

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

**Financial Statements
for the year ended 31 December 2010**

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Information about the Company

Name of company	STATE UNITARY ENTERPRISE “BELARUSIAN NATIONAL REINSURANCE ORGANISATION”
Legal status	State Unitary Enterprise
Insurance license	#02200/0060594 dated 30 November 2006 valid until 30 November 2011
Address	14 Chkalov str., Minsk, Belarus
Reporting year	01/01/2010-31/12/2010
Information on shareholders	The Council of Ministers of the Republic of Belarus (100.00%)
Auditors	KPMG, Limited Liability Company 5 Dimitrova str., 220004 Minsk, Belarus

As of 31 December 2010 the members of the Management of the Company were as follows:

<i>Management of the Company</i>		Date of appointment
Mikchail Bulavkin	General Director	29.07.2009
Inna Gaiduk	Chief Accountant	19.03.2010
Andrey Unton	Deputy General Director	01.09.2009

As of the date of signing the financial statements the members of the Management of the Company were the same.

Statement of management responsibility

Management is responsible for preparing the financial statements of State Unitary Enterprise “Belarusian National Reinsurance Organisation”. The financial statements on pages 6 to 55 present fairly the financial position of the Company as at 31 December 2010, the results of its operations and cash flows for 2010 in accordance with International Financial Reporting Standards (IFRS).

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

The Management of the Company is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. It is also responsible for operating the Company in compliance with the Law of the Republic of Belarus.

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 2011



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**To the shareholder of
State Unitary Enterprise “Belarusian National Reinsurance Organisation”**

Independent Auditors’ Report

We have audited the accompanying financial statements of State Unitary Enterprise “**Belarusian National Reinsurance Organisation**” (“the Company”), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 6 to 55.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of State Unitary Enterprise “**Belarusian National Reinsurance Organisation**” as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Irina Vereschagina
Partner
KPMG, Limited Liability Company
15 March 2011

Statement of comprehensive income for the year ended 31 December 2010

All amounts are in millions of BYR

	Notes	2010	2009
Earned premiums			
Written premiums			
Gross written premiums	6	56 243	46 989
Reinsurers' share in written premiums	6	(24 868)	(28 208)
<i>Net written premiums</i>	6	<i>31 375</i>	<i>18 781</i>
Change in unearned premium and unexpired risk technical reserves			
Gross change	8	(8 696)	(5 641)
Reinsurers' share	8	119	720
<i>Change in net unearned premium and unexpired risk technical reserves</i>	8	<i>(8 577)</i>	<i>(4 921)</i>
Net earned premiums	7	22 798	13 860
Incurred claims, net			
Paid claims, net			
Gross claims paid	9	(7 083)	(4 920)
<i>Paid claims</i>		<i>(7 191)</i>	<i>(10 299)</i>
<i>Loss adjustment expenses</i>		<i>(58)</i>	<i>(17)</i>
<i>Recovered losses</i>		<i>166</i>	<i>5 396</i>
Reinsurers' share of claims	9	1 452	65
<i>Reinsurers' share in paid claims</i>		<i>1478</i>	<i>991</i>
<i>Reinsurers' share in recovered losses</i>		<i>(26)</i>	<i>(926)</i>
<i>Net paid claims</i>	9	<i>(5 631)</i>	<i>(4 855)</i>
Change in outstanding claim technical reserve			
Gross change	10	(5 931)	(5 262)
Reinsurers' share	10	80	1 307
<i>Change in net outstanding claim technical reserve</i>	10	<i>(5 851)</i>	<i>(3 955)</i>
Net incurred claims	11	(11 482)	(8 810)
Operating expenses/ income			
Client acquisition costs		(3 311)	(2 907)
Change in deferred client acquisition costs	12	260	336
Reinsurance commission income		834	993
Administrative expenses	13	(3 549)	(2 632)
Net operating expenses		(5 766)	(4 210)
Other technical income, net	14	18	7

(continued)

Statement of comprehensive income for the year ended 31 December 2010

(continued)

All amounts are in millions of BYR

	Notes	2010	2009
Investments income, net	15	12 936	15 120
Other income, net	16	503	4 006
Profit before tax		19 007	19 973
Income tax expense	17	(4 937)	(5 296)
Net profit for the year		14 070	14 677
Other comprehensive income		-	-
Total comprehensive income for the year		14 070	14 677

The accompanying notes on pages 12 to 55 form an integral part of these financial statements.

The Management of the Company approves for issue these financial statements on 15 March 2011, and the financial statements are signed on behalf of the Management of the Company by:

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 2011

Statement of financial position as at 31 December 2010

All amounts are in millions of BYR

	Notes	31 December 2010	31 December 2009	1 January 2009
Assets				
Property and equipment	19	206	233	230
Financial investments				
Available-for-sale financial assets	20	400 005	400 005	350 000
Held-to-maturity financial assets	21	2 060	2 077	2 063
Deposits with banks	22	85 742	60 143	54 525
Total financial investments		487 807	462 225	406 588
Receivables				
Receivables from direct insurance activities	23	18 745	17 334	11 297
Receivables from reinsurance activities		303	363	291
Other receivables	24	392	3 147	25
Total receivables		19 440	20 844	11 613
Accrued income and deferred expenses				
Deferred client acquisition costs	12	1 428	1 168	832
Other accrued income and deferred expenses		19	23	18
Total accrued income and deferred expenses		1 447	1 191	850
Reinsurance contract assets				
Reinsurers' share in unearned premiums technical reserve	8	7 904	7 785	7 065
Reinsurers' share in outstanding claim technical reserve	10	2 763	2 683	1 376
Total assets from reinsurance contracts		10 667	10 468	8 441
Cash and cash equivalents	25	9 661	17 193	11 211
Deferred tax assets	17	895	1 206	1 169
Total assets		530 123	513 360	440 102

The accompanying notes on pages 12 to 55 form an integral part of these financial statements.

The Management of the Company approves for issue these financial statements on 15 March 2011, and the financial statements are signed on behalf of the Management of the Company by:

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 2011

Statement of financial position as at 31 December 2010

All amounts are in millions of BYR

Equity and liabilities	Notes	31 December 2010	31 December 2009	1 January 2009
Equity				
Share capital	26	469 739	460 892	407 487
Retained earnings		9 950	7 870	1 534
Total equity		479 689	468 762	409 021
Liabilities				
Technical reserves				
Technical reserves for unearned premiums and unexpired risks	8	27 138	18 442	12 801
Outstanding claim technical reserve	10	15 284	9 353	4 091
Total technical reserves		42 422	27 795	16 892
Creditors				
Direct insurance creditors		1 107	905	589
Reinsurance creditors		6 457	14 457	12 375
Current income taxes liabilities		253	692	521
Other creditors	27	116	718	645
Total creditors		7 933	16 772	14 130
Provision for unused vacations		79	31	59
Total liabilities		50 434	44 598	31 081
Total equity and liabilities		530 123	513 360	440 102

The accompanying notes on pages 12 to 55 form an integral part of these financial statements.

The Management of the Company approves for issue these financial statements on 15 March 2011, and the financial statements are signed on behalf of the Management of the Company by:

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 2011

Statement of cash flows for the year ended 31 December 2010

All amounts are in millions of BYR

	Notes	2010	2009
Cash flow from insurance activities			
Profit before income taxes		19 007	19 973
Adjustments for:			
Investment income	15	(12 936)	(15 120)
Decrease in impairment allowance for bad debtors	23	(18)	(7)
Depreciation of property and equipment	19	53	48
Change in provision for unused vacations		48	(28)
Cash flows from operating activities before changes in operating assets and liabilities		6 154	4 866
(Increase)/ decrease in operating assets:			
(Increase)/decrease in receivables from direct insurance activities	23	(1 393)	(6 030)
(Increase)/decrease in receivables from reinsurance activities		60	(72)
(Increase)/decrease in other receivables	24	3 074	(3 122)
(Increase)/decrease in reinsurance contract assets		(199)	(2 027)
(Increase)/decrease in accrued income and deferred expenses		(256)	(341)
Increase/ (decrease) in operating liabilities:			
(Increase)/decrease in technical reserves		14 627	10 903
Increase/(decrease) direct insurance creditors		202	316
Increase/(decrease) reinsurance creditors		(8 000)	2 082
Increase/(decrease) other creditors	28	(108)	(32)
Net cash inflow from insurance activities before income tax paid		14 161	6 543
Income tax paid		(5 065)	(5 162)
Total cash flow from insurance activities		9 096	1 381
Cash flow from investing activities			
Investment income received		12 953	15 106
Purchase of investments available for sale		-	(50 005)
Net placements of deposits with banks		(25 599)	(5 618)
Purchase of property and equipment	19	(26)	(51)
Total cash flow from investing activities		(12 672)	(40 568)
Cash flow from financing activities			
Increase of share capital by the shareholder		-	50 000
Distribution of profit to the shareholder		(3 956)	(4 831)
Total cash flow from financing activities		(3 956)	45 169
Cash and cash equivalent net increase/ (decrease)		(7 532)	5 982
Cash and cash equivalent at the beginning of the year		17 193	11 211
Cash and cash equivalent at the end of the year	27	9 661	17 193

The accompanying notes on pages 12 to 55 form an integral part of these financial statements.

The Management of the Company approves for issue these financial statements on 15 March 2011, and the financial statements are signed on behalf of the Management of the Company by:

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 20

Statement of changes in equity for the year ended 31 December 2010

All amounts are in millions of BYR

	Notes	Share capital	Retained earnings	Total equity
Balance at 1 January 2009		407 487	1 534	409 021
Total comprehensive income for the year		-	14 677	14 677
Transactions with owner, recorded directly in equity				
Increase in share capital by the shareholder		50 000	-	50 000
Increase in share capital due to profit reallocation		3 405	(3 405)	-
Distribution of profit to the shareholder	26	-	(4 936)	(4 936)
Balance at 31 December 2009		460 892	7 870	468 762
Total comprehensive income for the year		-	14 070	14 070
Transactions with owner, recorded directly in equity				
Increase in share capital due to profit reallocation		8 847	(8 847)	-
Distribution of profit to the shareholder	26	-	(3 143)	(3 143)
Balance at 31 December 2010		469 739	9 950	479 689

The accompanying notes on pages 12 to 55 form an integral part of these financial statements.

The Management of the Company approves for issue these financial statements on 15 March 2011, and the financial statements are signed on behalf of the Management of the Company by:

Mikchail Bulavkin
General Director

Inna Gaiduk
Chief Accountant

15 March 2011

Notes to the financial statements

(1) General information

(a) Principal activities

The Company was incorporated in 2006 as a State Unitary Enterprise and registered under the laws of the Republic of Belarus. The Company is the first specialized reinsurance organization in the Republic of Belarus and was established by the Regulation of the Council of Ministers of the Republic of Belarus dated 4th November, 2006 № 1463 “On Establishment of Belarusian National Reinsurance Organization” in compliance with the Decree of the President of the Republic of Belarus dated 25th of August, 2006 № 530 “On Insurance Operations”. During the reporting year the Company operated under the reinsurance license (#02200/0060594 dated 30 November 2006 valid until 30 November 2011).

