REPUBLICAN UNITARY ENTERPRISE
“BELARUSIAN NATIONAL
REINSURANCE ORGANIZATION”

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Contents

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Independent Auditors' Report

To the Owner and General Director of Republican Unitary Enterprise "Belarusian National Reinsurance Organization"

Opinion

We have audited the financial statements of Republican Unitary Enterprise "Belarusian National Reinsurance Organization" (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Edgars Volskis
LLC KPMG
Minsk, Belarus
23 March 2018

All amounts in thousands BYN	**Notes**	**2017**	**2016**
Gross written premiums	8	85 081	62 329
Retrocessionaires' share in written premiums	8	(41 280)	(26 843)
Net written premiums	8	**43 801**	***35 486***
Gross changes in unearned premium and unexpired risk technical reserves	10	(17 329)	(7 229)
Retrocessionaires' share	10	8 462	2 914
Change in net unearned premium and unexpired risk technical reserves	10	***(8 867)***	***(4 315)***
Net earned premiums	9	**34 934**	**31 171**
Paid claims, gross		(14 212)	(17 738)
Loss adjustment expenses		(125)	(140)
Retrocessionaires' share of claims paid	11	1 866	8 942
Net paid claims	11	**(12 471)**	**(8 936)**
Change in outstanding claim technical reserves			
Gross change in outstanding claim technical reserves	13	(2 440)	(7 114)
Retrocessionaires' share	13	3 502	(5 143)
Net change in outstanding claim technical reserves	13	***1 062***	***(12 257)***
Net incurred claims	12	**(11 409)**	**(21 193)**
Operating expenses			
Client acquisition costs	14	(4 978)	(4 052)
Change in deferred client acquisition costs	14	221	886
Retrocessionaires' commission income		1 352	740
Administrative expenses	15	(3 640)	(3 053)
Net operating expenses		**(7 045)**	**(5 479)**
Investment income	16	15 332	13 524
Investment expenses		(41)	-
Other income	17	3 407	3 786
Other expenses	17	(3 372)	(3841)
Profit before tax		**31 806**	**17 968**
Income tax expense	18	(4 820)	(2 532)
Profit for the year		**26 986**	**15 436**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**26 986**	**15 436**

The accompanying notes on pages 12-60 form an integral part of these financial statements.

A.T. Unton
General Director

T. F. Sopeleva
Chief Accountant

23 March 2018

All amounts in thousands BYN	**Notes**	**31 December 2017**	**31 December 2016**
Assets			
Property and equipment	20	2 219	88
Intangible assets		79	34
Financial investments			
Financial assets held to maturity	21	50 538	31 076
Available-for-sale financial assets	22	68 178	65 823
Deposits with banks	23	50 794	86 752
Total financial investments		**169 510**	**183 651**
Receivables			
Receivables from reinsurance activities	24	37 642	22 864
Receivables from retrocession activities		1 405	1 279
Other receivables	25	250	229
Total receivables		**39 297**	**24 372**
Deferred client acquisition costs	14	5 317	5 096
Retrocession contract assets			
Retrocessionaires' share in unearned premium technical reserve	10	40 542	30 846
Retrocessionaires' share in outstanding claim technical reserve	13	10 172	6 214
Total assets from retrocession contracts		**50 714**	**37 060**
Prepayments	25	83	2 451
Current income tax asset		578	-
Cash and cash equivalents	26	35 476	830
Total assets		**303 273**	**253 582**

All amounts in thousands BYN

	Notes	31 December 2017	31 December 2016
Equity and liabilities			
Equity			
Share capital	27	333 726	328 915
Accumulated loss		(179 565)	(194 867)
Total equity		**154 161**	**134 048**
Liabilities			
Technical reserves			
Technical reserves for unearned premium and unexpired risks	10	80 740	60 454
Outstanding claim technical reserves	13	45 790	41 315
Total technical reserves		**126 530**	**101 769**
Payables			
Payables from reinsurance activities		2 803	1 949
Payables from retrocession activities		12 085	6 957
Current income tax payables		-	1 296
Other payables	28	741	1 095
Total payables		**15 629**	**11 297**
Deferred tax liabilities	18	6 953	6 468
Total liabilities		**149 112**	**119 534**
Total equity and liabilities		**303 273**	**253 582**

The accompanying notes on pages 12-60 form an integral part of these financial statements.

A.T. Unton
General Director

T. F. Sopeleva
Chief Accountant

23 March 2018

All amounts in thousands BYN	**Notes**	**Share capital**	**Accumulated loss**	**Total capital**
Balance at 1 January 2016		**323 041**	**(196 859)**	**126 182**
Total comprehensive income				
Profit for the year		-	15 436	**15 436**
Other comprehensive income		-	-	-
Total comprehensive income for the reporting year		-	**15 436**	**15 436**
Transactions with owner				
Increase of share capital due to profit reallocation	27	5 874	(5 874)	-
Payments from profit to shareholders	27	-	(7 570)	**(7 570)**
Total transactions with owner		**5 874**	**(13 444)**	**(7 570)**
Balance at 31 December 2016		**328 915**	**(194 867)**	**134 048**
Total comprehensive income for the reporting year				
Profit for the year		-	26 986	**26 986**
Other comprehensive income		-	-	-
Total comprehensive income for the reporting year		-	**26 986**	**26 986**
Transactions with owner				
Increase of share capital due to profit reallocation	27	4 811	(4 811)	-
Payments from profit to shareholders	27	-	(6 873)	**(6 873)**
Total transactions with owner		**4 811**	**(11 684)**	**(6 873)**
Balance at 31 December 2017	27	**333 726**	**(179 565)**	**154 161**

The accompanying notes on pages 12-60 form an integral part of these financial statements.

A.T. Unton
General Director

T. F. Sopeleva
Chief Accountant

23 March 2018

All amounts in thousands BYN	**Notes**	**2017**	**2016**
Cash flows from reinsurance activities			
Profit for the year		**26 986**	**15 436**
Adjustments for:			
Investment income	16	(15 332)	(13 524)
Net foreign exchange gain	17	(3 019)	(2 548)
Depreciation of property and equipment	15	37	31
Income tax expenses	18	4 820	2 532
		13 492	**1 927**
Changes in:			
Receivables from reinsurance activities		(13 342)	(2 804)
Receivables from retrocession activities		1	81
Other receivables		(36)	(168)
Prepayments		538	(143)
Retrocession contracts' assets		(11 964)	2 229
Deferred acquisition costs		(221)	(886)
Technical reserves for unearned premium and unexpired risks		17 329	7 230
Outstanding claim technical reserves		2 440	7 114
Payables from reinsurance activities		270	206
Payables from retrocession activities		5 009	(1 300)
Other payables		(59)	95
Cash flows from/(used in) reinsurance activities before income tax paid		**13 457**	**13 581**
Income tax paid		(6 280)	(1 316)
Net cash flows from/(used in) reinsurance activities		**7 177**	**12 265**
Cash flows from investing activities			
Interest income received		4 240	5 217
Acquisition of available-for-sale financial assets		(11 554)	-
Acquisition of financial assets held to maturity		(8 193)	(2 039)
Disposal of available-for-sale financial assets		9 525	2 504
Return of deposits with banks		241 172	121 632
Placement of deposits with banks		(202 925)	(147 372)
Acquisition of property and equipment		(49)	(8)
Acquisition of intangible assets		(58)	(15)
Dividends received		239	389
Net cash flows from/(used in) investing activities		**32 397**	**(19 692)**

All amounts in thousands BYN	**Notes**	**2017**	**2016**
Cash flows from financing activities			
Payment of deductions to the owner		(7 373)	(5 750)
Net cash flows from/(used in) financing activities		**(7 373)**	**(5 750)**
Net increase/(decrease) in cash and cash equivalents		**32 201**	**(13 177)**
Cash and cash equivalents at 1 January	26	830	13 908
Effect of exchange rate fluctuations on cash and cash equivalents		2 445	99
Cash and cash equivalents at 31 December	26	**35 476**	**830**

The accompanying notes on pages 12-60 form an integral part of these financial statements.

A.T. Unton
General Director

T. F. Sopeleva
Chief Accountant

23 March 2018

(1) GENERAL INFORMATION

The Company was incorporated in 2006 as a Republican 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 reinsurance license #02200/13-00048 valid from the day of the decision of the licensing authority on its issuance for the unlimited period of time, in accordance with the applicable legislation.

The Company underwrites assumed reinsurance contracts exclusively and cannot conclude insurance contracts directly with the 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 Republican 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, liability reinsurance in the "Green card" system, marine reinsurance and accident and medical expenses reinsurance.

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

As at 31 December 2017 and 31 December 2016 the Company's shareholder was:

	31 December 2017	31 December 2016
The Council of Ministers of the Republic of Belarus	100,00%	100,00%
	100,00%	**100,00%**

(2) BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") published by International Accounting Standards Committee (IASC) and Interpretations published by International Financial Reporting Interpretations Committee (IFRIC).

