and IAS 29. Starting from 1 January 2015 the economy of the Republic of Belarus ceased to be classified as a hyperinflationary economy. Therefore, all non-monetary items (assets, liabilities and equity) are presented in units of measure as of 31 December 2014 as the opening balances as at 1 January 2015. In the statement of profit or loss and other comprehensive income for the period ended 31 December 2015, non-monetary items have been presented as the opening balances as at 1 January 2015 units of measure as at 31 December 2014.

**(3) FUNCTIONAL AND PRESENTATION CURRENCY**

The amounts presented in these financial statements are in millions of Belarusian Rubles (BYR), unless otherwise stated, as this is the Company’s functional currency. All figures in these financial statements are presented in Belarusian rubles, rounded to the nearest million unless otherwise stated.

*Notes to the financial statements*

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**(4) USE OF ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, where the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is presented below:

*Acquisition of bonds from the Ministry of Finance*

The acquisition of bonds of the Ministry of Finance on 6 January 2015 was estimated by management as transactions with owners, as this transaction was carried out under the following conditions: interest rate - 0%, maturity dates - 23 April 2019 and 23 April 2020.

At the time of recognition of the financial asset its fair value was determined by discounting future cash flows at a rate of 37.4% (the rate on long-term deposits in the national currency), which reflects the interest rates on such investment instruments. The effect of discounting, as reflected in the statement of changes in equity, amounted to 545 517 million rubles.

*The fair value of shares*

The fair value of the shares, which are included in the statement of financial position "Available-for-sale financial assets" is estimated on the basis of ownership and available information about the net assets of respective companies.

*The useful life of fixed assets*

Management evaluates annually and revises the useful lives of fixed assets on the basis of the planned use of the remaining period, information on technological changes, the physical conditions of the fixed assets.

*Reinsurance liabilities*

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and the historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties also differ by class of business due to claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The most significant assumptions are related to the recognition of incurred but not reported claims reserve ("IBNR") and unexpired risks reserve ("URR"). The adequacy of insurance technical reserves is monitored on a regular basis by conducting the test on the adequacy of commitments, performed in the context of the business lines.

*Impairment of financial instruments*

The determination of impairment indication is based on a comparison of the financial instrument's carrying value and the fair value.

For the purposes of impairment loss measurement, the Company's management makes estimates of any expected changes in future cash flows from a specific financial instrument based on an analysis of the financial position of the issuer of the financial instrument.

*Impairment of loans and receivables*

There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if impairment exists. These risks and uncertainties include the risk that the Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse

*Notes to the financial statements*

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**(4) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)**

than expected or have more of an impact on the issuer than anticipated. Also, there is a risk that new information obtained by the Company or changes in other facts and circumstances will lead the Company to change its investment decision. Any of these situations could result in a charge against the statement of profit or loss and other comprehensive income in a future period to the extent of the impairment charge recorded.

*Recognition of provision*

Provisions are established when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

*Evaluation at fair value*

A number of accounting policies and disclosures require the Company to determine the fair value of financial assets and liabilities. Fair value is defined as the estimated amount at which the instrument could be exchanged in a current transaction between informed, willing to make such transaction parties except for the cases when it is forced or it is a liquidation sale. Fair value is calculated basing on market prices, discounted cash flow models.

*The hierarchy of the fair value of assets and liabilities*

In assessing the fair value of the asset or liability Company applies, to the extent possible, observable market data. Estimates of fair value refers to different levels of the fair value hierarchy based on the inputs used in the framework of appropriate valuation methods.

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: input data, in addition to the quoted prices used for the evaluation of Level 1 that are observable either directly (ie, such as price) or indirectly (ie, defined on the basis of price).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the source data used to estimate the fair value of the asset or liability can be attributed to different levels of the fair value hierarchy, the estimate of fair value generally refers to the level of the hierarchy, which correspond to the original data of the lowest level, is essential for the entire evaluation.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period in which the change occurred.

*Loans and receivables*

The fair value of loans and receivables are measured at the present value of future cash flows, discounted at the market interest rate at the reporting date. This fair value is determined for disclosure purposes.

*Financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate at the reporting date.

**(5) BASIS OF MEASUREMENT**

The financial statements have been prepared on the historical cost basis, except for certain non-cash items incurred before December 31, 2014, which are accounted for in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29), and certain assets which are accounted for at revalued amounts or fair value at each reporting date.

*Notes to the financial statements*

**(6) SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**a) Foreign currency transactions**

Transactions in currencies other than the functional currency of the Company are initially recorded at the exchange rates on the dates of transactions. Monetary assets and liabilities, including offbalance-sheet assets and liabilities denominated in foreign currencies are retranslated into functional currency in accordance with the exchange rate set by the National Bank of the Republic of Belarus on the last date of the reporting period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value or cost are translated at the exchange rate as at the date fair value or cost was determined.

Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognised in the profit or loss account in the period in which the fluctuation occurs. Foreign exchange differences arising on translation on foreign operations are recognised in the statement of profit or loss and other comprehensive income.

Official exchange rates of principal currencies, established by the National Bank of the Republic of Belarus are as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
BYR/USD	18 569	11 850
BYR/EUR	20 300	14 380
BYR/RUB	255,33	214,5

**b) Property and equipment**

Property and equipment is recorded at cost of acquisition net of accumulated depreciation and impairment losses (if any). The cost of fixed assets, which were acquired prior to 01.01.2015 have been increased by the effect of hyperinflation. Cost includes expenditure that is directly attributable to bringing the asset to a working condition for their intended use, and borrowing costs attributable to such assets. The cost of qualifying assets before commissioning includes the cost of borrowing. Depreciation is calculated using a straight-line method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Office equipment and furniture	10-20% per year
Machinery and equipment	7-20% per year
Vehicles	12,5% per year

Maintenance costs of equipment are recognised in the statement of profit or loss and other comprehensive income as incurred. Costs of capital repairs of equipment (leasehold improvements) are added to the value of the respective asset and are written off on a straight-line basis during the shorter of the useful lifetime of the capital repairs and the period of lease.

Profit or loss from disposal of equipment is calculated as the difference between the carrying value of the asset and income generated from sale, and recorded in the statement of profit or loss and other comprehensive income as received.

Depreciation methods, useful lives and residual values are reviewed annually.

At each reporting date, the Company reviews the carrying value of fixed assets, in order to identify the data for signs of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). If it is impossible to determine the recoverable amount of an individual asset, the Company estimates the recoverable value of the unit of measure generating cash to which the asset belongs.

If the recoverable amount of the asset (cash-generating unit funds) is less than its carrying amount, the carrying amount of the asset (cash-generating unit assets) is reduced to its recoverable amount. Impairment losses are recognized immediately in cost.

*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Leases**

Lease of assets under which the risks and benefits of ownership are retained by the lessor is classified as operating lease. Operating lease payments are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

**d) Reinsurance and retrocession agreements**

*Classification of reinsurance agreements*

An insurance contract signed by the insurer is classified as an insurance contract only if it transfers a significant insurance risk from the policy holder to the insurer. All the Company's insurance contracts are classified as reinsurance contracts. An assumed reinsurance contract is a type of insurance contract whereas the insurance risk is assumed from another insurer. The Company underwrites assumed reinsurance contracts exclusively and cannot conclude insurance contracts directly with insured. Consequently, all references to insurance contracts refer to reinsurance assumed.

When classifying reinsurance contracts for accounting purposes, the basis is the substance of transfer of insurance risk and common signs of possible risk. For example:

- aviation reinsurance;
- property reinsurance;
- pecuniary reinsurance (including the risk of outstanding credit occurrence reinsurance);
- motor reinsurance;
- transport reinsurance;
- liability reinsurance;
- marine reinsurance;
- accident reinsurance.

Each of these lines of reinsurance may be divided in more detail by taking into account the substance of the transferred insurance risk.

*Retrocession*

During the course of its business, the Company enters into retrocession contracts to restrict the potential net loss through diversification of risks. Retrocession contracts do not relieve the Company from its liabilities to insured.

*Insurance premium and premium income*

Written premiums include the amounts, which are due for reinsurance contracts signed during the reporting year, that have come into force in the reporting year irrespective of whether these premiums have been received or not. Premiums written are decreased by premiums cancelled during the reporting period.

If insurance premiums are expected to be paid in several installments during the reinsurance contract period, written premiums include the premiums that related to the entire reinsurance contract period.

The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. The unearned portion of premiums, relating to future periods, is recognised under technical reserves.

Retrocessioners' share in written premiums is calculated in accordance with retrocession contracts in force. Outward retrocession premiums are recognised as expenses in accordance with the retrocession services received and the portion of retrocession expenses attributable for future periods are recognised as assets under the retrocessioners' share of the unearned premium reserve.

*Reinsurance and retrocession receivables and creditors*

Amounts due to and from reinsured, brokers and retrocessioners are financial instruments and are included in reinsurance and retrocession receivables and payables, and not in reinsurance contract provisions or retrocession assets.

*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables are disclosed net of impairment allowance. The amount of allowance represents the difference between the gross and recoverable amount of receivables. Allowances for doubtful debts are recognised when the Company's management believes that the recoverability of these assets is uncertain. Receivables are written off when their recoverability is considered impossible.

Retrocession assets include recoveries due from retrocession companies in respect of claims paid. These are classified as loans and receivables and are included within insurance and other receivables in the statement of financial position.

Amounts recoverable under retrocession contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessioner. Retrocession assets include balances due from retrocession companies for ceded retrocession liabilities.

*Claims incurred*

Claims incurred from insurance activities are claims attributable to the reporting period and consist of claims paid in the financial year, the corresponding claim handling expenses (loss adjustment expenses) and changes in the outstanding claim technical reserves. Claims paid are decreased by the amount of losses recoverable through retrocession or subrogation.

The claims amounts recoverable under ceded retrocession contracts are assessed on each reporting date. The value of those assets decrease if due to an event subsequent to initial recognition there is objective evidence that the Company will not be able to recover all amounts, and this event has a reasonable measurable impact on the amounts receivable by the Company from the retrocessioner.

*Technical reserves*

The Company establishes technical reserves to record the estimate of liabilities arising from reinsurance contracts: unearned premium and unexpired risk reserves, outstanding claim technical reserves.

The retrocessioners' share in the technical reserves is disclosed under assets in the statement of financial position.

*Unearned premium reserve (UPR)*

Unearned premium reserve represent the proportion of premiums written which relate to the period of risk subsequent to the accounting year. Reserve is calculated for each insurance policy under the 365- day Pro Rata Temporis method based on the period in force for a particular contract.

*Outstanding claims technical reserves*

An outstanding claims technical reserve comprises a reserve for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and the related internal and external claim handling expenses. Provisions for non-life claims outstanding are not discounted.

*Reported but not settled claims reserve (RBNS)*

The RBNS claims reserve includes case reserves. Case reserves are set on a case-by-case basis by the Company's loss adjusters for claims reported and not yet settled as at the reporting date. The sensitivity analysis for insurance liabilities is disclosed in note 32 (h) and claim development analysis is disclosed in note 32 (i).

*Incurred but not reported claims reserve (IBNR)*

IBNR is calculated in respect of claims incurred but not reported prior to the end of the reporting period. For the purposes of IBNR determination as at the reporting date, the management uses data on historical accidents in the reporting and previous periods using claim development triangle methods. The claim development analysis is disclosed in note 32 (i).

*Client acquisition costs*

Client acquisition costs represent commissions paid to intermediaries related to the acquisition of reinsurance contracts.