In accordance with the legislation of the Republic of Belarus State Unitary Enterprise “Belarusian National Reinsurance Organization” (“Belarus Re”) is the sole company which cooperates with foreign insurance and reinsurance organizations on reinsurance of risks, insured on the territory of the Republic of Belarus. The Company underwrites assumed reinsurance contracts exclusively and cannot conclude insurance contracts directly with insured. Consequently, all references to insurance contracts refer to reinsurance assumed. In accordance with the legislation of the Republic of Belarus all insurance companies operating on the territory of the Republic of Belarus are obliged to cede to State Unitary Enterprise “Belarusian National Reinsurance Organization” a portion of liabilities insured by them in excess of liability limits set by the legislation of the Republic of Belarus.

The main insurance lines of the Company are aviation insurance, liability insurance, motor insurance, property insurance, pecuniary insurance, transport insurance, marine insurance and accident insurance.

The head office is located in Minsk, Chkalova str., 14.

(b) Shareholder

As of 31 December 2010 and 2009 the Company’s shareholder was:

	31 December 2010	31 December 2009
The Council of Ministers of the Republic of Belarus	100.00%	100.00%
	100.00%	100.00%

(2) Basis of preparation

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These are the Company’s first financial statements prepared in accordance with IFRSs and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 3.

The financial statements for the year ended 31 December 2010 were authorized for issue on 15 March 2011 and signed on behalf of the management by the General Director and the Chief Accountant. The shareholder has the right to reject the financial statements and request them to be amended.

(b) Functional and Presentation Currency

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

(c) Reporting period

Reporting period includes 12 months from 1 January 2010 to 31 December 2010.

Notes to the financial statements

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following items which are carried at fair value: available-for-sale instruments except those whose fair value cannot be reliably estimated.

The Company maintains its accounting records in accordance with Belarusian law and accounting standards. These financial statements have been prepared from the Belarusian statutory accounting records and have been adjusted to conform to IFRS. These adjustments also include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

(e) Use of estimates and judgments

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

In particular, significant areas of estimation uncertainty and critical judgments in applying accounting policies are:

- Insurance liabilities,
- Valuation of financial instruments,
- Impairment of financial instruments,
- Impairment of loans and receivables,
- Recognition of provisions,
- Deferred tax.

Insurance liabilities

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

The most significant assumptions are related to the recognition of reported-but-not-settled reserves ("RBNS"), incurred but not reported claims reserve ("IBNR") and unexpired risks reserves ("URR"). The sufficiency of insurance technical reserves is monitored regularly through a liability adequacy test, performed on a line by line basis.

Valuation of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the note 4.4(d). For financial instruments that trade 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.

Impairment of financial instruments

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

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

Notes to the financial statements

Impairment of loans and receivables

There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if impairment exists. These risks and uncertainties include the risk that the Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Also, there is a risk that new information obtained by the Company or changes in other facts and circumstances will lead the Company to change its investment decision. Any of these situations could result in a charge against the statement of comprehensive income in a future period to the extent of the impairment charge recorded.

Recognition of provisions

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

Deferred tax

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

(3) First time adoption of IFRS

As stated in note 2(a), these financial statements are the first financial statements prepared by the Company in accordance with International Financial Reporting Standards (IFRS).

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information presented in these financial statements for the year ended 31 December 2009 and in the preparation of an opening IFRS statement of financial position at 1 January 2009 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the Republic of Belarus GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Company's equity and financial performance is set out in the following tables and the notes that accompany the tables.

Notes to the financial statements

Explanation of transition to IFRS

Reconciliation of equity as at 1 January 2009

In millions of BYR

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Assets				
Property and equipment	1,2,3	221	9	230
Intangible assets	4	14	(14)	-
Construction on progress	3	26	(26)	-
Available-for-sale financial assets		350 000	-	350 000
Held-to-maturity financial assets	5	2 032	31	2 063
Deposits with banks	6	65 191	(10 666)	54 525
Receivables from direct insurance activities	7	-	11 297	11 297
Receivables from reinsurance activities	8	-	291	291
Other receivables	9,10	21	4	25
Other assets	11	198	(198)	-
Accrued income and deferred expenses	11,12	-	850	850
Reinsurers' share in unearned premiums technical reserve	13	1 537	5 528	7 065
Reinsurers' share in outstanding claim technical reserve	14	1 938	(562)	1 376
Cash and cash equivalents	6	545	10 666	11 211
Deferred tax asset	15	-	1 169	1 169
Total assets		421 723	18 379	440 102
Equity and liabilities				
Equity				
Share capital		407 487	-	407 487
Reserves based on local legislation	1,16	243	(243)	-
Retained earnings	4,24	4 540	(3 006)	1 534
Total equity		412 270	(3 249)	409 021
Direct insurance creditors	17	-	589	589
Reinsurance creditors	18	-	12 375	12 375
Current income taxes liabilities	9	-	521	521
Other creditors	9	998	(353)	645
Technical reserves for unearned premium and unexpired risks	12,20	4 842	7 959	12 801
Outstanding claim technical reserve	14,21	3 613	478	4 091
Provision for unused vacations	19	-	59	59
Total liabilities		9 453	21 628	31 081
Total equity and liabilities		421 723	18 379	440 102

Notes to the financial statements

Reconciliation of equity as at 31 December 2009

In millions of BYR

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Assets				
Property and equipment	1,2	266	(33)	233
Intangible assets	4	13	(13)	-
Available-for-sale financial assets		400 005	-	400 005
Held-to-maturity financial assets	5	2 032	45	2 077
Deposits with banks	6	76 426	(16 283)	60 143
Receivables from direct insurance activities	7	-	17 334	17 334
Receivables from reinsurance activities	8	-	363	363
Other receivables	9,10	42	3 105	3 147
Other assets	11	230	(230)	-
Accrued income and deferred expenses	11,12	-	1 191	1 191
Reinsurers' share in unearned premiums technical reserve	13	3 421	4 364	7 785
Reinsurers' share in outstanding claim technical reserve	14	3 943	(1 260)	2 683
Cash and cash equivalents	6	910	16 283	17 193
Deferred tax asset	15	-	1 206	1 206
Total assets		487 288	26 072	513 360
Equity and liabilities				
Equity				
Share capital		460 892	-	460 892
Reserves based on local legislation	1,16,24	2 360	(2 360)	-
Retained earnings	4,24	8 847	(977)	7 870
Total equity		472 099	(3 337)	468 762
Direct insurance creditors	17	-	905	905
Reinsurance creditors	18	-	14 457	14 457
Current income taxes liabilities	9	-	692	692
Other creditors	9	1 345	(627)	718
Technical reserves for unearned premium and unexpired risks	12,20	7 531	10 911	18 442
Outstanding claim technical reserve	14,21	6 313	3 040	9 353
Provision for unused vacations	19	-	31	31
Total liabilities		15 189	29 409	44 598
Total equity and liabilities		487 288	26 072	513 360

Notes to the financial statements

Reconciliation of equity as at 31 December 2010

In millions of BYR

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Assets				
Property and equipment	1,2	260	(54)	206
Intangible assets	4	11	(11)	-
Available-for-sale financial assets		400 005	-	400 005
Held-to-maturity financial assets	5	2 032	28	2 060
Deposits with banks	6	94 296	(8 554)	85 742
Receivables from direct insurance activities	7	-	18 745	18 745
Receivables from reinsurance activities	8	-	303	303
Other receivables	9,10	449	(57)	392
Other assets	11	221	(221)	-
Accrued income and deferred expenses	11,12	-	1 447	1 447
Reinsurers' share in unearned premiums technical reserve	13	4 954	2 950	7 904
Reinsurers' share in outstanding claim technical reserve	14	4 172	(1 409)	2 763
Cash and cash equivalents	6	1 107	8 554	9 661
Deferred tax asset	15	-	895	895
Total assets		507 507	22 616	530 123
Equity and liabilities				
Equity				
Share capital		469 739	-	469 739
Reserves based on local legislation	1,16	363	(363)	-
Retained earnings	4,24	12 392	(2 442)	9 950
Total equity		482 494	(2 805)	479 689
Direct insurance creditors	17	-	1 107	1 107
Reinsurance creditors	18	-	6 457	6 457
Current income taxes liabilities	9	-	253	253
Other creditors	9	273	(157)	116
Technical reserves for unearned premium and unexpired risks	12,20	11 893	15 245	27 138
Outstanding claim technical reserve	14,21	12 847	2 437	15 284
Provision for unused vacations	19	-	79	79
Total liabilities		25 013	25 421	50 434
Total equity and liabilities		507 507	22 616	530 123

Notes to the financial statements

Reconciliation of comprehensive income for the year ended 31 December 2009

In millions of BYR

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Earned premiums				
Written premiums				
Gross written premiums	7,22	43 011	3 978	46 989
Reinsurers' share in written premiums	18,22	(27 152)	(1 056)	(28 208)
Net written premiums		15 859	2 922	18 781
Change in unearned premium and unexpired risk technical reserves				
Gross change	12	(2 689)	(2 952)	(5 641)
Reinsurers' share	13	1 886	(1 166)	720
Change in net unearned premium and unexpired risk technical reserves		(803)	(4 118)	(4 921)
Net earned premiums		15 056	(1 196)	13 860
Incurred claims, net				
Paid claims, net				
Paid claims		(10 368)	69	(10 299)
Loss adjustment expenses		-	(17)	(17)
Recovered losses	10	1 603	3 793	5 396
Reinsurers' share in paid claims	22	991	-	991
Reinsurers' share in recovered losses	10,22	-	(926)	(926)
Net paid claims		(7 774)	2 919	(4 855)
Change in outstanding claim technical reserve				
Gross change	14	(2 700)	(2 562)	(5 262)
Reinsurers' share	14	2 004	(697)	1 307
Change in net outstanding claim technical reserve		(696)	(3 259)	(3 955)
Net incurred claims		(8 470)	(340)	(8 810)
Operating expenses/ income				
Client acquisition costs	17	(2 648)	(259)	(2 907)
Change in deferred acquisition costs	12	-	336	336
Reinsurance commission income	8	926	67	993
Administrative expenses	2,4,9,11, 19,22, 23,24	(2 393)	(239)	(2 632)
Net operating expenses		(4 115)	(95)	(4 210)
Other technical income, net	7	-	7	7
Investment income, net	5	15 106	14	15 120
Other income, net	7, 8, 17,18, 22	2 695	1 311	4 006
Profit before tax		20 272	(299)	19 973
Income tax expense	15	(5 333)	37	(5 296)
Net profit for the year	24	14 939	(262)	14 677
Other comprehensive income		-	-	-
Total comprehensive income for the year		14 939	(262)	14 677