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 2017 was approved for issue on 23 March 2018 and signed by the management on behalf of General Director and Chief Accountant.

(3) FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Belarus is the Belarusian ruble ("BYN") and the same currency is the functional currency of the Company, as well as the currency in which these financial statements are presented. On 1 July 2016, the national currency in the Republic of Belarus was denominated by 10,000. The international code of the Belarusian ruble was changed from "BYR" to "BYN". All figures in these financial statements, presented in Belarusian rubles ("BYN"), are rounded to the nearest thousand, except where otherwise indicated.

(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. 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 recognized 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.

The 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:

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.

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.

Measurement of fair value

A number of accounting policies and disclosures require the measurement of fair value of financial and non-financial assets and liabilities.

The Company has established a control system for the measurement of fair value. As part of this system, the Accounting and Reporting Department is responsible for overseeing all significant fair value measurements, including Level 3 assessments, and reports directly to the General Director of the Company.

The Accounting and Reporting Department employees monitor significant unobservable inputs and corrections of estimates on a regular basis. If information received from third parties, for example quotes from brokers or price determination agencies, is used to estimate fair value, then the responsible employees analyze the confirmation received from third parties to justify the conclusion that this assessment is in accordance with IFRS, including determination of the level in the hierarchy of the fair the value to which this estimate should be attributed.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs that are unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Loans and receivables

The fair value of loans and receivables is 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. Short-term receivables are not discounted.

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. Short-term financial liabilities are not discounted.

(5) BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis, except for the bonds of the Development Bank of the Republic of Belarus, which are recorded at fair value.

(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 foreign currencies are initially recorded at the exchange rate of the Belarusian ruble to foreign currencies at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency in accordance with the exchange rate set by the National Bank of the Republic of Belarus at the last date of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or historical 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 is recognized in the profit or loss account in the period in which the fluctuation occurs. Foreign exchange differences arising on translation on foreign operations are recognized 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:

	31 December 2017	31 December 2016
BYN/USD	1,9727	1,9585
BYN/EUR	2,3553	2,0450
BYN/100 RUB	3,4279	3,2440

(b) Property and equipment

Property and equipment is recorded at cost of acquisition net of accumulated depreciation and impairment losses (if any). Cost includes expenditure that is directly attributable to bringing the asset to a working condition for their intended use. Depreciation is charged using a straight-line method over the entire useful life of the respective asset. When the useful life is over, the asset's value is written down to its residual value. Depreciation is calculated on the following rates:

Office equipment and furniture	10-20% per year
Vehicles	12,5% per year
Other fixed assets	7-20% per year

Maintenance costs for property and equipment are recognized 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 written off on a straight-line basis during the shorter of the useful lifetime and the period of lease.

Profit or loss from disposal of property and 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.

Depreciation method, useful life and residual value are reviewed annually.

At each reporting date, the Company reviews the carrying value of fixed assets in order to identify the indication 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 cash-generating unit to which the asset belongs.

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

(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 recognized in the statement of profit or loss and other comprehensive income on accrual basis.

(*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 the insured. Consequently, all references to insurance contracts refer to reinsurance assumed.

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

- aviation reinsurance;
- property reinsurance;
- pecuniary reinsurance (including the risk of outstanding credit occurrence reinsurance);
- liability reinsurance in the "Green card" system;
- transport reinsurance;
- liability reinsurance;
- marine reinsurance;
- accident reinsurance;
- medical expenses 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 the 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. Written premiums are decreased by the amount of premiums under the cancelled reinsurance contracts during the reporting period.

The earned portion of written premiums is recognized as revenue. Premiums are earned from the date of bearing of risk, over the indemnity period, based on the pattern of risks underwritten. The unearned portion of premiums, relating to future periods, is recognized under technical reserves of unearned premiums with the use of Pro Rata Temporis method.

Retrocessionaires' share in written premiums is calculated in accordance with retrocession contracts in force. Outward retrocession premiums are recognized as expenses in accordance with the retrocession services received, and the portion of retrocession expenses attributable for future periods is recognized as the retrocessionaires' share of the unearned premium reserve.

Termination of reinsurance contracts

Reinsurance contracts are terminated if there is an objective evidence that the reinsured does not want or can not pay the reinsurance premium. Consequently, the terminations affect mainly reinsurance contracts, under which the reinsurance premium is paid partly during the entire term of the reinsurance contract. Terminations are reflected in the financial statements separately from the total amount of insurance premiums.

Reinsurance and retrocession receivables and payables

Amounts due to and from reinsured, brokers and retrocessionaires are financial instruments and are included in reinsurance and retrocession receivables and payables.

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 recognized 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 receivables and 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 incurred.

Insurance claims incurred

Insurance 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 claim 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 the amounts, and this event has a reasonable measurable impact on the amounts receivable by the Company from the retrocessionaire.

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

Unearned premium reserve (UPR)

Unearned premium reserve represents 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. Claims reserves 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 the claim development triangle method. The claim development analysis is disclosed in note 32 (i).

Acquisition costs

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

Deferred acquisition costs represent the portion of 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 recognized 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, 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 recognized as expenses for the financial year by setting aside additional unexpired risk reserves.

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

(e) Financial instruments

Classification

All financial instruments are initially 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, initially classified 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 also classified in this category.

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

Non-derivative financial assets and liabilities - recognition and de-recognition

The Company initially recognizes loans and receivables, as well as debt securities issued as of the date of origin/issue. Initial recognition of all other financial assets and liabilities is effected on the date of the transaction, as a result of which the Company becomes a party to the contractual rights of the instrument.

Financial assets are de-recognized when the rights to receive cash flows from the financial asset have expired or the Company has transferred substantially all risks and rewards of ownership. Any participation in a transferred financial asset that has arisen or remains with the Company is recognized as a separate asset or liability.

Financial liabilities are de-recognized when they are settled – that is, when the obligation is repaid or cancelled. Financial assets and liabilities are offset and presented in the statement of financial position in the net amount only if the Company currently has the right to offset the recognized amounts and intends to either settle on a net basis, or dispose the asset and fulfill commitment at the same time. The Company currently has a right to offset if it is not due to an event in the future and is legally enforceable in the ordinary course of business, as well as in the event of default, insolvency or bankruptcy of the company or any of the counterparties.

Initial and subsequent measurement

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

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, except those instruments for which no reliable fair value measurement is possible. Such instruments are recognized at cost less impairment losses.

All the financial liabilities and other financial assets, including loans and receivables, deposits with banks and assets held to maturity, are measured at amortized 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 in the fair value of financial instruments designated at fair value through profit or loss is recognized in the statement of profit or loss. Differences arising from changes in the fair value of available-for-sale financial instruments are recognized through other comprehensive income in equity.

Fair value measurement

Fair value is the price that would be received upon the sale of an asset or paid when transferring an obligation in a normal transaction between market participants as of the valuation date in the main market or, in its absence, in the most profitable market to which the Company has access to the specified date. Fair value of the liability reflects the risk of its non-performance.

As far as possible, the Company evaluate the fair value of the instrument using the quotations of this instrument in an active market. The market is recognized as active when its transactions for the asset or liability take place with sufficient frequency and volume to provide quotes on an ongoing basis. In the absence of current quotes in an active market, the Company uses valuation methods that maximize the observed source data and use the least observable basic data. The selected valuation methods include all factors that market participants would take into account in the circumstances.

The best evidence of fair value of a financial instrument on initial recognition is usually the price of the transaction, that is, the fair value of the consideration paid or received. If the Company determines that fair value at initial recognition differs from the transaction price and the fair value is not supported by the current quotes in the active market for a similar asset or liability and is not based on valuation techniques that use only observable inputs, the financial instrument is initially measured at fair value, adjusted to postpone the difference between the fair value at initial recognition and the transaction price.

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 recognized amounts and there is an intention to settle on a net basis, or realize 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 impairment indicators regarding each individual asset under each reiunsurance and retrocession contract.

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

The Company establishes a impairment allowances for deposits with banks if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and if the event (or events) had an impact on the estimated future cash flows that can be estimated from sufficient degree of reliability.

Financial assets' impairment losses classified as available-for-sale are recognized through reclassification to the profit or loss for the period of the amount of losses accumulated in the fair value changes reserve in equity. The amount of accumulated impairment loss, exempt from equity and recognized in profit or loss, is the difference between the acquiring cost of an asset (net of principal and amortization payments received) and the current fair value net of any impairment loss on that financial asset, previously recognized in profit or loss. Changes in impairment allowances accrued in connection with the application of the effective interest method are recognized as an element of interest income. If, subsequently, the fair value of an impaired debt securities classified as available-for-sale increases and the increase can be objectively attributed to an event occurring after the impairment loss was recognized in profit or loss for the period, the write-off for the loss is reversed, while the recoverable amount is recognized in profit or loss for the period. However, any subsequent recovery of the fair value of an impaired equity securities classified as available-for-sale is recognized in other comprehensive income.

