

JSC “Technobank”
Financial statements
for the year ended 31 December 2016

JSC “Technobank”
44 Kropotkina Str.
Minsk, 220002, Republic of Belarus
Tel.: +375 17 283 15 10
License to conduct banking activities # 11,
issued by the National Bank of the Republic of Belarus on 31 December 2013

Translation from the original in Russian

JSC "Technobank"

Financial statements for the year ended 31 December 2016

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Ref. number:

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Board of Directors
the Management of JSC "Technobank"
To the National Bank of the Republic of Belarus

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JSC "Technobank" (hereinafter - the Bank), which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of JSC "Technobank" as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter - IFRSs).

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of JSC "Technobank" in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw your attention to Section 4 (a) of the Notes to the financial statements:

- The Management of the Bank decided not to apply requirements of IAS 39 "Financial instruments: recognition and measurement" in relation to the recognition of debt impairment of EuroStepGroup incurred on 28.12.2016 measured at amortized cost due to the individual nature of the transaction not typical for the transactions performed in the course of the Bank's normal activity;
- In accordance with p. 2.3. of the Interbank Lending Agreement, the financing Bank is entitled unilaterally and without judicial procedures to demand from JSC "Technobank" early repayment of a loan under the Agreement in case of failure of the Bank to fulfill (improperly fulfillment of) any of the obligations (liabilities) under the Agreements, and in other cases, established by the

law.

In case of occurrence of events in 2017, described in p. 2.3. of the Agreement, the management of the Bank believes that JSC "Technobank" possesses sufficient amount of highly liquid assets recognized as securities available for sale which will at any time ensure the repayment of the debt to the financing Bank.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our description of how each matter has been addressed during the audit is presented in the given context.

We have performed obligations, described in section *Auditor's Responsibility for the Audit of the Financial Statements* of our report, including related to those matters. Hence, our audit included procedures developed in response to our assessment of the risk of significant misstatements of the financial statements. Results of our audit procedures, including the ones performed during the review of key audit matters, provide a basis for our audit opinion on the reliability of the accompanying financial statements.

Key Audit Matters

Auditor's Response

1

Allowance for impairment of loans to customers

Determination of the adequacy of allowance for impairment of loans to customers is the key area of judgment of the Bank's management. Identification of signs of impairment and measurement of recoverable value involve a significant use of professional judgment, assumptions, as well as analysis of various factors, including the financial state of the borrower, expected future cash flows, distribution cost of collateral.

Use of difference models and assumptions influences the level of allowance for impairment of loans to customers. Due to the materiality of amounts of loans to customers, which make up 49% of the total amount of assets, and the high level of subjectivity of judgements, measuring allowance for impairment of loans to customers is one of the key audit matters.

We have performed procedures in relation to information disclosed in Notes 8, 4(a) to the financial statements to determine the completeness and compliance of the disclosures to the IFRSs.

Our audit procedures included assessment of the calculation methods of allowance for impairment of loans to customers, testing of data carried forward, analysis of assumptions used by the Bank when calculating allowance for impairment. Apart from that, as for provisioning of significant individually assessed loans we analyzed expected future cash flows, including cost of collateral to be sold on the basis of analyzing assumptions used by the Bank's management when measuring collateral value and information on the market value from open sources of information.

As for provisioning of collectively assessed loans our audit procedures included analysis of the allowance calculation models, and testing of data carried forward, used in these models. As part of our audit procedures, we analyzed succession and reliability of the management's judgements, used when assessing economic factors and statistics on the losses incurred and amounts recovered.

Key Audit Matters	Auditor's Response
<p>2 Fair value measurement of buildings</p> <p>Methods for measuring fair value of buildings may be subjective in nature and may base on various assumptions about pricing factors. Different evaluation methods and use of assumptions may have a significant impact on the results of fair value measurement. Due to the materiality of the value of real estate, which as at 31 December 2016 is 9 575 thousand BYN, as well as a high degree of subjective judgment and potential impact on the Bank's financial statements, we consider the fair value of buildings as one of the key audit matters.</p>	<p>To determine the market value of buildings at the reporting date, the Bank's management engaged an independent appraiser. Our audit procedures related to real estate valuation included analysis of the competence and objectivity of an independent appraiser, engaged by the Bank's management, examination of significant assumptions, and comparison of the initial data used in the valuation, with available market information on the value of items and other data observed in the market. In addition, we checked the recognition of the revaluation results and related deferred taxes in the financial statements.</p>

We have performed procedures in relation to information disclosed in Note 13 to the financial statements to determine the completeness and compliance of the disclosures to the IFRSs.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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.

Director
Managing Partner
BDO in Belarus



Alexander Shkodin

Auditor-in-Charge
BDO in Belarus



Natalya Kondratyeva

Minsk, Republic of Belarus
25.05.2017

INFORMATION ABOUT THE AUDITEE AND THE AUDITOR:

	Auditee	Auditor
Company:	JSC "Technobank"	BDO, LLC
Location:	44 Kropotkina str., Minsk, 220002, Republic of Belarus;	103 Pobediteley ave., office 807, Minsk, 220020, Republic of Belarus
Information on the state registration:	Registered by the National Bank of the Republic of Belarus dated 05.08.1994, registration number 47	Certificate on the state registration was issued by Minsk City Executive Committee dated 15.11.2013
Payer's identification number:	100706562	190241132

Statement of Management Responsibility

The Management of JSC "Technobank" is responsible for preparing the financial statements of the Bank. The financial statements on pages 9 to 71 represent fairly the financial position of the Bank as of 31 December 2016, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

The financial statements are consistent with IFRS, in particular the provision of the reliable presentation, except for deviation from the requirements of IAS 39 Financial Instruments: Recognition and Measurement, with respect to the impairment of a financial asset at amortized cost (Note 4 (a))

The Management confirms that appropriate accounting policies have been used and applied consistently. Reasonable and prudent judgments and estimates have been made in the preparation of the Bank's financial statements. The Management also confirms that Bank's financial statements have been prepared on a going concern basis.

The Management of the Bank is responsible for keeping proper accounting records, for taking necessary steps to safeguard the assets of the Bank and to detect and prevent fraud and other irregularities. It is also responsible for operating the Bank in compliance with the Laws of the Republic of Belarus, including the rules established by the National Bank of the Republic of Belarus (hereinafter - "NB RB").

The financial statements for the year ended 31 December 2016 were authorised for issue on 25 May 2017 and signed on behalf of the management of the Bank.

On behalf of the management of the Bank:

Chairman of the Board of
Directors
D.L.Mikhalevich

Minsk,
25 May 2017

Chief Accountant
N.A.Kuzmitskaya

Statement of Financial Position

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and Cash equivalents	6	83,687	93,014
Precious metals		597	499
Balances due from financial institutions	7	6,459	2,725
Loans to customers	8	239,279	134,178
Financial assets available for sale	9	104,843	42,478
Financial assets held to maturity	10	16,588	127
Financial assets at fair value through profit or loss	11	54	-
Investment property	12	10,001	10,049
Property, plant and equipment and intangible assets	13	15,110	14,590
Assets held for sale	14	2,115	-
Deferred income tax asset	31	1,090	1,211
Other assets	15	6,096	5,369
TOTAL ASSETS		485,919	304,240
LIABILITIES AND EQUITY			
Liabilities			
Balances due to financial institutions	16	111,800	44,194
Customer accounts	17	308,617	205,467
Debt securities issued	18	2,975	904
Preference shares	19	19	19
Current income tax liabilities		-	63
Deferred income tax liabilities	31	-	-
Other liabilities	20	8,385	3,099
Total liabilities		431,796	253,746
Equity			
Share capital	21	52,787	52,524
Treasury shares	21	-	(1)
Revaluation reserve of financial assets available for sale	9	297	125
Accumulated gain/ (loss)		1,039	(2,154)
Total equity		54,123	50,494
TOTAL LIABILITIES AND EQUITY		485,919	304,240

The accompanying notes on pages 15 to 71 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Minsk,
25 May 2017

Chief Accountant
N.A. Kuzmitskaya

Statement of Comprehensive Income

	Notes	2016	2015
Interest income	22	28,478	32,453
Interest expense	23	(15,848)	(12,604)
Net interest income		12,630	19,849
Commission and fee income	24	12,189	11,287
Commission and fee expense	25	(3,394)	(2,355)
Net commission and fee income		8,795	8,932
Net gain on financial instruments	26	143	413
Net foreign exchange gain	27	11,322	11,548
Other operating income, net	29	14,288	4,253
Operating income		47,178	44,995
Net change in provisions on financial assets	7,8	(10,993)	(18,108)
Net change in provisions for impairment of other assets	15	(332)	(2,006)
Net change in provisions for loan commitments	33	(5,181)	124
Personnel expenses	28	(13,709)	(12,220)
Depreciation and amortization, impairment	13	(1,399)	(2,186)
Administrative expenses	30	(12,045)	(8,474)
Profit before income tax and loss on net monetary position		3,519	2,125
Income tax expense	31	(63)	(200)
Profit for the year		3,456	1,925
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
(Expense)/income from property, plant and equipment revaluation	13	-	(8,808)
Income tax relating to property, plant and equipment revaluation		-	2,565
Other comprehensive income that will not be reclassified to profit or loss less income tax		-	(6,243)
Items that are or may be reclassified to profit or loss:			
Gains/(losses) from revaluation of securities available for sale		430	166
Realised losses on securities available for sale reclassified to other comprehensive income		(200)	282

Translation from the original in Russian

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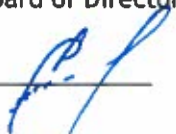
Financial statements for the year ended 31 December 2016

	Notes	2016	2015
Income tax relating to securities available for sale		(58)	(42)
Other comprehensive income that may be reclassified to profit or loss less income tax		172	406
Total comprehensive income / (loss) less income tax		172	(5,837)
Total comprehensive (loss) / income for the reporting year		3,628	(3,912)

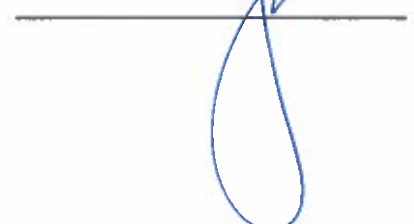
The accompanying notes on pages 15 to 71 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Minsk,
25 May 2017



Chief Accountant
N.A. Kuzmitskaya



Statement of Changes in Equity

	Share capital	Treasury shares	Property, plant and equipment revaluation reserve	Revaluation reserve of available-for-sale financial assets	Accumulated loss	Total equity
Balance as at 31 December 2014	52,524	-	6,243	(282)	(4,078)	54,408
Profit for the reporting period	-	-	-	-	1,924	1,924
Other comprehensive (loss)/ income for the reporting period	-	-	(6,243)	406	-	(5,837)
Total comprehensive income for the reporting period	-	-	(6,243)	406	1,924	(3,913)
Treasury shares sale	-	(1)	-	-	-	(1)
Balance as at 31 December 2015	52,524	(1)	-	125	(2,154)	50,494
Profit for the reporting period	-	-	-	-	3,456	3,456
Other comprehensive (loss) / income for the reporting period	-	-	-	172	-	172
Total comprehensive income for the year	-	-	-	172	3,456	3,628
Increase in the par value of shares	263	-	-	-	(263)	-
Treasury shares repurchased	-	1	-	-	-	1
Balance as at 31 December 2016	52,787	-	-	297	1,039	54,123

The accompanying notes on pages 15 to 71 form an integral part of these financial statements.