*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred client acquisition costs represent the portion of client acquisition costs that are attributable to future reporting periods in accordance with the proportion of unearned premium technical reserves versus gross written premiums for each reinsurance contract.

*Liability adequacy test*

Management assesses at each reporting date the adequacy of its recognised insurance liabilities using current estimates of future cash flows arising from its insurance contracts, and comparing those estimated future cash flows against the carrying amount of liabilities after the deduction of the deferred acquisition costs. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and the investment income from assets backing the reinsurance contract provisions are used in performing these tests.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognised as a loss for the financial year by setting aside additional unexpired risk reserves.

The liability adequacy test is applied to the gross amounts of reserves, i.e. the effect of retrocession is not taken into account.

**e) Financial instruments**

*Classification*

At inception, all financial instruments are classified into one of the following categories:

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or that are a derivative (except for a derivative that is a designated and effective hedging instrument); or that are upon initial recognition, are designated by the Company at fair value through the profit or loss.

*Available-for-sale assets* are financial assets classified at inception as available-for-sale or assets other than classified as held for trading, held to maturity or loans and receivables. Available-for-sale instruments include certain equity securities. Generally, this category is assigned by the Company to financial assets that are held for an indeterminate period of time and may be sold based on liquidity or interest rate needs, or as a result of changes in exchange rates and share prices.

*Held-to-maturity financial instruments* are non-derivative financial assets with fixed or determinable payments and a fixed maturity with respect to which the Company has a positive intent and ability to hold to maturity.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include loans, term deposits with banks and receivables in the statement of financial position. Reinsurance receivables are classified in this category.

*Financial liabilities carried at amortised cost* represent financial liabilities of the Company other than financial instruments recorded at fair value through profit or loss. This category includes payables.

*Recognition and derecognition*

Financial instruments are recognised when the Company becomes a party to the contractual rights of the instrument. All regular way purchase and sales of financial assets are recognised in the statement of financial position on the transaction date representing the date when the financial asset is delivered. In the period between the dates of transaction and settlement, the Company accounts for the changes in the fair value of the received or transferred asset based on the same principles used for any other acquired asset of the respective category.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Initial and subsequent measurement*

Financial instruments are initially measured at fair value and except for financial instruments at fair value through profit or loss include directly attributable transaction costs.

Financial assets at fair value through profit or loss are subsequently accounted for at fair value with revaluation recognized through profit or loss.

Subsequent to initial measurement, all financial assets and liabilities available for sale are designated at fair value through profit or loss except those instruments for which no reliable fair value measurement is possible. In this case, such instruments are carried at cost less transaction expenses and impairment.

All financial liabilities and other financial assets including loans and receivables, deposits with banks and assets held to maturity are measured at amortised cost using the effective interest rate method. All instruments are subject to revaluation when impaired. Short term receivables and payables are not discounted.

Profit or loss arising from changes to the fair value of financial instruments designated through profit or loss is recognised in the statement of profit or loss and other comprehensive income. Differences arising from changes to the fair value of available-for-sale financial instruments are recognised through other comprehensive income in equity.

*Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments that have a quoted market price in an active market is determined based on the quoted price on the reporting date or the last working date of the respective market. Where reference to an active market for a financial instrument is not possible, discounted cash flows techniques are used or other measurement models available in the respective market provided if the use of such models may ensure a reliable estimate of the fair value.

In case the financial instruments are not listed on the market to determine the fair value discounted cash flow model is used or other measurement models available in the respective market (these models are used only if with their help it is possible to determine the fair value of financial instruments).

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate related to the reporting date for a financial instrument with similar terms and conditions. Where a pricing model is used, inputs are based on market related measures at the reporting date.

*Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**f) Impairment**

*Financial assets*

At each reporting date the Company assesses whether there is objective evidence that the financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative impact on the future cash flows of the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset level and a collective level. All individually significant assets are individually assessed for impairment. All individually significant assets which are not assessed as impaired are then collectively assessed for any impairment that has been incurred but not yet identified at the reporting date.

No impairment allowances are recognised in respect of amounts that have not yet become due if no portion of the premium is taken to income.

Other receivables are stated at amortized cost.

*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Non-financial assets*

Non-financial assets, other than deferred taxes and deferred acquisition costs, are assessed at each reporting date for any indications of impairment. In the presence of such evidence, the Company estimates the recoverable amount of the related asset. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that records current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in the statement of profit or loss and other comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any reversed impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**g) Investment income and expenses**

Investment income comprises interest income from funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Dividend income is recognised in statement of profit or loss and other comprehensive income on the date that the Company's right to receive payment is established.

Investment expenses comprise changes in the fair value of available-for-sale financial assets.

**h) Corporate income tax**

Income tax expense comprises current and deferred tax. Current income tax expense is based on taxable profit for the year and is calculated in accordance with the legislation of the Republic of Belarus. Company's current income tax expense is calculated using tax rates enacted at the reporting date.

*Deferred tax* - the tax payable or recoverable as a result of temporary differences arising between the carrying value of assets and liabilities in the financial statements and tax base used in the calculation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all deductible temporary differences, and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against temporary differences that can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax nor the accounting profit.

Deferred tax is calculated at the tax rate which is expected to be applied in the period when the obligation is fulfilled or the asset realized using tax rates that have been introduced or substantially announced at the reporting date. Deferred tax is recognized in profit or loss and other comprehensive income, except when it relates to items that are charged to other comprehensive income, in which case the deferred tax is also accounted for within equity.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

**i) Cash and cash equivalents**

In the cash flow statement cash and cash equivalents comprise demand deposits, overnight deposits and term deposits with banks with the initial maturity term less than three months. In the statement of cash flows, cash flows are presented using the indirect method.

**j) Deposits with banks**

Deposits with banks include cash in Belarusian rubles or in foreign currency that the Company placed in the bank for the purpose of storing and generating income for a period exceeding three months.

*Notes to the financial statements*

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**(6) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) Employee benefits**

Salaries of employees are recognized as expenses of the reporting period. In accordance with the requirements of the legislation, the Company withholds amounts of pension contributions from the wages of workers and pays them to the State pension fund. In addition, the pension system provides for calculation of current payments by the employer as a percentage of current total payments to staff. These costs are accrued in the period when the related wages are accrued. Upon retirement all retirement benefit payments are made by the state. The company does not have any pension arrangements separate from the State pension system of the Republic of Belarus. In addition, the Company has no obligations for pension benefits or other compensation, requiring accrual.

**l) Provisions**

Provisions are recognised if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the Company expects to receive a refund of some or all provisions, the reimbursement is recognized as a separate asset but only when the reimbursement can not be doubted. The expense relating to provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that adequately reflects the risks specific to the liability. If discounting is used, the increase in the allowance with the passage of time is recognised in financial expenses.

**m) Profit distribution to the shareholder**

In accordance with the legislation of the Republic of Belarus the Company is obliged to distribute part of its profits to the government of the Republic of Belarus. In 2015 and 2014 profit distribution to the shareholder comprised payments to budget of a certain percentage of the profit for the year earned by the Company in accordance with Belorussian accounting principles. The percentage depends on the profitability of the Company and is stated in the Order of the President of the Republic of Belarus #637 dated 28 December 2005 (with the editions followed). The maximum level of the payment is limited by 20 per cents of the profit. Also, payments to the shareholder include, payments to investment fund established in accordance with the Decree of the President of Belarus #357 of August 7, 2012 «On the order of formation and use of funds of innovation funds».

Acquisitions of bonds from the Ministry of Finance on special conditions are accounted for as transactions with owner and are recognized as distribution of retained earnings in equity.

**n) Related party transactions**

The Company applies the exemption in respect of requirements for disclosure of transactions and balances with related parties in accordance with paragraph 25 of IFRS (IAS) 24 "Related Party Disclosures", which allows a simplified disclosure on transactions with entities related to the Government.

**(7) NEW STANDARDS, CHANGES TO STANDARDS AND INTERPRETATIONS**

The following new Standards, interpretations and amendments are not yet effective for the annual financial reporting period ended 31 December 2015 and have not been applied in preparing these financial statements:

- *IFRS 9 Financial Instruments (2014)*

(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

*Notes to the financial statements*

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**(7) NEW STANDARDS, CHANGES TO STANDARDS AND INTERPRETATIONS (CONTINUED)**

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The Standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding a company’s risk management and hedging activities are required.

The Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application. The Company has not yet decided on the date that it will initially apply the new Standard.

- *IFRS 14 Regulatory deferral accounts*

(Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted).

IFRS 14 is a new Standard which permits a company that is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for “regulatory deferral account balance” in accordance with its previous GAAP, both on initial adoption of IFRS and in its subsequent financial statements.

The Company does not expect the Standard to have any impact on the financial statements since it does not have any regulatory deferral account balances.

- *IFRS 15 Revenue from contracts with customers*

(Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted).

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the company’s performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that a company shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company has not yet prepared an analysis of the expected quantitative impact of the new Standard.

*Notes to the financial statements*

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**(7) NEW STANDARDS, CHANGES TO STANDARDS AND INTERPRETATIONS (CONTINUED)**

• *Amendments to IAS 1*

(Effective for annual periods beginning on or after 1 January 2016. Early application is permitted).

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

• *Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations*

(Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

It is expected that the Amendments, when initially applied, will not have a material impact on the Company's financial statements because the Company has an existing accounting policy to account for acquisitions of joint operations in a manner consistent with that set out in the Amendments.

• *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture*

(The effective date has not yet been determined by the IASB, but early adoption is permitted.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

• *Amendments to IFRS 10, 12 and IAS 28: Investment entities - applying the consolidation exception*

(The Amendments are effective for annual periods beginning on or after 1 January 2016 and apply prospectively. Earlier application is permitted)

These amendments to these standards clarify that:

- An investment company parent is required to fair value a subsidiary providing investment-related services that is itself an investment company.
- An intermediate parent (holding) owned by an investment company group can be exempt from preparing consolidated financial statements.

*Notes to the financial statements*

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**(7) NEW STANDARDS, CHANGES TO STANDARDS AND INTERPRETATIONS (CONTINUED)**

- A non-investment company investor can retain the fair value accounting applied by its investment company associate or joint venture.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company is not an investment company, nor does it have investments in associates or joint ventures which are investment entities.

- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

*Revenue-based depreciation banned for property, plant and equipment*

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

*New restrictive test for intangible assets*

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Company’s financial statements as the Company does not apply revenue-based methods of amortisation/depreciation.

- *Amendments to IAS 16 Property Plant and equipment and IAS 41 Agriculture*

(Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no bearer plants.

- *Amendments to IAS 27: Equity method in the separate financial statements*

(Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.)

The amendments to IAS 27 allow a company to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company intends to continue to carry its investments in subsidiaries, associates or joint ventures.

- *Annual improvements*

*Annual improvements to IFRSs 2012-2014 cycle* were issued on 25 September 2014 and introduces five amendments to four standards that result in accounting changes for presentation, recognition or measurement purposes. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Many of these changes are not expected to have a significant impact on the financial statements of the Company.