Financial assets recognized at actual costs include unquoted equity instruments included in available-for-sale financial assets that are not recognized at fair value because their fair value can not be determined reliably. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted using the current market profit rate for similar financial assets.

All impairment losses on these investments are recognized in profit or loss and can not be reversed.

Features that testify to the impairment of financial assets measured at amortized cost are reviewed at the individual asset level on an individual basis. The amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the initial effective interest rate of that asset. Losses are recognized in profit or loss for the period and are recorded in the impairment allowance.

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 recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

(g) Investment income and expenses

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

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

(h) Income tax

(i) Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax expense is measured based on taxable income for the year and calculated in accordance with the legislation of the Republic of Belarus. Taxable income differs from the income recognized in the statement of profit or loss and other comprehensive income, since it does not include income or expenses items, which are subject to taxation or deduction in other years, as well as excludes items that have never been taxable or deductible.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences arising between the carrying amount of assets and liabilities designated for the purpose of their recognition in the financial statements and their tax base. Deferred tax is not recognized for temporary differences arising on the initial recognition of assets and liabilities as a result of a transaction that is not a business combination and does not affect either accounting or taxable profit or tax loss.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be realized. The amount of future taxable profit is determined on the basis of the value of the corresponding taxable temporary differences to the recovery. The amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that the realization of the related tax benefits is no longer probable. Such write-offs are subject to recovery in the event of an increased likelihood of future taxable profits.

Deferred tax is calculated based on tax rates that will be applied in the future, at the time of reversal of temporary differences, based on existing or substantially enacted laws at the reporting date.

The assessment of deferred tax recognizes the tax consequences resulting from the manner in which the Company intends to refund or pay off the carrying amount of its assets or settle obligations at the end of the reporting period.

When determining the amount of current and deferred income tax, the Company takes into account the influence of uncertain tax positions and the possibility of additional charging of taxes and the imposition of fines and penalties for late payment of tax. Based on the results of assessment of a number of factors, as well as the interpretation of Russian tax legislation and the experience of previous years, the Company's management believes that the obligation to pay taxes for all tax periods for which the tax authorities have the right to verify the completeness of settlements with the budget are totally recognized.

This estimate is based on calculated evaluations and assumptions and may provide for the formation of a number of professional judgments about the impact of future events. Over time, the Company may receive new information, and the Company may need to change its judgments about the adequacy of existing tax liabilities. Such changes in the amount of tax liabilities will affect the amount of tax for the period in which these judgments have changed.

(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 saving and generating income for a period exceeding three months.

(k) Employee benefits

Salaries of employees are recognized as expenses of the reporting period. The state pension system provides for calculating current employer contributions to the Social Security Fund 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 recognized 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 cannot be doubted. The expense relating to provision is presented in the statement of profit or loss and other comprehensive income 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 recognized 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 2017 and 2016 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 Belarusian 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 level of the payment is limited by 20% of the profit, calculated on the basis of the data from the financial statements, compiled in accordance with the legislation of the Republic of Belarus.

Also, payments to the shareholder include payments to investment fund established in accordance with the Decree of the President of Belarus #357 of 7 August 2012 «On the order of formation and use of funds of innovation funds". The maximum level of the payment is limited by 25% of the profit. In 2017 actual payments amounted to 8.3% of the profit, calculated on the basis of the data from the financial statements, compiled in accordance with the legislation of the Republic of Belarus (2016: 10% of the profit).

Acquisitions of bonds from the Ministry of Finance on non-market 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 AND INTERPRETATIONS

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Company currently plans to apply IFRS 9 initially on 1 January 2021 due to the application of the approach, according to which the prolongation of the application of IFRS 9 due to the transition to IFRS 17 that becomes effective for annual periods beginning on or after 1 January 2021 is allowed. The Company applies the exemption as its activities exclusively relate to the reinsurance: the ratio of liabilities that relate to insurance contracts to the total liabilities makes up 95% that exceeds 90%.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The new standard is not expected to have a material impact the financial statements of the Company. The degree of impact will depend on the financial assets, available as at 1 January 2021.

Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its consolidated financial statements, but has not completed a detailed assessment yet. The actual impact of IFRS 16 on the financial statements within the period of initial application will depend on the future economic terms and conditions, including the leases portfolio as at the specified date, the Company's actual assessment whether it intends to exercise its rights for lease prolongation and what practical expedients and recognition exemptions available in the standard the Company decides to use.

As at 31 December 2017, the Company entered into only one lease – lease of office premises, under the terms of which the Company may terminate the relationships with a lessee upon providing a 1 month notice prior to the termination of the relationships. As at 31 December 2017, the Company registered the ownership for the office premises that is not ready for use at the preparation of the financial statements.

Besides, the nature of expenses, recognized under these contracts, will be changed as under IFRS 16 instead of lease expenses, recognized on a straight-line basis within the contract validity period, the Company should recognize the expenses on the assets amortization as rights of use and interest expenses, related to lease liabilities.

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Company currently plans to apply IFRS 16 initially on 1 January 2019 using a modified retrospective approach. So, the effect of the initial application of IFRS 16 will be recognized as an adjustment of incoming retained earnings as at 1 January 2019 without review of comparative information. When applying the modified retrospective approach to leases, previously classified as operating leases under IAS 17, a lessee may select for each lease whether to apply or not the practical expedients. The Company is quantifying the potential impact of the practical expedients use.

Other standards

The following amendments to standards and interpretation are not expected to have a significant impact on the financial statements of the Company:

- *Annual improvements to IFRSs for 2014–2016 cycle – Amendments to IFRS 1 and IAS 28*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *Transfers of investment property (Amendments to IAS 40)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*
- IFRIC Interpretation 22 *Foreign currency transactions and advance consideration*
- IFRIC Interpretation 23 *Uncertainty over income tax treatments*
- *IFRS 15 Revenue from contracts with customers,* as the insurance organizations are excluded from the list of organizations, which do not fall within the scope of IFRS 15 requirements.

(8) NET WRITTEN PREMIUMS

In thousands BYN	2017			2016		
	Gross written premiums	**Retrocessionaires' share in premiums**	**Net written premiums**	**Gross written premiums**	**Retrocessionaires' share in premiums**	**Net written premiums**
Property reinsurance	34 629	(22 387)	12 242	21 353	(9 893)	11 460
Pecuniary reinsurance	27 868	(5 076)	22 792	18 676	(2 510)	16 166
Aviation reinsurance	9 968	(8 305)	1 663	10 780	(8 551)	2 229
Liability reinsurance in the "Green card" system	5 015	(3 652)	1 363	5 225	(3 829)	1 396
Liability reinsurance	4 203	(516)	3 687	2 366	(708)	1 658
Marine reinsurance	2 540	(1 311)	1 229	2 476	(1 340)	1 136
Transport reinsurance	526	(33)	493	1 152	(12)	1 140
Medical expenses reassurance	330	-	330	301	-	301
Accident reinsurance	2	-	2	-	-	-
	85 081	**(41 280)**	**43 801**	**62 329**	**(26 843)**	**35 486**

(9) NET EARNED PREMIUMS

In thousands BYN	2017			2016		
	Gross earned premiums	**Retrocessionaires' share in premiums**	**Net earned premiums**	**Gross earned premiums**	**Retrocessionaires' share in premiums**	**Net earned premiums**
Property reinsurance	30 151	(17 834)	12 317	19 766	(8 235)	11 531
Pecuniary reinsurance	14 820	(1 475)	13 345	13 584	(1 222)	12 362
Aviation reinsurance	10 132	(8 135)	1 997	10 437	(8 631)	1 806
Liability reinsurance in the "Green card" system	5 015	(3 652)	1 363	5 225	(3 829)	1 396
Liability reinsurance	4 093	(506)	3 587	2 210	(629)	1 581
Marine reinsurance	2 345	(1 197)	1 148	2 587	(1 379)	1 208
Transport reinsurance	818	(19)	799	1 088	(4)	1 084
Medical expenses reassurance	376	-	376	201	-	201
Accident reinsurance	2	-	2	2	-	2
	67 752	**(32 818)**	**34 934**	**55 100**	**(23 929)**	**31 171**

(10) TECHNICAL RESERVES FRO UNEARNED PREMIUM AND UNEXPIRED RISKS

In thousands BYN	Gross	Retrocessionaires' share	Net
Balance at 1 January 2016	**50 340**	**(26 562)**	**23 778**
Written premiums	*62 329*	*(26 843)*	*35 486*
Premiums earned	*(55 100)*	*23 929*	*(31 171)*
Changes for the year	7 229	(2 914)	4 315
Effect of changes in foreign exchange rate	2 885	(1 370)	1 515
Balance at 31 December 2016	**60 454**	**(30 846)**	**29 608**
Written premiums	*85 081*	*(41 280)*	*43 801*
Premiums earned	*(67 752)*	*32 818*	*(34 934)*
Changes for the year	17 329	(8 462)	8 867
Effect of changes in foreign exchange rate	2 957	(1 234)	1 723
Balance at 31 December 2017	**80 740**	**(40 542)**	**40 198**

In thousands BYN	31 December 2017			31 December 2016		
	Gross	Retrocessionaires' share	Net	Gross	Retrocessionaires' share	Net
UPR	80 740	(40 542)	40 198	60 454	(30 846)	29 608
URR	-	-	-	-	-	
	80 740	**(40 542)**	**40 198**	**60 454**	**(30 846)**	**29 608**

As at 31 December 2017 and 31 December 2016 the unrealized risk reserve was not made.