Chairman of the Board of Directors

D.L. Mikhalevich

Chief Accountant
N.A. KuzmitskayaMinsk,
25 May 2017

Statement of Cash Flows

	Notes	2016	2015
Operating activities			
Profit before income tax		3,519	1,924
(Profit) / loss on disposal of investment property, items of property, plant and equipment and intangible assets		3,416	(2,178)
Net change in income and expenses accrued		(4,479)	4,385
Provision for impairment of assets	7,8,15	11,325	20,115
Depreciation and amortization, impairment	12,13	1,180	2,186
Changes in accruals for unused vacation		115	145
Foreign exchange differences	27	949	(646)
Provision for loan commitments	33	5,181	(124)
Property received as debt repayment		(295)	(3,595)
Financial result from recognition of financial instruments at fair value		(252)	(106)
Increase in cash and cash equivalents from operating activities before changes in operating assets and liabilities		20,659	22,106
<i>(Increase)/decrease in operating assets:</i>			
Precious metals		100	(27)
Balances due from financial institutions		(4,265)	(1,951)
Loans to customers		(106,022)	(10,621)
Financial assets available for sale		(61,647)	(19,285)
Financial assets at fair value through profit or loss		-	(437)
Other assets		(653)	(1,088)
<i>Increase/(decrease) in operating liabilities:</i>			
Balances due to financial institutions		67,731	38,991
Customer accounts		95,162	24,237
Other liabilities		75	(1,185)
Net cash and cash equivalents from / (used in) operating activities before income tax		11,140	50,740
Income tax paid		-	(315)
Net cash and cash equivalents from / (used in) operating activities		11,140	50,425
Investing activities			
Financial assets held to maturity		(16,426)	(182)
Proceeds from sale of property and equipment		-	534
Purchase of property and equipment and intangible assets		(7,074)	(1,982)
Net cash and cash equivalents used in investing activities		(23,500)	(1,629)

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	Notes	2016	2015
Financing activities			
Debt securities (settled) issued		2,071	(7,678)
Debt securities settled		-	-
Treasury shares (repurchased) / realized		1	(1)
Net cash and cash equivalents (used in) / from financing activities		2,072	(7,679)
Net increase / (decrease) in cash and cash equivalents		(10,288)	41,117
Effect of exchange differences on cash and cash equivalents		961	10,593
Cash and cash equivalents at the beginning of the year		93,014	41,304
Cash and cash equivalents at the end of the year	6	83,687	93,014

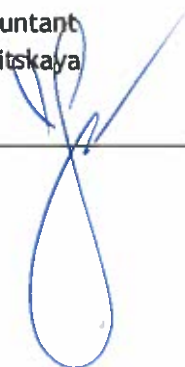
The accompanying notes on pages 15 to 71 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich



Minsk,
25 May 2017

Chief Accountant
N.A. Kuzmitskaya



Notes to the financial statements

1. GENERAL INFORMATION

Joint Stock Company "Technobank" was established according to the legislation of the Republic of Belarus and was registered on the territory of the Republic of Belarus by the National Bank of the Republic of Belarus on 5 August 1994. The registered address of the Bank is 44 Kropotkina Street, Minsk 220002, Republic of Belarus.

In the audited period the Bank performed its activities based on the following licenses:

License for banking operations № 11 issued by the National Bank of the Republic of Belarus on 31 December 2013. Resolution of the Board of the National Bank of the Republic of Belarus on 31 December 2013 a special permit (license) to conduct banking activities of "Technobank" add the following banking operations: collection cash, payment instructions, precious metals and precious stones and other valuables.

Special permit (license) № 02200/0385568 to carry out professional and exchange activities with securities was issued (maintained) by the Ministry of Finance of the Republic of Belarus by the decision № 155 dated 29 May 2009 for 5 years and it is valid before 22 June 2014. It is registered in the register of licenses of the Ministry of Finance of the Republic of Belarus № 5200-1246-839. Validity of the special permit (license) to carry out professional and exchange activities with securities was maintained by the decision of the Ministry of Finance of the Republic of Belarus № 129 dated 07 April 2014 for ten years. Special permit (license) to carry out professional and exchange activities with securities № 02200 / 5200-1246-1155 dated 04 June 2014 was issued by the Ministry of Finance of the Republic of Belarus and is valid before 22 June 2024.

Special permit (license) № 02010/13740 to carry out activities to ensure the safety of entities and individuals was issued by the Ministry of Internal Affairs of the Republic of Belarus on the basis of the decision № 20 km dated 16 December 2015 and it is valid before 23 December 2025.

Special permit (license) № 01019/94 to carry out activities of technical protection of information, including cryptographic techniques, among other the use of digital signature was issued by Operational and Analytical Centre under the President of the Republic of Belarus on the basis of the order of 8 November 2011 (validity period is perpetual). It is registered in the register of licenses of Operational and Analytical Centre under the President of the Republic of Belarus under № 94.

The Ministry of Architecture and Construction of the Republic of Belarus issued to JSC "Technobank" a certificate of compliance of the second category No0000909-IN for the right to perform: the functions of the customer, developer, engineering services in the implementation of construction of items of the first to fourth grade of complexity: the functions of the customer, developer, rendering of certain types of engineering services in construction (valid from 05.06.2015 to 05.06.2020).

Since March 31, 2016, JSC "Technobank" is included in the register of banks, non-bank credit and financial organizations recognized by customs authorities as guarantors of payment of customs payments for a period of 5 years.

According to the License on carrying out banking activities, the Bank issues loans to individuals and legal entities, provides settlement services for individuals and legal entities, receives monetary resources on deposits from legal entities, executes currency exchange operations and provides other banking services.

2. ECONOMIC ENVIRONMENT

The Bank operates primarily within the Republic of Belarus.

During 2016, the National Bank of the Republic of Belarus (hereinafter - the "NBRB" or the "National Bank") continued to apply the policy of financial market stabilization. To increase the efficiency of the refinancing rate as an instrument of monetary policy, since January 2016 the NBRB has been gradually reducing interest rates on instruments of liquidity regulation from 25% to 18% at the year-end.

In August 2016 the NBRB Board decided to reduce the mandatory standard sale of foreign exchange earnings from 30% to 20%.

The NBRB Board decided to change from 1 November 2016 the weights of currencies in the basket of foreign currencies, and to set the following rates: the Russian ruble - 50%, the US dollar - 30%, euro - 20%. This decision was made as part of a strategy on the gradual convergence of the Russian ruble share in the basket of foreign currencies and the Russian Federation share in a foreign trade turnover of the Republic of Belarus, which is about 50 percent.

Measures accepted by the NBRB have had a positive impact on the stability of the Belarusian ruble. The final devaluation of the national currency amounted to 5.5% at the end of 2016, 0.7% and 27.1% against the US dollar, euro and the Russian ruble, respectively. The overall decline in GDP for 2016 was 2.6% compared to a decrease of 3.8% for 2015.

Inflation processes in the economy also slowed down, inflation was 10.6% in 2016 (12% in 2015).

In July 2016 the official denomination of currency - Belarusian ruble at a ratio of 10,000 to 1 - took place in the Republic of Belarus. Current bank notes of 2000-year issue are being replaced by the bank notes and coins of 2009-year-issue.

During 2016 the Republic of Belarus continued to increase the national debt. The external state debt as of 1 January 2017 amounted to 13.6 billion US dollars, by increasing from the beginning of the year by 1 198,8 million US dollars, or by 9.6%.

On 25 March 2016 Council of Eurasian Stabilization and Development Fund approved a stabilization loan of \$ 2 billion US dollars for the Republic of Belarus. The loan is allocated to support the economic policy measures, as well as on structural reforms of the Government of the Republic of Belarus and the National Bank of the Republic of Belarus in a period from 2016 to 2018. Funds will be provided in seven tranches (each for a 10-year term, including a five-year grace period) for 2016-2018. The first tranche of \$ 500 million US dollars has been received on 30 March 2016. The second tranche in the amount of 300 million US dollars -. in June 2016

The remaining increase in the external state debt is mainly related to a net raising of funds by the Government and the banks of the Russian Federation and the banks of the People's Republic of China.

In June 2016, the Moody's Agency confirmed the sovereign rating of the Republic of Belarus at the level of Caa1 having revised the rating from "negative" to "stable", basing on the improvement of the foreign liquidity position of Belarus.

Although, in the opinion of the Bank's management, the management takes adequate actions to maintain the sustainable development of business in the current circumstances, unexpected further deterioration in the described spheres may have a negative impact on results of the financial performance and financial position of the Bank and its counterparties. Determination of the degree of such impact on the consolidated financial statements is currently not possible.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter - "IFRS").

In accordance with the legislation and government regulations of the Republic of Belarus on accounting and banking (hereinafter - "BAS"), the Bank is to maintain accounting records and prepare financial statements in Belarusian rubles. The financial statements are based on the accounting data of the Bank, formed by BAS, in compliance with the adjustments and reclassifications, necessary for transformation of these statements in accordance with IFRS.

The financial statements have been prepared in accordance with the principle of historical cost convention except as disclosed in the "Significant Accounting Policies". For example, investment securities available-for-sale and derivative financial instruments are measured at fair value.

(b) Functional and presentation currency

The Belarusian ruble is the functional currency of the Bank. The financial statements are presented in thousands of Belarusian rubles (hereinafter - "thousands BYN") unless otherwise stated.

(d) Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities of the Bank, disclosure of contingent assets and liabilities at the reporting date and reported income and expenses for the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable in case of absence of more reliable sources of information. The actual results may be different from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods, in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

(e) Changes in accounting policy

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard and amendment is described below. Although the new standards and amendments were applied for the first time in 2016, they did not have a significant impact on the Bank's annual financial statements. The nature and impact of each new standard / amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon

its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Bank is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Bank as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset.

As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Bank, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Bank as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and

electing to change to the equity method in their separate financial statements must apply that change retrospectively. These amendments do not have any impact on the Bank's financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Bank's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1

That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.

That entities have flexibility as to the order in which they present the notes to financial statements

That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

These amendments do not have any impact on the Bank.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

4. USE OF ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Allowances on loans to customers

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy (Note 5(e)).

Allowance for impairment of financial assets in terms of individually impaired loans is based on the best estimates made by management of the Bank with respect to the present value of cash flows, which the Bank expects to receive. In evaluating cash flows, the management makes judgment on the financial position of the counterparty and the net realizable value of related collateral. The calculation of the discounted cash flows of secured financial assets reflect cash flows which may occur as a result of the repossession of a debtor's assets excluding costs for acquisition and sale. Allowance for impairment of collectively impaired loans is based on the available information concerning the measurable decrease in the estimated future cash flows of a group of loans. The Bank's estimates of losses are based on past performance results, behavior of counterparties in the

past, creditworthiness of customers and general economic environment, which is not necessarily an indication of future losses.

When assessing credit risk and impairment allowances, the Bank applies the same estimates and judgments to loan commitments as to loans.

In accordance with IAS 39, p.59 a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.

The Management of the Bank decided not to apply requirements of IAS 39 Financial instruments: recognition and measurement in relation to the recognition of impairment of the debt of EuroStepGroup incurred on 28.12.2016, carried at amortised cost, due to the individual nature of the transaction not typical for transactions performed in the course of the Bank's normal activity. No allowance was created for impairment of the above mentioned debt.

The transaction was approved by the regulatory body who decided not to apply any supervisory measures to the Bank in relation to the underestimated allowance and violation of the secure functioning rates, which arose due to the above mentioned debt and the high social significance of the project.

Description of transaction

Under the decision of the General Shareholders' meeting dated 08.12.2016 Technobank JSC entered into an agreement of assignment of claims with the Bank, a resident of the Republic of Belarus (hereinafter referred to as the transferring bank) in relation to a loan agreement with EuroStepGroup dated 2013.

