CJSC BTA Bank

Financial Statements
and Independent Auditor's Report
for the Year Ended 31 December 2015

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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2015

Management is responsible for the preparation of the financial statements that present fairly the financial position of Closed Joint Stock Company BTA Bank (hereinafter the "Bank") as at 31 December 2015, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter "IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the requirements in IFRSs is insufficient to enable the users of financial statements to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting rules of the Republic of Belarus;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2015 were approved by the Acting Chairman of the Management Board of the Bank on 30 May 2016.

On behalf of the Management Board of the Bank:

Yessetov A.A.	**N.M. Sergievich**
Acting Chairman of the Management Board	**Chief Accountant**
30 May 2016	30 May 2016
Minsk	Minsk

Deloitte.

Foreign Unitary Enterprise
“Deloitte & Touche”
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Closed Joint Stock Company BTA Bank

We have audited the accompanying financial statements of Closed Joint Stock Company BTA Bank (hereinafter “the Bank”), which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, statement of changes in equity and statement of cash flows for 2015 and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the fair presentation of these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, Law of the Republic of Belarus No. 56-Z On Auditing Activities dated 12 July 2013, the current Rules of Auditor Activities approved by the Ministry of Finance of the Republic of Belarus, and regulations on banking activities. 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 the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank’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 Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Closed Joint Stock Company BTA Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 27 of the financial statements, as at 31 December 2015 and at the date of issue of the financial statements the Bank did not comply with statutory regulation of the National Bank of the Republic of Belarus on minimal amount of regulatory capital. Management's plans in regard to this matter are also discussed in Note 27 to the financial statements. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

30 May 2016
Minsk

General Director of Foreign Unitary Audit Enterprise "Deloitte & Touche"	A.P. Surmach Auditor qualification certificate No. 0001231 dated 21 April 2005 issued by the Ministry of Finance of the Republic of Belarus. Certificate No. 45 on compliance with the qualification requirements to perform audit activities in the banking system dated 24 December 2008.
Auditor of Foreign Unitary Audit Enterprise "Deloitte & Touche"	M.A. Shachenkova Auditor qualification certificate No. 0002335 dated 23 December 2015 issued by the Ministry of Finance of the Republic of Belarus. Certificate No. 94 on compliance with the qualification requirements to perform audit activities in the banking system dated 21 January 2016.

Республика Беларусь Иностранное унитарное аудиторское предприятие «Делойт и Туш» Минск Deloitte.

Audited company: Closed Joint Stock Company "BTA Bank"	Auditor: Foreign Unitary Audit Enterprise "Deloitte & Touche"
Legal address: 20 V. Horuzhey str., Minsk, 220123, Republic of Belarus	Legal address: 51A K. Tsetkin str., 13th floor, Minsk, 220004, Republic of Belarus
Registration data: Certificate of state registration No. 807000071 issued by the National Bank of the Republic of Belarus on 25 July 2002.	Registration data: Certificate of state registration No. 0098185 of 3 March 2014, UNP 101518377.

Statement of Financial Position
As at 31 December 2015
(in millions of Belarusian rubles)

	Note	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	5	218,937	154,563
Due from the National Bank of the Republic of Belarus	6	3,937	7,337
Due from credit institutions	7	759	364
Derivative financial assets	8	-	93,893
Loans to customers	9	578,436	713,234
Investment securities available-for-sale	10	-	37,693
Property and equipment and intangible assets	11	62,881	51,812
Current income tax assets		1,152	1,072
Other assets	13,14	2,295	2,209
Total assets		**868,397**	**1,062,177**
Liabilities			
Due to credit institutions		1	24
Customer accounts	15	500,784	708,604
Debt securities issued	16	-	60,216
Deferred income tax liabilities	12	1,266	1,197
Amounts received during formation of the share capital	18	186,166	-
Other liabilities	13	3,520	2,888
Subordinated debt	17	-	134,419
Total liabilities		**691,737**	**907,348**
Equity			
Share capital	19	267,038	267,038
Accumulated loss		(122,648)	(135,172)
Property and equipment revaluation reserve		32,270	22,963
Total equity		**176,660**	**154,829**
Total equity and liabilities		**868,397**	**1,062,177**

On behalf of the Management Board of the Bank:

Yessetov A.A.
Acting Chairman of the Management Board

30 May 2016
Minsk

N.M. Sergievich
Chief Accountant

30 May 2016
Minsk

The accompanying notes on pages 9-51 form an integral part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2015
(in millions of Belarusian rubles)