Technical reserves for unearned premium and unexpired risks as at 31 December 2017 in currencies:

In thousands BYN	BYN	USD	EUR	RUB	Total
Technical reserves for unearned premium and unexpired risks, gross	7 632	50 723	17 103	5 282	**80 740**
Technical reserves for unearned premium and unexpired risks, net	5 998	19 936	11 198	3 066	**40 198**

Technical reserves for unearned premiums and unexpired risks as at 31 December 2016 (recalculated in currencies):

In thousands BYN	BYN	USD	EUR	RUB	Total
Technical reserves for unearned premium and unexpired risks, gross	4 245	40 323	9 810	6 076	**60 454**
Technical reserves for unearned premium and unexpired risks, net	2 549	16 024	7 664	3 371	**29 608**

(11) NET PAID CLAIMS

In thousands BYN	2017			2016		
	Gross claims paid	Retro-cessionaires' share in claims	Net claims paid	Gross claims paid	Retro-cessionaires' share in claims	Net claims paid
Property reinsurance	6 397	(663)	5 734	6 041	(1 406)	4 635
Pecuniary reinsurance	6 218	(584)	5 634	3 083	(461)	2 622
Aviation reinsurance	570	(362)	208	7 404	(7 070)	334
Transport reinsurance	568	(1)	567	490	(2)	488
Marine reinsurance	354	(226)	128	72	-	72
Liability reinsurance in the "Green card" system	114	(26)	88	556	-	556
Liability reinsurance	105	(4)	101	232	(3)	229
Medical expenses reinsurance	11	-	11	-	-	-
	14 337	**(1 866)**	**12 471**	**17 878**	**(8 942)**	**8 936**

Reduction of payments under reinsurance contracts through the business line "Reinsurance of Aviation Risks" is connected with the fact that in 2016, large payments were made in the amount of BYN 7 212 thousand on two extraordinary insurance events related to aircraft damage at the Minsk airport due to the hurricane wind, as well as a fire after take-off, the retrocessionaire's share for these losses was BYN 6 930 thousand.

(12) NET INCURRED CLAIMS

In thousands BYN	2017			2016		
	Gross incurred claims	Retro-cessionaires' share	Net incurred claims	Gross incurred claims	Retro-cessionaires' share	Net incurred claims
Property reinsurance	9 204	(3 829)	5 375	14 804	977	15 781
Pecuniary reinsurance	4 227	(317)	3 910	6 011	(615)	5 396
Marine reinsurance	344	(259)	85	334	9	343
Liability reinsurance in the "Green card" system	1 356	(410)	946	(1 047)	(183)	(1 230)
Aviation reinsurance	933	(548)	385	4 288	(4 029)	259
Transport reinsurance	480	(4)	476	338	(6)	332
Liability reinsurance	218	(1)	217	266	48	314
Medical expenses reinsurance	15	-	15	12	-	12
Accident reinsurance	-	-	-	(14)	-	(14)
	16 777	**(5 368)**	**11 409**	**24 992**	**(3 799)**	**21 193**

(13) OUTSTANDING CLAIM TECHNICAL RESERVES

In thousands BYN	Gross	Retrocessionaires' share	Net
Balance at 1 January 2016	**31 740**	**(10 732)**	**21 008**
Claims incurred during the period	*24 992*	*(3 799)*	*21 193*
Claims paid	*(17 878)*	*8 942*	*(8 936)*
Changes for the year	7 114	5 143	12 257
Effect of changes in foreign exchange rates	2 461	(625)	1 836
Balance at 31 December 2016	**41 315**	**(6 214)**	**35 101**
Claims incurred during the period	*16 777*	*(5 368)*	*11 409*
Claims paid	*(14 337)*	*1 866*	*(12 471)*
Changes for the year	2 440	(3 502)	(1 062)
Effect of changes in foreign exchange rates	2 035	(456)	1 579
Balance at 31 December 2017	**45 790**	**(10 172)**	**35 618**

In thousands BYN	31 December 2017			31 December 2016		
	Gross	Retrocessionaires' share	Net	Gross	Retrocessionaires' share	Net
RBNS	39 776	(10 172)	29 604	33 201	(6 214)	26 987
IBNR	6 014	-	6 014	8 114	-	8 114
	45 790	**(10 172)**	**35 618**	**41 315**	**(6 214)**	**35 101**

Outstanding claim technical reserves as at 31 December 2017 in currencies:

In thousands BYN	BYN	USD	EUR	RUB	Total
Outstanding claim technical reserves, gross	5 966	14 423	7 744	17 657	**45 790**
Outstanding claim technical reserves, net	2 639	10 743	6 293	15 943	**35 618**

Outstanding claim technical reserves as at 31 December 2016 in currencies:

In thousands BYN	BYN	USD	EUR	RUB	Total
Outstanding claim technical reserves, gross	2 532	9 575	9 196	20 012	**41 315**
Outstanding claim technical reserves, net	1 612	8 282	6 993	18 214	**35 101**

(14) CLIENT AQUISITION COSTS

Changes in deferred client acquisition costs during 2017 and 2016 were as follows:

In thousands BYN	
Balance at 1 January 2016	**4 210**
Written commissions	_4 052_
Deferred commissions allocated to statement of profit or loss and other comprehensive income	_(3 166)_
Changes for the year	886
Balance at 31 December 2016	**5 096**
Written commissions	_4 978_
Deferred commissions allocated to statement of profit or loss and other comprehensive income	_(4 757)_
Changes for the year	221
Balance at 31 December 2017	**5 317**

In 2017 and 2016 client acquisition costs by types were as follows:

In thousands BYN	**2017**	**2016**
Pecuniary reinsurance	1 996	1 412
Property reinsurance	1 761	1 429
Liability reinsurance	450	373
Aviation reinsurance	439	443
Marine reinsurance	148	181
Medical expenses reinsurance	141	87
Transport reinsurance	43	127
	4 978	**4 052**

In thousands BYN	**2017**	**2016**
Commissions to insurance and reinsurance companies	4 543	3 723
Commissions to reinsurance brokers	435	329
	4 978	**4 052**

(15) ADMINISTRATIVE EXPENSES

In thousands BYN	2017	2016
Labor costs	1 986	1 361
Social security contributions	578	443
Insurance expenses	262	272
Professional services	170	128
Rent	147	117
Bank commissions	109	93
Utilities and maintenance	97	77
Advertisement and public relations	78	54
Business trips	52	80
Depreciation of property and equipment	37	31
Membership contributions	21	45
Tax payments	11	9
Contributions to Belgosstrakh	8	7
Cultural events	-	268
Other	84	68
	3 640	**3 053**

(16) INVESTMENT INCOME

In thousands BYN	2017	2016
Interest income on commercial bonds	11 232	8 077
Interest income on deposits	3 861	5 058
Dividends received	239	389
	15 332	**13 524**

(17) OTHER INCOME AND EXPENSES

In thousands BYN	2017	2016
Other income		
Foreign exchange differences	3 019	2 548
Income from regression claims	124	112
Income from termination of retrocession contracts	120	911
Return of reinsurer's share	90	-
Income from fines, penalties, forfeits	2	215
Other	52	-
Total other income	**3 407**	**3 786**

In thousands BYN	2017	2016
Other expenses		
Expenses from termination of reinsurance contracts	(2 125)	(2 860)
Charity	(847)	(875)
Expenses from fines, penalties, forfeits	(49)	-
Other	(351)	(106)
Total other expenses	**(3 372)**	**(3 841)**

(18) INCOME TAX EXPENSES

According to the Tax Code of the Republic of Belarus, the rate of corporate income tax in 2017 and 2016 is 18%, for banks and insurance companies is 25%.