*Notes to the financial statements*

**(8) NET WRITTEN PREMIUMS**

*In millions of BYR*

	<b>2015</b>			<b>2014</b>		
	<b>Gross written premiums</b>	<b>Retroseccioners' share in premiums</b>	<b>Net written premiums</b>	<b>Gross written premiums</b>	<b>Retroseccioners' share in premiums</b>	<b>Net written premiums</b>
Property reinsurance	175 407	(96 897)	78 510	148 328	(72 607)	75 721
Pecuniary reinsurance	115 265	(5 885)	109 380	86 427	(11 231)	75 196
Aviation reinsurance	73 999	(70 859)	3 140	52 913	(39 778)	13 135
Motor reinsurance	39 900	(29 649)	10 251	50 341	(39 230)	11 111
Liability reinsurance	21 267	(6 889)	14 378	18 857	(8 834)	10 023
Marine reinsurance	16 867	(9 543)	7 324	10 658	(6 337)	4 321
Transport reinsurance	10 600	(564)	10 036	12 232	(1 238)	10 994
Accident reinsurance	31	-	31	-	-	-
	<b>453 336</b>	<b>(220 286)</b>	<b>233 050</b>	<b>379 756</b>	<b>(179 255)</b>	<b>200 501</b>

**(9) NET EARNED PREMIUMS**

*In millions of BYR*

	<b>2015</b>			<b>2014</b>		
	<b>Gross earned premiums</b>	<b>Retroseccioners' share in premiums</b>	<b>Net earned premiums</b>	<b>Gross earned premiums</b>	<b>Retroseccioners' share in premiums</b>	<b>Net earned premiums</b>
Property reinsurance	116 708	(40 493)	76 215	104 812	581	105 393
Pecuniary reinsurance	93 258	(7 910)	85 348	24 406	(43 106)	(18 700)
Aviation reinsurance	69 770	(65 091)	4 679	149 231	(71 501)	77 730
Motor reinsurance	39 900	(29 649)	10 251	50 341	(39 230)	11 111
Liability reinsurance	19 338	(6 238)	13 100	11 459	(1 405)	10 054
Marine reinsurance	15 344	(8 871)	6 473	10 554	(6 063)	4 491
Transport reinsurance	14 917	(895)	14 022	17 214	(9 038)	8 176
Accident reinsurance	17	-	17	-	-	-
	<b>369 252</b>	<b>(159 147)</b>	<b>210 105</b>	<b>368 017</b>	<b>(169 762)</b>	<b>198 255</b>



*Notes to the financial statements*

**(10) UNEARNED PREMIUM AND UNEXPIRED RISKS TECHNICAL RESERVES**

*In millions of BYR*

	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>
<b>Balance at 1 January 2014</b>	<b>332 582</b>	<b>(195 666)</b>	<b>136 916</b>
<i>Written premiums</i>	379 756	(179 255)	200 501
<i>Premiums earned</i>	(368 017)	169 762	(198 255)
Changes for the year	11 739	(9 493)	2 246
Effect of changes in foreign exchange rates and hyperinflation	-	18 986	18 986
<b>Balance at 31 December 2014</b>	<b>344 321</b>	<b>(186 173)</b>	<b>158 148</b>
<i>Written premiums</i>	453 336	(220 286)	233 050
<i>Premiums earned</i>	(369 252)	159 147	(210 105)
Changes for the year	84 084	(61 139)	22 945
Effect of changes in foreign exchange rates	74 996	(18 307)	56 689
<b>Balance at 31 December 2015</b>	<b>503 401</b>	<b>(265 619)</b>	<b>237 782</b>

*In millions of BYR*

	<b>31 December 2015</b>			<b>31 December 2014</b>		
	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>
UPR	485 096	(265 619)	219 477	337 586	(186 173)	151 413
URR	18 305	-	18 305	6 735	-	6 735
	<b>503 401</b>	<b>(265 619)</b>	<b>237 782</b>	<b>344 321</b>	<b>(186 173)</b>	<b>158 148</b>

Technical reserves for unearned premium and unexpired risks as at 31 December 2015 in currencies:

*In millions of BYR*

	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
Technical reserves for unearned premium and unexpired risks, gross	41 516	371 425	49 947	40 513	-	<b>503 401</b>
Technical reserves for unearned premium and unexpired risks, net	26 542	141 940	44 786	24 514	-	<b>237 782</b>

Technical reserves for unearned premiums and unexpired risks as at 31 December 2014 in currencies:

*In millions of BYR*

	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
Technical reserves for unearned premium and unexpired risks, gross	41 938	221 956	40 785	32 909	6 733	<b>344 321</b>
Technical reserves for unearned premium and unexpired risks, net	32 603	67 244	32 988	18 579	6 734	<b>158 148</b>

*Notes to the financial statements*

**(11) NET PAID CLAIMS**

*In millions of BYR*

	<b>2015</b>			<b>2014</b>		
	<b>Gross claims paid</b>	<b>Retro- cessioners’ share in claims</b>	<b>Net claims paid</b>	<b>Gross claims paid</b>	<b>Retro- cessioners’ share in claims</b>	<b>Net claims paid</b>
Property reinsurance	45 633	(18 940)	26 693	25 037	(6 543)	18 494
Pecuniary reinsurance	18 757	(2 686)	16 071	3 749	(8)	3 741
Transport reinsurance	3 939	(3)	3 936	3 178	(21)	3 157
Aviation reinsurance	2 124	(359)	1 765	432	(33)	399
Liability reinsurance	1 927	(8)	1 919	2 276	(122)	2 154
Motor reinsurance	859	(681)	178	762	(723)	39
Marine reinsurance	839	(284)	555	612	(28)	584
	<b>74 078</b>	<b>(22 961)</b>	<b>51 117</b>	<b>36 046</b>	<b>(7 478)</b>	<b>28 568</b>

**(12) NET INCURRED CLAIMS**

*In millions of BYR*

	<b>2015</b>			<b>2014</b>		
	<b>Gross incurred claims</b>	<b>Retro- cessioners’ share</b>	<b>Net incurred claims</b>	<b>Gross incurred claims</b>	<b>Retro- cessioners’ share</b>	<b>Net incurred claims</b>
Property reinsurance	103 062	(42 470)	60 592	44 298	(15 290)	29 008
Pecuniary reinsurance	(221 551)	192 687	(28 864)	270 740	(196 537)	74 203
Transport reinsurance	5 749	7	5 756	2 791	(28)	2 763
Aviation reinsurance	6 712	(4 288)	2 424	5 033	(4 574)	459
Liability reinsurance	1 117	(678)	439	3 873	(179)	3 694
Motor reinsurance	20 776	(681)	20 095	1 959	(723)	1 236
Marine reinsurance	2 583	(368)	2 215	(594)	(32)	(626)
Accident reinsurance	(81)	-	(81)	(250)	-	(250)
	<b>(81 633)</b>	<b>144 209</b>	<b>62 576</b>	<b>327 850</b>	<b>(217 363)</b>	<b>110 487</b>

*Notes to the financial statements*

**(13) OUTSTANDING CLAIM TECHNICAL RESERVES**

*In millions of BYR*

	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>
<b>Balance at January 2014</b>	<b>141 138</b>	<b>(54 067)</b>	<b>87 071</b>
<i>Claims incurred during the period</i>	327 850	(217 363)	110 487
<i>Claims paid</i>	(36 046)	7 478	(28 568)
Changes for the year	291 804	(209 885)	81 919
Effect of changes in foreign exchange rates and hyperinflation	(19 677)	7 538	(12 139)
<b>Balance at 31 December 2014</b>	<b>413 265</b>	<b>(256 414)</b>	<b>156 851</b>
<i>Claims incurred during the period</i>	(81 633)	144 209	62 576
<i>Claims paid</i>	(74 078)	22 961	(51 117)
Changes for the year	(155 711)	167 170	11 459
Effect of changes in foreign exchange rates	59 842	(18 073)	41 769
<b>Balance at 31 December 2015</b>	<b>317 396</b>	<b>(107 317)</b>	<b>210 079</b>

*In millions of BYR*

	<b>31 December 2015</b>			<b>31 December 2014</b>		
	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>	<b>Gross</b>	<b>Retrocessioners' share</b>	<b>Net</b>
RBNS	284 289	(107 317)	176 972	384 217	(256 414)	127 803
IBNR	33 107	-	33 107	29 048	-	29 048
	<b>317 396</b>	<b>(107 317)</b>	<b>210 079</b>	<b>413 265</b>	<b>(256 414)</b>	<b>156 851</b>

Outstanding claim technical reserves as at 31 December 2015 in currencies:

<i>In millions of BYR</i>	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Total</b>
Outstanding claim technical reserves, gross	67 810	105 259	79 842	64 485	<b>317 396</b>
Outstanding claim technical reserves, net	62 541	40 696	46 695	60 147	<b>210 079</b>

Outstanding claim technical reserves as at 31 December 2014 in currencies:

<i>In millions of BYR</i>	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Total</b>
Outstanding claim technical reserves, gross	2 245	353 882	27 405	29 733	<b>413 265</b>
Outstanding claim technical reserves, net	1 942	114 871	11 430	28 608	<b>156 851</b>

*Notes to the financial statements*

**(14) CLIENT ACQUISITION COSTS**

Changes in deferred client acquisition costs during 2015 and 2014 were as follows:

*In millions of BYR*

<b>Balance at 1 January 2014</b>	<b>28 285</b>
<i>Written commissions</i>	<i>21 857</i>
<i>Deferred commissions allocated to statement of profit or loss and other comprehensive income</i>	<i>(20 356)</i>
Changes for the year	1 501
<b>Balance at 31 December 2014</b>	<b>29 786</b>
<i>Written commissions</i>	<i>31 662</i>
<i>Deferred commissions allocated to statement of profit or loss and other comprehensive income</i>	<i>(19 349)</i>
Changes for the year	12 313
<b>Balance at 31 December 2015</b>	<b>42 099</b>

In 2015 and 2014 client acquisition costs were as follows:

*In millions of BYR*

	<b>2015</b>	<b>2014</b>
Property reinsurance	13 363	7 420
Pecuniary reinsurance	9 510	7 606
Liability reinsurance	3 271	2 459
Aviation reinsurance	2 832	2 133
Marine reinsurance	1 470	967
Transport reinsurance	1 213	1 272
Accident reinsurance	3	-
	<b>31 662</b>	<b>21 857</b>

*In millions of BYR*

	<b>2015</b>	<b>2014</b>
Commissions to insurance and reinsurance companies	29 276	19 193
Commissions to reinsurance brokers	2 386	2 664
	<b>31 662</b>	<b>21 857</b>

**(15) ADMINISTRATIVE EXPENSES**

*In millions of BYR*

	<b>2015</b>	<b>2014</b>
Salaries and social contribution expenses	10 720	8 249
Social taxes	3 569	2 813
Professional services	1 904	684
Insurance expenses	1 834	1 103
Rent, utilities and maintenance	1 577	1 366
Cultural events	1 595	1 095
Bank commissions	793	2 225
Business trips	653	295
Membership contributions	404	84
Advertisement and public relations	304	521
Tax payments	234	-
Depreciation of property and equipment	231	168
Other	775	203
	<b>24 593</b>	<b>18 806</b>

*Notes to the financial statements*

**(16) INVESTMENT INCOME**

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
Interest income on commercial bonds	57 971	1 750
Interest income on deposits	47 787	43 855
Dividends received	19 117	22 659
	<b>124 875</b>	<b>68 264</b>

**(17) INVESTMENT EXPENSES**

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
Impairment of available-for-sale financial assets	28 740	-
Disposal of available-for-sale financial assets	115 522	-
	<b>144 262</b>	<b>-</b>

**(18) OTHER INCOME / (EXPENSES), NET**

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
<b>Other income</b>		
Foreign exchange differences	149 553	24 966
Income from termination of retrocession contracts	14 306	545
Other	277	-
<b>Total other income</b>	<b>164 136</b>	<b>25 511</b>

<b>Other expenses</b>	<b>2015</b>	<b>2014</b>
Expenses from termination of reinsurance contracts	(19 542)	(2 098)
Charity	(5 661)	(3 844)
Other	(198)	-
<b>Total other expenses</b>	<b>(25 401)</b>	<b>(5 942)</b>

<b>Other income / (expenses), net</b>	<b>138 735</b>	<b>19 569</b>
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**(19) INCOME TAX EXPENSE**

According to the Tax Code of the Republic of Belarus, the rate of corporate income tax in 2015 is 25%, in 2014 - 18%.