	Note	2015	2014
Interest income			
Loans to customers		164,897	165,991
Due from credit institutions		2,648	1,063
Investment securities available-for-sale		1,092	2,942
Other		14	11
		168,651	**170,007**
Interest expense			
Customer accounts		(84,189)	(71,943)
Due to credit institutions		(3,383)	(5,950)
Subordinated debt		(12,675)	(9,681)
Debt securities issued		(1,583)	(2,544)
Other		(209)	(14)
		(102,039)	**(90,132)**
Net interest income		**66,612**	**79,875**
Provision for loan impairment	9	(16,826)	(17,781)
Net interest income after provision for loan impairment		**49,786**	**62,094**
Fee and commission income	21	26,434	31,383
Fee and commission expense	21	(2,946)	(3,293)
Net foreign exchange gains/(losses)			
- dealing		10,354	21,787
- translation differences		(4,621)	(40,704)
Net expense on investment securities available-for-sale		(116)	
Net gain on derivative financial instruments		18,913	24,579
Other income	22	9,894	6,694
Non-interest income		**57,912**	**40,446**
Staff costs	23	(59,700)	(49,905)
Depreciation and amortization	11	(2,946)	(2,921)
Other operating expenses	23	(30,075)	(30,032)
Other impairment losses and provisions	14	(3)	(78)
Taxes other than income tax		(2,573)	(1,264)
Non-interest expenses		**(95,297)**	**(84,200)**
Loss on net monetary position		-	(13,084)
Profit before income tax expense		**12,401**	**5,256**
Income tax benefit/(expense)	12	123	(5,303)
Net profit/(loss) for the year		**12,524**	**(47)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of buildings		12,409	(2,179)
Effect of deferred income tax arising from revaluation of buildings		(3,102)	545
Items that may be reclassified subsequently to profit or loss			
Change in fair value of investments available-for-sale		(116)	-
Comprehensive loss transferred to profit or loss upon disposal of investments available-for-sale		116	-
Other comprehensive income/(loss) for the year		**9,307**	**(1,634)**
Total comprehensive income/(loss) for the year		**21,831**	**(1,681)**

On behalf of the Management Board of the Bank:

Yessetov A.A.
Acting Chairman of the Management Board

30 May 2016
Minsk

N.M. Sergievich
Chief Accountant

30 May 2016
Minsk

The accompanying notes on pages 9-51 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2015
(in millions of Belarusian rubles)

	Share capital	Accumulated loss	Property and equipment revaluation reserve	Total
As at 31 December 2013	**267,038**	**(135,125)**	**24,597**	**156,510**
Loss for the year	-	(47)	-	(47)
Other comprehensive loss	-	-	(1,634)	(1,634)
Total comprehensive loss for the year	-	(47)	(1,634)	(1,681)
As at 31 December 2014	**267,038**	**(135,172)**	**22,963**	**154,829**
Profit for the year	-	12,524	-	12,524
Other comprehensive income	-	-	9,307	9,307
Total comprehensive income for the year	-	12,524	9,307	21,831
As at 31 December 2015	**267,038**	**(122,648)**	**32,270**	**176,660**

On behalf of the Management Board of the Bank:

Yessetov A.A.
Acting Chairman of the Management Board

30 May 2016
Minsk

N.M. Sergievich
Chief Accountant

30 May 2016
Minsk

The accompanying notes on pages 9-51 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2015
(in millions of Belarusian rubles)