In thousands BYN	2017	2016
Current tax	4 335	3 474
Deferred tax expense / benefit	485	(942)
Income tax expense	**4 820**	**2 532**

In thousands BYN	2017		2016	
	%	*thousands BYN*	%	*thousands BYN*
Income before tax		**31 806**		**17 968**
Theoretical tax	25%	7 952	25%	4 492
Tax-exempt income	(9,59%)	(3 049)	(11,02%)	(1 980)
Non-deductible expenses	0,69%	221	0,97%	174
Tax-exempt income (income on bonds)	(0,96%)	(304)	(0,86%)	(154)
Income tax expense	**15,15%**	**4 820**	**14,09%**	**2 532**

In thousands BYN	2017	2016
Deferred tax liability at the beginning of the year	**(6 468)**	**(7 410)**
Deferred tax income (expense) during the reporting period attributable to profit or loss	(485)	942
Deferred tax liability at the end of year	**(6 953)**	**(6 468)**

Deferred tax assets and liabilities as at 31 December 2017, as at 31 December 2016 are as follows:

	Assets		**Liability**		**Net**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Property, plant and equipment	-	-	(170)	-	(170)	-
Intangible assets	15	17	-	-	15	17
Financial assets held to maturity	-	-	(4)	-	(4)	-
Financial assets avalible for sale	-	-	(5 554)	(5 714)	(5 554)	(5 714)
Deposits with banks	-	396	(2 986)	-	(2 986)	396
Receivables on reinsurance agreements	-	933	(372)	-	(372)	933
Receivables on retrocession agreements	-	26	-	-	-	26
Other receivables	15	27	-	-	15	27
Deferred acquisition costs	-	-	(1 329)	(1 274)	(1 329)	(1 274)
Deferred expences accrued	10	22	-	-	10	22
Other deferred expenses	-	-	-	(1 974)	-	(1 974)
Reinsurer's share in unearned premium technical reserves	-	-	(1 086)	(1 032)	(1 086)	(1 032)
Reinsurer's share in outstanding claim technical reserves	441	290	-	-	441	290
Prepayments	-	-	(424)	(585)	(424)	(585)
Cash and cash equivalents	-	-	(25)	-	(25)	-
Technical reserves for unearned premium and unexpired risks	3 006	1 884	-	-	3 006	1 884
Outstanding claim technical reserves	620	1 313	-	-	620	1 313
Payables on reinsurance agreements	-	-	-	(54)	-	(54)
Payables on retrocession agreements	-	-	-	(742)	-	(742)
Other payables	890	-	-	(1)	890	(1)
Net tax assets (liabilities)	**4 997**	**4 908**	**(11 950)**	**(11 376)**	**(6 953)**	**(6 468)**

(19) THE RESULT OF RISK TRANSMISSION TO RETROCESSION

In thousands BYN

	Notes	**2017**	**2016**
Retrocessionaires' share in written premiums	8	(41 280)	(26 843)
Retrocessionaires' share in change in unearned premiums reserve	10	8 462	2 914
Retrocessionaires' share of claims paid	11	1 866	8 942
Retrocessionaires' share in change in outstanding claim technical reserves	13	3 502	(5 143)
Retrocessionaires' commission income		1 352	740
Total risk transmission result		**(26 098)**	**(19 390)**

(20) PROPERTY AND EQUIPMENT

In thousands BYN	Vehicles	Oter fixed assetst	Furniture and office equip ment	Construction in progress	Total
Initial cost					
Balance at 1 January 2016	**40**	**42**	**123**	**-**	**205**
Additions	-	5	3	-	8
Disposals	-	(2)	(1)	-	(3)
Balance at 31 December 2016	**40**	**45**	**125**	**-**	**210**
Additions	-	-	49	2 106	**2 155**
Balance at 31 December 2017	**40**	**45**	**174**	**2 106**	**2 365**
Accumulated depreciation					
Balance at 1 January 2016	**(3)**	**(35)**	**(61)**	**-**	**(99)**
Depreciation	(5)	(4)	(17)	-	(26)
Disposals	-	2	1	-	3
Balance at 31 December 2016	**(8)**	**(37)**	**(77)**	**-**	**(122)**
Depreciation	(5)	(3)	(16)	-	**(24)**
Balance at 31 December 2017	**(13)**	**(40)**	**(93)**	**-**	**(146)**
Balance at 1 January 2016	**37**	**7**	**62**	**-**	**106**
Balance at 31 December 2016	**32**	**8**	**48**	**-**	**88**
Balance at 31 December 2017	**27**	**5**	**81**	**2 106**	**2 219**

(21) FINANCIAL ASSETS HELD TO MATURITY

In thousands BYN	Currency	Carrying value 31 December 2017	Carrying value 31 December 2016
Bonds of the Ministry of Finance of the Republic of Belarus	BYN	39 885	29 031
Eurobonds of the Republic of Belarus	USD	4 347	-
Bonds of the Ministry of Finance of the Republic of Belarus	USD	3 950	-
Bonds of OJSC "Belagroprombank"	EUR	2 356	2 045
		50 538	**31 076**

Bonds of the Ministry of Finance of the Republic of Belarus in Belarussian roubles 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.

Bonds of the Ministry of Finance of the Republic of Belarus in USD are classified as financial assets held to maturity. According to the contract of sale interest income on the bonds is 5.5%, the maturity date is for the bonds – 6 February 2020, for the remaining part – 28 February 2023.

Eurobonds of the Republic of Belarus in US dollar are classified as financial assets held to maturity. According to the contract of sale interest income on the bonds is 6.88%, the maturity date for the bonds is 28 February 2023.

Bonds of OJSC "Belagroprombank" are classified as financial assets held to maturity. According to the issue prospectus, the interest income on the bonds is 4.5%, the maturity date is 24 December 2019, the income is paid on a monthly basis.

(22) 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 thousands BYN			31 December 2017		31 December 2016	
		Sector	**% owned**	**Carrying amount**	**% owned**	**Carrying amount**
OJSC "Belagroprombank"	Shares	Bank	4,32%	61 708	4,32%	61 708
OJSC "Promagroleasing"	Shares	Leasing company	2,58%	4 115	2,58%	4 115
Development bank	Bonds	Bank		2 355		-
				68 178		**65 823**

As of 31 December 2016 and as of 31 December 2017, there was no impairment of equity investments.

According to the contract of sale interest income on the bonds of Development bank is 6.25%, the planning maturity date is 29 March 2018.

(23) DEPOSITS WITH BANKS

In thousands BYN	31 December 2017	31 December 2016
Deposits with banks	50 794	86 752
	50 794	**86 752**

As of 31 December 2017 31 December 2016 all deposits were placed in Belarusian financial institutions. As of 31 December 2017 and 31 December 2016 BYN 6 407 thousand and BYN 8 113 thousand of deposits respectively were provided as collateral under retrocession contracts, and are limited in use.

(24) RECEIVABLES FROM REINSURANCE ACTIVITIES

In thousands BYN	31 December 2017	31 December 2016
Contributions payable to reinsurers	37 642	22 864
	37 642	**22 864**

For the recevables specified above the payment term has not come yet.

(25) OTHER RECEIVABLES AND PREPAYMENTS

Other receivables

In thousands BYN	31 December 2017	31 December 2016
Interest income on bonds	95	1
Legal expenses due	54	172
Claims due	53	52
Other	48	4
	250	**229**

Prepayments

In thousands BYN	31 December 2017	31 December 2016
Taxes, except income tax	62	113
Lease	13	-
Property and equipment	-	2 105
Distributions to owner	-	101
Other	8	132
	83	**2 451**

(26) CASH AND CASH EQUIVALENTS

In thousands BYN	31 December 2017	31 December 2016
Deposits under 3 months	35 069	150
Current accounts with credit institutions	407	680
Cash and cash equivalents	**35 476**	**830**

As at 31 December 2017 and as at 31 December 2016 all deposit amounts were placed in national financial institutions.

(27) CAPITAL AND RESERVES

In 2017, the Company's share capital was increased by BYN 4 811 thousand due to retained earnings (in 2016, by BYN 5 874 thousand). As of 31 December 2017 the Company's share capital amounted to BYN 333 726 thousand (in 2016 – BYN 328 915 thousand).

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

Amount available for distribution as at 31 December 2017 and 31 December 2016 was BYN 16 881 thousand and BYN 8 107 thousand, respectivey.

During the year ended 31 December 2017:

- contributions from the profit of Republican Unitary Enerprises were made in the amount of BYN 6 109 thousand (in 2016: BYN 7 192 thousand),

- contributions to investment fund of the Ministry Of Finance of the Republic of Belaruswere made in the amount of BYN 764 thousand (in 2016: BYN 378 thousand).

(28) OTHER PAYABLES

In thousands BYN	31 December 2017	31 December 2016
Payables to owner	364	965
Payables to employees	168	-
Payments for social insurance	54	-
Payments for property and personal insurance	25	23
Reserve of unused vacations	25	-
Prepayments received under reinsurance contracts	13	84
Tax liabilities	2	-
Other	90	23
Other payables	**741**	**1 095**

(29) RELATED PARTIES

In thousands BYN	2017	2016
Salary and other personnel costs	**165**	**97**
- Key management personnel	*165*	*97*

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 organizations (collectively referred to as "government-related entities"). The Company has transactions with other government-related entities including assuming risks in reinsurance, reinsuring the risks; receiving services; depositing money.