Notes to the financial statements

Reconciliation of comprehensive income for the year ended 31 December 2010

In millions of BYR

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs
Earned premiums				
Written premiums				
Gross written premiums	7,22	55 397	846	56 243
Reinsurers' share in written premiums	18,22	(32 912)	8 044	(24 868)
Net written premiums		22 485	8 890	31 375
Change in unearned premium and unexpired risk technical reserves				
Gross change	12	(4 361)	(4 335)	(8 696)
Reinsurers' share	13	1 532	(1 413)	119
Change in net unearned premium and unexpired risk technical reserves		(2 829)	(5 748)	(8 577)
Net earned premiums		19 656	3 142	22 798
Incurred claims, net				
Paid claims, net				
Paid claims		(7 425)	234	(7 191)
Loss adjustment expenses		-	(58)	(58)
Recovered losses	10	3 959	(3 793)	166
Reinsurer's share in paid claims	22	1 478	-	1 478
Reinsurer's share in recovered losses	10,22	-	(26)	(26)
Net paid claims		(1 988)	(3 643)	(5 631)
Change in outstanding claim technical reserve				
Gross change	14	(6 534)	603	(5 931)
Reinsurers' share	14	230	(150)	80
Change in net outstanding claim technical reserve		(6 304)	453	(5 851)
Net incurred claims		(8 292)	(3 190)	(11 482)
Operating expenses/ income				
Client acquisition costs	17	(3 109)	(202)	(3 311)
Change in deferred acquisition costs	12	-	260	260
Reinsurance commission income	8	893	(59)	834
	2,4,9,11,19,22,			
Administrative expenses	23,24	(2 988)	(561)	(3 549)
Net operating expenses		(5 204)	(562)	(5 766)
Other technical income, net	7	-	18	18
Investment income, net	5	12 955	(19)	12 936
	7, 8,			
Other income, net	17,18,22	(915)	1 418	503
Profit before tax		18 200	807	19 007
Income tax expense	15	(4 626)	(311)	(4 937)
Net profit for the year	24	13 574	496	14 070
Other comprehensive income		-	-	-
Total comprehensive income for the year		13 574	496	14 070

Notes to the financial statements

Notes to the reconciliations

1. As at 1 January 2009, 31 December 2009 and 31 December 2010 property and equipment revaluation in accordance with local accounting standards was written-off by BYR 15 million, BYR 34 million and BYR 61 million, respectively.
2. As at 1 January 2009 and 31 December 2009 and 31 December 2010 adjustment for property and equipment accumulated depreciation amounted to BYR 2 million, BYR (1) million and BYR 7 million, respectively.

In respect of the above adjustments depreciation expenses were decreased by BYR 3 million in 2009 and BYR 6 million in 2010.

3. As at 1 January 2009 reclassification of construction in progress to property and equipment amounted BYR 26 million.
4. As at 1 January 2009, 31 December 2009 and 31 December 2010 intangible assets were written-off by BYR 14 million, BYR 13 million and BYR 11 million, respectively, as their substance differs from intangible assets recognition requirements.

In respect of the above adjustments administrative expenses were decreased by BYR 1 million in 2009 and BYR 2 million in 2010.

5. As at 1 January 2009, 31 December 2009 and 31 December 2010 adjustment for accrued income on investment held to maturity amounted to BYR 31 million, BYR 45 million and BYR 28 million, respectively.

In respect of the above adjustments related to the recognition of accrued income on investment held to maturity investment income was increased by BYR 14 million in 2009 and decreased by BYR 17 million in 2010.

6. As at 1 January 2009, 31 December 2009 and 31 December 2010 reclassification of term deposits with banks under 3 month to cash and cash equivalents amounted to BYR 10,666 million, BYR 16,283 million and BYR 8,554 million, respectively.

7. Under GAAP the Company recognised premiums on a cash basis. Therefore, as at 1 January 2009, 31 December 2009 and 31 December 2010 gross receivables from direct insurance activities were recognised of BYR 11,365 million, BYR 17,395 million and BYR 18,788 million respectively.

In respect of the above adjustments related to the recognition of premiums on an accrual basis written premium was increased by BYR 4,052 million in 2009 and BYR 1,087 million in 2010, other income was increased by BYR 1,978 million in 2009 and BYR 306 million in 2010.

As at 1 January 2009, 31 December 2009 and 31 December 2010 allowance for bad debtors was recognised of BYR 68 million, BYR 61 million and BYR 43 million, respectively.

In respect of the above adjustments related to the recognition allowance for bad debtors other technical expenses were recognised of BYR 7 million in 2009 and BYR 18 million in 2010.

8. Under GAAP the Company recognised reinsurance commission income on a cash basis. Therefore, as at 1 January 2009, 31 December 2009 and 31 December 2010 receivables from reinsurance activities were adjusted by BYR 291 million, BYR 363 million and BYR 303 million, respectively.

In respect of the above adjustments related to recognition of commissions on accrual basis reinsurance commission income was increased by BYR 67 million in 2009 and decreased by BYR 60 million in 2010, other income was increased by BYR 5 million in 2009.

9. As at 1 January 2009 and 31 December 2009 adjustment of other receivables and other creditors on accrual basis amounted to BYR 4 million and BYR 4 million, respectively.

As at 31 December 2010 other receivables were written-off by BYR 57 million. In respect of this adjustment Administrative expenses were increased by BYR 57 million in 2010.

As at 1 January 2009, 31 December 2009 and 31 December 2010 adjustment of other creditors on accrued bonuses to the employees amounted BYR 164 million, BYR 61 million and BYR 96 million, respectively.

In respect of the above adjustments related to the recognition of bonuses to the employees Administrative expenses were increased by BYR 61 million in 2009 and BYR 96 million in 2010.

Notes to the financial statements

As at 1 January 2009, 31 December 2009 and 31 December 2010 reclassification of other creditors to current income tax liabilities amounted BYR 521 million, BYR 692 million and BYR 253 million, respectively.

10. As at 31 December 2009 regresses receivable incurred in 2009 but received in 2010 recognised by BYR 3,101 million.

In respect of the above adjustments related to recognition of incurred regresses recovered losses were increased by BYR 3,793 million and reinsurers' share in recovered losses was increased by BYR 692 million in 2009; recovered losses in 2010 were derecognised by BYR 3,793 million.

11. As at 1 January 2009, 31 December 2009 and 31 December 2010 reclassification of other assets to deferred expenses amounted BYR 18 million, BYR 23 million and BYR 19 million, respectively.

As at 1 January 2009, 31 December 2009 and 31 December 2010 adjustment for write-off of other assets to administrative expenses amounted to BYR 180 million, BYR 207 million and BYR 202 million, respectively.

In respect of the above adjustments related other assets write-off administrative expenses were increased by BYR 27 million in 2009 and decreased by BYR 5 million in 2010.

12. Under GAAP the basis for unearned premium reserve is premiums net of commission expenses (cash basis). Therefore, as at 1 January 2009, 31 December 2009 and 31 December 2010 deferred acquisition costs were recognised of BYR 832 million, BYR 1,168 million and BYR 1,428 million, respectively; adjustment of unearned premiums reserve amounted to BYR 7,650 million, BYR 8,987 million and BYR 13,408 million, respectively.

In respect of the above adjustments and those mentioned in point 20 below related to technical reserves for unearned premiums and unexpired risks gross change in technical reserves for unearned premium and unexpired risks was increased by BYR 2,952 million in 2009 and BYR 4,335 million in 2010.

In respect of the above adjustments related to deferred acquisition costs change in deferred acquisition costs recognised amounted to BYR 336 million in 2009 and BYR 260 million in 2010.

13. Under GAAP the basis for reinsurers' share in unearned premium reserve is premiums paid net of reinsurance commission income (cash basis). Therefore, as at 1 January 2009, 31 December 2009 and 31 December 2010 adjustment of reinsurance share in unearned premium reserve amounted to BYR 5,528 million, BYR 4,364 million and BYR 2,950 million, respectively.

In respect of the above adjustments change in reinsurance share in technical reserves for unearned premium was decreased by BYR 1,166 million in 2009 and BYR 1,413 in 2010.

14. As at 1 January 2009, 31 December 2009 and 31 December 2010 RBNS was adjusted based on subsequent information on claims development by BYR 202 million, BYR 461 million and BYR 0 million, respectively. Reinsurers' share in RBNS was adjusted in proportion with RBNS for assumed reinsurance business by BYR 18 million, BYR 21 million and BYR 0 million, respectively.

Reinsurers' share in IBNR is not recognised in IFRS, therefore reinsurance share in IBNR was adjusted by BYR 580 million, BYR 1,281 million and BYR 1,409 million, respectively.

In 2009 and 2010 in respect of the above adjustments and those mentioned in point 21 below change in gross outstanding technical reserves was increased by BYR 2,562 million and decreased by BYR 603 million, respectively; and change in reinsurance share in outstanding technical reserves was decreased by BYR 697 million and BYR 150 million, respectively.

15. As at 1 January 2009, 31 December 2009 and 31 December 2010 deferred tax assets were recognised by BYR 1,169 million, BYR 1,206 million and BYR 895 million, respectively.

In respect of the above adjustments deferred tax benefit was recognised by BYR 37 million in 2009 and deferred tax expense was recognised by BYR 311 million in 2010.

16. As at 1 January 2009, 31 December 2009 and 31 December 2010 adjustment for local reserves, which are not recognised by IFRS was made by BYR 243 million, BYR 2,330 million and BYR 302 million, respectively.

17. As at 1 January 2009, 31 December 2009 and 31 December 2010 direct insurance creditors adjustment on accrued commissions amounted BYR 589 million, BYR 905 million and BYR 1,107 million, respectively.

Notes to the financial statements

In respect of the above adjustments related to recognition of commissions client acquisition costs were increased by BYR 259 million in 2009 and BYR 202 million in 2010, other income was decreased by BYR 57 million in 2009.

18. As at 1 January 2009, 31 December 2009 and 31 December 2010 reinsurance creditors adjustment on accrued reinsurance share in written premiums amounted BYR 12,375 million, BYR 14,457 million and BYR 6,457 million, respectively.

In respect of the above adjustments related to the recognition of premiums on accrual basis reinsurance in written premium was decreased by BYR 1,084 million in 2009 and BYR 8,000 in 2010, other income was decreased by BYR 998 million in 2009.

19. As at 1 January 2009, 31 December 2009 and 31 December 2010 provision for unused vacations was recognised of 59 million, BYR 31 million and BYR 79 million, respectively.

In respect of the above adjustments related to the recognition of provision for unused vacations administrative expenses were decreased by BYR 28 million in 2009 and increased by BYR 36 in 2010.

20. As at 1 January 2009, 31 December 2009 and 31 December 2010 unexpired risks reserve adjustment based on liability adequacy test amounted BYR 309 million, BYR 1,924 million and BYR 1,837 million, respectively.

21. As at 1 January 2009, 31 December 2009 and 31 December 2010 IBNR adjustment based on other method of calculation (refer to note 4.3 (e)) amounted 276 million, BYR 2,579 million and BYR 2,437 million, respectively.