	2015	2014
Cash flows from operating activities		
Net profit for the year*	12,524	13,037
Adjustments for:		
Depreciation and amortization	2,946	2,921
Deferred and current tax charge	(123)	5,303
Provision for impairment losses and other provisions	16,829	17,859
Loss on disposal of property and equipment, intangible assets and other assets	-	4
Net change in interest accruals	(133)	(7,418)
Net change in accrued commission	94	(183)
Change in other accrued expenses	880	498
Net gain on revaluation of derivative financial instruments	-	(21,759)
Translation differences	4,621	40,704
Cash flows from operating activities before changes in operating assets and liabilities	**37,754**	**50,966**
Net (increase)/decrease in operating assets		
Due from the National Bank of the Republic of Belarus	3,400	604
Due from credit institutions	3,561	(77)
Loans to customers	275,338	(94,669)
Derivative financial assets	93,893	-
Other assets	12,612	317
Net increase/(decrease) in operating liabilities		
Due to credit institutions	(2,352)	(2,614)
Customer accounts	(356,803)	55,292
Debt securities issued	(72,734)	2,392
Other liabilities	(2,699)	(577)
Net cash flows from operating activities before income tax	**(8,030)**	**11,634**
Income tax paid	(2,990)	(2,211)
Net cash flows from operating activities	**(11,020)**	**9,423**
Cash flows from investing activities		
Proceeds from disposal of property and equipment and intangible assets	-	1
Purchase of property and equipment and intangible assets	(1,606)	(2,084)
Proceeds from sale of securities available-for-sale	99,301	-
Purchase of securities available-for-sale	(54,143)	-
Net cash flows from investing activities	**43,552**	**(2,083)**
Effect of exchange rate changes on cash and cash equivalents	31,842	4,402
Effect of hyperinflation on cash and cash equivalents	-	(19,774)
Change in cash and cash equivalents	**64,374**	**(8,032)**
Cash and cash equivalents as at 1 January	**154,563**	**162,595**
Cash and cash equivalents as at 31 December	**218,937**	**154,563**

* Net profit for 2014 is presented in the report as Net profit for the year before hyperinflation

The accompanying notes on pages 9-51 form an integral part of these financial statements.

Statement of Cash Flows (continued)
for the year ended 31 December 2015
(in millions of Belarusian rubles)

	2015	2014
Additional information:		
Interest paid	(103,735)	(90,044)
Interest received	169,520	162,501

In 2015 non-cash operations comprise: non-cash settlement of loans through repossession of collateral of BYR 4,715 million, conversion of subordinated debt to amounts received on formation of the share capital of BYR 186,166 million.

On behalf of the Management Board of the Bank:

Yessetov A.A.
Acting Chairman of the Management Board

30 May 2016
Minsk

N.M. Sergievich
Chief Accountant

30 May 2016
Minsk

The accompanying notes on pages 9-51 form an integral part of these financial statements.

1. PRINCIPAL ACTIVITIES

CJSC BTA Bank (hereinafter the "Bank") was formed in 2002 as a closed joint stock company with foreign investments under the laws and regulations of the Republic of Belarus. The Bank is registered on the territory of the Republic of Belarus by Resolution No. 147 of the National Bank of the Republic of Belarus dated 25 July 2002 in the Common State Register of Legal Entities and Individual Entrepreneurs under No. 807000071. The Bank's legal address: 220123, Minsk, V.Horuzhey str., 20. In 2015 the Bank performed its activities based on special permits (licenses):

- License No. 17 of the National Bank of the Republic of Belarus dated 28 May 2013 to perform banking activities;
- Special permit (license) No. 02200/5200-12-1131 of the Ministry of Finance of the Republic of Belarus to perform professional and exchange activities on securities (the expiry date 23 October 2022 based on Decision No. 279 dated 28 September 2012);
- Special permit (license) No. 02010/16795 of the Ministry of Internal Affairs of the Republic of Belarus to perform security activities (the expiry date 29 November 2022 based on Decision No. 22km dated 30 November 2012);
- Special permission (license) No. 01019/299 to perform activities on technical (or) cryptographic information security (the expiry date 5 October 2019 based on Decision No. 80 dated 6 October 2014).

State Enterprise "Agency for the Guaranteed Reimbursement of Individuals' Bank Deposits" (hereinafter the "Agency") issued Certificate of Registration with the Agency No. 22 dated 21 January 2009 to the Bank.

The Bank transfers payments, grants loans to corporate customers registered in the Republic of Belarus (investment, working capital, import financing); finances small and medium businesses, attracts deposits and grants loans to retail clients (car and consumer financing), performs operations with foreign currencies on behalf of its customers and on its own behalf, and performs operations with securities for liquidity and investment purposes. The Bank accepts deposits from the public and extends credit, transfers payments in the Republic of Belarus and abroad, exchanges currencies, and provides other banking services to its corporate customers and individuals.

The Bank established and operates 6 Banking Service Centers (hereinafter "BSC"): BSC "Minsk general office", BSC "Brest general office", BSC "Vitebsk general office", BSC "Mogilev general office", BSC "BTA 24", BSC "Gomel general office" (from 1 August 2014). The Banking Service Center "Minsk general office" currently includes 2 supplementary offices in its structure: Supplementary Office "NemigaCity" (Minsk), Supplementary Office "Uruchye" (Minsk).