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; for example non-state insurers. 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:, BRUCEII "Beleximgarant", BRUIC "Belgosstrakh" and insurance companies with more than 50 percent of government shareholding: CJSIC "Belneftestrakh", CJSIC "TASK", CJSIC "Promtransinvest", JLLC "Belkoopstrah". The transactions with state-owned insurance companies are listed below.

In thousands BYN	2017	2016
Gross written premiums	**70 984**	**46 892**
State insurers	70 984	46 892
Acquisition expenses	**(3 944)**	**3 066**
State insurers	(3 944)	3 066
Retrocessionaires' share in written premiums	**(5 068)**	**4 814**
State insurers	(5 068)	4 814
Retrocessionaires' commission income	**226**	**252**
State insurers	226	252
Paid claims	**(7 373)**	**13 156**
State insurers	(7 373)	13 156
Retrocessionaires' share in claims paid	**714**	**498**
State insurers	714	498

In thousands BYN	**31 December 2017**	**31 December 2016**
Receivables from reinsurance activities	**33 259**	**16 177**
State insurers	33 259	16 177
Payables from reinsurance activities	**2 304**	**1 532**
State insurers	2 304	1 532
Receivables from retrocession activities	**191**	**236**
State insurers	191	236
Other receivables	**1**	-
State insurers	1	-
Payables from retrocession activities	**1 570**	**1 397**
State insurers	1 570	1 397
Other payables	**25**	**84**
State insurers	25	84
RBNS	**13 068**	**10 219**
State insurers	13 068	10 219
Retrocessionaires' share in RBNS	**2 615**	**2 776**
State insurers	2 615	2 776

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, securities of state-owned banks and OJSC "Bank for Development of the Republic of Belarus", unless otherwise established by the President of the Republic of Belarus, real estate, and directed to the formation of statutory funds of organizations, in which the said insurance organizations are the property owners (founders, participants). According to 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.

As of 31 December 2017, as of 31 December 2016, the Company had cash and cash equivalents (including deposits up to 3 months) on the accounts of state owned banks in the amount of BYN 35 476 thousand and BYN 830 thousand respectively; deposits in the amount of BYN 50 794 thousand and BYN 86 752 thousand, respectively. The interest accrued on deposits placed with state banks amounted to BYN 3 861 thousand for 2017 and BYN 5 057 thousand for 2016, respectively.

(30) NUMBER OF EMPLOYEES

	2017	**2016**
Average number of employees	64	59

(31) REMAINING MATURITIES OF INSURANCE LIABILITIES

	31 December 2017			31 December 2016		
	Gross liabilities	Retroces-sionaires' share	Net liabilities	Gross liabilities	Retrocess-ionaires' share	Net liabilities
Technical reserves for unearned premium and unexpired risks	80 740	(40 542)	**40 198**	60 454	(30 846)	**29 608**
Outstanding claim technical reserves	45 790	(10 172)	**35 618**	41 315	(6 214)	**35 101**
Total	**126 530**	**(50 714)**	**75 816**	**101 769**	**(37 060)**	**64 709**
Less than 1 year	70 968	(21 149)	**49 819**	62 821	(14 898)	**47 923**
From 1 to 5 years	48 588	(27 789)	**20 799**	34 825	(20 117)	**14 708**
More than 5 years	6 974	(1 776)	**5 198**	4 123	(2 045)	**2 078**

(32) 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. reinsured and shareholders of the Company. Risk management includes a set of measures the performance of which requires involvement of each staff member within the scope of their competency. The Company's risk management includes:

- Capital sufficiency requirements and capital management;
- Insurance risk identification and management;
- Financial risks 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 No.73 and with requirements to minimal share capital, established in the Decree of the President of the Republic of Belarus dated 25 August 2006 № 530 "On Insurance Operations". The Company is obliged to hold the minimum amount of capital required to run the business. The minimal required share capital according to the Decree is EUR 5 000 000. 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. As at 31 December 2017 and as at 31 December 2016, the share capital complies with this criterion.

In order to ensure the stability of the insurer's financial activities, the insurance company should constantly have own funds at its disposal, which should be equal to or larger than a determined solvency margin, calculated on the basis of financial statements, compiled in accordance with the legislation of the Republic of Belarus.

In thousands BYN	31 December 2017	31 December 2016
Solvency margin based on premiums received	15 361	11 334
Solvency margin based on claims paid	3 688	4 573
Solvency margin (the largest amount)	**15 361**	**11 334**
Reinsurance ratio	0,7	0,8
Solvency margin adjusted by reinsurance ratio	**10 753**	**9 067**
Total capital to calculate capital adequacy (own funds)	**168 781**	**155 474**
Capital adequacy surplus	**158 028**	**146 407**

(c) Insurance risks 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. 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.

Those transactions requiring special authorization 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);
- liability reinsurance in the "Green card" system;
- transport reinsurance (CASCO);
- liability reinsurance;
- marine reinsurance;
- accident reinsurance;
- medical expenses 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 amounts provides for the coordination of activities between insurers and reinsurers;
- 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 may be provided in case 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, lagre retrocession contracts with international insurance brokers are concluded.

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 some types of 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 an 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 reinsurance (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.

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;
- payment of cash (transfer of a dwelling premise) in terms and in amounts (within the nominal value) provided for by the terms of the bond 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", BRUCEII "Beleximgarant", CJSIC "Promtransinvest".

Liability reinsurance in the "Green card" system

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. Ceding broker is LLC "Insurance broker Malakut".

The Company assumes in reinsurance on the 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 liability reinsurance:

- liability insurance of legal entities;
- liability insurance of minor ships' owners;
- liability insurance against non-fulfillment of public contract's obligations;
- liability insurance of reactor operator;
- liability insurance against nuclear damage;
- liability insurance against harm caused due to professional activity;
- liability custom authorities insurance;
- liability insurance of customs warehouses' owners;
- liability insurance of commodity producer;
- liability insurance of carrier and forwarder;
- liability insurance of high-threat organizations;
- liability insurance of employer;
- liability insurance against harm caused to third parties;
- liability insurance of local carriers;
- liability insurance against forced business interruption;
- 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.

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;

(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 last year.

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 2017 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 eight-year period IFRSs have been applied to.

Claim development analysis as at 31 December 2017, *thousand BYN*

	Year of insurance event occurrence									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of cumulative claims at end of accident year	7 997	5 219	5 051	5 715	11 084	34 163	14 654	30 253	24 734	**24 734**
- one year later (2010)	7 243	4 928	5 561	2 905	7 949	8 911	16 368	25 099	-	**25 099**
- two years later (2011)	7 239	5 382	7 270	2 701	13 710	9 422	15 299	-	-	**15 299**
- three years later (2012)	7 133	4 601	7 526	4 310	9 924	8 245	-	-	-	**8 245**
-four years later (2013)	7 698	4 264	8 523	3 311	9 631	-	-	-	-	**9 631**
- five years later (2014)	7 790	4 206	8 196	3 948	-	-	-	-	-	**3 948**
- six years later (2015)	7 893	4 200	8 224	-	-	-	-	-	-	**8 224**
- seven years later (2016)	7 873	4 200	-	-	-	-	-	-	-	**4 200**
- eight years later (2017)	7 955	-	-	-	-	-	-	-	-	**7 955**
Cumulative payments to date	7 955	4 199	8 163	3 244	7 140	6 184	8 198	14 556	1 906	**61 545**
Outstanding claims technical reserves at 31 December 2017	**-**	**1**	**61**	**704**	**2 491**	**2 061**	**7 101**	**10 543**	**22 828**	**45 790**

Claim development analysis as at 31 December 2016, *thousand BYN*

	Year of insurance event occurrence								
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of cumulative claims at end of accident year	7 997	5 219	5 051	5 715	11 084	34 163	14 654	30 253	30 253
- one year later (2010)	7 243	4 928	5 561	2 905	7 949	8 911	16 368	-	16 368
- two years later (2011)	7 239	5 382	7 270	2 701	13 710	9 422	-	-	9 422
- three years later (2012)	7 133	4 601	7 526	4 310	9 924	-	-	-	9 924
-four years later (2013)	7 698	4 264	8 523	3 311	-	-	-	-	3 311
- five years later (2014)	7 790	4 206	8 196	-	-	-	-	-	8 196
- six years later (2015)	7 893	4 200	-	-	-	-	-	-	4 200
- seven years later (2016)	7 873	-	-	-	-	-	-	-	7 873
Cumulative payments to date	7 873	4 199	8 135	3 229	6 763	4 088	6 736	7 209	48 232
Outstanding claims technical reserves at 31 December 2016	**-**	**1**	**61**	**82**	**3 161**	**5 334**	**9 632**	**23 044**	**41 315**

(j) 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 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.

