CJSC Sombelbank
Financial Statements

Year ended 31 December 2008
Together with Independent Auditors' Report

CONTENTS

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Independent Auditors' Report

To the Shareholders and Board of Directors of CJSC "Sombelbank"

We have audited the accompanying financial statements of CJSC Sombelbank (the "Bank"), which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

4 June 2009

A member firm of Ernst & Young Global Limited

Balance Sheet

As of 31 December 2008

(Millions of Belarusian Roubles)

	Notes	*2008*	*2007*
Assets			
Cash and cash equivalents	5	16,234	10,848
Amounts due from credit institutions	6	1,177	1,394
Loans to customers	7	55,086	35,239
Available-for-sale investment securities	8	3,121	1,237
Property and equipment	9	1,820	1,260
Intangible assets	10	220	131
Other assets	12	567	324
Total assets		**78,225**	**50,433**
Liabilities			
Amounts due to credit institutions	13	572	11,610
Amounts due to customers	14	36,713	19,697
Current income tax liability		53	42
Other liabilities	12	832	314
Total liabilities		**38,170**	**31,663**
Equity			
Share capital	15	37,724	18,705
Retained earnings		2,331	65
Total equity		**40,055**	**18,770**
Total liabilities and equity		**78,225**	**50,433**

Signed and authorised for release on behalf of the Management Board of the Bank

Tatyana M. Medvedeva — Head of the Management Board

Elena M. Papusheva — Chief Accountant

4 June 2009

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

Income Statement

For the year ended 31 December 2008

(Millions of Belarusian Roubles)

	Notes	*2008*	*2007*
Interest income			
Loans to customers		10,985	7,314
Amounts due from credit institutions		678	766
Investment securities		626	111
		12,289	**8,191**
Interest expense			
Amounts due to credit institutions		(362)	(816)
Amounts due to customers		(2,942)	(1,627)
Other		(1)	(5)
		(3,305)	**(2,448)**
Net interest income		**8,984**	**5,743**
Loan impairment charge	7	(1,079)	(94)
Net interest income after loan impairment charge		**7,905**	**5,649**
Net fee and commission income	18	911	297
Net gains from foreign currencies:			
- dealing		2,770	1,180
- translation differences		432	-
Other income	19	929	975
Non-interest income		**5,042**	**2,452**
Personnel expenses	20	(4,217)	(2,628)
Depreciation and amortisation	9, 10	(325)	(282)
Taxes other than income tax		(350)	(257)
Reversal of other impairment and provisions		-	12
Other operating expenses	20	(4,833)	(2,867)
Non-interest expenses		**(9,725)**	**(6,022)**
Profit before income tax expense		**3,222**	**2,079**
Income tax expense	11	(956)	(370)
Profit for the year		**2,266**	**1,709**

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2008

(Millions of Belarusian Roubles)

	Share capital	*Retained earnings*	*Total equity*
31 December 2006	**17,103**	**197**	**17,300**
Profit for the year	-	1,709	1,709
Capitalization of profit (Note 15)	1,602	(1,602)	-
Dividends (Note 15)	-	(239)	(239)
31 December 2007	**18,705**	**65**	**18,770**
Profit for the year	-	2,266	2,266
Issue of share capital (Note 15)	19,019	-	19,019
31 December 2008	**37,724**	**2,331**	**40,055**

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2008

(Millions of Belarusian Roubles)

	Notes	*2008*	*2007*
Cash flows from operating activities			
Interest received		12,112	8,246
Interest paid		(3,037)	(2,440)
Realised gains less losses from dealing in foreign currencies		2,770	1,180
Fees and commissions received		1,283	690
Fees and commissions paid		(374)	(393)
Other income received		929	965
Personnel and other operating expenses paid		(9,360)	(5,740)
Income tax paid		(945)	(412)
Cash flows from operating activities before changes in operating assets and liabilities		**3,378**	**2,096**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		361	(6,506)
Loans to customers		(20,542)	(212)
Other assets		(230)	(224)
Net increase /(decrease) in operating liabilities			
Amounts due to credit institutions		(11,694)	8,113
Amounts due to customers		17,095	4,382
Other liabilities		380	(74)
Net cash (used in)/ from operating activities		**(11,252)**	**7,575**
Cash flows from investing activities			
Proceeds from sale of property and equipment		28	3
Purchase of property and equipment and intangible assets	9, 10	(1,042)	(695)
Proceeds from sale of available-for-sale investment securities		94,978	3,808
Purchase of available-for-sale investment securities		(96,746)	(3,381)
Proceeds from redemption of held-to-maturity securities		100,793	-
Purchase of held-to-maturity securities		(100,793)	-
Net cash used in investing activities		**(2,782)**	**(265)**
Cash flows from financing activities			
Dividends paid	15	-	(239)
Proceeds from issue of shares	15	19,019	-
Net cash from/(used in) financing activities		**19,019**	**(239)**
Effect of exchange rates changes on cash and cash equivalents		401	23
Net increase in cash and cash equivalents		**5,386**	**7,094**
Cash and cash equivalents, 1 January	5	**10,848**	**3,754**
Cash and cash equivalents, 31 December	5	**16,234**	**10,848**

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

(Millions of Belarusian roubles unless otherwise indicated)

1. Principal activities

CJSC Sombelbank (the "Bank") was founded in 2004 as a joint venture under the laws of the Republic of Belarus. The Bank operates under a banking license issued by the National Bank of the Republic of Belarus ("NBRB"). The Bank also possesses licenses for securities operations from the Committee on Securities of the Council of Ministers of the Republic of Belarus, as well as other licenses for certain other Bank's activities.