To reduce other risks and increase responsibility of a debtor under transaction with EuroStepGroup, Arteintrog LLC became a participant, possessing an interest of 75% of the share capital, 95% of which belongs to Igor Kurach (shareholder and Deputy of the Chairman of the Supervisory Board of JSC "Technobank"). The second participant of the entity is Presidential Sports Club.

Rights, transferred under the agreement of assignment of claims, by the transferring bank had a discount of 10% of the principal.

For the purpose of financing the above project, a long-term interbank loan agreement has been concluded with the Bank, a resident of the Republic of Belarus (hereinafter referred to as the Financing Bank) for the amount of 65,000,000 (sixty-five million) US dollars, with a total period of validity of 3 years. In 2016 EuroStepGroup provided as collateral for fulfillment of the obligation of JSC "Technobank" to the Financing Bank an item of construction in progress of "A multifunctional shopping, administrative, hotel and fitness complex with a multi-level parking spot of open type and above-ground parking spot at the intersection of Pritytskogo Street and IV-Koltso Street (Kuntsevschina street) in Minsk" and a children's entertainment center with an approximate total area of 1 815 sq.m., a multi-level open parking garage with an approximate total area of 16 800 sq.m. able to place 495 parking units, which is constructed by EuroStepGroup according to the

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investment agreement with the Republic of Belarus dated 26.11.2011 No. 109, registered with the State register of investment agreements with the Republic of Belarus.

The loan will be repaid in the following manner: 50% of the provided amount on 28.12.2018, the remaining part - on 31.12.2019.

In accordance with p. 2.3. of the Interbank Lending Agreement, the financing Bank is entitled unilaterally and without judicial procedures to demand from JSC "Technobank" an early repayment of the loan under the Agreement in case of failure of the Bank to fulfill (improper fulfillment of) any of the obligations (liabilities) under the Agreement, and in other cases, established by the law.

In case of occurrence of events in 2017, described in paragraph 2.3. of the Agreement, the management of the Bank believes that JSC "Technobank" possesses sufficient amount of highly liquid assets recognized as securities available for sale which will at any time ensure repayment of the debts to the financing Bank.

As at 31 December 2016 the debt of EuroStepGroup was carried at the amortised cost, excluding possible impairment.

Assessment of the impact of deviation

Assessment of the impact of this deviation on the amount of assets, liabilities, equity, profit (loss) and cash flows for each period is presented in the financial statements below:

Statement of Financial Position	Without taking into account the possible impairment	Adjustments	With taking into account the possible impairment
ASSETS			
Cash and Cash equivalents	83,687	-	83,687
Precious metals	597	-	597
Balances due from financial institutions	6,459	-	6,459
Loans to customers	239,279	(41,783)	197,496
Financial assets available for sale	104,843	-	104,843
Financial assets held to maturity	16,588	-	16,588
Financial assets at fair value through profit or loss	54	-	54
Investment property	10,001	-	10,001
Property, plant and equipment and intangible assets	15,110	-	15,110
Assets held for sale	2,115	-	2,115
Deferred income tax asset	1,090	(1,090)	-
Other assets	6,096	-	6,096
TOTAL ASSETS	485,919	(42,873)	443,046
LIABILITIES AND EQUITY			
Liabilities			
Balances due to financial institutions	111,800	-	111,800
Customer accounts	308,617	-	308,617
Debt securities issued	2,975	-	2,975
Preference shares	19	-	19
Current income tax liabilities	-	-	-
Deferred income tax liabilities	-	(58)	58

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Statement of Financial Position	Without taking into account the possible impairment	Adjustments	With taking into account the possible impairment
Other liabilities	8,385	-	8,385
Total liabilities	431,796	(58)	431,854
Equity			
Share capital	52,787	-	52,787
Treasury shares	-	-	-
Revaluation reserve of financial assets available for sale	297	-	297
Accumulated gain/(loss)	1,039	42,931	(41,892)
Total equity	54,123	42,931	11,192
TOTAL LIABILITIES AND EQUITY	485,919	42,873	443,046

Statement of Comprehensive Income	Without taking into account the possible impairment	Adjustments	With taking into account the possible impairment
Interest income	28,478	-	28,478
Interest expense	(15,848)	-	(15,848)
Net interest income	12,630	-	12,630
Commission and fee income	12,189	-	12,189
Commission and fee expense	(3,394)	-	(3,394)
Net commission and fee income	8,795	-	8,795
Net gain on financial instruments	143	-	143
Net foreign exchange gain	11,322	-	11,322
Other operating income, net	14,288	-	14,288
Operating income	47,178	-	47,178
Net change in provisions on financial assets	(10,993)	(41,783)	(52,776)
Net change in provisions for impairment of other assets	(332)	-	(332)
Net change in provisions for loan commitments	(5,181)	-	(5,181)
Personnel expenses	(13,709)	-	(13,709)
Depreciation and amortization, impairment	(1,399)	-	(1,399)
Administrative expenses	(12,045)	-	(12,045)
Profit before income tax and loss on net monetary position	3,519	(41,783)	(38,264)
Income tax expense	(63)	(1,148)	(1,211)
Profit for the year	3,456	(42,931)	(39,475)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
(Expense)/income from property, plant and equipment revaluation	-	-	-

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Statement of Comprehensive Income	Without taking into account the possible impairment	Adjustments	With taking into account the possible impairment
Income tax relating to property, plant and equipment revaluation	-	-	-
Other comprehensive income that will not be reclassified to profit or loss less income tax	-	-	-
Items that are or may be reclassified to profit or loss:			
Gains/(losses) from revaluation of securities available for sale	430	-	430
Realised losses on securities available for sale reclassified to other comprehensive income	(200)	-	(200)
Income tax relating to securities available for sale	(58)	-	(58)
Other comprehensive income that may be reclassified to profit or loss less income tax	172	-	172
Total comprehensive income / (loss) less income tax	172	-	172
Total comprehensive (loss) / income for the reporting year	3,628	-	3,628

The table below disclosed the effect of a deviation on the adequacy of the regulatory capital in accordance with the Basel requirements:

	Without taking into account the possible impairment	With taking into account the possible impairment
Basic capital	49,196	49,196
Additional capital	3,772	(39,159)
Total regulatory capital	52,968	10,037
Risk-weighted assets	373,625	341,139
Regulatory capital adequacy ratio	14,2%	2,9%

Fair value determination

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 5(e). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) Critical accounting judgements

Critical accounting judgements made in applying the Bank's accounting policies include:

Evaluation of financial instruments

The Bank's accounting policy on fair value measurement is described in the Note 5(e).

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes financial instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all financial instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Determination of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The estimate of probability is based on the Bank's management forecasts in relation to the future taxable profit and includes a significant degree of judgement of the Bank's management.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

Foreign currency transactions are translated to the functional currency at the exchange rate set by the National Bank of the Republic of Belarus on the date of the respective transaction. All monetary assets and liabilities, including off-balance-sheet assets and liabilities denominated in foreign currencies are translated into Belarusian rubles at the exchange rate effective at the reporting period.

Profit or loss relating to fluctuations in the exchange rate on monetary assets and liabilities denominated in a foreign currency are recognised in profit or loss in the period in which the fluctuation occurs. Foreign currency differences arising on retranslation are recognised through profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or cost are translated into Belarusian rubles at the exchange rate of the National Bank of the Republic of Belarus at the date of the transaction or at the fair value determination date.

(b) Income and expenses recognition

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate of interest that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are provided or received.

Premiums and discounts on floating rate instruments are amortised to the next date when the floating interest rate is reset to market rates excluding premiums and discounts which result from a change in the credit spread over the floating rate specified in the instrument or other variables that are not reset to market rates. These premiums and discounts are amortised over the expected life of the instrument.

(c) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease income from operating leases is recognised in other income on a straight-line basis over the lease term. The Bank as a lessee recognises lease payments under an operating lease as other expenses on a straight-line basis over the lease term.

Minimum lease payments made under finance lease agreements are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(d) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income 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.

Deferred tax is calculated using the balance sheet method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes in accordance with the IFRS financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in a period when the temporary differences are reversed, based on the tax rates that have been enacted or substantively enacted at the reporting date.

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

(e) Financial assets and liabilities

Recognition

The Bank initially recognises loans and borrowings, deposits, debt securities issued and subordinated liabilities at the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

All financial assets and financial liabilities are initially recognized at fair value. Fair value is added by expenses that are directly attributable to the acquisition or issue, except for financial assets measured at fair value through profit or loss.

Classification

All financial instruments are classified into the following categories:

Financial assets and liabilities at fair value through profit or loss are those that have been classified by the Bank as revalued at fair value through profit or loss or as held for trading. Held for trading financial instruments are those that the Bank principally buys for the purpose of generating a profit from short-term fluctuations in the price of the instruments. Derivatives include mainly forwards and swaps on foreign currency. The Bank enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. Derivative financial instruments entered into by the Bank do not qualify for hedge accounting.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the 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, other than those that are classified into other categories of financial instruments. Loans and receivables include loans to financial organizations, loans and receivables from customers and other financial assets which comply with these classification criteria.

Available-for-sale financial assets are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Available for sale financial assets represent equity and debt securities. Unquoted equity and debt securities whose fair value cannot reliably be measured are carried at cost. All other available for sale investments are carried at fair value.

Financial liabilities carried at amortised cost represent financial liabilities of the Bank other than financial liabilities designated at fair value through profit or loss. This category includes deposits due to banks, deposits due to customers, debt securities issued, subordinated loan and other financial liabilities corresponding to such a classification.

Derecognition

A financial asset is derecognised when the Bank loses control over the contractual rights that such asset comprises. This occurs when the rights are realised, expire or are surrendered. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Amortised value measurement

The amortised value of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus allowance for impairment.

Fair value measurement

Fair value is the amount that would be received upon sale of an asset or paid upon transfer of a liability in an ordinary transaction between market participants at the measurement date.

The Bank estimates the fair value of the instrument based on quoted market prices, if this information is available. The market is considered active if transactions are conducted on a regular basis between independent informed parties, and the corresponding price quotations are readily available and reflect market conditions.

If a market for a financial instrument is not active, various valuation techniques are used. Valuation techniques include discounted cash flow model, comparison to similar instruments for which market observable prices exist, and others. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date upon the transaction between independent parties.

Impairment

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

The Bank considers evidence of impairment for loans and advances at both a specific asset and collective level.

All individually significant loans and advances are assessed for specific impairment. At each reporting date, Bank assesses on a case-by-case basis whether there is any objective evidence that a loan is impaired. In determining impairment losses, the following factors are considered: (i) the state of the financial asset which is past due, (ii) financial position of the borrower, (iii) insufficient debt service and (iv) the possibility to sell the collateral.

Loans and borrowings that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics. In assessing collective impairment the Bank uses statistical information on historical trends of the probability of default, timing of recoveries and the amount of loss incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and borrowings.

Impairment losses on available for sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances due from the National Bank of the Republic of Belarus less resources in statutory reserve fund, balances due from other financial institutions not restricted by contractual obligations, and loans to financial institutions with an original maturity of less than 3 months.

(g) Property, plant and equipment

Property and equipment, except for buildings, as well as intangible assets are recorded at historical cost adjusted for inflation less accumulated depreciation/amortisation and impairment loss.

Buildings are accounted using the revaluation method. Buildings are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers (Note 13). Any gain arising on remeasurement to fair value is recognised directly in other comprehensive income

The carrying amounts of property and equipment are reviewed at each reporting date for evidence of impairment. If such evidences exist, the Bank evaluates the recoverable amount of property and equipment, which is determined as the higher of its fair value less costs to sell and its value in use. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount and difference is recognised in statement of comprehensive income as impairment loss.