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:

Analysis of financial assets and liabilities subject to rate repricing as at 31 December 2017

In thousands BYN	Interest rate	Non- interest bearing	Fixed interest rate	Floating interest rate	Total
Financial assets					
Financial assets available-for sale	6,35%	65 823	2 355	-	**68 178**
Financial assets held to maturity in FCC	4,5%-6,88%	-	10 653	-	**10 653**
Financial assets held to maturity in BYN	37,4%	-	39 885	-	**39 885**
Deposits with banks	2,5%-7,5%	2 321	35 980	12 493	**50 794**
Receivables from reinsurance activities		37 642	-	-	**37 642**
Receivables from retrocession activities		1 405	-	-	**1 405**
Cash and cash equivalents	0,01%-4,8%	-	407	35 069	**35 476**
Other receivables		250	-	-	**250**
Retrocessionaires' share in unearned premium technical reserve		40 542	-	-	**40 542**
Retrocessionaires' share in outstanding claim technical reserve		10 172	-	-	**10 172**
Total financial assets		**158 155**	**89 280**	**47 562**	**294 997**
Financial liabilities					
Payables from reinsurance activities		(2 803)	-	-	**(2 803)**
Payables from retrocession activities		(12 085)	-	-	**(12 085)**
Part of other payables		(115)	-	-	**(115)**
Technical reserves of unearned premiums and unexpired risks		(80 740)	-	-	**(80 740)**
Outstanding claim technical reserves		(45 790)	-	-	**(45 790)**
Total financial liabilities		**(141 533)**	**-**	**-**	**(141 533)**

Analysis of financial assets and liabilities subject to rate repricing as at 31 December 2016

In thousands BYN	Interest rate	Non- interest bearing	Fixed interest rate	Floating interest rate	Total
Financial assets					
Financial assets available-for sale		65 823	-	-	**65 823**
Financial assets held to maturity in FCC	4,5%	-	2 045	-	**2 045**
Financial assets held to maturity in BYN	37,4%	-	29 031	-	**29 031**
Deposits with banks	2.0%-13.8%	4 027	70 379	12 346	**86 752**
Receivables from reinsurance activities		22 864	-	-	**22 864**
Receivables from retrocession activities		1 279	-	-	**1 279**
Cash and cash equivalents	0,01%-6,0%	680	150	-	**830**
Other receivables		229	-	-	**229**
Retrocessionaires' share in unearned premium technical reserve		30 846	-	-	**30 846**
Retrocessionaires' share in outstanding claim technical reserve		6 214	-	-	**6 214**
Total financial assets		**131 962**	**101 605**	**12 346**	**245 913**
Financial liabilities					
Payables from reinsurance activities		(1 949)	-	-	**(1 949)**
Payables from retrocession activities		(6 957)	-	-	**(6 957)**
Part of other payables		(46)	-	-	**(46)**
Unearned premiums and unexpired risks technical reserves		(60 454)	-	-	**(60 454)**
Outstanding claim technical reserves		(41 315)	-	-	**(41 315)**
Total financial liabilities		**(110 721)**	**-**	**-**	**(110 721)**

The Company is subject to interest risk mainly on deposits with banks and investments held to maturity nominated in Belarusian 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 2017 and as at 31 December 2016.

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:

In thousands BYN	**31 December 2017**		**31 December 2016**	
	Interest rate 5%	Interest rate -5%	Interest rate 5%	Interest rate -5%
Effect on profit before income tax	2 378	(2 378)	617	(617)
Effect on equity	1 784	(1 784)	463	(463)

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 net income for the year and its equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2017 and 31 December 2016 and a simplified scenario of a change in EUR, USD and RUB to BYN exchange rates is as follows (in thousands BYN):

In thousands BYN	**31 December 2017**		**31 December 2016**	
	USD/BYN	USD/BYN	USD/BYN	USD/BYN
	5%	-5%	10%	-10%
Effect on profit before income tax	1 600	(1 600)	2 700	(2 700)
Effect on equity	1 200	(1 200)	2 025	(2 025)

In thousands BYN	**31 December 2017**		**31 December 2016**	
	EUR/BYN	EUR/BYN	EUR/BYN	EUR/BYN
	5%	-5%	10%	-10%
Effect on profit before income tax	1 130	(1 130)	2 174	(2 174)
Effect on equity	847	(847)	1 631	(1 631)

In thousands BYN	**31 December 2017**		**31 December 2016**	
	RUB/BYN	RUB/BYN	RUB/BYN	RUB/BYN
	5%	-5%	10%	-10%
Effect on profit before income tax	(226)	226	(830)	830
Effect on equity	(169)	169	(622)	622

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 2017

In thousands BYN	BYN	USD	EUR	RUB	Other	Total
Financial assets						
Financial assets available-for-sale	65 823	-	2 355	-	-	**68 178**
Financial assets held to maturity	39 885	8 297	2 356	-	-	**50 538**
Deposits with banks	-	12 487	25 814	12 493	-	**50 794**
Receivables from reinsurance activities	5 610	20 314	6 706	3 903	1 109	**37 642**
Receivables from retrocession activities	42	480	245	632	6	**1 405**
Cash and cash equivalents	350	30 336	4 697	93	-	**35 476**
Other receivables	98	93	19	40	-	**250**
Retrocessionaires' share in unearned premium technical reserve	1 634	30 787	5 905	2 216	-	**40 542**
Retrocessionaires' share in outstanding claim technical reserve	3 327	3 680	1 451	1 714	-	**10 172**
Total financial assets	**116 769**	**106 474**	**49 548**	**21 091**	**1 115**	**294 997**
Financial liabilities						
Payables from reinsurance activities	(527)	(1 490)	(568)	(153)	(65)	**(2 803)**
Payables from retrocession activities	(155)	(7 836)	(1 527)	(2 511)	(56)	**(12 085)**
Part of other payables	(107)	-	(8)	-	-	**(115)**
Technical reserves of unearned premiums and unexpired risks	(7 632)	(50 723)	(17 103)	(5 282)	-	**(80 740)**
Outstanding claim technical reserves	(5 966)	(14 423)	(7 744)	(17 657)	-	**(45 790)**
Total financial liabilities	**(14 387)**	**(74 472)**	**(26 950)**	**(25 603)**	**(121)**	**(141 533)**
Open currency position	**102 382**	**32 002**	**22 598**	**(4 512)**	**994**	**153 464**

Company's financial assets and liabilities currency profile as at 31 December 2016

In thousands BYN	BYN	USD	EUR	RUB	Other	Total
Financial assets						
Financial assets available-for-sale	65 823	-	-	-	-	**65 823**
Financial assets held to maturity	29 031	-	2 045	-	-	**31 076**
Deposits with banks	1 347	44 381	30 025	10 999	-	**86 752**
Receivables from reinsurance activities	2 073	10 604	4 572	4 601	1 014	**22 864**
Receivables from retrocession activities	62	744	332	141	-	**1 279**
Cash and cash equivalents	190	171	227	242	-	**830**
Other receivables	56	-	100	-	73	**229**
Retrocessionaires' share in unearned premium technical reserve	1 696	24 299	2 146	2 705	-	**30 846**
Retrocessionaires' share in outstanding claim technical reserve	920	1 293	2 203	1 798	-	**6 214**
Total financial assets	**101 198**	**81 492**	**41 650**	**20 486**	**1 087**	**245 913**
Financial liabilities						
Payables from reinsurance activities	(256)	(1 051)	(396)	(174)	(72)	**(1 949)**
Payables from retrocession activities	(386)	(3 545)	(506)	(2 520)	-	**(6 957)**
Part of other payables	(46)	-	-	-	-	**(46)**
Unearned premiums and unexpired risks technical reserves	(4 245)	(40 323)	(9 810)	(6 076)	-	**(60 454)**
Outstanding claim technical reserves	(2 532)	(9 575)	(9 196)	(20 012)	-	**(41 315)**
Financial liabilities	**(7 465)**	**(54 494)**	**(19 908)**	**(28 782)**	**(72)**	**(110 721)**
Open currency position	**93 733**	**26 998**	**21 742**	**(8 296)**	**1 015**	**135 192**

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 2017 and 31 December 2016, as there are no financial instruments with quoted market price in the investment portfolio, except for Eurobonds of the Republic of Belarus and bonds of the Development Bank of the Republic of Belarus.

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.

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.

In thousands BYN	31 December 2017		31 December 2016	
Maximum credit risk	**Gross**	**Net**	**Gross**	**Net**
Financial assets available-for-sale	68 178	68 178	65 823	65 823
Financial assets held to maturity	50 538	50 538	31 076	31 076
Deposits with banks	50 794	50 794	86 752	86 752
Receivables from reinsurance activities	37 642	37 642	22 864	22 864
Receivables from retrocession activities	1 405	1 405	1 279	1 279
Cash and cash equivalents	35 476	35 476	830	830
Other receivables	250	250	229	229
Retrocessionaires' share in unearned premium technical reserve	40 542	40 542	30 846	30 846
Retrocessionaires' share in outstanding claim technical reserve	10 172	10 172	6 214	6 214
Total	**294 997**	**294 997**	**245 913**	**245 913**

The Company has no overdue accounts receivable, allowance for bad debt was not created.