22. In 2009 and 2010 reclassification of other income, net to:

- Reinsurers' share in recovered losses amounted to BYR 234 million and BYR 718 million, respectively;
- Administrative expenses amounted to BYR 170 million and BYR 433 million, respectively;
- Gross written premium decreased by BYR 5 million and BYR 7 million, respectively;
- Reinsurers' share in written premium decreased by BYR 28 million and BYR 44 million, respectively.

23. In 2009 and 2010 reclassification of administrative expenses to loss adjustment expenses amounted to BYR 17 million and BYR 58 million, respectively.

24. As at 1 January 2009, 31 December 2009 and 31 December 2010 the total adjustments of retained earnings due to the above adjustments were BYR 3,006 million, BYR 977 million and BYR 2,442 million, respectively. Net effect of the adjustments decreased profit for the year by BYR 262 million in 2009 and increased profit for the year by BYR 496 million in 2010.

Expenses amounted to BYR 30 million made from local reserves in 2009 were reclassified to administrative expenses.

Transition from previous GAAP to IFRSs has not significantly affected the Company's statement of cash flows.

(4) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position as of 1 January 2009 for the purposes of the transition to IFRSs, unless otherwise indicated.

The accounting policies have been applied consistently.

4.1 New standards, changes to standards and interpretations

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company:

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes

Notes to the financial statements

compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IFRIC 17, *'Distribution of non-cash assets to owners'* (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, *'Transfers of assets from customers'*, effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, *'Reassessment of embedded derivatives'* and IAS 39, *'Financial instruments: Recognition and measurement'*, effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, *'Hedges of a net investment in a foreign operation'* effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Company, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Company should clearly document its hedging strategy because of the possibility of different designations at different levels of the Company.

IAS 38 (amendment), *'Intangible assets'*, effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 (amendment), *'Presentation of financial statements'*. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), *'Impairment of assets'*, effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, *'Operating segments'* (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (amendments), *'Group cash-settled share-based payment transactions'*, effective from 1 January 2010. In addition to incorporating IFRIC 8, *'Scope of IFRS 2'*, and IFRIC 11, *'IFRS 2 – Group and treasury share transactions'*, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

Notes to the financial statements

IFRS 5 (amendment), ‘*Non-current assets held for sale and discontinued operations*’. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

The following new Standards and Interpretations are not yet effective for the year ended 31 December 2010 and have not been applied in preparing these financial statements:

Additions to IFRS 9 Financial Instruments (issued in 2010, effective for annual periods beginning on or after 1 January 2013, early application is permitted). The 2010 additions to IFRS 9 replace the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.

The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities.

The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.

It is expected that the additions to the Standard, when initially applied, will have a significant impact on the financial statements, since they will be required to be retrospectively applied. However, the Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application. The Company has not yet decided on the date that it will initially apply the new Standard.

IFRS 9 Financial Instruments (issued in 2009, effective for annual periods beginning on or after 1 January 2013, earlier application is permitted). This Standard replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.

It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since it will be required to be retrospectively applied. However, the Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application. The Company has not yet decided on the date that it will initially apply the new Standard.

Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012, earlier application is permitted). The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that in these for the assets the manner of recovery will be entirely by sale. Management’s intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. This is the only instance in which the rebuttable presumption can be rebutted.

Notes to the financial statements

The amendments are not relevant to the Company's financial statements, since the Company does not have any investment properties measured using the fair value model in IAS 40.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011, earlier application is permitted). The Amendments require disclosure of information that enables users of financial statements:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define “continuing involvement” for the purposes of applying the disclosure requirements.

The Company does not expect the amendment to IFRS 7 to have material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds.

Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011, earlier application is permitted). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.

The amendments to IFRIC 14 is not relevant to the Company's financial statements as the Company does not have any defined benefit plans with minimum funding requirements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010, earlier application is permitted). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a ‘debt for equity swap’ are consideration paid in accordance with IAS 39.41.

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Company did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010, earlier application is permitted). The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

The following new Standard is not yet effective for the year ended 31 December 2010 but have been applied in preparing these financial statements:

Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011, earlier application is permitted). The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel.

Notes to the financial statements

The revised standard is applied in the preparation of these financial statements before the official effective date.

4.2 Foreign currency, foreign currency transactions

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

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

Foreign exchange rates for the key currencies at the end of the reporting period were the following:

	31 December 2010	31 December 2009	1 January 2009
BYR/USD	3 000.00	2 863.00	2 200.00
BYR/EUR	3 972.60	4 106.11	3 077.14
BYR/RUB	98.44	94.66	76.89

4.3 Insurance and reinsurance contracts

(a) Classification of insurance contracts

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

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

- Aviation insurance;
- Property insurance;
- Pecuniary insurance (including the risk of outstanding credit occurrence insurance);
- Motor insurance (third party liability of motor vehicles owners – green card);
- Transport insurance;
- Liability insurance;
- Marine insurance;
- Accident insurance.

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

Ceded reinsurance

During the course of its business, the Company enters into reinsurance contracts to restrict the potential net loss through diversification of risks. Reinsurance contracts do not relieve the Company from its liabilities to reinsured by the Company.

(b) Insurance premium and premium income

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

If insurance premiums are expected to be paid in several installments during the insurance year, written premiums include the premiums that related to the entire insurance year. If an insurance contract is signed

Notes to the financial statements

for several insurance years, the premium of the respective year is reflected in each year.

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

Reinsurers' share in written premiums is calculated in accordance with reinsurance contracts in force. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received and the portion of reinsurance expenses attributable for future periods are recognised as assets under the reinsurance part of the unearned premium reserve.

(c) Insurance and reinsurance receivables and payables

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

Amounts that are overdue are reversed against premium income once the contract is cancelled. Allowances are recognised for overdue insurance receivables. Allowances are recognised for the outstanding amount depending on the number of days outstanding. Receivables are disclosed net of impairment allowance. The amount of allowance represents the difference between the gross and recoverable amount of receivables. Allowances for doubtful debts are recognised when the Company's management believes that the recoverability of these assets is uncertain. Receivables are written off when their recoverability is considered impossible.

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

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

(d) Claims incurred

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

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

(e) Technical reserves

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

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

Unearned premium and unexpired risk reserves

Unearned premium reserves (UPR)

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

Unexpired risk reserve (URR)

A provision is made for unexpired risks arising from the general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums reserve in relation to such contracts after the deduction of any deferred acquisition costs.

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URR is provided when it is expected that the unearned premium reserve will not be sufficient to cover the claims and expenses arising on the insurance contracts in force (note 4.3(g)). URR is established in order to reduce the risk of possible fluctuations in the operating result of the Company and guarantees the protection from possible future risks resulting from claims and expenses arising from the insurance contracts being in force as at the reporting date.

Outstanding claims technical reserves

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

Reported but not settled claims reserve (RBNS)

The RBNS claims reserve includes case reserves. Case reserves are set on a case-by-case basis by the Company's loss adjusters for claims reported and not yet settled as at the reporting date. The sensitivity analysis for insurance liabilities is disclosed in note 5.3(e) and claim development analysis is disclosed in note 5.3(g).

Incurred but not reported claims reserve (IBNR)

IBNR is calculated in respect of claims incurred but not reported prior to the end of the reporting period. For the purposes of IBNR determination as at the reporting date, the management uses data on historical accidents in the reporting and previous periods using claim development triangle methods. The claim development analysis is disclosed in note 5.3(f).

(f) Client acquisition costs

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

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

(g) Liability adequacy test

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

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

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

4.4 Financial instruments

(a) Classification

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

Financial instruments at fair value through profit or loss are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or that are a derivative (except for a derivative that is a designated and effective hedging instrument); or that are upon initial recognition, are designated by the entity as at fair value through the profit or loss. The Company did not classify any financial instruments to this category in 2010 (2009: nil).

Available-for-sale assets are financial assets classified at inception as available for sale or assets other than classified as held for trading, held to maturity or loans and receivables. Available for sale instruments include certain equity securities. Generally, this category is assigned by the Company to financial assets that

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are held for an indeterminate period of time and may be sold based on liquidity or interest rate needs, or as a result of changes in exchange rates and share prices.

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

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

Financial liabilities carried at amortised cost represent financial liabilities of the Company other than financial instruments designated at fair value through profit or loss. This category includes due to creditors.

(b) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

(c) Initial and subsequent measurement

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

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

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

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

(d) Fair value measurement

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

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

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

The fair value of non-exchange-traded derivatives is estimated at the amount that the Company would receive or pay to terminate the contract at the reporting date taking into account the current market conditions and the current creditworthiness of the counterparties.

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(e) Offsetting

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

4.5 Impairment

(a) Financial assets

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

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

Insurance receivables that are overdue are reversed against premium income once the policy is cancelled. No impairment allowances are recognised in respect of amounts that have not yet become due if no portion of the premium is taken to income.

Other debtors are stated at recoverable amount.

(b) Non financial assets

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

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

4.6 Property and equipment

Property

During 2010 and 2009, the Company did not have property.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment loss (if any). Depreciation is calculated using a linear method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Office equipment and furniture	10-20% per year
Machinery and equipment	2-20% per year
Vehicles	12,5% per year

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

Profit or loss from disposal of equipment is calculated as the difference between the book value of the asset and income generated from sale, and reflected in the profit or loss statement when disposed.

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

4.7 Leases

The Company as lessee

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Discounts received are recognised in the statement of comprehensive income as a significant part of the total lease expenses.

4.8 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance expenses comprise changes in the fair value of financial assets at fair value through profit or loss.

4.9 Corporate income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year and is calculated in accordance with the legislation of the Republic of Belarus, using tax rates enacted or substantively enacted at the reporting date (26.28%), and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences arising between the carrying value of assets and liabilities in the financial statements (financial reporting purposes) and the amounts used for local reporting purposes. Deferred tax asset (liability) is recognised by applying the statutory tax rate 24 per cent as at 31 December 2010 and 26.28 per cent as at 31 December 2009 and 1 January 2009.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

Deferred tax assets and liabilities are not discounted.

4.10 Cash and cash equivalents

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

4.11 Profit distribution to the shareholder

In accordance with the legislation of the Republic of Belarus the Company is obliged to make certain payment to the government of the Republic of Belarus. Profit distribution to the shareholder comprise of the following:

- payments to budget of a certain percentage of the profit for the year received by the Company in accordance with belorussian accounting principles. The percentage depends on the profitability of the Company and is stated in the Order of the President of the Republic of Belarus #637 dated 28 December 2005 (with the editions followed). The maximum level of the payment is limited by 25 per cents of the profit for the companies with 30 per cent profitability ratio and above.
- payments to the State National Development Fund. Amounts payable and terms of the payments to the Fund are determined annually by the Council of Ministers of the Republic of Belarus under agreement of the President of the Republic of Belarus.

4.12 Related parties

Related parties are defined as the shareholder of the Company, members of the Management of the Company and companies in which the Management of the Company have a significant influence or control.

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4.13 Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the related service is provided. The Company pays fixed social security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect of retired employees.