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
Current tax	58 894	27 229
Deferred tax expense / (benefit)	14 706	3 184
<b>Income tax expense</b>	<b>73 600</b>	<b>30 413</b>

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
<b>Income before tax</b>	<b>230 687</b>	<b>(68 498)</b>
Theoretical tax	57 672	(17 124)
Non-deductible expenses	21 039	924
Tax-exempt income (income on bonds)	(5 111)	-
Hyperinflation effect on equity	-	46 613
<b>Income tax expense</b>	<b>73 600</b>	<b>30 413</b>

*Notes to the financial statements*

**(19) INCOME TAX EXPENSE (CONTINUED)**

<i>In millions of BYR</i>	<b>2015</b>	<b>2014</b>
<b>Deferred tax liability at the beginning of the year</b>	<b>(84 359)</b>	<b>(65 313)</b>
Deferred tax benefit / (expense) during the reporting period attributable to profit or loss	(14 706)	(3 184)
Changes in deferred tax in the statement of other comprehensive income	24 968	(24 968)
Effect of hyperinflation	-	9 106
<b>Deferred tax liability at the end of year</b>	<b>(74 097)</b>	<b>(84 359)</b>

Temporary differences as at 31 December 2015 and as at 31 December 2014 are as follows:

<i>In millions of BYR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Outstanding claim technical reserves	92 448	11 823
Receivables from reinsurance activities	32 400	75
Technical reserves for unearned premium and unexpired risks	30 580	38 874
Other receivables	20 388	-
Other creditors	640	506
Retrocessioners' share in outstanding claim technical reserves	-	10 264
<b>Total deductible temporary differences</b>	<b>176 456</b>	<b>61 542</b>
Available-for-sale financial assets	(236 664)	(484 458)
Deferred expenses	(133 716)	(29 418)
Deferred client acquisition costs	(42 100)	-
Retrocessioners' share in unearned premium technical reserve	(22 860)	(12 930)
Property and equipment	(21 032)	(3 402)
Retrocessioners' share in outstanding claim technical reserves	(8 592)	-
Prepayments	(5 812)	-
Creditors from reinsurance activities	(1 564)	-
Other creditors	(504)	-
<b>Total taxable temporary differences</b>	<b>(472 844)</b>	<b>(530 208)</b>
<b>Net temporary differences</b>	<b>(296 388)</b>	<b>(468 666)</b>
<b>Deferred tax liabilities</b>	<b>(74 097)</b>	<b>(84 359)</b>

**(20) Retrocession cession result**

<i>In millions of BYRs</i>	<b>2015</b>	<b>2014</b>
Retrocessioners' share in written premiums	(220 286)	(179 255)
Retrocessioners' share in change in unearned premiums reserve	61 139	9 493
Retrocessioners' share of claims paid	22 961	7 478
Retrocessioners' share in change in outstanding claim technical reserves	(167 170)	209 885
Retrocessioners' commission income	7 752	5 656
<b>Total retrocession cession result</b>	<b>(295 604)</b>	<b>53 257</b>

*Notes to the financial statements*

**(21) PROPERTY AND EQUIPMENT**

<i>In millions of BYR</i>	<b>Vehicles</b>	<b>Machinery and equipment</b>	<b>Furniture and office equipment</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance at 1 January 2014</b>	<b>354</b>	<b>407</b>	<b>1 146</b>	<b>1 907</b>
Additions	-	9	424	<b>433</b>
Disposals	-	-	(406)	<b>(406)</b>
<b>Balance at 31 December 2014</b>	<b>354</b>	<b>416</b>	<b>1 164</b>	<b>1 934</b>
Additions	390	-	153	<b>565</b>
Disposals	(354)	-	(85)	<b>(439)</b>
<b>Balance at 31 December 2015</b>	<b>390</b>	<b>416</b>	<b>1 232</b>	<b>2 038</b>
<b>Accumulated depreciation</b>				
<b>Balance at 1 January 2014</b>	<b>(302)</b>	<b>(248)</b>	<b>(861)</b>	<b>(1 411)</b>
Depreciation	(44)	(47)	(88)	<b>(179)</b>
Disposals	-	-	403	<b>403</b>
<b>Balance at 31 December 2014</b>	<b>(346)</b>	<b>(295)</b>	<b>(546)</b>	<b>(1 187)</b>
Depreciation	(29)	(47)	(155)	<b>(231)</b>
Disposals	354	-	85	<b>439</b>
<b>Balance at 31 December 2015</b>	<b>(21)</b>	<b>(342)</b>	<b>(616)</b>	<b>(979)</b>
<b>Balance at 1 January 2014</b>	<b>52</b>	<b>159</b>	<b>285</b>	<b>496</b>
<b>Balance at 31 December 2014</b>	<b>8</b>	<b>121</b>	<b>618</b>	<b>747</b>
<b>Balance at 31 December 2015</b>	<b>369</b>	<b>74</b>	<b>616</b>	<b>1 059</b>

**(22) FINANCIAL ASSETS HELD TO MATURITY**

<i>In millions of BYR</i>	<b>Currency</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Bonds of the Ministry of Finance of the Republic of Belarus	BYR	211 128	-
		<b>211 128</b>	<b>-</b>

Bonds of the Ministry of Finance of the Republic of Belarus are classified as financial assets held to maturity. Bonds were acquired on the following terms: interest income - 0%; maturity date for the part of the bonds - 23 April 2019, and for the remaining part - 23 April 2020.

The Company considers this agreement as a transaction with the owner. The result of the bonds' initial recognition at fair value is recognized in the statement of changes in equity.

*Notes to the financial statements*

**(23) FINANCIAL ASSETS AVAILABLE-FOR-SALE**

Investments classified as available-for-sale financial assets are shares in other companies which are not quoted and Government bonds.

*In millions of BYR*

			<b>31 December 2015</b>		<b>31 December 2014</b>	
			<b>% owned</b>	<b>Carrying amount</b>	<b>% owned</b>	<b>Carrying amount</b>
OJSC	Shares					
"Belagroprombank"		Bank	4,32%	617 078	5,14%	745 688
OJSC	Shares					
"Promagroleasing"		Leasing company	2,58%	41 152	3,17%	41 152
OJSC	Bonds					
"Belagroprombank"		Bank		20 259		-
OJSC "Belinvestbank"	Bonds	Bank		4 745		15 219
Министерство финансов Республики Беларусь	Bonds			-		813 400
				<b>683 234</b>		<b>1 615 459</b>

There was an impairment of equity instruments in financial assets at 31 December 2015. Impairment loss was assessed according to the IFRS net assets of the Companies. Cumulative loss was reclassified from equity to profit or loss for the reporting period.

Investments in government bonds in 2014 were nominated at 0 percent interest rate. However, the management of the Company assesses its fair value to be equal to nominal value due to the evidence of the intention of third parties to purchase the investments from the Company at cost. These bonds were retired on 6 January 2015.

**(24) DEPOSITS WITH BANKS**

*In millions of BYR*

	<b>31 December 2015</b>	<b>31 December 2014</b>
Deposits in banks	563 925	384 390
	<b>563 925</b>	<b>384 390</b>

As at 31 December 2015 and as at 31 December 2014 all deposit amounts were placed in belarusian financial institutions. As at 31 December 2015 and as at 31 December 2014 deposits in amount of 69 032 mBYR and 50 330 mBYR correspondingly, of deposits provided as the security for the assumed retrocession contracts and restricted in use.

**(25) RECEIVABLES FROM REINSURANCE ACTIVITIES**

*In millions of BYR*

	<b>31 December 2015</b>	<b>31 December 2014</b>
Due from reinsured	178 596	167 713
	<b>178 596</b>	<b>167 713</b>

**(26) OTHER RECEIVABLES AND PREPAYMENTS**

*Other receivables*

*In millions of BYR*

	<b>31 December 2015</b>	<b>31 December 2014</b>
Regresses	339	-
Interest income on bonds	213	-
Other	49	254
	<b>601</b>	<b>254</b>



*Notes to the financial statements*

**(26) OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)**

*Prepayments*

<i>In millions of BYR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Property and equipment	21 046	21 024
Distributions to owner	10 737	-
Tax assets	562	109
Other	446	-
	<b>32 791</b>	<b>21 133</b>

**(27) CASH AND CASH EQUIVALENTS**

<i>In millions of BYR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Deposits under 3 months	132 324	98 024
Current accounts with credit institutions	6 752	3 391
<b>Cash and cash equivalents</b>	<b>139 076</b>	<b>101 415</b>

As at 31 December 2015 and as at 31 December 2014 all deposit amounts were placed in national financial institutions.

**(28) CAPITAL AND RESERVES**

During the year ended 31 December 2015 the additional installment in share capital was 109 961 mBYR.

As at 31 December 2015 the paid-in share capital of the Company comprised 3 230 407 mBYR (31 December 2014: 3 120 446 mBYR). As at 31 December 2014 the share capital was restated for the effect of inflation (hyperinflation effect was 1 813 445 mBYR).

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

The sole shareholder of the Company is the Council of Ministers of the Republic of Belarus.

The shareholder has the full voting rights, rights to receive dividends when declared and for the Company's residual assets. Dividend distribution means profit allocation to the owner, details are disclosed in Note 6(m).

The Company's funds distributable to the owner are limited to the amount of distributable funds that are stated in the official statements of the Company, prepared according to Belarusian accounting rules.

In 2015 the Company acquired bonds of the Ministry of Finance of the Republic of Belarus denominated in Belarusian rubles with maturity date coming on 23 April 2019 for the part of the bonds, and on 23 April 2020 for the remaining part. The interest income on these bonds comprises 0% per annum under the terms of issue.

This transaction is recognized by the Company as a transaction with the owner (Note 4). Upon initial recognition the bonds were measured at fair value, the effect of the initial recognition loss of the bonds was 545 517 mBYR. Loss on initial recognition has been recognized as distribution of retained earnings.

*Notes to the financial statements*

**(29) RELATED PARTIES**

*In millions of BYR*

	<b>2015</b>		<b>2014</b>	
	<b>Related parties transactions</b>	<b>Total per financial statements</b>	<b>Related parties transactions</b>	<b>Total per financial statements</b>
<b>Salary and other personnel costs</b>	<b>769</b>	<b>10 720</b>	<b>743</b>	<b>8 249</b>
- <i>Key management personnel</i>	769		743	

The Company is controlled by the Government of the Republic of Belarus. The Company operates in an economic regime dominated by entities directly or indirectly controlled by the Government of the Republic of Belarus through its government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities"). The Company has transactions with other government-related entities including but not limited to assuming risks in reinsurance, reinsuring the risks; receiving services; depositing money; and use of public utilities.

These transactions are conducted in the ordinary course of the Company's business on terms comparable to those with other entities that are not government-related. The Company has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

The main counterparties, which are related parties are the state-owned insurance companies: BRUIC "Belgosstrakh", BRUCEII "Beleximgarant", and insurance companies with more than 50 percent of government shareholding: CJSIC "Belneftestrakh", CJSIC "TASK", CJSIC "Promtransinvest", JLLC "Belkoopstrah".