After the recognition of an impairment loss the depreciation charge for property and equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its disposal value (if any), on a systematic basis over its remaining useful life.

Gains and losses on disposals of property and equipment are recognised in the statement of comprehensive income in the period when the disposal occurred.

Repair and maintenance costs are charged to the statement of comprehensive income as incurred. Capital repairs of property and equipment are added to historical cost of property and equipment. Useful lives, residual values and depreciation methods are reviewed annually.

Depreciation is calculated on a straight-line basis. The annual rates of depreciation are:

	<u>Annual depreciation rate</u>
Buildings and constructions	1% - 11%
Computer facilities	20% - 75%
Motor vehicles	12.5% - 14.3%
Other property, plant and equipment	2%-75%

(h) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised if:

- it is probable that the Bank will receive future economic benefits attributable to the asset;
- the cost of the asset can be reliably measured.

Intangible assets are represented by software.

Intangible assets are recognised at cost, less accumulated amortisation and impairment loss, if any.

Profit and loss from disposal of intangible assets are recognised in the statement of comprehensive income as incurred.

Amortisation of intangible assets is charged on a straight-line basis. The useful life is 1 - 10 years.

(i) Investment property

Investment property, which comprises buildings and premises, is held for long-term rental yields or appreciation in value and is not occupied by the Bank. Investment property is initially measured at actual cost together with transaction expenses. Subsequent to initial recognition the Bank carries the investment property at actual cost less accumulated depreciation and impairment, if any.

Investment property is depreciated on a straight-line basis. The useful life is 10 - 100 years.

(j) Precious metals

Gold and other precious metals are recorded at London Bullion Market rates and fair values. Changes in valuations are recorded in other income.

(k) Repossessed assets; non-current assets held for sale

As part of the normal course of business the Bank occasionally takes possession of non-financial assets that originally were pledged as security for loans. When the Bank acquires (i.e. gains a full title to) a non-financial asset in this way, the asset's classification follows the nature of its intended

use by the Bank. Initially the non-financial assets are recognised at the carrying value of respective loans and are classified as other assets. Repossessed assets are subsequently valued according to the accounting policy based on the classification of such assets in the statement of financial position.

Property is classified as «Non-current assets held for sale» if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified in this category the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset; an active programme to locate a buyer and complete the plan must have been initiated; the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less distribution costs.

(l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than investment property which is accounted for at fair value and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually irrespective of whether there are indications of impairment.

The recoverable amount of an asset is the greater of its net selling cost and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events, that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

According to the requirements of the Republic of Belarus the Bank makes statutory payments to the Fund for social protection of the population of the Republic of Belarus from its employee salaries.

The Bank carries no further pension obligations in respect of its retired and former employees.

(o) Share capital

Ordinary shares

Ordinary shares are classified as equity items. Costs related to the issuance of shares are recognized directly in equity.

Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Bank's discretion, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Bank's shareholders.

Preference shares are classified as a liability if it is redeemable on a specific date or at the option of the holders, or if dividend payments are not at Bank's discretion. Dividends thereon are recognised as interest expense in the statement of comprehensive income as accrued.

(p) Loan commitments

The Bank assumes obligations of a credit nature, including financial guarantees, letters of credit and commitments to issue loans. Guarantees are the Bank's irrevocable obligations to perform payments when the customer does not fulfil his obligations to the third parties and have the same level of the credit risk as loans. Letters of credit are the Bank's written obligations to make payments on behalf of customers in agreed amount when certain conditions are met; they are collateralised with the corresponding deliveries of goods or deposits and, accordingly, have lower risk level, than direct loan granting. In respect of the commitments to issue loans the Bank potentially has the risk to sustain losses in the amount equal to the total amount of the unused commitments, although the probable loss is less than the total amount of the unused obligations, as loans commitments also require customers' compliance with certain credit standards. The Bank monitors maturity terms, as usually long-term obligations bear higher credit risk level than the short-term ones.

Loan commitments are initially recognised at fair value, which is usually an initial commission income received. At each reporting date loan commitments are measured at the higher of the two: unamortized initial cost and best estimate of costs relating to settlement of liability as at the reporting date.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

Introduction

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. Since 2015 the Bank's finance and analytics department analyses the impact.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that:

- The majority of loans and advances to banks, loans and advances to customers, cash collateral for reverse repo agreements and cash settlement balances with clearing houses that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9
- Financial assets and liabilities held for trading and financial assets and liabilities designated at FVPL are expected to be continue to be measured at FVPL
- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at amortised cost or FVOCI. Some securities, however, will be classified as FVPL, either because of their contractual cash flow characteristics or the business model within which they are held
- Debt securities classified as held to maturity are expected to continue to be measured at amortised cost.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January 2018. Based on its analysis, the Bank has decided to continue to apply hedge accounting under IAS 39.

Impairment of financial assets***Overview***

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

- To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and
- The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 - Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
- Stage 2 - Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- Stage 3 - Impaired loans: the Bank recognises the lifetime expected credit losses for these loans.

In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For 'low risk' FVOCI debt securities, the Bank intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 below. Such instruments will generally include traded, investment grade securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Bank will not consider instruments to have low credit risk simply because of the value of collateral. Financial

instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments.

Stage 1

Under IAS 39 the Bank has been recording an allowance for Incurred But Not Identified (IBNI) impairment losses). These are designed to reflect impairment losses that had been incurred in the performing portfolio but have not been identified. Under IFRS 9, the impairment of financial assets that are not considered to have suffered a significant increase in their credit risk will be measured on a 12-month ECL basis. In comparison to the emergence periods of 3, 6 and 12 months under IAS 39, the 12 months ECL allowance amount is expected to be higher than the current IBNI allowance. Based on the analysis performed, the 12-month ECL allowance calculated on the 2016 portfolio would have been higher than the IBNI allowance under IAS 39.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs. Since this is a new concept compared to IAS 39, it will result in increased allowance as most such assets are not considered to be credit-impaired under IAS 39. If the new standard were applied as at 2016, this would result in a substantial additional increase in the impairment allowance.

The Bank considers whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment is based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk is assumed if the borrower falls more than 30 days past due in making its contractual payments, or if the bank expects to grant the borrower forbearance, or the facility is placed on the Bank's watch list.

It is the Bank's policy to evaluate additional available reasonable and supportive forwarding-looking information as further additional drivers.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment, and
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down

For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

The Bank intends to apply a policy that if the transfer into Stage 2 had been initially triggered by indicators other than the movement in the probability of default, the loan can only return to Stage 1 after a probation period of two years. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology explained. Accordingly, the Bank expects the population to be generally the same under both standards.

Stage 3

Loans in Stage 3, where the Bank calculated the IAS 39 impairment on an individual basis will continue to be calculated on the same basis as described, but collateral values will be adjusted to reflect the amounts that can be expected to be realised, giving consideration to the possibility that these will be lower in more adverse macroeconomic scenarios.

It is expected that loans in stage 3 will be the same as those considered to be impaired in accordance with IAS 39. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%.

When forbearance results in the derecognition of the original loan, the new loan will be classified as originated credit-impaired.

Other than originated credit-impaired loans, loans will be transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of two years.

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank considers forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth, interest rates and house prices) and economic forecasts. To evaluate a range of possible outcomes, the bank intends to formulate three scenarios: a base case, a worse case and a better case.

The base case scenario represents the more likely outcome resulting from the bank's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

The Bank will use internal information coming from internal economic experts, combined with published external information.

Limitation of estimation techniques

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to need to be made until the base models are updated. Although the Bank will use data that is as current as possible, models used to calculate ECLs will be based on data that is one month in arrears and adjustments will be made for significant events occurring prior to the reporting date to. The governance over such adjustments is still in development.

Capital management

The Bank is in the process of evaluating how the new ECL model will impact the Bank's ongoing regulatory capital structure and further details will be provided once the assessment is complete. Based on the analysis to date, the Bank anticipates a negative effect on its regulatory capital. The

magnitude of the effect will depend, amongst other things, on whether the capital rules will be amended to reflect IFRS 9 or to include transition provisions for the effect of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2016	31 December 2015
Short-term balances due from financial institutions	28,361	52,007
Cash	27,842	26,628
Balances due from the National Bank of the Republic of Belarus (other than obligatory reserve deposit)	27,484	14,379
Total	83,687	93,014

As at 31 December 2016 cash and cash equivalents comprises balances placed with JSC "Idea Bank" (Republic of Belarus), "RAIFFEISEN ZENTRALBANK OESTERREICH AG" (Austria), the amount of which exceeded 10% of the Bank's equity. The total amount as at 31 December 2016 equaled BYN 14,975 thousand.

As at 31 December 2015 cash and cash equivalents comprises balances placed with CJSC "MTBank" (Republic of Belarus), Belinvestbank JSC (Republic of Belarus), "DEUTSCHE BANK TRUST COMPANY" (USA), JSC "Belagroprombank" (Republic of Belarus), the amount of which exceeded 10% of the Bank's equity. The total amount as at 31 December 2015 equaled BYN 39,507 thousand.

7. BALANCES DUE FROM FINANCIAL INSTITUTIONS

Balances due from financial institutions include the following:

	31 December 2016	31 December 2015
Loans in financial institutions	2,433	-
Nostro accounts restricted	1,859	1,325
Resources in the statutory reserve fund in the National Bank of the Republic of Belarus	1,403	1,370
Nostro accounts	1,038	43
Total balances due from financial institutions	6,733	2,738
Less allowance for impairment loss	(274)	(13)
Total net balances due from financial institutions	6,459	2,725

In accordance with the law of the Republic of Belarus the Bank has to place a deposit in the statutory reserve fund in the National Bank of the Republic of Belarus.

a) Restricted balances with financial institutions (except for resources in Statutory reserve fund with the National Bank of the Republic of Belarus)

As at 31 December 2016 and 2015 the Bank had balance that was restricted for use in the amount of BYN 1,859 thousand and 1,325 thousand respectively. It was represented by the amounts pledged as a collateral for liabilities to make transactions with payment cards and other payments.

b) Concentration of placement with financial institutions

As at 31 December 2016 and 2015 the Bank had no balances exceeding 10% of the Bank's equity.

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c) Movements in allowance for impairment:

	31 December 2016	31 December 2015
Allowance for impairment at the beginning of the year	13	1
Creation	34,271	14,293
Recovery	(33,848)	(14,277)
Exchange differences	(2)	(4)
Assets written-off	(160)	-
Total allowance for impairment at the end of the year	274	13

8. LOANS TO CUSTOMERS

(a) by customer profile:

	31 December 2016	31 December 2015
Legal entities and individual entrepreneurs	254,531	150,511
Private individuals	5,733	5,110
Total loans to customers	260,264	155,621
Less allowance for impairment	(20,985)	(21,443)
Total net loans to customers	239,279	134,178

(b) by type of loan:

	31 December 2016	31 December 2015
Credit lines	100,137	105,220
Standard loans	41,557	37,610
Factoring	14,371	12,604
Net investments in finance lease	171	187
Other credit operations	104,028	-
Total loans to customers	260,264	155,621
Less allowance for impairment	(20,985)	(21,443)
Total net loans to customers	239,279	134,178

(c) by industry:

	31 December 2016	31 December 2015
Real estate	152,551	46,961
Trade	65,989	63,070
Manufacturing industry	21,744	26,607
Transport	2,784	4,741
Construction	2,564	4,734
Agriculture and food industry	1,822	368
Other	7,077	4,030
Private individuals	5,733	5,110
Total net loans to customers	260,264	155,621

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(d) by collateral:

To mitigate credit risk the Bank demands security for a loan the amount and type of which depends on the credit risk of the counterparty.