Information on the shareholders' interest in the share capital of the Bank is presented as follows:

Shareholders	31 December 2015, %	31 December 2014, %
JSC BTA Bank (Republic of Kazakhstan)	99.7	99.7
Other	0.3	0.3
Total	**100.0**	**100.0**

The shareholders of JSC BTA Bank owning 5% or more of distributed shares as at 31 December 2015 comprise: Nurzhan Salkenovitch Subkhanberdin (Kazakhstan) (46.64%); Kenges Khamituly Rakishev (Kazakhstan) (46.64%).

JSC "Kazkommertsbank" is the ultimate controlling shareholder of JSC "BTA Bank" (Republic of Kazakhstan) as at 31 December 2014. As at 31 December 2014 53.7% of the shares of JSC "Kazkommertsbank" (including direct and indirect ownership) were owned by Mr. N.S. Subkhanberdin (Kazakhstan).

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue to operate for the foreseeable future.

These financial statements are presented in millions of Belarusian rubles ("BYR million"), unless otherwise indicated.

These financial statements have been prepared in accordance with principles of the accounting policies on the historical cost basis adjusted for hyperinflation in relation to the opening balances as at 1 January 2015, except for certain assets that are measured at revalued amounts or fair values at each reporting date, as specified below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairments of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the fair value hierarchy. Such levels indicate whether it is possible to determine the fair values directly based on the market data and reflect the importance of the input data used for the overall fair value measurement:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank maintains its accounting records in accordance with the legislation of the Republic of Belarus. These financial statements have been prepared on the basis of accounting records maintained in accordance with Belarusian accounting rules and have been adjusted to conform to IFRS.

The Bank presents its statement of financial position broadly in order of liquidity. The analysis regarding recovery of financial assets or repayment of financial liabilities within 12 months after the balance sheet date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

Financial assets and liabilities are offset and reported net in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the statement of profit and loss unless required or permitted by any accounting standard or respective interpretation, and as specifically disclosed in the accounting policies of the Bank.

The principal accounting policies are set out below.

Hyperinflationary accounting

In accordance with IAS 29 the economy of the Republic of Belarus was treated as hyperinflationary in 2014 and the previous years. Since 1 January 2015 the economy of the Republic of Belarus ceased to be hyperinflationary, and the cost of non-monetary assets, liabilities and equity of the Bank as stated in measuring units as at 31 December 2014, were used to form the opening balances as at 1 January 2015.

Recognition of interest income and expense

Interest income from a financial asset is recognized when there is a high probability that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received on debt instrument that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (if appropriate) a shorter period, to the net carrying amount on initial recognition of debt instrument.

Once a financial asset or group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale on repurchase and reverse repurchase agreements is recognized as interest income or expense in the statement of comprehensive income based on the difference between the repurchase price accrued to date using the effective interest rate method and the sale price when such instruments are sold to third parties. When the repurchase (reverse repurchase) transaction is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of revenue – other

Recognition of fee and commission income

Loan maintenance fees, together with the related direct costs on loans issue, are recognized as an adjustment to the effective interest rate of the loan. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized as services are rendered.

Recognition of lease income

The Bank's policy for recognition of income as a lessor is set out in the "Leases" section of this note.

Financial instruments

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the financial instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Financial assets are classified into the following categories: “at fair value through profit or loss”, “held-to-maturity”, “available-for-sale” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with the National Bank with original maturity within 90 days, due from banks with original maturity within 90 days, which may be freely converted to cash within a short period of time, except for guarantee deposits and other restricted balances.

Mandatory reserve deposit with the National Bank

Mandatory cash deposits with the National Bank represent mandatory reserve deposits with the National Bank which are not available to finance the Bank’s day-to-day operations, and hence are not considered as part of cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial asset is classified as at fair value through profit or loss when the financial asset is either held for trading or is designated as at fair value through profit of loss at its initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated as a hedging instrument in the transaction of effective hedging.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Derivative financial Instruments

The Bank uses the following derivative financial instruments: foreign currency swaps and the transactions of deposits’ exchange in different currencies with the National Bank and other banks. These instruments are used by the Bank to manage its exposure to foreign currency risk.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. As foreign currency swaps do not have an active market in the Republic of Belarus they are measured using interest rates parity model. The resulting gains or losses are recognized in profit or loss.