	<b>2015</b>		<b>2014</b>	
	<b>Related parties transactions</b>	<b>Total per financial statements</b>	<b>Related parties transactions</b>	<b>Total per financial statements</b>
<b>Gross written premiums</b>	<b>343 940</b>	<b>453 336</b>	<b>292 357</b>	<b>379 756</b>
<i>State insurers</i>	343 940		292 357	
<b>Acquisition expense</b>	<b>22 888</b>	<b>31 662</b>	<b>17 141</b>	<b>21 857</b>
<i>State insurers</i>	22 888		17 141	
<b>Retrocessioners' share in written premiums</b>	<b>17 703</b>	<b>220 286</b>	<b>14 112</b>	<b>179 255</b>
<i>State insurers</i>	17 703		14 112	
<b>Retrocessioners' commission income</b>	<b>1 413</b>	<b>7 752</b>	<b>965</b>	<b>5 656</b>
<i>State insurers</i>	1 413		965	
<b>Claims paid</b>	<b>32 369</b>	<b>74 078</b>	<b>13 793</b>	<b>36 046</b>
<i>State insurers</i>	32 369		13 793	
<b>Retrocessioners' share in claims paid</b>	<b>13 964</b>	<b>22 961</b>	<b>4 082</b>	<b>7 478</b>
<i>State insurers</i>	13 964		4 082	

*Notes to the financial statements*

**(29) RELATED PARTIES (CONTINUED)**

	<b>31 December 2015</b>		<b>31 December 2014</b>	
	<b>Related parties transactions</b>	<b>Total per financial statements</b>	<b>Related parties transactions</b>	<b>Total per financial statements</b>
<b>Receivables from reinsurance activities</b>	<b>146 879</b>	<b>178 596</b>	<b>142 604</b>	<b>167 713</b>
<i>State insurers</i>	146 879		142 604	
<b>Reinsurance creditors</b>	<b>12 007</b>	<b>15 748</b>	<b>14 611</b>	<b>17 107</b>
<i>State insurers</i>	12 007		14 611	
<b>Receivables from retrocession activities</b>	<b>1 827</b>	<b>13 306</b>	<b>714</b>	<b>3 683</b>
<i>State insurers</i>	1 827		714	
<b>Retrocession activities creditors</b>	<b>7 736</b>	<b>77 313</b>	<b>6 063</b>	<b>75 501</b>
<i>State insurers</i>	7 736		6 063	
<b>RBNS</b>	<b>112 201</b>	<b>284 289</b>	<b>319 328</b>	<b>384 217</b>
<i>State insurers</i>	112 201		319 328	
<b>Retrocessioners' share in RBNS</b>	<b>57 617</b>	<b>107 317</b>	<b>236 264</b>	<b>256 414</b>
<i>State insurers</i>	57 617		236 264	

According to the Order of the President of the Republic of Belarus #530 dated 26 August 2006 (with following changes and amendments) insurance companies with more than 50 percent of government shareholding are obliged to invest their own funds and insurance reserves in the state owned banks. Their own funds may be invested in government securities, securities of the National Bank, the local executive and administrative bodies only through state banks or divisions of the National Bank, as well as in securities of state banks and real estate. According to the letter #12-03-01-12/1073 dated 20 July 2010 received from State Property Committee OJSC “BPS-Bank” is included into the list of banks allowed for the investing of their funds by the insurance companies with more than 50 percent of government shareholding. All bank accounts of the Company as at 31 December 2015 and as at 31 December 2014 are opened in state-owned banks or OJSC “BPS-Bank”.

**(30) NUMBER OF EMPLOYEES**

	<b>2015</b>	<b>2014</b>
Average number of employees	57	55

*Notes to the financial statements*

**(31) REMAINING MATURITIES OF INSURANCE LIABILITIES**

	31 December 2015			31 December 2014		
	Gross liabilities	Retro-cessioners' share	Net liabilities	Gross liabilities	Retro-cessioners' share	Net liabilities
Unearned premiums and unexpired risks technical reserves	503 401	(265 619)	<b>237 782</b>	344 321	(186 173)	<b>158 148</b>
Outstanding claim technical reserves	317 396	(107 317)	<b>210 079</b>	413 265	(256 414)	<b>156 851</b>
<b>Total</b>	<b>820 797</b>	<b>(372 936)</b>	<b>447 861</b>	<b>757 586</b>	<b>(442 587)</b>	<b>314 999</b>
Less than 1 year	527 351	(195 458)	<b>331 893</b>	413 741	(236 476)	<b>177 265</b>
From 1 to 5 years	256 722	(146 594)	<b>110 128</b>	193 320	(77 088)	<b>116 232</b>
More than 5 years	36 724	(30 884)	<b>5 840</b>	150 525	(129 023)	<b>21 502</b>

**(32) RISK AND RISK MANAGEMENT**

**a) Risk and risk management**

The objective of risk management performed by the Company is to protect the interests of stakeholders, i.e. insured and shareholders of the Company, and the risk management. Risk management includes a set of measures the performance of which requires involvement of each staff member within the scope of his or her competency.

The Company's risk management includes:

- Capital sufficiency requirements and capital management;
- Insurance risk identification and risk management;
- Financial risk identification and management;
- Operational risks identification and management.

**b) Solvency requirements and Capital management**

The Company's objectives when managing capital are to comply with minimum capital requirements stipulated by the Instruction on the criteria and evaluation of insurance organizations' solvency, approved by the Decree of Ministry of finance of the Republic of Belarus on 10 March 2007 №73. The Company is obliged to hold the minimum amount of capital required to write a particular business. The minimum required capital is calculated based on the statutory accounting records and must be maintained at all times throughout the year and to safeguard the Company's ability to continue as a going concern.

In order to ensure the stability of the insurer's financial activities, the insurance company should constantly have at its disposal own funds, which should be equal to or larger than a determined solvency margin.

<i>In millions of BYR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Solvency margin based on premiums received	87 839	60 735
Solvency margin based on claims paid	25 993	39 798
<b>Solvency margin (the largest amount)</b>	<b>87 839</b>	<b>60 735</b>
Reinsurance ratio	0,5000	0,5000
<b>Solvency margin adjusted by reinsurance ratio</b>	<b>43 920</b>	<b>30 368</b>
<b>Total solvency margin adjusted by reinsurance ratio</b>	<b>1 526 909</b>	<b>1 417 642</b>
<b>Capital adequacy surplus</b>	<b>1 482 989</b>	<b>1 387 274</b>

*Notes to the financial statements*

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**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

***c) Insurance risk identification and risk management***

The business of assumed reinsurance represents the transfer of risk from the reinsured to the reinsurer and management of this risk. The largest insurance risks result from assuming risks in reinsurance, assessing them, choosing the reinsurance cover and fulfilling obligations with respect to the signed reinsurance contracts. Insurance risk is the possibility that the reinsured by the Company event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. Insurance risk is the most significant risk faced by the Company in day-to-day activities.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its assumed reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency and severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The calculation of the tariffs and prices on insurance products reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to mitigate significantly financial risks.

Management is monitoring on an on-going basis the adherence of the underwriting authorities. Those transactions requiring special authorisation are subject to the special attention of the Management of Company and the Insurance Committee in particular.

***d) Basic products features***

The terms and conditions of assumed reinsurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from assumed reinsurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

The main objective of reinsurance is the provision of reinsurance protection to the insurance/reinsurance companies.

There are the following main insurance products of the Company:

- aviation reinsurance;
- property reinsurance;
- pecuniary reinsurance (including the risk of outstanding credit occurrence insurance);
- motor reinsurance;
- transport reinsurance (CASCO);
- liability reinsurance;
- marine reinsurance;
- accident reinsurance.

The evaluation of the Company's main insurance products and means by which the risks connected with them are managed are given below.

***Aviation reinsurance***

Aviation reinsurance is a common name for the complex of property, personal and liability reinsurance, which results from the usage of aviation transport and protects the valuable interest of individuals and legal entities in case of the occurrence of events, set by the insurance contract or legislation.

Order and conditions of aviation insurance are specific and require the detailed description. This is stipulated by the following factors:

- aviation insurance deals with unique risks differing from other types of property;
- significant part of the insured amount provides for the coordination of activities between insurer and reinsurer;

*Notes to the financial statements*

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**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

- aviation risks may lead to enormous and cumulative losses;
- aviation insurance is strongly connected with a global insurance market;
- aviation insurance is regulated both by national and international law;
- the special developed infrastructure is required for conduction of aviation insurance operations;
- aviation risks require a high demand for the professional training of specialists in charge of the insurance process.

The goal of civil aviation insurance is the protection of interests of aircraft operators, passengers and third parties. It includes:

- liability insurance of air carrier against damage caused to passengers, baggage, mail, cargo;
- liability insurance of aircraft operators against damage caused to third parties;
- insurance of aircraft crew and other aviation personnel;
- aircraft insurance;
- insurance of aerial work requester's employees, personnel, connected with the provision of technological process during the aerial works.

Reinsurance of aviation risks is possible to be provided with help of an extensive retrocession system. From the insured amount point of view aviation risks are the largest ones from all lines of business (dozens and thousands of millions of dollars). Therefore, in order to reinsure such risks the global insurance market's services are required. This cannot be done without retrocession contracts with international insurance brokers.

Ceding of risks is performed on the facultative quota share basis. Ceding broker on international markets is JLT Specialty Ltd (Great Britain), LLC "Insurance broker Aksiom InRe" (Russian Federation).

*Property reinsurance*

This reinsurance covers losses incurred as a result of damage to the property of individuals and legal entities. Assumed reinsurance portfolio of the Company for this line of business includes the following types of reinsurance:

- catastrophic risks reinsurance;
- building and construction risks reinsurance;
- citizens' homestead reinsurance;
- citizens' buildings reinsurance;
- companies' property reinsurance;
- reinsurance of animals belonging to legal entities;
- cash counter reinsurance;
- reinsurance of space risks;
- reinsurance of energy risks and etc.

According to the limit policy of the Company there are limits of the provided reinsurance protection stated and quarterly reviewed at the Company's Insurance Committee meetings. When assuming the contracts in reinsurance the risks are thoroughly appraised and there is performed the analysis of:

- the information on the object of reinsurance (its characteristics, period of reinsurance, location);
- the information on the amount of cover (specification of risks);
- economic indicators (insurance amount, premiums, deductibles, priority of the reinsured, order of reinsurance premium payment);
- historical information on loss development;
- the existence of the cumulation risk;
- other available data related to the risks' estimation.

*Pecuniary insurance (including the risk of outstanding debt repayment)*

Pecuniary (financial) risk is a risk of losses arising from the breach of obligations by the counterparty of the policyholder connected with the entrepreneurial activities of the policyholder.

*Notes to the financial statements*

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**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

This insurance covers losses incurred as a result of the neglect (not proper fulfillment) of obligations by the policyholder's counterparty for the following types of transactions:

- non-delivery, incomplete delivery of goods, non-transfer of property (goods), non-fulfillment of works, services by the time set in contract;
- repayment of debt issued by insured;
- rent, including leasing;
- cash payment in terms and amounts set by the conditions of bonds issue;
- storage keeping;
- pledging of security (guarantee).

In order to minimize the losses, connected with insurance (reinsurance) of pecuniary risks, qualitative and thorough analysis of customer's, debtor's, issuer's financial performance is performed, using the data from the financial statements, then the decision whether it's possible to assume these risks in reinsurance is made by the Insurance Committee.

The majority of pecuniary risks are assumed in reinsurance from the following insurance companies: BRUIC "Belgosstrakh", BRUCEH "Beleximgarant", JLLC "Belkoopstrakh", UIC "Belvneshstrakh".