Main types of the received security for loans to legal entities and entrepreneurs are real estate, equipment, vehicles and goods for sale. Forfeit penalty and guarantee from individuals are security for loans to individuals.

(e) by overdue periods:

	31 December 2016		31 December 2015	
	Loans to customers	Allowance for impairment	Loans to customers	Allowance for impairment
Impaired loans				
Not due	253,135	(19,352)	149,526	(20,536)
Past due less than 30 days	4,481	(1,288)	5,102	(779)
Past due 31-90 days	2,594	(152)	589	(82)
Past due 91-180 days	51	(192)	404	(46)
Past due 181 - 366 days	3	(1)	-	-
Past due more than 1 year	-	-	-	-
Total	260,264	(20,985)	155,621	(21,443)

(f) credit quality of loan portfolio:

Loans impaired, 2016	Loans	Allowance for impairment	Loans less allowance
Individually impaired loans	135,034	(13,872)	121,162
Collectively impaired loans	125,230	(7,113)	118,117
Total	260,264	(20,985)	239,279

Loans impaired, 2015	Loans	Allowance for impairment	Loans less allowance
Individually impaired loans	17,712	(10,515)	7,197
Collectively impaired loans	137,909	(10,928)	126,981
Total	155,621	(21,443)	134,178

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(g) The movement in the allowance for impairment:

	31 December 2016	31 December 2015
Allowance for impairment at the beginning of the year	21,443	8,223
Creation	66,140	73,246
Recovery	(55,570)	(55,214)
Assets written-off	(10,684)	(6,405)
Exchange differences	(344)	1,593
Total allowance for impairment at the end of the year	20,985	21,443

(h) Changes in investments in finance lease:

	31 December 2016	31 December 2015
Gross investments in finance lease:		
Less than 1 year	176	3
1 to 5 years	-	-
Past due	-	184
Total gross investments in finance lease	176	187
Deferred income on finance lease	(5)	-
Net investments in finance lease	171	187

(i) Concentration of loans to customers

As at 31 December 2016 the Bank had had 5 borrowers, whose balances exceeded 10% of the Bank's equity: JV LLC "EuroStepGroup", LLC "Midivisana", LLC "ARTEINTORG", LLC "Univermag "Gomel", LLC "Bertalservice". The gross value of these balances (less allowance for impairment) as at 31 December 2016 was BYN 136,949 thousand.

As at 31 December 2015 the Bank had had 4 borrowers, whose balances exceeded 10% of the Bank's equity: JV LLC "STL EXTRUSIA", LLC "Midivisana", LLC "Sviat", LLC "Univermag "Gomel". The gross value of these balances (less allowance for impairment) as at 31 December 2015 was BYN 27,730 thousand.

9. FINANCIAL ASSETS AVAILABLE FOR SALE

	31 December 2016	31 December 2015
Quoted debt instruments	104,713	42,348
Unquoted equity instruments	130	130
Total financial assets available for sale	104,843	42,478

During 2016 the Bank conducted transactions with state bonds denominated in foreign currency, bonds of the National Bank of the Republic of Belarus, bonds of other banks of the Republic of Belarus.

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As at 31 December 2016 quoted securities available for sale comprised the following positions:

The issuer of the security	Type of security	Fair value of investments
National Bank of the Republic of Belarus	Bonds	95,264
Alfa-Bank	Bonds	5,129
OJSC "Paritetbank"	Bonds	2,148
JSC "Development Bank of the Republic of Belarus"	Bonds	2,172
Total		104,713

As at 31 December 2015 quoted securities available for sale comprised the following positions:

The issuer of the security	Type of security	Fair value of investments
Ministry of finance of the Republic of Belarus	State bonds	11,243
National Bank of the Republic of Belarus	Bonds	10,802
BPS-Sberbank	Bonds	8,899
OJSC "Paritetbank"	Bonds	4,242
JSC "Development Bank of the Republic of Belarus"	Bonds	7,162
Total		42,348

10. FINANCIAL ASSETS HELD TO MATURITY

	31 December 2016	31 December 2015
Bonds issued by NBRB	16,461	-
Bonds issued by commercial organizations	182	182
Less allowance for impairment	(55)	(55)
Total financial assets held to maturity	16,588	127

Financial assets held to maturity are represented by bonds of JV LLC "Tambaz" of 78 issue, series "OT-78" and by bonds of NBRB of 994 and 996 issues.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2016 the Bank conducted transactions with financial instruments at fair value through profit or loss. These instruments were presented mainly by currency swaps, forwards and deposit exchange transactions with the National Bank of the Republic of Belarus.

As at 31 December 2016 the Bank had the following derivative financial instruments (financial assets) at fair value through profit or loss:

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Type of transaction	Purchase / Sale	Maturity	Сумма в валюте Amount in foreign currency	Asset (liability)	Fair value
Currency					
SWAP - internal contracts with Belarusian banks	Purchase	Up to 1 month	54 KBYN	Asset	54
Total					54

As at 31 December 2015 the Bank had no derivative financial instruments (financial assets) at fair value through profit or loss.

12. INVESTMENT PROPERTY

The movement in the investment property for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016
Cost	
As at 31 December 2015	10,356
Additions in 2016	105
Disposals in 2016	(14)
As at 31 December 2016	10,447
Accumulated depreciation	
As at 31 December 2015	(307)
Accrued for 2016	(157)
Disposed for 2016	18
As at 31 December 2016	(446)
Residual value	
As at 31 December 2015	10,049
As at 31 December 2016	10,001

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	31 December 2015
Cost	
As at 31 December 2014	5,805
Additions in 2015	4,958
Disposals in 2015	(407)
As at 31 December 2015	10,356
Accumulated depreciation	
As at 31 December 2014	(222)
Accrued for 2015	(89)
Disposed in 2015	4
As at 31 December 2015	(307)
Residual value	
As at 31 December 2014	5,583
As at 31 December 2015	10,049

Investment property includes trade centre premises, parking places and other property acquired either through the possession of collateral over loans to customers that became non-collectible or through purchase, and subsequently is held by the Bank to earn rentals.

As at 31 December 2016 and 2015 the Management of the Bank estimated the fair value of the investment property in the amount of approximately BYN 9,959 thousand and BYN 9,820 thousand.

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The movement in property, plant and equipment and intangible assets of the Bank for the year ended 31 December 2016 was as follows:

Cost	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
As at 31 December 2015	11,517	2,069	578	2,400	4,339	74	1,054	22,031
Additions in 2016	8	11	21	146	440	4,299	719	5,644
Revaluation	231	-	-	-	-	-	-	231
Transfer between categories	-	-	-	-	-	(1,345)	-	(1,345)
Disposal in 2016	-	(16)	(21)	(33)	(68)	(2,937)	-	(3,075)
As at 31 December 2016	11,756	2,064	578	2,513	4,711	91	1,773	23,486
Accumulated depreciation/amortization								
As at 31 December 2015	(2,100)	(538)	(268)	(1,661)	(2,320)	-	(554)	(7,441)
Additions in 2016	(62)	(50)	(103)	(299)	(415)	-	(94)	(1,023)
Revaluation	(19)	-	-	-	-	-	-	(19)
Disposals in 2016	-	13	1	37	56	-	-	107
As at 31 December 2016	(2,181)	(575)	(370)	(1,923)	(2,679)	-	(648)	(8,376)
Residual value								
As at 31 December 2015	9,417	1,531	310	739	2,019	74	500	14,590
As at 31 December 2016	9,575	1,489	208	590	2,032	91	1,125	15,110

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The movement in property, equipment and intangible assets of the Bank for the year ended 31 December 2015 was as follows:

Cost	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
As at 31 December 2014	21,994	1,927	524	2,117	3,982	211	800	31,555
Additions in 2015	28	143	74	366	368	1,173	266	2,418
Revaluation	(10,667)	-	-	-	-	-	-	(10,667)
Transfer between categories	162	5	-	7	3	(443)	-	(266)
Disposal in 2015	-	(6)	(20)	(90)	(14)	(867)	(12)	(1,009)
As at 31 December 2015	11,517	2,069	578	2,400	4,339	74	1,054	22,031
Accumulated depreciation/amortization								
As at 31 December 2015	(2,695)	(493)	(182)	(1,486)	(2,022)	-	(499)	(7,377)
Accruals for 2016	(190)	(48)	(102)	(271)	(358)	-	(54)	(1,025)
Revaluation	785	-	-	-	-	-	-	785
Disposals in 2015	-	3	16	96	60	-	1	176
As at 31 December 2015	(2,100)	(538)	(268)	(1,661)	(2,320)	-	(554)	(7,441)
Residual value								
As at 31 December 2014	19,299	1,434	342	631	1,960	211	301	24,178
As at 31 December 2015	9,417	1,531	310	739	2,019	74	500	14,590

Starting from 2009 the Bank recognizes buildings at revalued cost. The revaluation was carried out by an independent valuer as at 28 November 2016, as at 31 December 2015, 31 December 2014, 31 December 2013, 31 December 2012, 1 January 2011 and 30 November 2010. For the purpose of the determination of the fair value of the buildings three methods were applied: income method, comparative method and cost method. For the ultimate calculation from the value estimated by each method the following proportions were taken:

- cost method - 0-20%;
- income method value - 40-50%;
- comparative method value - 40-50%.

The cost method implies calculation of costs adjusted to the level of asset's physical deterioration, current price level and profit margin. In accordance with income method, estimated judgments are applied in respect of market risk, management risk factor, and financial risk. Comparative method uses the following assumptions: location adjustment, level of maintenance adjustment, possibility of use adjustment.

According to the results of an independent assessment of the Bank's buildings as at 31 December 2016 the carrying amount of these facilities increased by BYN 212 thousand, which is reported in the financial statements by recovering previously recognized impairment losses for these facilities.

According to the results of an independent assessment of buildings of the Bank as at 31 December 2015 there was a reduction of the carrying amount of these facilities of BYN 9,882 thousand, which is reported by the write-off of property, plant and equipment revaluation reserve in the amount of BYN 8,808 thousand and recognition as the Bank's losses in the amount of BYN 1,075 thousand.

As at 31 December 2016 the carrying amount of buildings would have been BYN 8,545 thousand (31 December 2015: BYR 8,552 thousand).

14. ASSETS HELD FOR SALE

As at 31 December 2016, 17 apartments were transferred to non-current assets held for sale located in Minsk, 20 Dzerzhinsky Ave., due to dissolution of finance lease agreements with individuals for a total of BYN 2,115 thousand. Impairment of these assets in the amount of BYN 633 thousand was recognized in 2016. In December 2016, one apartment was sold at the market value, a recovery of impairment in the amount of BYN 38 thousand was recognized.

As at 31 December 2015 there were no assets held for sale.

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15. OTHER ASSETS

	31 December 2016	31 December 2015
Settlements with buyers on distribution of investment property	2,664	2,882
Prepayments on property, plant and equipment and construction	4,064	1,348
Prepayment on taxes other than income tax	553	1,333
Property received as debt repayment	100	429
Settlements with lessors	-	337
Shortages reported from accountable officers	9	316
Income accrued	638	217
Settlements with suppliers	307	174
State duty	20	28
Other	98	311
Total other assets	8,433	7,375
Less allowance for impairment	(2,337)	(2,006)
Total net other assets	6,096	5,369

As at 31 December 2016 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd, UE "NORDALFA-BEL", LLC "AKTIVEST", CSJC "Industrial leasing company", LLC "VILEYSKY TUBE FACTORY" an individual amounted to BYN 100 thousand and includes residual and non-residual real estate.

As at 31 December 2015 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd, CJSC "FART" and V", UE "NORDALFA-BEL", LLC "AKTIVEST", PUE "AKSOFINVESTSTROY", CSJC "Industrial leasing company", an individual amounted to BYN 429 thousand and includes residual and non-residual real estate.