Investment analysis by ratings as at 31 December 2017, in thousands BYN:

Rating	Deposits with banks	Financial assets available-for-sale	Financial assets held to maturity	Cash and cash eqivalents	Total
Fitch B-	44 387	6 470	48 182	398	**99 437**
Standart & Poor's B-	6 407	61 708	2 356	35 078	**105 549**
	50 794	**68 178**	**50 538**	**35 476**	**204 986**

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 as for financial instruments.

Retrocessional premiums for ceded retrocession are recognized 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 recognized 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.

Retrocessional assets include recoveries due from retrocessionaires 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 retrocessionaire.

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 retrocessionaires on an ongoing basis and reviews its retrocessional arrangements periodically.

During 2017 and 2016, there have been no cases where a retrocessionaire 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 2017 and 31 December 2016:

Maturity dates of the Company's financial assets and liabilities as at 31 December 2017

In thousands BYN

	Up to 12 months	From 1 to 5 years	More than 5 years	No fixed term	Total
Financial assets					
Financial assets available-for-sale	2 355	-	-	65 823	**68 178**
Financial assets held to maturity	-	44 216	6 322	-	**50 538**
Deposits with banks	18 899	31 895	-	-	**50 794**
Receivables from reinsurance activities	20 332	13 268	4 042	-	**37 642**
Receivables from retrocession activities	1 216	163	26	-	**1 405**
Cash and cash equivalents	35 476	-	-	-	**35 476**
Other receivables	250	-	-	-	**250**
Retrocessionaires' share in unearned premium technical reserve	10 977	27 789	1 776	-	**40 542**
Retrocessionaires' share in outstanding claim technical reserve	10 172	-	-	-	**10 172**
Total financial assets	**99 677**	**117 331**	**12 166**	**65 823**	**294 997**
Financial liabilities					
Payables from reinsurance activities	(1 626)	(802)	(375)	-	**(2 803)**
Payables from retrocession activities	(8 125)	(3 702)	(258)	-	**(12 085)**
Part of other payables	(115)	-	-	-	**(115)**
Technical reserves of unearned premiums and unexpired risks	(25 178)	(48 588)	(6 974)	-	**(80 740)**
Outstanding claim technical reserves	(45 790)	-	-	-	**(45 790)**
Total financial liabilities	**(80 834)**	**(53 092)**	**(7 607)**	-	**(141 533)**
Financial assets and liabilities maturities gap	**18 843**	**64 239**	**4 559**	**65 823**	**153 464**

Maturity dates of the Company's financial assets and liabilities as at 31 December 2016

In thousands BYN	Up to 12 months	From 1 to 5 years	More than 5 years	No fixed term	Total
Financial assets					
Financial assets available-for-sale	-	-	-	65 823	**65 823**
Financial assets held to maturity	-	31 076	-	-	**31 076**
Deposits with banks	86 752	-	-	-	**86 752**
Receivables from reinsurance activities	17 012	5 325	527	-	**22 864**
Receivables from retrocession activities	1 211	68	-	-	**1 279**
Cash and cash equivalents	830	-	-	-	**830**
Other receivables	229	-	-	-	**229**
Retrocessionaires' share in unearned premium technical reserve	8 684	20 117	2 045	-	**30 846**
Retrocessionaires' share in outstanding claim technical reserve	6 214	-	-	-	**6 214**
Total financial assets	**120 932**	**56 586**	**2 572**	**65 823**	**245 913**
Payables from reinsurance activities	(1 562)	(354)	(33)	-	**(1 949)**
Payables from retrocession activities	(6 227)	(727)	(3)	-	**(6 957)**
Part of other payables	(46)	-	-	-	**(46)**
Unearned premiums and unexpired risks technical reserves	(21 502)	(34 826)	(4 126)	-	**(60 454)**
Outstanding claim technical reserves	(41 315)	-	-	-	**(41 315)**
Financial liabilities	**(70 652)**	**(35 907)**	**(4 162)**	**-**	**(110 721)**
Financial assets and liabilities maturities gap	**50 280**	**20 679**	**(1 588)**	**65 823**	**135 192**

Liquidity risk management specific to insurance and reinsurance companies is connected with the monitoring of insurance liabilities.

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.

(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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The estimates presented herein are not necessarily indicative of the amounts the Company could receive at the actual implementation of its existing holdings of a particular instrument.

Net asset value and fair value of financial assets and liabilities and levels of the fair value hierarchy are presented below:

As at 31 December 2017

In thousands BYN	**Net asset value**				**Fair value**			
Financial assets, not measured at fair value	**Assets available-for-sale**	**Assets held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	68 178	-	-	-	-	2 355	-	**2 355**
Financial assets held to maturity	-	50 538		-	4 347	2 356	70 633	**77 336**
Deposits with banks	-	-	50 794	-	-	-	-	-
Receivables from reinsurance activities	-	-	37 642	-	-	-	-	-
Receivables from retrocession activities	-	-	1 405	-	-	-	-	-
Other receivables	-	-	250	-	-	-	-	-
Retrocessionaires' share in unearned premium technical reserve	-	-	40 542	-	-	-	-	-
Retrocessionaires' share in outstanding claim technical reserve	-	-	10 172	-	-	-	-	-
Cash and cash equivalents	-	-	35 476	-	-	-	-	-
	68 178	**50 538**	**176 281**	**-**	**4 347**	**4 711**	**70 633**	**79 691**
Financial liabilities	-	-	-	-	-	-	-	-
Payables from reinsurance activities	-	-	-	(2 803)	-	-	-	-
Payables from retrocession activities	-	-	-	(12 085)	-	-	-	-
Part of other payables	-	-	-	(115)	-	-	-	-
Technical reserves for unearned premium and unexpired risks	-	-	-	(80 740)	-	-	-	-
Outstanding claim technical reserves	-	-	-	(45 790)	-	-	-	-
	-	**-**	**-**	**(141 533)**	**-**	**-**	**-**	**-**

As at 31 December 2016

	Net asset value				Fair value			
Financial assets, not measured at fair value	**Assets available-for-sale**	**Assets held to maturity**	**Loans and receivables**	**Other financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets available for sale	65 823	-	-	-	-	-	-	-
Financial assets held to maturity	-	31 076	-	-	-	2 045	54 572	56 617
Deposits with banks	-	-	86 752	-	-	-	-	-
Receivables from reinsurance activities	-	-	22 864	-	-	-	-	-
Receivables from retrocession activities	-	-	1 279	-	-	-	-	-
Part of other receivables	-	-	229	-	-	-	-	-
Retrocessionaires' share in unearned premium technical reserve	-	-	30 846	-	-	-	-	-
Retrocessionaires' share in outstanding claim technical reserve	-	-	6 214	-	-	-	-	-
Cash and cash equivalents	-	-	830	-	-	-	-	-
Financial liabilities								
	65 823	**31 076**	**149 014**	**-**	**-**	**2 045**	**54 572**	**56 617**
Payables from reinsurance activities	-	-	-	(1 949)	-	-	-	-
Payables from retrocession activities	-	-	-	(6 957)	-	-	-	-
Part of other payables	-	-	-	(46)	-	-	-	-
Technical reserves for unearned premium and unexpired risks	-	-	-	(60 454)	-	-	-	-
Outstanding claim technical reserves	-	-	-	(41 315)	-	-	-	-
	-	**-**	**-**	**(110 721)**	**-**	**-**	**-**	**-**

There were no transfers between fair value hierarchy levels in 2017 and 2016.

The company did not disclose information on the fair value of cash and cash equivalents, deposits with banks, payables and receivables, as their net assets value is approximately equal to their fair value.

Equity investments in OJSC "Belagroprombank" and OJSC "Promagroleasing" are carried at acquisition cost, since their fair value can not be reliably determined.

When assessing the fair value of bonds of the Ministry of Finance of the Republic of Belarus, the average market rate was used at 5.1% as of 31 December 2017 and 9.3% as of 31 December 2016.

(34) UNCERTAINTIES

Conditions of doing business in the Republic of Belarus

The Company's operations are located in Belarus. Consequently, the Company is exposed to the economic and financial markets of Belarus, which display emerging market characteristics. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Belarus. The monetary policy regulations, adopted by the National Bank of the Republic of Belarus and effective over the past two years, have resulted in reduced inflation and a less-volatile Belarusian Rouble. However, the fairly recent devaluation of the Belarusian Rouble, and the subsequent period of high inflation, still leads to a certain level of uncertainty in the business environment.

The financial statements reflect management's assessment of how the Belarusian business environment has impacted the operations and financial position of the Company. The business environment in the future may differ from management's assessment. 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.

(35) SUBSEQUENT EVENTS

During the period from 31 December 2017 to the reporting date, the refinancing rate of the National Bank of the Republic of Belarus decreased from 11% to 10.5%.