*Motor reinsurance*

Since 1 June 2007 the Republic of Belarus is a full member of the International green card insurance system. The Company has been ceding Belarusian "Green Card" certificates since 2008. The leading retrocessioner of Belarusian "Green Card" certificates retrocession contracts in 2014 is Swiss Re. Ceding retrocessioner is CJSC «Marsh – Insurance Brokers».

The Company assumes in reinsurance on first and second levels of the obligatory reinsurance contract on Belarusian "Green Card" certificates.

*Liability reinsurance*

Liability insurance (reinsurance) covers losses associated with the emergence of the policyholder liabilities for damages to third parties on account of any act or omission by the insured. The Company assumes in reinsurance the following types of third party liability reinsurance:

- Third party liability reinsurance:
  - \* third party liability insurance of legal entities;
  - \* third party liability insurance of minor ships' owners;
  - \* third party liability insurance against non-fulfillment of public contract's obligations;
  - \* third party liability insurance of reactor operator;
  - \* third party liability insurance against nuclear damage;
  - \* third party liability insurance against harm caused due to professional activity;
  - \* third party liability custom authorities insurance;
  - \* third party liability insurance of commodity producer;
  - \* third party liability insurance of carrier and forwarder;
  - \* third party liability insurance of high-threat organizations;
  - \* third party liability insurance of employer;
  - \* third party liability insurance against harm caused to third parties;
  - \* third party liability insurance of local carriers;
  - \* liability insurance against constructional defects;
  - \* cancellation of mass, cultural, sports and other entertainment activities insurance.

According to the limit policy of the Company there are limits of the provided reinsurance protection stated and quarterly reviewed at the Company's Insurance Committee meetings.

*Notes to the financial statements*

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**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

*Transport reinsurance (CASCO)*

Transport insurance means the reinsurance of risks connected with compensation of losses which arise from damage to, destruction or loss of vehicle. This line of business is represented by assuming in reinsurance the following types of insurance:

- individuals' vehicle insurance;
- legal entities' vehicle insurance;
- insurance of agricultural machines;
- insurance of ships;
- rail transport insurance.

*Marine reinsurance*

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. The Company assumes in reinsurance the following groups of marine insurance agreements:

- Contractual – it supposes the contract of marine insurance is concluded with insurer, which for the certain fee (premium) undertakes the responsibility to reimburse losses resulting from a claim accident to the insured or insurance beneficiary;
- Mutual – it takes part at mutual insurance clubs. The main feature of mutual insurance is the reimbursement of possible losses of the member of the mutual insurance club from the mutual fund composed from the club members' fees.

The Company assumes in reinsurance the following types of marine insurance agreements:

- Marine (river) CASCO – the insurance of ship's hull and equipment. The main risks covered include:
  - \* collision of ships;
  - \* damage of freight due to bad weather conditions;
  - \* running aground;
  - \* fire, explosion, lightning stroke;
  - \* general accident;
  - \* other risks
- Freight insurance. Freight gross value is insured, including ship owner's profit and costs of insurance.

Ship owner's third party liability insurance is usually maintained through insurance clubs on these clubs' conditions.

Since 2007 The Company has been reinsuring marine risks, including risks of Closed Joint Stock Company "Belarusian Potash Company" and since 2011 – OJSC "Belarusian Potash Company". Reinsurance of marine risks in mentioned above amounts is possible to be provided with help of an extensive reinsurance system, involving reinsurance capacity of the worldwide insurance market. This is impossible without retrocession contracts with worldwide insurance brokers. Ceding of risks is performed on the facultative quota share basis. Ceding broker on the foreign markets is Filhet Allard Maritime (France).

The Company assumes in reinsurance three main options:

- all risks;
- including responsibility for particular accident;
- excluding responsibility for particular accident.

*Accident reinsurance*

Accident insurance provides a benefit in the event damage to health or death of the insured, it also allows to compensate costs of treatment and losses due to disablement.

The Company offers reinsurance cover on the following types of risk:



*Notes to the financial statements*

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**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

- accident and disease insurance during the trip abroad;
- accident insurance at the expense of legal entities;
- accident insurance of individuals, etc.

In order to minimize the risks connected with assuming the above mentioned risks in reinsurance the Company thoroughly appraises them, analyzes the historical information on losses, the information about the object of insurance, the existence of cumulation on risk, other available data related to the level of risk's estimation.

It is worth mentioning that the Company strictly limits the reinsurance of risks connected with accident and disease insurance during a trip abroad due to a high possibility of cumulation of these risks.

***e) Insurance risk concentration***

Within the assumed reinsurance process, concentrations of risk may arise where a particular event or series of events could affect heavily the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The Company's management is aware that there is an insurance concentration risk. Insurance risk concentration may occur as a result of different coincidences and regularities. Most often risk concentration is observed in a specific type of insurance in which private persons are insured; e.g. with personal accident insurance this occurs when a Company of persons suffers from a personal accident and all of these persons have been insured in the Company. In property insurance, risk concentration might occur if one densely populated area experiences any of the exposures (e.g. fire), which may easily transfer from one property to another one and this action cannot be avoided.

In addition, the management is aware that the possible risk concentration can be in one company or an economic and geographic area in total, for which several risks are assumed in reinsurance by the Company. When assuming in reinsurance such risks, an obligatory precondition is the assessment of the company's financial position and capacity, as well as identifying how large financial liabilities can arise, how large the liabilities are that are already held by the Company and what it can afford. When evaluating financial risks, the tendencies of economic growth and the risks that might affect this area are studied.

The Company's key methods in managing these risks are two-fold. Firstly, the underwriting department monitors losses on reinsurance portfolio on the lines of activities. Secondly, the risk is managed through the use of retrocession. The Company purchases retrocessional coverage for various classes of its liabilities and business. The Company assesses the costs and benefits associated with the reinsurance program on an ongoing basis. In addition, the Company uses the diversification between different types of reinsurance.

***f) Catastrophes***

The Company's management is aware that catastrophe risks are possible. The Company assumes risks from different geographical areas and these risks are mostly connected with meteorological phenomena: storms, floods, nature disasters (hail, snow, icing, etc.). Large fires and earthquakes are unlikely, but they may occur.

In order to minimise the impact of catastrophe risk on the Company, retrocession is used. In addition, facultative reinsurance (retrocession) is purchased for large risks.

***g) Insurance risk management***

In order to restrict insurance risk, the Company has developed different control and management mechanisms. The Company has the Insurance Committee which has responsibility for monitoring the risks underwritten by the Company and the retrocessional coverage of the Company. Key performance indicators that are important to the achievement of financial objectives are identified and monitored to identify any unusual or unexpected trends or relationships.

In order to minimise insurance risks, the Company has developed and uses the quality management system, which describes all processes and reserves that are carried out in the Company during the insurance

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

administration process and the claims regulation procedures. It has been identified when and in what circumstances certain types of procedures should be observed.

Many claims and subsequent recoveries take several years to materialise. Although the financial results cannot be established with certainty, the Company sets provisions for irrecoverable claims based upon current perceptions of risk, employing a substantial degree of experience and judgment. The level of such provisions has been set on the basis of information which is currently available. Whilst the Company considers that claims provisions and related recoveries are fairly stated on the basis of the information currently available to it, the ultimate liability may vary as a result of subsequent information and events. This may result in significant adjustments to the amounts provided. These estimates and methods of estimation are reviewed at least annually and, if adjustments prove necessary, they will be reflected in future financial statements.

***h) Sensitivity analysis for insurance liabilities***

The process used to undertake sensitivity analysis on the assumptions used is intended to assess the likely scenarios of changes in estimates. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and prudent assumptions are used, where in prior years there is insufficient information to make a reliable best estimate of claims development.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case by case basis, with due regard to the claim circumstances, information available to loss adjusters and the historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on the information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying reinsurance contracts, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The most significant assumptions are related to the creation of the IBNR reserve and URR reserve. However, considering the current market situation, the Company believes that inflation and currency exchange rate fluctuations may significantly affect the amount of RBNS.

The table below presents the change in RBNS as at 31 December 2015 in the case if the annual inflation is 20 percent or deflation is 5 percent.

*In millions of BYR*

<b>Line of business</b>	<b>RBNS as at 31 December 2015</b>	<b>RBNS if annual inflation is 20%</b>	<b>RBNS if annual deflation is 5%</b>
Aviation reinsurance	31 923	38 308	30 327
Property reinsurance	176 538	211 846	167 711
Pecuniary reinsurance	41 142	49 370	39 085
Liability reinsurance in “Green card” system	30 025	36 030	28 524
Vehicle reinsurance	1 211	1 453	1 150
Liability reinsurance	2 130	2 556	2 024
Marine reinsurance	1 320	1 584	1 254
Accident reinsurance	-	-	-
	<b>284 289</b>	<b>341 147</b>	<b>270 075</b>

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

The table below presents the change in RBNS as at 31 December 2015 in the case of 30 per cent Belarusian Ruble devaluation and 5 per cent appreciation against foreign currency.

*In millions of BYR*

<b>Currency</b>	<b>RBNS as at 31 December 2015</b>	<b>Increased RBNS if devaluation is 30%</b>	<b>Decreased RBNS if appreciation is 5%</b>
BYR	60 737	78 958	57 700
USD	94 281	122 565	89 567
EUR	71 514	92 968	67 938
RUR	57 757	75 084	54 869
	<b>284 289</b>	<b>369 575</b>	<b>270 074</b>

The management of the Company considers inflation to be the most volatile assumption related to IBNR. The table below presents the change in IBNR as at 31 December 2015 in the case if the annual inflation is 20 percent or deflation is 5 percent.

*In millions of Belarusian rubles*

<b>Line of bussines</b>	<b>IBNR as at 31 December 2015</b>	<b>IBNR if inflation is 20%</b>	<b>IBNR if deflation is 5%</b>
Aviation reinsurance	4 424	5 309	4 203
Property reinsurance	14 262	17 114	13 549
Pecuniary reinsurance	5 832	6 998	5 540
Liability reinsurance in “Green card” system	2 724	3 269	2 588
Vehicle reinsurance	3 413	4 096	3 242
Liability reinsurance	1 200	1 440	1 140
Marine reinsurance	1 111	1 333	1 055
Accident reinsurance	141	169	134
	<b>33 107</b>	<b>39 728</b>	<b>31 451</b>

***i) Claims development***

Information on the claims development has been provided in order to illustrate the insurance risk to which the Company is subject. The claim table discloses a comparison of cumulative payments to date and the development of technical reserves made for these insurance claims by accident year.

Excesses or deficits indicated in each column should be evaluated separately by ignoring other columns because such adjustments made in the prior years may be included as part of the adjustments made during the prior years.

The recalculated technical reserves and the cumulative deficit or excess, which is indicated in the enclosed table, may subsequently vary due to changes in different factors.

Although the information provided in the table reflects the estimates of historical unpaid claims made in the prior years, the users of these financial statements should avoid extrapolation of past remains or deficits in respect to the balance of unpaid losses of this period. Management considers evaluation of technical reserves as at 31 December 2015 as adequate.

Financial statements for the year ended 31 December 2010 were the Company’s first financial statements prepared in accordance with IFRSs and the following table represents claim development analysis for the five-year period IFRSs have been applied to.