The movement in allowance for impairment of other assets as at 31 December 2016 and 31 December 2015 was as follows:

	31 December 2016	31 December 2015
Allowance for impairment at the beginning of the year	2,006	-
Creation	335	2,006
Recovery	(4)	-
Total allowance for impairment at the end of the year	2,337	2,006

16. BALANCES DUE TO FINANCIAL INSTITUTIONS

	31 December 2016	31 December 2015
Loans received from other banks	109,467	31,165
Current accounts due to banks	1,733	5,601
Deposits due to financial institutions	600	7,428
Total balances due to financial institutions	111,800	44,194

As at 31 December 2016 the Bank had balances raised from 2 banks exceeding 10% of the Bank's equity in the amount of BYN 108,241 thousand.

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As at 31 December 2015 the Bank had balances raised from 4 banks exceeding 10% of the Bank's equity in the amount of BYN 32,654 thousand.

17. CUSTOMER ACCOUNTS

	31 December 2016	31 December 2015
Profit-oriented companies	112,776	56,922
Individual entrepreneurs	7,860	5,396
Non-for-profit and public organisations	4,491	3,200
Transactions with e-money	2,056	1,626
Private individuals	181,434	138,323
Total customer accounts	308,617	205,467

As at 31 December 2016 and 2015 the Bank had no balances with clients, whose balances exceeded 10% of the Bank's equity.

18. DEBT SECURITIES ISSUED

As at 31 December 2016 and 2015 the Bank had the following securities in circulation:

	31 December 2016	31 December 2015
Bonds issued	2,973	902
Deposit certificates issued	2	2
Total debt securities issued	2,975	904

During 2015 the Bank conducted transactions with 12th, 13th, 14th bond-issue, including 14th issue in Belarusian rubles, and 12th, 13th issues in US dollars. During 2015 no deposits and savings certificates were issued. No deposit certificated were settled.

During 2016 the Bank conducted transactions with 12th, 13th bond issues in US dollars. During 2016 no deposits and savings certificates were issued. No deposit certificated were settled.

As at 31 December 2016 the Bank had the following bonds issued:

	Maturity	Interest rate	Amount as at 31 December 2016
Bonds of the 13 th issue	01.06.2018	6%	2,973
			2,973

As at 31 December 2015 the Bank had the following bonds issued:

	Maturity	Interest rate	Amount as at 31 December 2015
Bonds of the 12 th issue	11.11.2016	6%	610
Bonds of the 13 th issue	01.06.2018	6%	292
Total			902

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19. PREFERENCE SHARES

As at 31 December 2016 and 2015 the Bank issued 64,213 preference shares. As at 31 December 2015 the par value of one share amounted to non-denominated BYN 2,345 (historical cost).

In 2016, the Bank increased its share capital by increasing the nominal value of shares from 2,345 non-denominated Belarusian rubles to 2,400 non-denominated Belarusian rubles in accordance with the decision of the Extraordinary General Meeting of Shareholders No. 2 dated 28.04.2016.

After the increase of the share capital, changes in the nominal value of the Bank's shares and the denomination of the Belarusian ruble in 10,000 times as at 01.07.2016, the nominal value of one share as at 01.01.2017 amounted to 0.24 BYN (24 copeck).

Preference shareholders have a right to receive annual dividends in the amount of BYN 0,02 for one share and a right to the Bank's residual assets. The preference shares give no voting right at the Shareholders' Meetings.

20. OTHER LIABILITIES

	31 December 2016	31 December 2015
Loan commitments	5,681	495
Settlements with other creditors	1,119	794
Unused vacations provision	848	733
Expenses accrued	474	438
Tax liabilities other than income tax liabilities	84	503
Other	179	136
Total other liabilities	8,385	3,099

21. SHARE CAPITAL

The Bank's shareholders as at 31 December 2016 and 2015 were as follows:

	% of the issued share capital 31 December 2016	% of the issued share capital 31 December 2015
Legal entities		
Limited liability company "Kvolitas-Plus"	48,66	48,66
State Committee on Property of the Republic of Belarus	8,03	8,03
General Department of Justice of Minsk City Executive Committee	2,81	2,48
Superadded liability company "Stroytechnotrade"	2,44	2,44
Limited liability company "Megaproektstroy"	2,01	2,01
Limited liability company "Novy Standard"	1,40	1,40
FPTC "Gospak"	1,09	1,09
Private individuals		
I. A. Kurach	15,62	15,62
V. A. Kotsarenko	7,52	7,52
E. M. Kotsarenko	2,12	2,12
O.V. Zverev	2,78	2,78
M. V. Nikolaevich	1,56	1,56
Other shareholders	3,96	4,29
Total share capital	100,00	100,00

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As at 01 January 2016 the Bank recognized own ordinary (common) shares purchased in 2015 upon the shareholders' decision in the amount of 4,851 shares, the value of which is non-denominated BYN 11,375,595 (eleven million three hundred seventy-five thousand five hundred ninety-five). Share capital was not increased in 2015.

In 2016, the Bank increased its share capital by increasing the nominal value of shares from 2,345 non-denominated Belarusian rubles to 2,400 non-denominated Belarusian rubles in accordance with the decision of the Extraordinary General Meeting of Shareholders No. 2 dated 28.04.2016.

After the increase of the share capital, changes in the nominal value of the Bank's shares and the denomination of the Belarusian ruble in 10,000 times as at 01.07.2016, amount of the registered share capital of the Bank as at 01.01.2017 amounted to BYN 11,462,630.88 (eleven million four hundred sixty-two thousand six hundred thirty rubles eighty-eight copeck). The nominal value of one share as at 01.01.2017 amounted to 0.24 rubles (24 copeck).

During 2016 the Bank did not repurchase shares of its own issue at the request of shareholders. As at 01.01.2017 the Bank has no repurchased shares of its own issue.

In accordance with IAS 29, share capital of the Bank has been restated in terms of purchasing power of the Belarusian ruble as at 31 December 2014 and amounted to BYN 52,524 thousand. Taking into account the increase in the share capital by increasing the nominal value of shares, the amount of the registered share capital amounted to BYN 52,787 thousand.

22. INTEREST INCOME

	2016	2015
On loans to customers	18,540	28,042
Financial assets available for sale	7,834	4,019
Financial assets held to maturity	1,218	20
Balances due from financial institutions	834	331
Other interest income	52	41
Total interest income	28,478	32,453

23. INTEREST EXPENSE

	2016	2015
Interest expense on liabilities at amortised cost:		
- on customer accounts	(12,104)	(10,482)
- on balances due to financial institutions	(2,733)	(1,540)
- on debt securities issued	(131)	(579)
Preference shares	(1)	(1)
Other interest expense	(879)	(2)
Total interest expense	(15,848)	(12,604)

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24. COMMISSION AND FEE INCOME

	2016	2015
Transactions with bank payment cards	5,190	4,486
Client accounts' maintenance	4,288	3,547
Money transfers	830	547
Transactions with checks	534	537
Documentary transactions	202	282
Foreign currency transactions	123	1,050
Bank accounts' maintenance	91	64
Transactions with securities	70	57
Borrowings	1	3
Other transactions	860	714
Total commission and fee income	12,189	11,287

25. COMMISSION AND FEE EXPENSE

	2016	2015
Transactions with bank payment cards	(2,316)	(1,709)
Bank accounts' opening and (or) maintenance	(408)	(322)
Purchase (sale) of cash	(307)	(214)
Foreign currency transactions	(37)	(69)
Documentary transactions	(7)	(20)
Transactions with securities	(16)	(18)
Other transactions	(303)	(3)
Total commission and fee expense	(3,394)	(2,355)

26. NET GAIN ON FINANCIAL INSTRUMENTS

	2016	2015
Net gain on financial assets available for sale	81	705
Net gain/(loss) on financial instruments at fair value through profit or loss	62	(292)
Net gain on financial instruments	143	413

27. NET FOREIGN EXCHANGE GAIN

	2016	2015
Exchange differences gain	949	649
Gain on foreign currency transactions	10,373	10,899
Total foreign exchange gain	11,322	11,548

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28. PERSONNEL EXPENSES

	2016	2015
Remuneration	(10,549)	(9,402)
Social security contributions	(3,160)	(2,818)
Total personnel expenses	(13,709)	(12,220)

The average number of employees employed by the Bank in 2016 amounted to 748 persons (in 2015: 714 persons).

29. OTHER OPERATING INCOME, NET

	2016	2015
The recognition of other payables unclaimed by customers	11,091	74
Net profit from distribution of property, plant and equipment, intangible assets and other property	915	673
Lease payments	580	237
Penalties (fines, fees)	472	343
Income from cash collection services	267	200
Debts previously written-off recovered	-	2,637
Other	963	89
Total operating income less expenses	14,288	4,253

30. ADMINISTRATIVE EXPENSES

	2016	2015
Lease payments	(2,522)	(1,135)
Repairs and maintenance	(1,637)	(1,405)
Software	(1,479)	(878)
Taxes other than income tax	(1,100)	(1,154)
Social security contributions	(1,020)	(1,014)
Stationery	(571)	(425)
Charity	(472)	(332)
Security	(357)	(303)
Marketing	(349)	(208)
Transportation	(288)	(229)
Collection	(248)	(174)
Household maintenance costs	(205)	(168)
Communication and mail	(203)	(178)
Information services	(175)	(117)
Insurance	(131)	(157)
Professional services	(71)	(55)
Other	(1,217)	(542)
Total administrative expenses	(12,045)	(8,474)

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31. INCOME TAX

Belarusian legal entities are obliged to file individual tax returns. From 1 January 2015 the profit tax rate for banks was set at 25%.

As of December 31, 2016 and 2015 calculation of deferred tax assets and liabilities was carried out using the tax rates of 25%. Expenses / (income) on income tax are as follows:

	2016	2015
Current income tax expenses	-	259
(Recovery)/expenses on deferred income tax	63	(59)
Total	63	200

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

	2016	2015
Deductible temporary differences		
Loans to customers	-	968
Financial assets held to maturity	46	-
Property, plant and equipment and intangible assets	5,691	6,043
Customer accounts	1,068	546
Other assets and liabilities	8,161	2,040
Total deductible temporary differences	14,966	9,597
Deferred income tax asset	3,742	2,399
Temporary differences subject to taxation		
Cash and cash equivalents	(1,355)	(673)
Balances due from financial institutions	(125)	(81)
Loans to customers	(5,132)	-
Assets, available for sale	(108)	-
Property, plant and equipment and intangible assets	-	(38)
Investment property	(3,530)	(3,835)
Financial assets available for sale	(126)	(126)
Total temporary differences subject to taxation	(10,376)	(4,753)
Deferred income tax liability	(2,594)	(1,188)
Total net asset	1,148	1,211

Information on actual income tax expenses and its theoretical amount is presented as follows:

	2016	2015
Profit before income tax and after loss on net monetary position	3,519	2,125
Theoretical corporate income tax at statutory rate 25%	880	531
Effect of a change in income tax rate	-	-
The effect of the revaluation of fixed assets for tax purposes	-	-
Tax effect of income / expenses not involved in taxation	(817)	(331)
Effect of net monetary position	-	-
Total income tax expense	63	200

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Information on deferred income tax movement is as follows:

	2016	2015
Deferred income tax at the beginning of the year	1,211	(1,277)
Recognised in profit and loss	(63)	59
Recognised in other comprehensive income	(58)	2,429
Total	1,090	1,211

32. RISK MANAGEMENT

The Bank has established an internal control system.