4.14 Provisions

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

(5) Risk and risk management

5.1 Risk and risk management

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

The Company's risk management includes:

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

5.2 Solvency requirements and Capital management

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

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

<i>In millions of BYR</i>	2010	2009	1 January 2009
Solvency margin based on premiums received	9 971	7 742	4 050
Solvency margin based on claims paid	2 651	1 923	933
Solvency margin (the largest amount)	9 971	7 742	4 050
Reinsurance ratio	0,8777	0,7708	0,5000
Solvency margin adjusted by reinsurance ratio	8 752	5 968	2 025
 Total capital for capital adequacy (own funds)	 482 453	 472 068	 412248
Capital adequacy surplus	473 701	466 100	410 223

5.3 Insurance risk identification and risk management

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning,

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

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

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Management of Company's and Insurance Committee in particular.

(a) Basic product features

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

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

There are the following main insurance products of the Company:

- Aviation insurance;
- Property insurance;
- Pecuniary insurance (including the risk of outstanding credit occurrence insurance);
- Motor insurance (third party liability of motor vehicles owners – green card);
- Transport insurance;
- Liability insurance;
- Marine insurance;
- Accident insurance.

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

Aviation insurance

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

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

- Aviation insurance deals with unique, differing from other types of property, risks;
- Significant part of the insured amount provides for the coordination of activities between insurer and reinsurer;
- Aviation risks may lead to enormous and cumulative losses;
- Aviation insurance is strongly connected with a global insurance market;
- Aviation insurance is regulated both by national and international law;
- For conduction of aviation insurance operations the special developed infrastructure is required;
- Aviation risks require a high demand for the professional training of specialists in charge of the insurance process.

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

- Liability insurance of air carrier against damage caused to passengers, baggage, mail, cargo;
- Liability insurance of aircraft operators against damage caused to third parties;
- Insurance of aircraft crew and other aviation personnel;
- Aircraft casco insurance;

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- Insurance of aerial work requester's employees, personnel, connected with the provision of technological process during the aerial works.

Since 2007 the Company performs the reinsurance of aviation risks, including risks of national air carriers Belavia-Belarusian Airlines and Transaviaexport Airlines. Liability limits for the reinsurance contracts are as follows:

- CASCO of aircrafts – up to USD 44,2 million (BYR 132 600 million);
- Liability insurance of aircraft owners – up to USD 750 million (BYR 2 250 000 million).

Aircraft fleet of national air carriers includes six Boeing 737-500, three Boeing 737-300, four CRJ-100/200 LR, four Tu-154, six Il-76TД, one CL-600-2819 (Challenger-850).

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

Ceding of risks is performed on the facultative quota share basis. Ceding broker on international markets is Willis Limited (UK). Retrocessioners are syndicates Lloyd's (UK), Munich Re (Germany), Allianz Global Corporate&Specialty AG (Germany), Swiss Re Frankona Rückversicherungs AG (Germany), AIG UK Ltd (UK), Liberty Mutual Insurance Europe Ltd (UK), Aviabel S.A. Brussels (Belgium), Aspen Insurance (UK), Generali IARD (France), Ingosstrakh Insurance Company (Belarus).

Property insurance

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

- Catastrophic risks insurance;
- Insurance of electronic devices and data carriers;
- Crop insurance;
- Building and construction risks insurance;
- Citizens' homestead insurance;
- Citizens' buildings insurance;
- Companies' property insurance;
- Insurance of animals belonging to legal entities;
- Cash counter insurance;
- Insurance of space risks.

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

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

Pecuniary insurance (including the risk of outstanding debt repayment)

Pecuniary (financial) risk is a risk of losses arising from the breach of obligations by the counterparty of the policyholder connected with the entrepreneurial activities of the policyholder. This insurance covers losses incurred as a result of the neglect (not proper fulfillment) of obligations by the policyholder's counterparty for the following types of transactions:

- Non-delivery, incomplete delivery of goods, non-transfer of property, non-fulfillment of works, services by the time set in contract;

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- Repayment of debt issued by insured;
- Rent, including leasing;
- Cash payment in terms and amounts set by the conditions of bonds issue;
- Storage keeping;
- Pledging of security (guarantee).

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

The majority of pecuniary risks are assumed in reinsurance from the following companies: BRUIC "Belgosstrakh", Export-import insurance company of the Republic of Belarus "Eximgarant", UJSC «Belvneshstrakh», CJSC «Promtransinvest», CJSC "Belneftestrakh".

Motor insurance (third party liability of motor vehicles owners – green card)

Since 1 June 2007 the Republic of Belarus is a full member of the International green card insurance system. The Company has been ceding belarusian "green card" certificates since 2008. Since 2010 the priority of belarusian "green card" certificates reinsurance contracts kept by national insurance market has risen from EUR 269,000 to EUR 500,000.

The leading reinsurers of belarusian "green card" certificates reinsurance contracts in 2010 is Partner Re, solidary reinsurer - Munich Re. Ceding broker – «Marsh – Insurance Brokers».

The Company assumes in reinsurance a part of first and second levels of the obligatory reinsurance contract on belarusian "green card" certificates. The planned premium income of belarusian insurance companies in 2011 from belarusian "green card" certificates insurance contracts is EUR 20,600,000.

Liability insurance

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

- Third party liability insurance:
 - * Third party liability insurance of legal entities;
 - * Third party liability insurance of minor ships' owners;
 - * Third party liability insurance against non-fulfillment of public contract's obligations;
 - * Third party liability insurance of reactor operator;
 - * Third party liability insurance against nuclear damage;
 - * Third party liability insurance against harm caused due to professional activity;
 - * Third party liability custom authorities insurance;
 - * Third party liability insurance of commodity producer;
 - * Third party liability insurance of carrier and forwarder;
 - * Third party liability insurance of high-threat organizations;
 - * Third party liability insurance of employer;
 - * Third party liability insurance against harm caused to third parties;
 - * Third party liability insurance of local carriers;
 - * Liability insurance against constructional defects;
- Insurance against bank risks;
- Insurance against the loss of ownership of property;
- Insurance against the non-fulfillment of obligations under the contract of shared construction;
- Custom authorities insurance (cornet);
- Insurance against losses due to forced disruption of production;
- Insurance against other types of liabilities;
- Carnet insurance.

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

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Carnet insurance is represented by one quota share basis assumed reinsurance and retrocession agreement. The Company assumes 65 per cent of responsibility, leaves 15 per cent on its own retention and cedes 50 per cent through the reinsurance broker R.L. Davison & Co Ltd. to syndicate Lloyd's.

Transport insurance (CASCO)

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

- Individuals' vehicle insurance;
- Legal entities' vehicle insurance;
- Insurance of agricultural machines;
- Insurance of ships;
- Rail transport insurance.

Marine insurance

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

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

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

- Marine (river) CASCO – the insurance of ship's hull and equipment. The main risks covered include:
 - * Collision of ships;
 - * Damage of freight due to bad weather conditions;
 - * Running aground;
 - * Fire, explosion, lightning stroke;
 - * General accident;
 - * Other risks.
- Freight insurance. Freight gross value is insured, including ship owner's profit and costs of insurance.

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

Since 2007 The Company has been reinsuring marine risks, including risks of The Joint Stock Company "Belarusian Potash Company". Responsibility limit of ship owner's third party liability insurance is USD 50 million. Reinsurance of marine risks in mentioned above amounts is possible to be provided with help of an extensive reinsurance system, involving reinsurance capacity of the worldwide insurance market. This is impossible without reinsurance contracts with worldwide insurance brokers. Ceding of risks is performed on the facultative quota share basis. Ceding broker on the foreign markets is Filhet Allard Maritime (France). Retrocessioners are AMLIN CORPORATE INSURANCE plc, BDM NV/SA, CV STARR & CO INC, NATEUS BV ANTWERP.

Marine insurance line of business includes also insurance of cargo, which consists of marine, air, railway and mixed types of cargo insurance. The Company assumes in reinsurance three main options:

- All risks;
- With responsibility for particular accident;
- Without responsibility for particular accident.

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Accident insurance

Accident insurance provides a benefit in the event damage to health or death of the insured, it also allows to compensate costs of treatment and losses due to disablement. The Company offers reinsurance cover on the following types of risk:

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

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

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

(b) Insurance risk concentration

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

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

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

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its business. The Company assesses the costs and benefits associated with the reinsurance program on an ongoing basis.

(c) Catastrophes

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

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

(d) Insurance risk management

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

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

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

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

(e) Sensitivity analysis for insurance liabilities

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

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

The most significant assumptions are related to the estimations of the RBNS reserve and URR reserve. Considering the current market situation, the Company believes that the most volatile assumptions related to RBNS are inflation and currency exchange rate fluctuations.

The table below presents the change in RBNS as at 31 December 2010 in the case of 10 per cent change in the annual inflation used in the RBNS estimation.

In millions of BYR

Line of business	RBNS, as at 31 December 2010	Increased RBNS if projected annual inflation increased by 10%	Decreased RBNS if projected annual inflation decrease by 10%
Aviation	358	394	322
Property	5 674	6 241	5 107
Pecuniary	-	-	-
Motor	2 752	3 028	2 477
Transport	333	366	299
Liability	606	667	545
Marine	333	366	300
Accident	163	179	147
	10 219	11 241	9 197

The table below presents the change in RBNS as at 31 December 2010 in the case of 20 per cent change in currency exchange rate.

Notes to the financial statements

In millions of BYR

Currency	RBNS, as at 31 December 2010	Increased RBNS if projected foreign currency devaluation is 20%	Decreased RBNS if projected foreign currency appreciation is 20%
BYR	465	465	465
USD	1 446	1 735	1 157
EUR	2 879	3 455	2 303
RUR	5 429	6 515	4 343
	10 219	12 170	8 268

The next assumptions identified relate to URR reserve, the amount of which depends on the claim ratio and administrative expenses ratio. The Management of the Company doesn't expect significant changes in the amount of administrative expenses and their allocation by lines of business as well as considers claims ratio to be more volatile. The tables below present the change in URR as at 31 December 2010 in the case if projected increase/decrease of claims ratio per each line of business by 5 per cent.

In millions of BYR

Line of business	URR as at 31 December 2010	URR if projected increase of claims ratio by 5%	URR if projected decrease of claims ratio by 5%
Pecuniary	1 295	1 759	831
Transport	542	663	420
	1 837	2 422	1 251

(f) Claims development

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

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

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

Although the information provided in the table reflects the estimates of historical unpaid claims made in the prior years, the users of these financial statements should avoid extrapolation of past remains or deficits in respect to the balance of unpaid losses of this period. Management considers evaluation of technical reserves as at 31 December 2010 as adequate.

These are the Company's first financial statements prepared in accordance with IFRSs and the following table represents claim development analysis for the three year period IFRSs have been applied to.