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

**Claim development analysis, millions of BYR**

	Year of insurance event occurrence							Total
	2009	2010	2011	2012	2013	2014	2015	
Estimate of cumulative claims at end of accident year	79 958	52 194	50 516	57 148	110 837	341 633	146 535	<b>146 535</b>
- one year later (2010)	72 415	49 287	55 607	29 043	79 491	89 103	-	<b>89 103</b>
- two years later (2011)	72 379	53 825	72 695	27 011	137 096	-	-	<b>137 096</b>
- three years later (2012)	71 312	46 009	75 255	43 095	-	-	-	<b>43 095</b>
- four years later (2013)	76 964	42 645	85 229	-	-	-	-	<b>85 229</b>
- five years later (2014)	77 887	42 069	-	-	-	-	-	<b>42 069</b>
- six years later (2015)	78 919	-	-	-	-	-	-	<b>78 919</b>
Cumulative payments to date	78 718	41 998	55 542	24 080	48 836	35 605	19 870	<b>304 650</b>
<b>Outstanding claims technical reserves at 31 December 2015</b>	<b>201</b>	<b>71</b>	<b>29 687</b>	<b>19 015</b>	<b>88 259</b>	<b>53 498</b>	<b>126 665</b>	<b>317 396</b>

**k) Financial risks and risk management**

The Company is exposed to financial risks due to operations with financial instruments. Financial risks include market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk. Below there is a description of each of these financial risks and a summary of the methods used by the Company to manage these risks. Exposure to those risks arises in the normal course of the Company's business.

The Company's financial assets and liabilities, including investments, insurance receivables and reinsurance assets, are exposed to financial risk as follows:

- *Market risk:* changes to the market situation may adversely affect the insurer's assets and/or liabilities, investments may be impaired, and return on assets decreased. Market risk includes interest rate risk, equity price risk and currency risk;
- *Credit risk:* failure to fulfill contractual obligations may cause financial losses to the Company;
- *Liquidity risk:* under certain adverse conditions for the insurer, the insurer may be forced to sell assets at a lower price than their fair value in order to be able to settle liabilities.

*Market risk*

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Company's income or the value of its portfolios. Market risks comprise:

- interest rate risk;
- currency risk;
- price risk.

Market risk arises from open positions in interest rate, currency and prices for equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The objective of market risk management is to manage and control market risk exposures of the Company within acceptable parameters (set out and regularly reviewed by the management of the Company), while optimizing the income.

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

*i) Interest rate risk*

Interest rate risk is the risk that movements in interest rates will affect the Company's income or the value of its portfolios of financial instruments.

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

The following interest rate repricing analysis tables presents the Company's financial assets and liabilities analysis according to repricing periods determined as the earlier of remaining contractual maturity and contractual repricing:

**Rate repricing analysis as at 31 December 2015**

<i>In millions of BYR</i>	<b>Interest rate</b>	<b>Up to 12 months</b>	<b>From 1 to 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>Financial assets</b>					
Financial assets available-for sale	0,0-25,0%	25 004	-	658 230	<b>683 234</b>
Financial assets held to maturity	37,4%	-	211 128	-	<b>211 128</b>
Deposits with banks	5,5-27%	291 101	272 824	-	<b>563 925</b>
Receivables from reinsurance activities	-	-	-	178 596	<b>178 596</b>
Receivables from retrocession activities	-	-	-	13 306	<b>13 306</b>
Cash and cash equivalents	0,1-6%	132 324	-	6 752	<b>139 076</b>
Part of other receivables	-	-	-	552	<b>552</b>
<b>Total financial assets</b>		<b>448 429</b>	<b>483 952</b>	<b>857 436</b>	<b>1 789 817</b>
<b>Financial liabilities</b>					
Reinsurance creditors	-	-	-	(15 748)	<b>(15 748)</b>
Retrocession creditors	-	-	-	(77 313)	<b>(77 313)</b>
Part of other creditors	-	-	-	(192)	<b>(192)</b>
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>(93 253)</b>	<b>(93 253)</b>

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

**Rate repricing analysis as at 31 December 2014**

<i>In millions of BYR</i>	<b>Interest rate</b>	<b>Up to 12 months</b>	<b>From 1 to 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Financial assets</b>					
Financial assets available-for-sale	28,5%	15 219	-	1 600 240	<b>1 615 459</b>
Deposits with banks	5,5-26,5%	383 850	540	-	<b>384 390</b>
Receivables from reinsurance activities	-	-	-	167 713	<b>167 713</b>
Receivables from retrocession activities	-	-	-	3 683	<b>3 683</b>
Cash and cash equivalents	0,1-26,5%	98 024	-	3 391	<b>101 415</b>
<b>Total financial assets</b>		<b>497 093</b>	<b>540</b>	<b>1 775 027</b>	<b>2 272 660</b>
<b>Financial liabilities</b>					
Reinsurance creditors	-	-	-	(17 107)	<b>(17 107)</b>
Retrocession creditors	-	-	-	(75 501)	<b>(75 501)</b>
Part of other creditors	-	-	-	(21 087)	<b>(21 087)</b>
<b>Total financial liabilities</b>		-	-	<b>(113 695)</b>	<b>(113 695)</b>

The Company is subject to interest risk mainly on deposits with banks and investments held to maturity nominated in Belarussian rubles at floating interest depending on the interest rate stated by the National Bank of the Republic of Belarus. Interest rates for assets are mostly fixed and the Company does not have interest bearing liabilities as at 31 December 2015 and as at 31 December 2014.

The table below represents impact on income and equity of change in floating interest rates as at the reporting date with assumption that all other terms are unchangeable:

<i>In millions of BYR</i>	<b>31 December 2015</b>		<b>31 December 2014</b>	
	Interest rate 30%	Interest rate -10%	Interest rate 30%	Interest rate -10%
Effect on profit before income tax	3 698	(1 233)	3 925	(1 308)
Effect on equity	2 773	(924)	3 218	(1 073)

*Currency risk*

The Company has assets and liabilities denominated in several foreign currencies. Currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

According to the approved policy of the Company insurance premium currency matches the currency of the undertaken reinsurance obligations.

An analysis of the sensitivity of the Company's income for the year and its equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a change in EUR, USD and RUB to BYR exchange rates is as follows (in millions of BYR):

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

<i>In millions of BYR</i>	<b>2015</b>		<b>2014</b>	
	<b>Profit before tax</b>	<b>Profit after tax</b>	<b>Profit before tax</b>	<b>Profit after tax</b>
20% appreciation of EUR against BYR	64 231	48 173	51 238	42 015
5% depreciation of EUR against BYR	(16 058)	(12 043)	(12 810)	(10 504)
20% appreciation of USD against BYR	83 403	62 552	42 598	34 931
5% depreciation of USD against BYR	(20 851)	(15 638)	(10 650)	(8 733)
20% appreciation of RUB against BYR	11 922	8 941	15 676	12 854
5% depreciation of RUB against BYR	(2 980)	(2 235)	(3 914)	(3 209)

The following table provides the analysis of the Company's financial assets and liabilities by currency profile:

**Company's financial assets and liabilities currency profile as at 31 December 2015**

<i>In millions of BYR</i>	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>						
Financial assets available-for-sale	662 975	-	20 259	-	-	<b>683 234</b>
Financial assets held to maturity	211 128	-	-	-	-	<b>211 128</b>
Deposits with banks	7 580	250 375	252 678	53 292	-	<b>563 925</b>
Receivables from reinsurance activities	18 836	94 766	38 426	22 806	3 762	<b>178 596</b>
Receivables from retrocession activities	542	9 400	1 419	1 943	2	<b>13 306</b>
Cash and cash equivalents	264	122 622	15 192	998	-	<b>139 076</b>
Part of other receivables	531	-	21	-	-	<b>552</b>
<b>Total financial assets</b>	<b>901 856</b>	<b>477 163</b>	<b>327 995</b>	<b>79 039</b>	<b>3 764</b>	<b>1 789 817</b>
<b>Financial liabilities</b>						
Reinsurance creditors	(2 607)	-8 480	(2 975)	(1 445)	(241)	<b>(15 748)</b>
Retrocession creditors	(3 940)	-51 657	(3 713)	(17 986)	(17)	<b>(77 313)</b>
Part of other creditors	(25)	(13)	(154)	-	-	<b>(192)</b>
<b>Total financial liabilities</b>	<b>(6 572)</b>	<b>(60 150)</b>	<b>(6 842)</b>	<b>(19 431)</b>	<b>(258)</b>	<b>(93 253)</b>
<b>Open currency position</b>	<b>895 284</b>	<b>417 013</b>	<b>321 153</b>	<b>59 608</b>	<b>3 506</b>	<b>1 696 564</b>

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

**Company's financial assets and liabilities currency profile as at 31 December 2014**

<i>In millions of BYR</i>	<b>BYR</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>						
Financial assets available-for-sale	1 605 752	-	-	9 707	-	<b>1 615 459</b>
Deposits with banks	7 560	126 718	235 854	14 258	-	<b>384 390</b>
Receivables from reinsurance activities	20 210	101 857	24 051	16 701	4 894	<b>167 713</b>
Receivables from retrocession activities	551	1 746	439	947	-	<b>3 683</b>
Cash and cash equivalents	252	49 081	1 481	50 601	-	<b>101 415</b>
<b>Total financial assets</b>	<b>1 634 325</b>	<b>279 402</b>	<b>261 825</b>	<b>92 214</b>	<b>4 894</b>	<b>2 272 660</b>
<b>Financial liabilities</b>						
Reinsurance creditors	(2 280)	(10 254)	(2 536)	(1 490)	( 547)	<b>(17 107)</b>
Retrocession creditors	(3 782)	(56 162)	(3 098)	(12 454)	(5)	<b>(75 501)</b>
Part of other creditors	(21 087)	-	-	-	-	<b>(21 087)</b>
<b>Total financial liabilities</b>	<b>(27 149)</b>	<b>(66 416)</b>	<b>(5 634)</b>	<b>(13 944)</b>	<b>(552)</b>	<b>(113 695)</b>
<b>Open currency position</b>	<b>1 607 176</b>	<b>212 986</b>	<b>256 191</b>	<b>78 270</b>	<b>4 342</b>	<b>2 158 965</b>

*ii) Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Company takes a long or short position in a financial instrument.

The Company's investment portfolio is not sensitive to financial instruments market price risk as at 31 December 2015 and 31 December 2014 there are no financial instruments with quoted market price in the investment portfolio.

*Credit risk*

Credit risk is the risk incurred by failure of contractual parties to meet their liabilities or changes in credit worthiness of the contractual parties.

*Carrying amounts versus estimated fair values*

The carrying amounts of financial assets do not differ significantly from their estimated fair values.

*Maximum credit risk*

Exposure to maximum credit risk is managed through the regular analysis of the ability of to meet interest and capital repayment obligations and by changing these exposures where appropriate.



*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

*In millions of BYR*

	<b>31 December 2015</b>		<b>31 December 2014</b>	
<b>Maximum credit risk</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Financial assets available-for-sale	683 234	683 234	1 615 459	1 615 459
Financial assets held to maturity	211 128	211 128	-	-
Deposits with banks	563 925	563 925	384 390	384 390
Receivables from reinsurance activities	178 596	178 596	167 713	167 713
Receivables from retrocession activities	13 306	13 306	3 683	3 683
Cash and cash equivalents	139 076	139 076	101 415	101 415
Part of other receivables	552	552	-	-
<b>Total</b>	<b>1 789 817</b>	<b>1 789 817</b>	<b>2 272 660</b>	<b>2 272 660</b>

*Investment analysis by ratings as at 31 December 2015, in millions of BYR:*

<b>Ratings by Fitch</b>	<b>Deposits in Banks</b>	<b>Financial assets available-for-sale</b>	<b>Financial assets held to maturity</b>	<b>Total</b>
B-	563 925	642 082	211 128	<b>1 417 135</b>
Без рейтинга	-	41 152	-	<b>41 152</b>
	<b>563 925</b>	<b>683 234</b>	<b>211 128</b>	<b>1 458 287</b>

*Receivables from reinsurance activities*

Reinsurance amounts receivable are monitored by management on a periodic basis and contracts are cancelled if appropriate notification has been provided to the insured and the amounts due are not paid.