The objective of the internal control system is to provide:

- efficiency and effectiveness of banking activities;
- efficient management of assets and liabilities, including custody of assets; risk management, i.e. identification, valuation and determination of acceptable risk level along with inherent banking losses and liquidity worsening resulting from internal and external business situation;
- regular risk monitoring;
- adequate measures to hold the acceptable risk level, i.e. the one than does not threaten financial stability of the Bank and its investors and creditors;
- accuracy, completeness, impartiality and timeliness in preparing and presenting all kinds of reporting (statistic forms, accounting, financial statements);
- performance in compliance with national legislation of the Republic of Belarus and internal legal documents and rules of the Bank;
- non-involvement of the Bank into illegal activities, i.e. prevention of money-laundering activities, financing of terrorism;
- timely submission of all required information (according to the legislation of the Republic of Belarus) to statutory authorities.

Members of internal control system within the Bank are: General Shareholders' meeting, Committee of Directors, Board of the Bank, Chairman of the Board and his Deputies, Bank's Review Committee, Audit Committee, Loan Committee, Risk Committee, department managers and employees.

Within the framework of an internal control system, the Bank has developed the Risk Management Policy. The Risk Management Policy is established to identify and analyse the Bank's risks, to set appropriate risk limits and controls and to monitor the adherence to these limits.

The management of the Bank is responsible for the establishment and oversight of the Bank's risk management system, however risk monitoring on a daily basis is performed by the structural departments of the Bank. The Risk Management Policy is reviewed on a regular basis to reflect changes in market conditions and/or in the Bank's strategy.

The Bank faces the following main risks: credit risk, liquidity risk, market risk, country risk, operational risk.

This note presents information about the Bank's exposure to each of various risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital.

(a) Credit risk

Credit risk is the risk of potential loss resulting from non-fulfilment, past due fulfilment or incomplete fulfilment of contractual obligations by the Bank's debtor or counterparty according to the contract terms and legislation.

Credit risk is managed in accordance with the risk management policy. This policy details the basic principles of credit risk identification, assessment (measurement), determination of an acceptable level of risk, direct management, control and development of the level of risk measures for its restriction (reduction).

The aim of credit risk management is to balance acceptable ratios of profitability with indicators of safe and liquid functioning of Bank.

The Bank carries out qualitative and quantitative estimation of credit risk levels, using statistical and ratio methods of risk assessment.

The Bank's statistical method of credit risk assessment is based on the analysis of statistical data on a financial position of borrowers, about quantity and size of overdue payments, other information influencing the quality of a credit portfolio for the certain period of time, on risk groups, ownership forms, activity types. The obtained statistical data is compared to predictive estimates.

The ratio method involves calculation of the relative indicators, allowing estimating credit risks forming a part of the Bank's credit portfolio, which settlement values are compared to the permissible value of this indicator, and on this basis to define the Bank's level of overall credit risk qualitatively and quantitatively.

The management of risks related to ordinary loans involves the assessment of the potential borrower's credit standing. Decisions on providing loans are made by the Credit Committee and other authorised bodies.

To manage the credit risk the Bank applies the following methods:

- diversification of loan portfolio in order to distribute credit risks and to prevent its concentration;
- credit risks limitation. For interbank transactions the main credit risk restriction method is its limitation. When providing loans to individuals the Bank uses such credit risk restriction methods as: development and approval of crediting standards determining the maximum and minimum amounts of loans; development and approval of the requirements to the borrowers, defining criteria of their creditworthiness; check if a borrower complies with the approved requirements and selective control from Risk Management Department; segregation of duties concerning decision making on granting the loans to individuals between the Bank's Credit Committee and the Bank's authorized official; supervising how the borrower performs his obligations; work with loans which are past due. When providing loans to legal entities the Bank uses such credit risk restriction methods as: preliminary and current analysis of the client; analysis of sufficiency, quality and liquidity of collateral; collective decision-making on granting a loan; monitoring of the borrower's financial position and cost of the collateral; work with loans which are past due. Besides, restriction of credit risks is carried out by means of observance of the ratios established by NB RB;
- analysis of the structure and quality of the Bank's assets subject to credit risk and maintenance of a share of the problem loans to customers and to financial institutions at the level recommended by the National bank of the Republic of Belarus. Following the results of the

clients' debt analysis by the Credit Committee, requirements to potential clients and conditions for transaction conducting subject to credit risks can be reconsidered;

- credit risk stress-testing in order to determine potential credit risk;
- determination of allowance for impairment.

The maximum level of credit risk exposure is reflected in the carrying value of financial assets recognised in the statement of financial position. The maximum exposure to credit risk for off-balance sheet commitments equals to the amount of liabilities. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 8.

(c) Liquidity risk

Liquidity risk is the risk of potential loss the Bank may incur as a result of inability to meet its obligations in time by turning its assets into the means of payment set by the contract or inability to receive additional resources to fulfil these obligations.

The main objective of the Bank's liquidity management is ensuring sufficiency of the Bank's liquid funds to cover both planned and unplanned outflow of money according to obligations.

The Bank applies such methods of liquidity risk management as ratio analysis, cash flows prognosis, gap analysis, stress-testing.

The Bank estimates liquidity mainly on the basis of the liquidity standard rates established by the National Bank of the Republic of Belarus. These standard rates are given below as at 31 December:

Standard rate	Rate of the National Bank of the Republic of Belarus	2016	2015
"Short-term liquidity" (ratio of assets with maturity periods less than 1 year to liabilities with maturity periods less than 1 year)	Min 1	3.8	1.8
"Quick liquidity" (ratio of assets on demand and liabilities on demand and overdue)	Min 20%	182.4%	199.4%
"Current liquidity" (ratio of assets with periods before 30 days, including assets on demand, and liabilities with periods before 30 days including liabilities on demand and overdue)	Min 70%	180.2%	120.3%
"Minimum ratio of liquid and total assets" (to maintain adequate ration of liquid assets)	Min 20%	41.7%	39.7%

Analysis of financial liabilities by terms till maturity

The following table sets out the remaining contractual maturities of financial liabilities representing undiscounted cash flows (both principal and interest cash flows) based on the earliest date on which the Bank can be required to pay as at 31 December 2016 and 31 December 2015.

31 December 2016	Amount, recognized in the statement of financial position/ off- balance commitments	Undiscounted cash flows	Within 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	111,800	138,710	3,792	11,016	2,228	4,505	117,169	-	-
Customer accounts	309,617	308,617	35,344	20,230	13,647	25,322	92,233	-	121,841
Debt securities issued	2,975	3,227	15	29	44	90	3,047	-	2
Preference shares	19	19	-	-	-	-	-	-	19
Other financial liabilities	1,690	1,700	635	-	-	7	-	-	1,058
Total future potential cash outflows on financial liabilities	426,101	452,273	39,786	31,275	15,919	29,924	212,449	-	122,920
Off-balance loan commitments	37,762	37,762	10,625	9,161	6,551	8,778	2,214	433	-

31 December 2015	Amount, recognized in the statement of financial position/ off- balance commitments	Undiscounted cash flows	Within 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	More than 5 years	Maturity undefined
<u>Financial liabilities</u>									
Balances due to financial institutions	44,194	44,680	36,929	96	148	7,507	-	-	-
Customer accounts	205,467	220,704	25,868	12,155	4,899	13,970	75,641	72	88,099
Debt securities issued	904	978	5	9	14	632	316	-	2
Preference shares	19	19	-	-	-	-	-	-	19
Other financial liabilities	750	914	683	42	-	-	-	-	189
Total future potential cash outflows on financial liabilities	251,334	267,295	63,485	12,302	5,061	22,109	75,957	72	88,309
Off-balance loan commitments	28,594	28,594	15,001	655	173	2,260	10,505	-	-

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(c) Market risk

Market risk covers currency risk, interest rate risk and other pricing risks, to which the Bank is exposed.

Currency risk is the risk of potential loss as a result of the revaluation of statement of financial position and off-balance sheet items denominated in foreign currencies due to change in exchange rates.

The Bank continuously monitors the open positions of foreign currencies and regularly assesses the structure of assets and liabilities by currency for the purpose to pursue the limit of the open currency position. This limit is set by NB RB and amounts to 10% of Tier I capital for each currency.

The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2016:

31 December 2016	BYN	EUR	USD	RUB	Other currencies	Total
Financial assets						
Cash and cash equivalents	48,556	15,487	14,667	4,804	173	83,687
Balances due from financial institutions	1,129	26	2,162	3,063	79	6,459
Loans to customers	49,412	21,800	164,903	3,164	-	239,279
Financial assets available for sale	9,579	4,103	91,161	-	-	104,843
Financial assets at fair value through profit or loss	54	-	-	-	-	54
Financial assets held to maturity	16,588	-	-	-	-	16,588
Other financial assets	4,190	29	18	10	-	4,247
Total financial assets	129,508	41,445	272,911	11,041	252	455,157
Financial liabilities						
Balances due to financial institutions	600	2,003	109,194	3	-	111,800
Customer accounts	77,763	43,882	174,864	12,030	78	308,617
Debt securities issued	2	-	2,973	-	-	2,975
Preference shares	19	-	-	-	-	19
Other financial liabilities	1,009	131	536	14	-	1,690
Total financial liabilities	79,393	46,016	287,567	12,047	78	425,101
Net long / (short) financial position	50,115	(4,571)	(14,656)	(1,006)	174	30,056

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The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2015:

31 декабря 2015 года	BYN	EUR	USD	RUB	Other currencies	Total
Financial assets						
Cash and cash equivalents	24,021	12,967	40,546	15,264	216	93,014
Balances due from financial institutions	1,369	26	1,330	-	-	2,725
Loans to customers	40,288	21,213	69,561	3,116	-	134,178
Financial assets available for sale	20,433	-	22,045	-	-	42,478
Financial assets held to maturity	127	-	-	-	-	127
Other financial assets	3,284	34	98	303	-	3,719
Total financial assets	89,522	34,240	133,580	18,683	216	276,241
Financial liabilities						
Balances due to financial institutions	13,503	2,547	28,144	-	-	44,194
Customer accounts	47,060	122,649	30,182	5,517	59	205,467
Debt securities issued	2	-	902	-	-	904
Preference shares	19	-	-	-	-	19
Other financial liabilities	217	31	286	-	216	750
Total financial liabilities	60,801	125,227	59,514	5,517	275	251,334
Net long / (short) financial position	28,721	(90,987)	74,066	13,166	(59)	24,907

Sensitivity analysis - Currency risk

A 10 % strengthening of the BYR against the following currencies as at 31 December 2016 would have increased / (decreased) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2015.

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	Impact on profit before tax	Impact on equity before tax
31 December 2016		
EUR	457	457
USD	1,466	1,466
RUB	101	101
Other currencies	(17)	(17)
31 December 2015		
EUR	9,099	9,099
USD	(7,407)	(7,407)
RUB	(1,317)	(1,317)
Other currencies	6	6

A weakening of BYN against the above currencies at 31 December 2016 would have had the equal but opposite effect on amounts shown above, on the basis that all other variables remain constant.

Interest rate risk is the risk of potential loss the Bank may incur as a result of interest rate fluctuations.

Estimation technique of the interest rate risk is based on GAP-analysis of assets and liabilities sensitive to interest rate fluctuation and stress-testing.

Sensitivity analysis - interest risk

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

	Impact on profit before tax 100 bp increase	Impact on profit before tax 100 bp decrease	Impact on equity before tax 100 bp increase	Impact on equity before tax 100 bp decrease
31 December 2015				
Floating rate instruments	15	(15)	15	(15)
31 December 2014				
Floating rate instruments	-	-	-	-

To manage the market risk the Bank uses the following methods: limitation, distribution of authority, insurance (i.e. forwards, swaps), stress-testing.