Claim development analysis, millions of BYR

	Year of insurance event occurrence			
	2008	2009	2010	Total
Estimate of cumulative claims at end of accident year	11 153	10 404	15 342	15 342
- one year later (2009)	10 931	8 423	-	8 423
- two years later (2010)	10 584	-	-	10 584
Cumulative payments to date	7 797	7 944	3 324	19 065
Outstanding claims reserves at 31 December 2010	2 787	479	12 018	15 284

5.4 Financial risks and risk management

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

Notes to the financial statements

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

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

(a) Market risks

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

Market risks comprise:

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

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

i) Interest rate risk

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

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

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

Rate repricing analysis as at 31 December 2010

<i>In millions of BYR</i>	Interest rate	Up to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets						
Available-for-sale financial assets	-	-	-	-	400 005	400 005
Held to maturity financial assets	12%	28	2 032	-	-	2 060
Deposits with banks	6-13%	55 037	30 705	-	-	85 742
Receivables from direct insurance activities	-	-	-	-	18 745	18 745
Receivables from reinsurance activities	-	-	-	-	303	303
Cash and cash equivalents	6,5-13,5%	8 554	-	-	1 107	9 661
Total financial assets	-	63 619	32 737	-	420 160	516 516
Financial liabilities						
Direct insurance creditors	-	-	-	-	(1 107)	(1 107)
Reinsurance creditors	-	-	-	-	(6 457)	(6 457)
Part of other creditors	-	-	-	-	(96)	(96)
Total financial liabilities	-	-	-	-	(7 660)	(7 660)

Notes to the financial statements

Rate repricing analysis as at 31 December 2009

<i>In millions of BYR</i>	Interest rate	Up to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets						
Available-for-sale financial assets	-	-	-	-	400 005	400 005
Held to maturity financial assets	15%	45	2 032	-	-	2 077
Deposits with banks	6-22%	12 410	47 733	-	-	60 143
Receivables from direct insurance activities	-	-	-	-	17 334	17 334
Receivables from reinsurance activities	-	-	-	-	363	363
Part of other receivables	-	-	-	-	3 101	3 101
Cash and cash equivalents	10-22%	16 282	-	-	911	17 193
Total financial assets	-	28 737	49 765	-	421 714	500 216
Financial liabilities						
Direct insurance creditors	-	-	-	-	(905)	(905)
Reinsurance creditors	-	-	-	-	(14 457)	(14 457)
Part of other creditors	-	-	-	-	(555)	(555)
Total financial liabilities	-	-	-	-	(15 917)	(15 917)

Rate repricing analysis as at 1 January 2009

<i>In millions of BYR</i>	Interest rate	Up to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets						
Available-for-sale financial assets	-	-	-	-	350 000	350 000
Held to maturity financial assets	14%	31	2 032	-	-	2 063
Deposits with banks	10-16%	54 431	94	-	-	54 525
Receivables from direct insurance activities	-	-	-	-	11 297	11 297
Receivables from reinsurance activities	-	-	-	-	291	291
Cash and cash equivalents	9,5-16%	10 665	-	-	546	11 211
Total financial assets	-	65 127	2 126	-	362 134	429 387
Financial liabilities						
Direct insurance creditors	-	-	-	-	(589)	(589)
Reinsurance creditors	-	-	-	-	(12 375)	(12 375)
Part of other creditors	-	-	-	-	(553)	(553)
Total financial liabilities	-	-	-	-	(13 517)	(13 517)

Interest rate sensitivity analysis

The Company is exposed to the risk of fluctuations of market interest rates and their influence on its financial position and cash flows. Such fluctuations may result in increase of interest margin, but in case of unexpected changes of interest rates the interest margin can be also decreased.

The Company is subject to interest risk mainly on deposits in banks and investments held to maturity nominated in belorussian roubles at floating interest depending on the interest rate stated by the National Bank of the Republic of Belarus. Interest rates for assets are mostly fixed and the Company does not have interest bearing liabilities as at 31 December 2010, 31 December 2009 and 1 January 2009.

The table below represents impact on income and equity of change by 100 basis points in floating interest rates as at the reporting date with assumption that all other terms are unchangeable:

Notes to the financial statements

<i>In millions of BYR</i>	2010	2009
	Profit before income tax expense	Profit before income tax expense
Increase of interest rates by 100 basis points	439	502
Decrease of interest rates by 100 basis points	(439)	(502)

ii) Currency risk

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

On 2 January 2009 the National Bank of the Republic of Belarus devalued the Belarusian rubles against foreign currencies by 20 per cent. An analysis of the sensitivity of the Company's income for the year and its equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2010, 31 December 2009 and 1 January 2009 and a simplified scenario of a change in EUR and USD to BYR exchange rates is as follows (in millions of BYR):

<i>In millions of BYR</i>	2010	2009	1 January 2009
	Profit before income tax expense	Profit before income tax expense	Profit before income tax expense
20% appreciation of EUR against BYR	3 387	2248	1 391
20% depreciation of EUR against BYR	(3 387)	(2248)	(1 391)
20% appreciation of USD against BYR	2 936	1132	(140)
20% depreciation of USD against BYR	(2 936)	(1132)	140
20% appreciation of RUB against BYR	1 654	1175	40
20% depreciation of RUB against BYR	(1 654)	(1175)	(40)

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

Company's financial assets and liabilities currency profile as at 31 December 2010

<i>In millions of BYR</i>	BYR	USD	EUR	RUB	Other	Total
Financial assets						
Available-for-sale financial assets	400 005	-	-	-	-	400 005
Held to maturity financial assets	2 060	-	-	-	-	2 060
Deposits with banks	60 035	9 860	14 262	1 585	-	85 742
Receivables from direct insurance activities	4 882	10 228	2 901	626	108	18 745
Receivables from reinsurance activities	36	179	75	8	5	303
Cash and cash equivalents	2 636	209	662	6 154	-	9 661
Total financial assets	469 654	20 476	17 900	8 373	113	516 516
Financial liabilities						
Direct insurance creditors	(275)	(593)	(208)	(19)	(12)	(1 107)
Reinsurance creditors	(352)	(5 202)	(756)	(84)	(63)	(6 457)
Part of other creditors	(96)	-	-	-	-	(96)
Total financial liabilities	(723)	(5 795)	(964)	(103)	(75)	(7 660)
Open currency position	468 931	14 681	16 936	8 270	38	508 856

Notes to the financial statements

Company's financial assets and liabilities currency profile as at 31 December 2009

<i>In millions of BYR</i>	BYR	USD	EUR	RUB	Other	Total
Financial assets						
Available-for-sale financial assets	400 005	-	-	-	-	400 005
Held to maturity financial assets	2 077	-	-	-	-	2 077
Deposits with banks	49 784	3 369	4 681	2 309	-	60 143
Receivables from direct insurance activities	1 713	10 861	4 288	387	85	17 334
Receivables from reinsurance activities	1	10	351	1	-	363
Part of other receivables	-	2	19	3 080	-	3 101
Cash and cash equivalents	8 727	2 801	5 529	136	-	17 193
Total financial assets	462 307	17 043	14 868	5 913	85	500 216
Financial liabilities						
Direct insurance creditors	(173)	(556)	(149)	(20)	(7)	(905)
Reinsurance creditors	(134)	(10 828)	(3 479)	(16)	-	(14 457)
Part of other creditors	(555)	-	-	-	-	(555)
Total financial liabilities	(862)	(11 384)	(3 628)	(36)	(7)	(15 917)
Open currency position	461 445	5 659	11 240	5 877	78	484 299

Company's financial assets and liabilities currency profile as at 1 January 2009

<i>In millions of BYR</i>	BYR	USD	EUR	RUB	Other	Total
Financial assets						
Available-for-sale financial assets	350 000	-	-	-	-	350 000
Held to maturity financial assets	2 063	-	-	-	-	2 063
Deposits with banks	50 861	1 696	1 874	94	-	54 525
Receivables from direct insurance activities	2 500	7 880	824	79	14	11 297
Receivables from reinsurance activities	17	271	3	-	-	291
Cash and cash equivalents	4 946	1 671	4 562	32	-	11 211
Total financial assets	410 387	11 518	7 263	205	14	429 387
Financial liabilities						
Direct insurance creditors	(269)	(247)	(70)	(3)	-	(589)
Reinsurance creditors	(170)	(11 969)	(236)	-	-	(12 375)
Part of other creditors	(553)	-	-	-	-	(553)
Total financial liabilities	(992)	(12 216)	(306)	(3)	-	(13 517)
Open currency position	409 395	(698)	6957	202	14	415 870

iii) Price risk

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

The Company's investment portfolio is not sensitive to financial instruments market price risk as at 31 December 2010, 31 December 2009 and 1 January 2009 since there are no financial instruments with quoted market price in the investment portfolio.

Notes to the financial statements

(a) Credit risk

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

Carrying amounts versus estimated fair values

The carrying amounts of financial assets, together with the estimated fair values shown in the statement of financial position, are as follows:

<i>In millions of BYR</i>	31 December 2010		31 December 2009		1 January 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Available for sale financial assets	400 005	400 005	400 005	400 005	350 000	350 000
Held to maturity financial assets	2 060	2 031	2 077	2 041	2 063	2 048
Deposits with banks	85 742	85 742	60 143	60 143	54 525	54 525
Receivables from direct insurance activities	18 745	18 745	17 334	17 334	11 297	11 297
Receivables from reinsurance activities	303	303	363	363	291	291
Part of other receivables	-	-	3 101	3 101	-	-
Cash and cash equivalents	9 661	9 661	17 193	17 193	11 211	11 211
Total financial assets	516 516	516 487	500 216	500 180	429 387	429 372

Credit risk of the Company is related to management of the financial investments, insurance receivables from direct insurance and reinsurance operations and other receivables.

i) Maximum credit risk

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

<i>In millions of BYR</i>	31 December 2010		31 December 2009		1 January 2009	
Maximum credit risk	Gross	Net	Gross	Net	Gross	Net
Available for sale financial assets	400 005	400 005	400 005	400 005	350 000	350 000
Held to maturity financial assets	2 060	2 060	2 077	2 077	2 063	2 063
Deposits with banks	85 742	85 742	60 143	60 143	54 525	54 525
Receivable from direct insurance activities	18 788	18 745	17 395	17 334	11 365	11 297
Receivables from reinsurance activities	303	303	363	363	291	291
Part of other receivables	-	-	3 101	3 101	-	-
Cash and cash equivalents	9 661	9 661	17 193	17 193	11 211	11 211
Total	516 559	516 516	500 277	500 216	429 455	429 387

Investment analysis by ratings as at 31 December 2010, in millions of BYR:

Ratings by Fitch	Deposits with banks	Held to maturity financial assets	Available for sale financial assets	Total
B	83 742	2 060	350 000	435 802
No rating	2 000	-	50 005	52 005
	85 742	2 060	400 005	487 807

ii) Insurance receivables from direct insurance operations

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

iii) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities and income and expense arising from ceded

Notes to the financial statements

reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

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

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

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

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

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

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

The reinsurance cession result was negative at the December 31, 2010 and December 31, 2009 in the amount of BYR22,383 million and BYR25,123 million, respectively (Note 18).