*Retrocessions*

The Company cedes retrocession in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets and liabilities, income and expenses arising from ceded retrocession contracts are presented separately from the related assets, liabilities, income and expenses from the related reinsurance contracts because the retrocession arrangements do not relieve the Company from its direct obligations to its reinsured.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as retrocessional assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Retrocessional premiums for ceded retrocession are recognised as expenses on a basis that is consistent with the recognition basis for the premiums on the related assumed reinsurance contracts. For general insurance business, retrocessional premiums are recognised as expenses over the period that the retrocessional coverage is provided to the Company based on the expected pattern of the reinsured risks. The unearned portion of ceded retrocessional premiums is included in retrocessional assets.

The net amounts paid to a retrocessioner at the inception of a contract may be less than the reinsurance assets recognised by the Company in respect of its rights under such contracts.

The amounts recognised as retrocessional assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related assumed reinsurance contracts.

Retrocessional assets include recoveries due from retrocessioners in respect of claims paid. These are classified as receivables and are included within reinsurance and other receivables in the statement of financial position.

Retrocessional assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessioner.

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys both facultative and obligatory proportional and non-proportional retrocession.

Retrocession contains credit risk, and such retrocessional recoverables are reported after deductions for known insolvencies and uncollectible items. The Company monitors the financial condition of retrocessioners on an ongoing basis and reviews its retrocessional arrangements periodically.

During 2015 and 2014, there have been no cases where a retrocessioner had not met its liabilities to the Company.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The Company manages its asset and liability structure in order to meet its obligations as and when they fall due. The potential liquidity risk is limited by investing a certain amount of funds in short term deposits and other funds with a high degree of liquidity.

The tables below show the allocation of the Company's financial assets and liabilities to maturity groups based on the time remaining from the reporting date to the contractual maturity dates as at 31 December 2015 and 31 December 2014 (restated):

Maturity dates of the Company's financial assets and liabilities as at 31 December 2015

*In millions of BYR*

	<b>Up to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No fixed term</b>	<b>Total</b>
<b>Financial assets</b>					
Financial assets available-for-sale	25 004	-	-	658 230	<b>683 234</b>
Financial assets held to maturity	-	211 128	-	-	<b>211 128</b>
Deposits with banks	291 101	272 824	-	-	<b>563 925</b>
Receivables from reinsurance activities	119 411	57 046	2 139	-	<b>178 596</b>
Receivables from retrocession activities	12 871	433	2	-	<b>13 306</b>
Cash and cash equivalents	139 076	-	-	-	<b>139 076</b>
Part of other receivables	552	-	-	-	<b>552</b>
<b>Total financial assets</b>	<b>588 015</b>	<b>541 431</b>	<b>2 141</b>	<b>658 230</b>	<b>1 789 817</b>
Reinsurance creditors	(11 212)	(4 297)	(239)	-	(15 748)
Retrocession creditors	(72 642)	(4 651)	(20)	-	(77 313)
Part of other creditors	(192)	-	-	-	(192)
<b>Total financial liabilities</b>	<b>(84 046)</b>	<b>(8 948)</b>	<b>(259)</b>	<b>-</b>	<b>(93 253)</b>
<b>Financial assets and liabilities maturities gap</b>	<b>503 969</b>	<b>532 483</b>	<b>1 882</b>	<b>658 230</b>	<b>1 696 564</b>

*Notes to the financial statements*

**(32) RISK AND RISK MANAGEMENT (CONTINUED)**

**Maturity dates of the Company's financial assets and liabilities as at 31 December 2014**

<i>In millions of BYR</i>	<b>Up to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No fixed term</b>	<b>Total</b>
<b>Financial assets</b>					
Financial assets available-for-sale	-	828 619	-	786 840	<b>1 615 459</b>
Deposits with banks	383 850	540	-	-	<b>384 390</b>
Receivables from reinsurance activities	48 068	57 992	61 653	-	<b>167 713</b>
Receivables from retrocession activities	2 645	799	239	-	<b>3 683</b>
Cash and cash equivalents	101 415	-	-	-	<b>101 415</b>
<b>Total Financial assets</b>	<b>535 978</b>	<b>887 950</b>	<b>61 892</b>	<b>786 840</b>	<b>2 272 660</b>
<b>Financial liabilities</b>					
Reinsurance creditors	(5 005)	( 5 460)	( 6 642)	-	<b>( 17 107)</b>
Retrocession creditors	(21 057)	( 7 851)	( 46 593)	-	<b>( 75 501)</b>
Part of other creditors	(21 087)	-	-	-	<b>(21 087)</b>
<b>Total Financial liabilities</b>	<b>( 47 149)</b>	<b>( 13 311)</b>	<b>( 53 235)</b>		<b>(113 695)</b>
<b>Financial assets and liabilities maturities gap</b>	<b>488 829</b>	<b>874 639</b>	<b>8 657</b>	<b>786 840</b>	<b>2 158 965</b>

Liquidity risk management specific to insurance and reinsurance companies is connected with the monitoring of insurance liabilities. Remaining maturities of insurance liabilities are presented in Note 31.

*Operating risks and risk management*

Operational risks arise from deficiencies and errors in processes which may occur due to staff error or under the influence of external factors. These risks are managed by internal control, internal processes and procedures and monitoring of performance.

*Notes to the financial statements*

**(33) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments measured in accordance with IFRS (IFRS) 7 "Financial Instruments: Disclosures" is presented in the table below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy is presented below:

**As at 31 December 2015**

	Net asset value		Fair value			Total
	Loans and receivables	Other financial assets/liabilities	Level 1	Level 2	Level 3	
<b>Financial assets</b>						
Financial assets available-for-sale	-	683 234	-	4 745	678 489	<b>683 234</b>
Financial assets held to maturity	-	285 814	-	-	285 814	<b>285 814</b>
Deposits with banks	563 925	-	-	-	563 925	<b>563 925</b>
Receivables from reinsurance activities	178 596	-	-	-	178 596	<b>178 596</b>
Receivables from retrocession activities	13 306	-	-	-	13 306	<b>13 306</b>
Part of other receivables	552	-	-	-	552	<b>552</b>
Cash and cash equivalents	139 076	-	-	-	139 076	<b>139 076</b>
	<b>895 455</b>	<b>969 048</b>	<b>-</b>	<b>4 745</b>	<b>1 859 758</b>	<b>1 864 503</b>
<b>Financial liabilities</b>						
Reinsurance creditors	-	(15 748)	-	-	(15 748)	<b>(15 748)</b>
Retrocession creditors	-	(77 313)	-	-	(77 313)	<b>(77 313)</b>
Part of other creditors	-	(192)	-	-	(192)	<b>(192)</b>
	<b>-</b>	<b>(93 253)</b>	<b>-</b>	<b>-</b>	<b>(93 253)</b>	<b>(93 253)</b>

*Notes to the financial statements*

**(33) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

As at 31 December 2014

	Net asset value		Fair value			
	Loans and receivables	Other financial assets/liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Financial assets available-for-sale	-	1 615 459	-	15 219	1 600 240	<b>1 615 459</b>
Deposits with banks	384 390	-	-	-	384 390	<b>384 390</b>
Receivables from reinsurance activities	167 713	-	-	-	167 713	<b>167 713</b>
Receivables from retrocession activities	3 683	-	-	-	3 683	<b>3 683</b>
Cash and cash equivalents	101 415	-	-	-	101 415	<b>101 415</b>
	<b>657 201</b>	<b>1 615 459</b>	<b>-</b>	<b>15 219</b>	<b>2 257 441</b>	<b>2 272 660</b>
<b>Financial liabilities</b>						
Reinsurance creditors	-	(17 107)	-	-	(17 107)	<b>(17 107)</b>
Retrocession creditors	-	(75 501)	-	-	(75 501)	<b>(75 501)</b>
Part of other creditors	-	(21 087)	-	-	(21 087)	<b>(21 087)</b>
	<b>-</b>	<b>(113 695)</b>	<b>-</b>	<b>-</b>	<b>(113 695)</b>	<b>(113 695)</b>

During the year ended 31 December 2015 and the year ended 31 December 2014 the Company did not change the levels of the fair value hierarchy for financial instruments. The company did not disclose information on the fair value of cash and cash equivalents, as their net assets value is approximately equal to their fair value.

**(34) PREVIOUS YEAR ADJUSTMENTS**

In 2015 the Company transferred the increase in fair value of financial assets available for sale in the amount of 99 870 mBYR from investment income in the financial statements for the year ended 31 December 2014 in other comprehensive income in the financial statements for the year ended 31 December 2015.

Changes in the Statement of profit or loss and other comprehensive income as at 31 December 2014 are as follows:

Caption	31 December 2014 in previous year financial statement	Effect of previous year adjustments	31 December 2014 (restated)
Investment income	168 134	(99 870)	68 264
Income tax expenses	(55 381)	24 968	(30 413)
<b>Total effect on profit for the year</b>		<b>(74 902)</b>	
Change in fair value of financial assets available-for-sale	-	99 870	99 870
Corresponding income tax	-	(24 968)	(24 968)
<b>Total effect on other comprehensive income</b>		<b>74 902</b>	
<b>Total effect on comprehensive income</b>		<b>-</b>	

*Notes to the financial statements*

**(34) PREVIOUS YEAR ADJUSTMENTS (CONTINUED)**

Changes in the Statement of changes in equity as at 31 December 2014 are as follows:

Caption	31 December 2014 in previous year financial statement	Effect of previous year adjustments	31 December 2014 (restated)
Fair value reserve	-	74 902	74 902
Retained earnings	(1 318 172)	(74 902)	(1 393 074)
<b>Total effect on capital and reserves</b>		-	

**(35) UNCERTAINTIES**

*Economy of the Republic of Belarus*

The economy of the Republic of Belarus has recently been characterized by high rates of inflation, significant changes in foreign currency exchange rates, a relatively high level of taxation and a high degree of State regulation. Business legislation of the Republic of Belarus constantly changes. Future economic development to a large extent depends on the effectiveness of measures taken by the Belarusian government and is outside the control of the Company. The recoverability of the Company's assets and ability to maintain or pay debts as they mature is in part dependent on the future direction and results of the economic policy of the government of the Republic of Belarus. Management of the Company has made its best estimates of recoverability and classification assets and liabilities. However, uncertainty stated above may remain and have significant influence on the operations of the Company

*Legislation*

Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently by different state institutions. In addition, interpretations made by Management may be different from official interpretations and compliance established by law may be changed by the authorities. As a result, the Company may be subject to additional tax payments and fines and other preventive actions.

Management of the Company considers that it has made the required tax and other payments. The previous financial years remain open for consideration by the authorities.

**(36) SUBSEQUENT EVENTS**

According to the Decree of the Council of Ministers of the Republic of Belarus # 121 from 15 February 2016 "On certain issues related to creation of the state specialised budgetary fund of national development", the Company is required to transfer to the state budget till 1 July 2016 the amount equal to 50 000 mBYR.

Starting from 1 January 2016 to 18 March 2016 the Belarusian ruble decreased by 13,16% against the currency basket (USD, EUR and RUB).

According to the Decree of Ministry of Finance of the Republic of Belarus #30 from 15 February 2016, payments to investment fund in 2016 are 10%.