The Bank extends credits and transfers payments in Belarus and abroad, exchanges currencies and provides banking services to its corporate and retail customers. Its main office is in Minsk and it has 7 centres for banking services in Belarus. The Bank's registered legal address is 25, K. Marx St., Minsk, 220030, Republic of Belarus.

As of 31 December 2008, the majority of shares (75%) are owned and controlled by "Getin International S.a.r.l." (Luxemburg).

As of 31 December, the following shareholders owned more than 5% of the outstanding shares.

Shareholder	*2008* %	*2007* %
Getin International S.a.r.l. (Luxemburg)	75.05%	0.00%
SIA Polimer R. (Latvia)	24.94%	99.99%
Other	0.01%	0.01%
Total	**100.0%**	**100.0%**

As of the 31 December 2008 the Bank was ultimately controlled by Mr. Leszek Czarnecki (Poland). As of 31 December 2007, the majority of shares (99%) were owned and controlled by "Polimer R" SIA (Latvia).

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Belarusian Roubles in accordance with Belarusian Accounting Standards ("BAS"). These financial statements are based on the Bank's BAS books and records, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, available-for-sale securities and derivative financial instruments have been measured at fair value.

These financial statements are presented in millions of Belarusian Roubles ("BYR"), except per share amounts and unless otherwise indicated.

Inflation accounting

The Belarusian economy was considered hyperinflationary until 31 December 2005. As such, the Bank applied IAS 29 "Financial Reporting in Hyperinflationary Economies". The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at 31 December 2005 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

(Millions of Belarusian roubles unless otherwise indicated)

3. Summary of significant accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS during the year. The principal effects of these changes are as follows:

Reclassification of Financial Assets – Amendments to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures"

Amendments to IAS 39 and IFRS 7 were issued on 13 October 2008 and allow reclassification of non-derivative financial assets out of the held for trading category in particular circumstances. The amendments also allow transfer of certain financial assets from the available for sale category to loans and receivables category. The effective date of those amendments is 1 July 2008. Any reclassification made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The Bank did not reclassify any financial assets from held for trading or available-for-sale categories and hence these amendments did not have any impact on the financial position or performance of the Bank.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated using the effective interest rate method is recognised in the income statement.

Determination of fair value

The fair value for financial instruments traded in active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

(Millions of Belarusian roubles unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRB, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days from the date of origination and are free from contractual encumbrances.

Derivative financial instruments

In the normal course of business, the Bank enters into derivative financial instruments such as forwards and swaps in the foreign exchange markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the income statement as net gains from foreign currencies dealing.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and amounts due to customers. These are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised in the income statement.

Leases

*i. **Finance - Bank as lessor***

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

*ii. **Operating - Bank as lessor***

The Bank presents assets subject to operating leases in the balance sheet according to the nature of the asset. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

*iii. **Operating – Bank as lessee***

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other administrative and operating expenses.

(Millions of Belarusian roubles unless otherwise indicated)

3. Summary of significant accounting policies (continued)

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any

(Millions of Belarusian roubles unless otherwise indicated)

3. Summary of significant accounting policies (continued)

impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees . Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities',

(Millions of Belarusian roubles unless otherwise indicated)

3. Summary of significant accounting policies (continued)

being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liabilityrelating to financial guarantees is taken to the income statement. The premium received is recognised in the income statement on a straight-line basis over the life of the guarantee.

Taxation

Current income tax expense is calculated in accordance with the regulations of the Republic of Belarus and is based on the results reported in the income statement of the Bank prepared under Belarusian statutory legislation after adjustments for tax purposes.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Belarus also has various operating taxes, which are assessed on the Bank's activities. These taxes are presented as "Taxes other than income tax" in the income statement.

Property and equipment

Property and equipment are carried at cost (for purchases made before 31 December 2005 at restated cost, using the consumer price index), excluding the costs of day-to-day servicing and less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	100
Furniture and fixtures	6-50
Computers and office equipment	2-5
Motor vehicles	5-8

Leasehold improvements are amortised over the life of the related leased asset. The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets under construction are carried at cost if the recognition criteria are met. When such assets are available for use they are transferred to the respective group of property and equipment.

Costs related to repairs are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include computer software and licences.

(Millions of Belarusian roubles unless otherwise indicated)

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Provisions

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

Retirement and other employee benefit obligations

The Bank participates in the State pension system of the Republic of Belarus, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Expenses relating to pension scheme contributions are recognised in the income statement as salaries and other personnel expenses. In addition, the Bank has no significant post-retirement benefits.

Share capital

Share capital

Ordinary shares are classified as equity.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are proposed before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.