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys both facultative and obligatory proportional and non-proportional reinsurance. For the details of retrocession programs for particular lines of business refer to note 5.3(a).

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

During 2010 and 2009, there have been no cases where a retrocessioner had not met its liabilities to the Company.

(b) Liquidity risks

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

The tables below show the allocation of the Company's financial assets and liabilities to maturity groups based on the time remaining from the reporting date to the contractual maturity dates as at 31 December 2010, 31 December 2009 and 1 January 2009:

Notes to the financial statements

Maturity dates of the Company's financial assets and liabilities as at 31 December 2010

<i>In millions of BYR</i>	Up to 12 months	From 1 to 5 years	Over 5 years	No fixed term	Total
Financial assets					
Available-for-sale financial assets	-	-	-	400 005	400 005
Held to maturity financial assets	28	2 032	-	-	2 060
Deposits with banks	55 037	30 705	-	-	85 742
Receivables from direct insurance activities	5 926	12 641	178	-	18 745
Receivables from reinsurance activities	289	14	-	-	303
Cash and cash equivalents	9 661	-	-	-	9 661
Total financial assets	70 941	45 392	178	400 005	516 516
Financial liabilities					
Direct insurance creditors	(429)	(670)	(8)	-	(1 107)
Reinsurance creditors	(6 284)	(170)	(3)	-	(6 457)
Part of other creditors	(96)	-	-	-	(96)
Total financial liabilities	(6 809)	(840)	(11)	-	(7 660)
Financial assets and liabilities maturity gap	64 132	44 552	167	400 005	508 856

Maturity dates of the Company's financial assets and liabilities as at 31 December 2009

<i>In millions of BYR</i>	Up to 12 months	From 1 to 5 years	Over 5 years	No fixed term	Total
Financial assets					
Available-for-sale financial assets	-	-	-	400 005	400 005
Held to maturity financial assets	45	2 032	-	-	2 077
Deposits with banks	12 410	47 733	-	-	60 143
Receivables from direct insurance activities	5 755	11 577	2	-	17 334
Receivables from reinsurance activities	358	5	-	-	363
Part of other receivables	3 101	-	-	-	3 101
Cash and cash equivalents	17 193	-	-	-	17 193
Total financial assets	38 862	61 347	2	400 005	500 216
Financial liabilities					
Direct insurance creditors	(407)	(498)	-	-	(905)
Reinsurance creditors	(11 237)	(3 220)	-	-	(14 457)
Part of other creditors	(555)	-	-	-	(555)
Total financial liabilities	(12 199)	(3 718)	-	-	(15 917)
Financial assets and liabilities maturity gap	26 663	57 629	2	400 005	484 299

Notes to the financial statements

Maturity dates of the Company's financial assets and liabilities as at 1 January 2009

<i>In millions of BYR</i>	Up to 12 months	From 1 to 5 years	Over 5 years	No fixed term	Total
Financial assets					
Available-for-sale financial assets	-	-	-	350 000	350 000
Held to maturity financial assets	31	2 032	-	-	2 063
Deposits with banks	54 431	94	-	-	54 525
Receivables from direct insurance activities	5 109	6 188	-	-	11 297
Receivables from reinsurance activities	222	69	-	-	291
Cash and cash equivalents	11 211	-	-	-	11 211
Total financial assets	71 004	8 383	-	350 000	429 387
Financial liabilities					
Direct insurance creditors	(244)	(345)	-	-	(589)
Reinsurance creditors	(7 606)	(4 769)	-	-	(12 375)
Part of other creditors	(553)	-	-	-	(553)
Total financial liabilities	(8 403)	(5 114)	-	-	(13 517)
Financial assets and liabilities maturity gap	62 601	3 269	-	350 000	415 870

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

5.5 Operating risks and risk management

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

5.6 Economy of the Republic of Belarus

The economy of the Republic of Belarus is characterised by a relatively high level of taxation and a high degree of State regulations. The recoverability of the Company's assets and the ability of the Company to maintain or pay its debts as they mature, as well as the future operations of the Company are dependent on the future results of the economic policy of the country.

The Management of the Company has made their best estimates of recoverability and classification for accounted assets and completeness of liabilities. However, uncertainty stated above may have significant influence on the operations of the Company.

Legislation

Certain provisions of Belarusian business and tax legislation may be misinterpreted and applied inconsistently. Additionally, 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 Company has made all required tax and other payments. However, inspections by controlling bodies may refer to preceding tax periods.

Notes to the financial statements

(6) Net written premiums

<i>In millions of BYR</i>	2010			2009		
	Gross written premiums	Reinsurers' share in premiums	Net written premiums	Gross written premiums	Reinsurers' share in premiums	Net written premiums
Aviation	14 422	(11 921)	2 501	16 312	(14 115)	2 197
Property	11 460	(5 510)	5 950	8 182	(2 096)	6 086
Pecuniary	12 415	(367)	12 048	4 303	(179)	4 124
Motor	5 008	(3 617)	1 391	7 301	(6 798)	503
Transport	4 708	(28)	4 680	1 824	(35)	1 789
Liability	5 884	(2 452)	3 432	6 012	(3 022)	2 990
Marine	2 314	(973)	1 341	3 024	(1 963)	1 061
Accident	32	-	32	31	-	31
	56 243	(24 868)	31 375	46 989	(28 208)	18 781

(7) Net earned premiums

<i>In millions of BYR</i>	2010			2009		
	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums	Gross earned premiums	Reinsurers' share in premiums	Net earned premiums
Aviation	14 906	(12 729)	2 177	13 606	(11 928)	1 678
Property	9 001	(3 395)	5 606	7 795	(3 112)	4 683
Pecuniary	6 968	(212)	6 756	774	(100)	674
Motor	5 008	(3 617)	1 391	7 301	(6 798)	503
Transport	2 765	(48)	2 717	2 296	(5)	2 291
Liability	5 968	(2 609)	3 359	5 337	(2 804)	2 533
Marine	2 901	(2 139)	762	4 210	(2 741)	1 469
Accident	30	-	30	29	-	29
	47 547	(24 749)	22 798	41 348	(27 488)	13 860

(8) Technical reserves for unearned premiums and unexpired risk technical reserves

<i>In millions of BYR</i>		Gross	Reinsurers' share	Net
Balance at 1 January 2009		12 801	(7 065)	5 736
<i>Written premiums</i>		<i>46 989</i>	<i>(28 208)</i>	<i>18 781</i>
<i>Premiums earned</i>		<i>(41 348)</i>	<i>27 488</i>	<i>(13 860)</i>
Changes during year		5 641	(720)	4 921
Balance at 31 December 2009		18 442	(7 785)	10 657
<i>Written premiums</i>		<i>56 243</i>	<i>(24 868)</i>	<i>31 375</i>
<i>Premiums earned</i>		<i>(47 547)</i>	<i>24 749</i>	<i>(22 798)</i>
Changes during year		8 696	(119)	8 577
Balance at 31 December 2010		27 138	(7 904)	19 234

<i>In millions of BYR</i>	31 December 2010			31 December 2009			1 January 2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
UPR	25 301	(7 904)	17 397	16 518	(7 785)	8 733	12 492	(7 065)	5 427
URR	1 837	-	1 837	1 924	-	1 924	309	-	309
	27 138	(7 904)	19 234	18 442	(7 785)	10 657	12 801	(7 065)	5 736

Notes to the financial statements

Technical reserves for unearned premiums and unexpired risk technical reserves as at 31 December 2010 by currencies were as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	RUR	Other	Total
Technical reserves for unearned premiums and unexpired risks, gross	9 044	10 899	6 168	881	146	27 138
Technical reserves for unearned premiums and unexpired risks, net	8 439	6 381	3 511	773	130	19 234

Technical reserves for unearned premiums and unexpired risk technical reserves as at 31 December 2009 by currencies were as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	RUR	Other	Total
Technical reserves for unearned premiums and unexpired risks, gross	4 753	11 517	1 517	572	83	18 442
Technical reserves for unearned premiums and unexpired risks, net	4 488	4 181	1 358	547	83	10 657

Technical reserves for unearned premiums and unexpired risk technical reserves as at 1 January 2009 by currencies were as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	RUR	Other	Total
Technical reserves for unearned premiums and unexpired risks, gross	3 773	7 870	1 053	90	15	12 801
Technical reserves for unearned premiums and unexpired risks, net	3 515	1 238	881	90	12	5 736

(9) Net paid claims

<i>In millions of BYR</i>	2010			2009		
	Gross claims paid	Reinsurers' share in claims	Net claims paid	Gross claims paid	Reinsurers' share in claims	Net claims paid
Aviation	187	-	187	97	(94)	3
Property	1 507	(4)	1 503	221	(22)	199
Pecuniary	1 131	-	1 131	3 333	51	3 384
Motor	-	-	-	-	-	-
Transport	2 495	-	2 495	1 016	-	1 016
Liability	242	-	242	239	-	239
Marine	1 494	(1 448)	46	2	-	2
Accident	27	-	27	12	-	12
	7 083	(1 452)	5 631	4 920	(65)	4 855

(10) Outstanding claim technical reserve

<i>In millions of BYR</i>	Gross	Reinsurers' share	Net
Balance at 1 January 2009	4 091	(1 376)	2 715
<i>Claims incurred during the period</i>	<i>10 182</i>	<i>(1 372)</i>	<i>8 810</i>
<i>Claims paid</i>	<i>(4 920)</i>	<i>65</i>	<i>(4 855)</i>
Changes during year	5 262	(1 307)	3 955
Balance at 31 December 2009	9 353	(2 683)	6 670
<i>Claims incurred during the period</i>	<i>13 014</i>	<i>(1 532)</i>	<i>11 482</i>
<i>Claims paid</i>	<i>(7 083)</i>	<i>1 452</i>	<i>(5 631)</i>
Changes during year	5 931	(80)	5 851
Balance at 31 December 2010	15 284	(2 763)	12 521

Notes to the financial statements

<i>In millions of BYR</i>	31 December 2010			31 December 2009			1 January 2009		
	Gross	Reinsurers’ share	Net	Gross	Reinsurers’ share	Net	Gross	Reinsurers’ share	Net
RBNS	10 219	(2 763)	7 456	4 707	(2 683)	2 024	2 765	(1 376)	1 389
IBNR	5 065	-	5 065	4 646	-	4 646	1 326	-	1 326
	15 284	(2 763)	12 521	9 353	(2 683)	6 670	4 091	(1 376)	2 715

Outstanding claim technical reserve as at 31 December 2010 by currencies was as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	Other	Total
Outstanding claim technical reserves, gross	5 530	1 446	2 879	5 429	15 284
Outstanding claim technical reserves, net	5 529	1 022	541	5 429	12 521

Outstanding claim technical reserve as at 31 December 2009 by currencies was as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	RUR	Total
Outstanding claim technical reserves, gross	5 599	826	2 893	35	9 353
Outstanding claim technical reserves, net	5 593	522	520	35	6 670

Outstanding claim technical reserve as at 1 January 2009 by currencies was as follows:

<i>In millions of BYR</i>	BYR	USD	EUR	RUR	Total
Outstanding claim technical reserves, gross	1739	814	1530	8	4 091
Outstanding claim technical reserves, net	1739	537	431	8	2 715

(11) Claims incurred

<i>In millions of BYR</i>	2010			2009		
	Gross claims incurred	Reinsurers’ share in claims	Net claims incurred	Gross claims incurred	Reinsurers’ share in claims	Net claims incurred
Aviation	237	108	345	622	(97)	525
Property	5 276	-	5 276	2 372	(28)	2 344
Pecuniary	1 260	-	1 260	3 545	51	3596
Motor	393	16	409	1 354	(2 341)	(987)
Transport	3 545	-	3 545	2 136	1 099	3 235
Liability	593	-	593	151	-	151
Marine	1 675	(1 656)	19	173	(84)	89
Accident	35	-	35	(171)	28	(143)
	13 014	(1 532)	11 482	10 182	(1 372)	8 810

(12) Change in deferred client acquisition costs

<i>In millions of BYR</i>	
Balance at 1 January 2009	832
<i>Written commissions</i>	(2 907)
<i>Deferred commissions allocated to statement of comprehensive income</i>	3 243
Balance at 31 December 2009	1 168
<i>Written commissions</i>	(3 311)
<i>Deferred commissions allocated to statement of comprehensive income</i>	3 571
Balance at 31 December 2010	1 428

Notes to the financial statements

(13) Administrative expense

In millions of BYR

	2010	2009
Salaries and social contribution expenses	1 628	1 180
Social taxes	496	401
Bank commission	435	200
Rent, utilities and maintenance	351	324
Professional services	215	160
Advertisement and public relations	81	53
Business trips	56	38
PPE depreciation	53	48
Insurance expenses	50	24
Charity	38	30
Low value items	36	73
Taxes other than income tax	31	10
Telecommunication services	21	30
Membership fees	19	22
Transportation	18	23
Other	21	16
	3 549	2 632

(14) Other technical income, net

In millions of BYR

	2010	2009
Reversal of impairment allowance for receivables from direct insurance operations (Note 23)	18	7
	18	7

(15) Investment income, net

In millions of BYR

	2010	2009
Interest income	11 924	14 210
Income on available for sale financial assets	678	602
Commercial bonds income, net	334	308
	12 936	15 120

(16) Other income, net

In millions of BYR

	2010	2009
Foreign exchange differences	532	4 258
Taxes other than income tax	(29)	(220)
Penalties	-	(32)
	503	4 006

(17) Income tax expense

In millions of BYR

	2010	2009
Current tax	4 626	5 333
Deferred tax expense/(benefit)	311	(37)
Tax expense	4 937	5 296

Notes to the financial statements

<i>In millions of BYR</i>	2010	2009
Profit before tax	19 007	19 973
Theoretical tax using the 26.28% rate	4 995	5 249
Effect of change in income tax rate	85	-
Tax effect of permanent differences	5	(4)
Net non-deductible expenses / (income)	(148)	51
Tax expense	4 937	5 296

<i>In millions of BYR</i>	2010	2009
Deferred tax asset at the beginning of the year	1 206	1 169
Deferred tax benefit / (expense) during the reporting period attributable to profit or loss	(311)	37
Deferred tax asset at the end of the year	895	1 206

Temporary differences as at 31 December 2010, 31 December 2009 and 1 January 2010 are as follows:

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Technical reserves for unearned premium and unexpired risks	15 245	10 911	7 959
Reinsurance creditors	6 457	14 457	12 375
Outstanding claim technical reserve	2 437	3 040	478
Reinsurers' share in outstanding claim technical reserve	1 410	1 259	562
Direct insurance creditors	1 107	905	589
Other receivables	259	-	180
Provision for unused vacations	79	31	59
Property and equipment	54	33	17
Intangible assets	11	13	14
Other creditors	96	61	164
Total tax deductible temporary differences	27 155	30 710	22 397
Receivables from direct insurance activities	(18 745)	(17 334)	(11 297)
Reinsurers' share in unearned premiums technical reserve	(2 950)	(4 363)	(5 528)
Accrued income and deferred expenses	(1 428)	(1 168)	(832)
Receivables from reinsurance activities	(303)	(363)	(291)
Other receivables	-	(2 894)	-
Total taxable temporary differences	(23 426)	(26 122)	(17 948)
Net temporary differences	3 729	4 588	4 449
Deferred tax asset	895	1 206	1 169

(18) Reinsurance cession result

<i>In millions of BYR</i>	2010	2009
Reinsurance premiums	(24 868)	(28 208)
Reinsurers' share in change of unearned premiums reserve	119	720
Reinsurers' share of claims paid	1 452	65
Reinsurers' share in change of reserve for outstanding claims	80	1 307
Reinsurance commission income	834	993
Total reinsurance cession result	(22 383)	(25 123)

Notes to the financial statements

(19) Property and equipment

<i>In millions of BYR</i>	Vehicles	Machinery and equipment	Office equipment and furniture	Uninstalled equipment	Total
Cost					
Balance at 1 January 2009	69	45	137	26	277
Purchased	-	17	34	-	51
Transfer	-	26	-	(26)	-
Balance at 31 December 2009	69	88	171	-	328
Purchased	-	5	21	-	26
Balance at 31 December 2010	69	93	192	-	354
Accumulated depreciation					
Balance at 1 January 2009	(15)	(5)	(27)	-	(47)
Depreciation for the year	(9)	(9)	(30)	-	(48)
Balance at 31 December 2009	(24)	(14)	(57)	-	(95)
Depreciation for the year	(9)	(10)	(34)	-	(53)
Balance at 31 December 2010	(33)	(24)	(91)	-	(148)
Balance at 1 January 2009	54	40	110	26	230
Balance at 31 December 2009	45	74	114	-	233
Balance at 31 December 2010	36	69	101	-	206

(20) Available-for-sale financial assets

Investments classified as available-for-sale financial assets are shares in other companies which are not quoted:

<i>In millions of BYR</i>			31 December 2010		31 December 2009		1 January 2009	
	Sector	% owned	Carrying amount		% owned	Carrying amount	% owned	Carrying amount
OJSC "Belagroprombank"	Bank	6.99%	350 000		9.02%	350 000	9.14%	350 000
OJSC "Promagroleasing"	Leasing company	3.57%	50 005		12.50%	50 005	0.00%	-
			400 005			400 005		350 000

OJSC "Belagroprombank" and OJSC "Promagroleasing" are not quoted companies and there is no available information for fair value measurement of their shares. Therefore, investments in OJSC "Belagroprombank" and OJSC "Promagroleasing" are recognised at cost based on the purchase price of the investments in December 2008 and September 2009, respectively.

(21) Held-to-maturity financial assets

<i>In millions of BYR</i>	31 December 2010			31 December 2009			1 January 2009		
	Amortized cost	Cost	Fair value	Amortized cost	Cost	Fair value	Amortized cost	Cost	Fair value
Commercial bonds issued by JSC "SB "Belarusbank"	2 060	2 000	2 031	2 077	2 000	2 041	2 063	2 000	2 048
	2 060	2 000	2 031	2 077	2 000	2 041	2 063	2 000	2 048

(22) Deposits with banks

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Deposits with banks	85 742	60 143	54 525
	85 742	60 143	54 525

Notes to the financial statements

As of 31 December 2010, 31 December 2009 and 1 January 2009 all deposit amounts were placed in domestic financial institutions.

As of 31 December 2010 deposits restricted in use amount BYR 5,005 million (31 December 2009: BYR 4,681 million; 1 January 2009: 0).

(23) Receivables from direct insurance activities

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Due from policy holders	18 788	17 395	11 365
Impairment allowance for bad debtors	(43)	(61)	(68)
	18 745	17 334	11 297

In millions of BYR

	Allowance for policy holders, gross
Allowance as at 1 January 2009	68
Reversal of the allowance	(7)
Allowance as at 31 December 2009	61
Reversal of the allowance	(18)
Allowance as at 31 December 2010	43

(24) Other receivables and prepayments

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Prepayments of profit distribution to the shareholder	319	-	-
Advances paid for rent and utilities	32	32	21
Tax assets	11	8	4
Regresses receivable	-	3 101	-
Other	30	6	-
	392	3 147	25

(25) Cash and cash equivalents

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Current accounts with credit institutions	1 107	911	546
Deposits under 3 months	8 554	16 282	10 665
Cash and cash equivalents	9 661	17 193	11 211

As of 31 December 2010, 31 December 2009 and 1 January 2009 all deposit amounts were placed in domestic financial institutions.

(26) Capital and reserves

As of 31 December 2010 the paid-in share capital of the Company was BYR 469,739 million (31 December 2009: BYR 460,892 million; 1 January 2009: BYR 407,487).

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

The shareholder has the full voting rights, rights to receive dividends when declared and for the Company's residual assets.

The dividends are represented by the profit distributions to the shareholder, for details refer to note 4.11.

In 2010 based on the decision of the owner share capital was increased from retained earnings by BYR 8,847 million (2009: BYR3,405 million). No change in relative shareholding occurred.

In accordance with the accounting standards of the Republic of Belarus the Company forms special purpose reserves within the retained earnings. Bonuses to employees paid from the reserves amounted BYR61 million in 2010 (2009: BYR164 million).

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

Notes to the financial statements

(27) Other creditors

<i>In millions of BYR</i>	31 December 2010	31 December 2009	1 January 2009
Accrued bonuses to the employees	96	61	164
Other taxes liabilities	19	162	81
Accrued profit distribution to the shareholder	-	494	389
Other	1	1	11
	116	718	645

(28) Related parties

<i>In millions of BYR</i>	2010 Related party transactions	2010 Total category as per financial statements caption	2009 Related party transactions	2009 Total category as per financial statements caption
Salary and other personnel costs (Note 13)	176	1 628	153	1 180
- Key management personnel	176	-	153	-

(29) Number of employees

	2010	2009
Average number of employees	46	48

(31) Remaining maturities of insurance liabilities

	31 December 2010			31 December 2009			1 January 2009		
	Gross liabilities	Reinsurers' share	Net liabilities	Gross liabilities	Reinsurers' share	Net liabilities	Gross liabilities	Reinsurers' share	Net liabilities
Unearned premium and unexpired risks technical reserves	27 138	(7 904)	19 234	18 442	(7 785)	10 657	12 801	(7 065)	5 736
Outstanding claim technical reserves	15 284	(2 763)	12 521	9 353	(2 683)	6 670	4 091	(1 376)	2 715
Total	42 422	(10 667)	31 755	27 795	(10 468)	17 327	16 892	(8 441)	8 451
Less than one year	36 678	(10 439)	26 239	26 526	(10 338)	16 188	15 677	(8 299)	7 378
More than one year	5 744	(228)	5 516	1 269	(130)	1 139	1 215	(142)	1 073

(32) Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>In millions of BYR</i>	2010	2009	1 January 2009
Less than one year	22	22	17
	22	22	17