(d) Country risk

Country risk is the risk of potential losses arising from the inability of residents of foreign countries to meet their obligations as a result of changes in the economic, political, and legal environment of the respective countries.

Before entering into transactions with residents of foreign countries, the Bank performs an assessment of the influence of economic, social, political and legal circumstances on the residents' ability to fulfil their obligations.

To manage the country risk the Bank applies such methods as restriction, distribution of authority.

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The geographical analysis of assets and liabilities of the Bank as at 31 December 2016 is presented as follows:

31 December 2016	Belarus	OECD countries	Other countries	Total
<u>Financial assets</u>				
Cash and cash equivalents	73,480	9,205	1,002	83,687
Balances due from financial institutions	3,261	-	3,198	6,459
Loans to customers	239,094	-	185	239,279
Financial assets available for sale	104,843	-	-	104,843
Financial assets held to maturity	16,588	-	-	16,588
Financial assets at fair value through profit or loss	54	-	-	54
Other financial assets	4,231	16	-	4,247
Total financial assets	441,551	9,221	4,385	455,157
<u>Financial liabilities</u>				
Balances due to financial institutions	111,799	-	1	111,800
Customer accounts	177,725	733	130,159	308,617
Debt securities issued	2,975	-	-	2,975
Preference shares	19	-	-	19
Other financial liabilities	1,679	-	11	1,690
Total financial liabilities	294,197	733	130,171	425,101
Net financial position	147,354	8,488	(125,786)	30,056

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The geographical analysis of assets and liabilities of the Bank as at 31 December 201 is presented as follows:

31 December 2015	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	73,199	19,257	558	93,014
Balances due from financial institutions	2,696	-	29	2,725
Financial assets at fair value through profit or loss	134,178	-	-	134,178
Loans to customers	42,478	-	-	42,478
Financial assets available for sale	127	-	-	127
Other financial assets	3,637	4	78	3,719
Total financial assets	256,315	19,261	665	276,241
Financial liabilities				
Balances due to financial institutions	44,194	-	-	44,194
Customer accounts	203,344	334	1,789	205,467
Debt securities issued	904	-	-	904
Preference shares	19	-	-	19
Other financial liabilities	750	-	-	750
Total financial liabilities	249,211	334	1,789	251,334
Net financial position	7,104	18,927	(1,124)	24,907

(e) Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and influence all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management of the Bank. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

(f) Capital management

The Management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Management also monitors the return on capital.

Capital adequacy

The main objective of the Bank's capital management is to ensure the Bank's compliance with externally imposed capital and maintaining a strong credit rating and healthy capital ratios required for the implementation of its business and maximize shareholder value.

The Bank manages its capital structure and makes adjustments to it when economic conditions change and the risk characteristics of its activities. As compared to previous years there were no any changes in the objectives, policies and processes for managing capital.

The requirement of the National Bank of the Republic of Belarus for the minimum amount of regulatory capital calculated on the basis of accounts prepared in accordance with the Belarusian legislation for banks is to maintain the amount of regulatory capital at a minimum level of 45 million BYN with a quarterly adjustment to the value of the consumer price index. The regulatory value of regulatory capital as of January 1, 2017 was 50,19 million BYN.

Capital adequacy is calculated in accordance with the National Bank of Republic of Belarus (NB RB) requirements. The prescribed ratio of Tier I capital adequacy should be not less than 10 %; Tier II capital adequacy has to be not less than 5 %. As at 31 December 2016, the Bank was in compliance with the capital adequacy requirements set in the Belarusian Law and NB RB regulations.

	31 December 2016	31 December 2015
Basic capital	34,549	31,427
Additional capital	19,962	21,798
Total regulatory capital	54,511	53,225
Risk-weighted assets	374,324	252,645
Regulatory capital adequacy ratio	14,6%	21,1%

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The following table discloses analysis of the regulatory capital of the Bank for capital adequacy purposes in accordance with the Basel agreement. The ratio is calculated without taking into account the debt impairment of EuroStepGroup (Note 4 (a)):

	31 December 2016	31 December 2015
Basic capital	49,196	47,902
Additional capital	3,772	2,068
Total regulatory capital	52,968	49,970
Risk-weighted assets	373,625	196,304
Regulatory capital adequacy ratio	14,2%	25,5%

33. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Operating lease commitments

The future minimum non-cancellable operating lease payments under agreements where the Bank is a lessee are presented below:

	2016	2015
Less than 1 year	1,496	691
From 1 to 5 years	3,073	892
Total operating lease commitments	4,569	1,583

(b) Loan commitments

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position. The Bank's maximum exposure to credit loss under contingent liabilities and credit commitments to extend credit, in the event of non-performance by the other party of all counterclaims and impairment of collateral and guarantees, would be equal to the contractual amounts of those instruments.

The Bank applies the same credit control and management policies in undertaking contingent liabilities as it does for financial instruments recognized in the statements of financial position.

Loan commitments of the Bank were as follows:

	2016	2015
Guarantees issued	26,221	13,935
Liabilities on provision of funds	11,785	14,245
Letters of credit	5,437	909
Total loan commitments	43,443	29,089
Less provision for loan commitments	(5,681)	(495)
Total loan commitments	37,762	28,594

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Analysis of changes in provisions for loan commitments is as follows:

	2016	2015
Provision as at the beginning of the year	495	574
Creation	13,109	18,060
Recovery	(7,928)	(18,196)
Exchange differences	5	57
Total provision at the year end	<u>5,681</u>	<u>495</u>

(c) Litigation

From time to time in the process of the Bank's activity customers and counterparties claim against the Bank. The Management believes that as a result of proceedings thereon the Bank will not incur significant losses and, accordingly, no provisions in the financial statements were made.

(d) Retirement payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at 31 December 2016 and 31 December 2015 the Bank had no obligations for additional payments, pension medical services, insurance, pension benefits for current or former employees to be charged.

(e) Legislation

Certain provisions of Belarusian business and tax legislation may have different interpretation and may be applied inconsistently. Besides that, interpretations made by the Management may differ from official interpretations and may be disputed by controlling bodies. This may lead to additional tax payments, imposition of fines and other preventive actions. The Management's opinion is that the Bank has made all required tax and other payments. However inspections by controlling bodies may refer to preceding tax periods.

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows analysis of the financial instruments recorded in the financial statements at fair value in view of the hierarchy level of fair value sources:

Financial assets and liabilities at fair value:

31 December 2016	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un- observable inputs (Level 3)	Total
Financial assets available for sale	-	104,713	-	104,713
Financial assets at fair value through profit or loss	-	54	-	54

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31 December 2015	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets available for sale	-	42,348	-	42,348

Financial instruments at fair value

Description of fair value of financial instruments at fair value by means of assessment procedures is given below. Bank's assessment of the assumptions which could be used by the market players when determining the instruments cost is included.

Derivatives

Derivatives, which are valued using a valuation technique with market observable inputs, mainly represent interest rate swaps, currency swaps and forward foreign exchange contracts. Valuation techniques most frequently applied include swap pricing models which use present value calculations with interest rate parity model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial instruments not recognized at fair value in the statements of financial position

A comparison of the carrying amount and fair value per class of financial instruments of the Bank using third-level fair value hierarchy is described below. The table does not include the fair value of nonfinancial assets and nonfinancial liabilities:

	Carrying amount as at 31 December 2016	Fair value as at 31 December 2016	Carrying amount as at 31 December 2015	Fair value as at 31 December 2015
Financial assets				
Cash and cash equivalents	83,687	83,687	93,014	93,014
Balances due from financial institutions	6,459	6,459	2,725	2,725
Loans to customers	239,279	239,279	134,178	134,178
Financial assets held to maturity	16,588	16,588	127	127
Financial assets available for sale	130	130	130	130
Other financial assets	4,247	4,247	3,719	3,719
Total financial assets	350,390	350,390	233,893	233,893
Financial liabilities				
Balances due to financial institutions	111,800	111,800	44,194	44,194
Customer accounts	308,617	308,617	205,467	205,467
Debt securities issued	2,975	2,975	904	904
Preference shares	19	19	19	19
Other financial liabilities	1,690	1,690	750	750
Total financial liabilities	425,101	425,101	251,334	251,334

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The methodologies and assumptions used in determining the fair value of those financial instruments that are not reflected in the financial statements at fair value are described below.

Assets with fair value approximating their carrying amount

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) and for financial assets and financial liabilities in foreign currency it is assumed that the fair value approximate their carrying amounts. This assumption is also applied to demand deposits and savings accounts without a maturity. For financial instruments with floating interest rate which changes are determined by changes in the refinancing rate of the National Bank of the Republic of Belarus it is assumed that the fair value is normally their carrying amount.

Fixed and floating rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk.

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 31 "Risk management" for Bank's contractual undiscounted repayment obligation.

	31 December 2016			31 December 2015		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Assets						
Cash and cash equivalents	83,687	-	83,687	93,014	-	93,014
Precious metals	597	-	597	499	-	499
Balances due from financial institutions	6,459	-	6,459	2,725	-	2,725
Financial assets at fair value through profit or loss	54	-	54	-	-	-
Financial assets held to maturity	16,406	182	16,588	-	127	127
Investment property	-	10,001	10,001	-	10,049	10,049
Property, plant and equipment and intangible assets	-	15,110	15,110	-	14,590	14,590
Assets held for sale	-	2,115	2,115	-	-	-
Deferred income tax asset	-	1,090	1,090	-	1,211	1,211
Loans to customers	54,690	184,589	239,279	43,224	90,954	134,178
Financial assets available for sale	95,394	9,449	104,843	33,035	9,443	42,478
Other assets	5,996	100	6,096	5,028	341	5,369
Total assets	263,283	222,636	485,919	177,525	126,715	304,240
Liabilities						
Balances due to financial institutions	12,479	99,321	111,800	44,194	-	44,194
Customer accounts	194,921	113,696	308,617	117,878	87,589	205,467

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	31 December 2016			31 December 2015		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Debt securities issued	-	2,975	2,975	612	292	904
Preference shares	19	-	19	19	-	19
Current income tax liabilities	-	-	-	63	-	63
Other liabilities	8,385	-	8,385	3,099	-	3,099
Total liabilities	215,804	215,992	431,796	165,865	87,881	253,746
Net long/ (short) financial position	47,479	6,644	54,123	11,660	38,834	50,494

36. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Bank, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

Amounts included in the statement of financial position on transactions with related parties were as follows:

	31 December 2016	31 December 2015
Customer accounts	22	37
Total	22	37

	31 December 2016	31 December 2015
Loans to customers		
Credit payables	150,627	29,633
Less allowance for impairment of loans to customers	(9,255)	(7,095)
Total net loans to customers	141,372	22,538

	31 December 2016	31 December 2015
Assets held for sale	2,115	-
Total	2,115	-

Transactions with related parties included in the statement of comprehensive income were as follows:

	2016	2015
Interest and commission income and expenses		
Interest income	2,055	2,085
Interest expenses	-	(9)
Commission and fee income	25	21
Total	2,080	2,097

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	31 December 2016	31 December 2015
Lease payments	(1,019)	(176)
Total	(1,019)	(176)
	31 December 2016	31 December 2015
Remuneration to key management personnel	1,847	1,497
Total	1,847	1,497

37. SUBSEQUENT EVENTS

Since the beginning of 2017, the refinancing rate has been gradually decreasing from 18%, effective at the beginning of 2017, to 14% since 19 April 2017. As at 1 May 2017 the Belarusian rouble increased against a basket of currencies by 0.9% compared to 31 December 2016.

In March 2017 the General meeting of shareholders made a decision to allocate earnings for 2016 to the reserve fund and reserve payroll fund of the Bank in accordance with the requirements of the legislation of the Republic of Belarus.