Financial assets available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale on initial recognition or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Bonds classified as available-for-sale that do not have a quoted market price in an active market are stated at fair value, as far as the management of the Bank considers that their fair value can be reliably measured. Fair value is determined in the manner described in Note 25. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments available-for-sale revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest rate method, and foreign exchange translation differences, which are recognized in profit or loss. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments available-for-sale revaluation reserve is reclassified to profit or loss in the period of disposal or impairment.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the reporting date. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans issued, and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Repurchase and reverse repurchase agreements

In the normal course of business the Bank enters into sale and purchase back agreements (“repos”) and purchase and sale back agreements of financial assets (“reverse repos”). Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collateralized by securities and other assets and are classified as due from banks and/or loans to customers.

The Bank enters into repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Belarus and other CIS countries, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment includes:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organization;
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of a provision account. When a loan or a receivable is considered uncollectible, it is written off against the provision account. Repayment of loans earlier written off is recognized in profit or loss upon receipt.

If an available-for-sale financial asset is impaired, then income and expenses recognized in other comprehensive income are transferred to the profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets carried at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit and loss to the extent that the carrying amount of financial assets at the date the impairment is reversed cannot exceed what the carrying amount would have been had the impairment not been recognized.

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

Accounting for such loan restructuring is performed as follows:

- If the loan restructuring is not caused by the financial difficulties of the borrower the Bank uses similar approach for assessment on individual or collective basis to the loan, as well as to newly granted loans.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is considered to be impaired after restructuring, the Bank creates allowance for that loan with due consideration of retrospective analysis, evaluation of future cash flows in accordance with new terms and professional judgement of risk-manager.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, taking into account financial position and payment history of the borrower.

Write-off of loans

Loans are written off against provision for impairment losses when deemed uncollectible, including through repossession of collateral. Loans are written off in 90 days after reclassification of the loans to V group of risk in accordance with the requirements of the legislation of the Republic of Belarus.

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes the consideration received as a collateralized loan.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities, including due to banks and customer accounts, debt securities issued, other borrowings and other liabilities, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortized cost. Interest expense is calculated using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policy.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as a lessor

Finance lease receivables are recognized as loans to customers in the amount of the Bank's net investment in finance leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

The Bank as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property and equipment

After initial recognition at cost, buildings are carried at a revalued amount, representing their fair value at the revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the other comprehensive income except for the amount of reversal of the previous decrease in cost of the asset previously recognized in the statement of comprehensive income. In that case revaluation surplus is recognized in profit and loss. A revaluation deficit is recognized in the statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve for property and equipment.

On the retirement or disposal of the asset, the revaluation reserve is immediately transferred to the retained earnings.

The remaining groups of property and equipment, excluding buildings, are carried at historical cost restated for inflation before 1 January 2015 less any accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line basis. The estimated useful life, carrying values and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. In these financial statements the depreciation is calculated on a straight-line basis at the following useful lives:

Property and equipment group	Useful life, years
Buildings	100
Installments	9
Furniture and fixtures	1-10
Computer and office equipment	5
Motor vehicles	7-9
Intangible assets	1-10

Properties under construction for production or administrative purposes are carried at cost restated for inflation before 1 January 2015 less any recognized impairment loss. Cost of construction includes professional fees. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of such property and equipment assets as well as other fixed assets commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on sale or other disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets acquired separately

Intangible assets include computer software and licenses.

Intangible assets with finite useful lives that are acquired separately are carried at historical cost restated for inflation before 1 January 2015 less accumulated amortization and accumulated impairment losses, if any. Amortization is charged on a straight-line basis over the estimated useful lives of the intangible assets of 1 to 10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization of intangible assets is calculated on a straight-line basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds on disposal and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of: 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversals of impairment losses are immediately recognized in profit or loss.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other reporting periods and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and are expected to be enforced in the period in which the liability is settled or the asset realized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized directly in other comprehensive income or in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Operating taxes

In the Republic of Belarus, where the Bank operates, there are also various other tax requirements, which are assessed on the Bank’s activities, except income tax. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Provisions for accrued expenses

Provisions for accrued expenses are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision for accrued expenses is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a respective receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the financial statements unless the outflow of economic benefits is remote. Contingent assets are not recognized but disclosed in the financial statements when an inflow of economic benefits is probable.

Functional currency

The functional currency of these financial statements is the national currency of the Republic of Belarus – Belarusian ruble.

Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency, adjusted for inflation, are not restated.

The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	31 December 2015	31 December 2014
USD/BYR	18,569	11,850
EUR/BYR	20,300	14,380
RUB/BYR	255.33	214.50

Collateral pledged

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess for impairment. The Bank's provision on loans is established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank considers accounting estimates related to provision for impairment of loans and receivables a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (b) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses professional judgment to estimate the amount of any impairment loss in cases when a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or economic conditions that correlate with defaults on assets in the group. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Bank uses professional estimates to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The provisions for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Republic of Belarus and what effect such changes might have on the adequacy of the provisions for impairment of financial assets in future periods.

The management of the Bank believes that the provision gives objective evidence of incurred losses from impairment of loans and receivables based on current economic position of borrowers.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is otherwise required in establishing fair values. Please refer to Note 25 for additional information.

Revaluation of buildings

The Bank reassesses the fair value of buildings on a periodic basis to ensure that the carrying value of buildings does not differ significantly from their fair value. Revaluation of buildings at market value was performed as at 31 December 2015 and 2014 by an independent and qualified appraiser. Revalued buildings are depreciated in accordance with the remaining useful lives.

Useful lives of property and equipment

As described above, the Bank reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

4. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New and revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standards and interpretations	**Effective for annual period beginning on or after**
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2018
Amendments to IAS 1 *Presentation of Financial Statements*	1 January 2016
Amendments to IFRS 11 *Joint Arrangements* – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not specified
Amendments to IFRS 10 *Consolidated Financial Statements*, IAS 12 *Income Taxes* and IAS 28 *Investments in Associates and Joint Ventures* – Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment and IAS 41 Agriculture* – Agriculture Bearer Plants	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets* – Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 *Income Taxes* – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

IFRS 9 ***Financial Instruments***

The standard applies to annual reporting periods beginning on or after 1 January 2018; it is applied retrospectively with some exceptions. The standard does not require restatement of comparative period financial statements, it is permitted only if information is available without the use of hindsight. Earlier application is permitted.

The standard replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement*, except for application of the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities which continues to apply, and the Bank is required to select the accounting policy: to apply requirements of hedge accounting in accordance with IFRS 9 and continue hedge accounting in accordance with IAS 39 applicable to hedge accounting.

Despite the fact that the acceptable valuation techniques for financial assets – i.e. measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL) – are similar to valuation techniques for financial assets under IAS 39, the classification categories for financial instruments differ significantly.

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 to collect contractual cash flows; and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, for equity instruments the entity can irrevocably elect to present subsequent value changes (including foreign exchange gains and losses) in other comprehensive income. These changes may under no circumstances be subject to recognition in profit or loss.

Interest income, expected credit losses, foreign exchange gains and losses, received on debt instruments measured at fair value in other comprehensive income are recognized in profit or loss the same as assets measured at amortized cost. Other income and expenses are recognized in other comprehensive income and transfered to profit or loss upon derecognition.

The impairment model in accordance with IFRS 9 replaces incurred loss model defined in IAS 39 with expected credit loss model, which means that losses may not necessarily be incurred before recognition of provision for impairment losses.

IFRS 9 includes the new general hedge accounting model which more closely aligns hedge accounting with risk management activities. Types of hedging relationships (fair value, cash flow and net investments in a foreign entity) remain unchanged, but require the exercise of judgment.

The standard includes new requirements on recognition, maintenance and discontinuation of hedge accounting and allows to determine additional risks as hedged items.

Significant disclosure requirements were added in relation to risk management and hedge accounting.

The Bank considers that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. It would require more detailed analysis using reasonable and acceptable information, including projected one, to measure that influence.

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15 applies to annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

The new standard establishes the general system of principles which replaces the current guidance on revenue recognition under IFRS. The entities will apply a five-step model to determine when and how it shall recognize revenue. A new model establishes the revenue recognition principle when (as) the entity transfers control of goods and services to the customer in the amount which the entity expects to receive. Depending on whether the certain criteria is met the revenue is recognized:

- During a continuous period of time so that to record the results of the business activities of the entity; or
- At a time when control of goods or services is transferred to the customer.

IFRS 15 also establishes the principles which an entity shall apply to report useful information to users of financial statements on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The Bank anticipates that the application of IFRS 15 in the future may have an impact on the amount and timing of revenue recognition. However, it is impossible to measure the impact of IFRS 15 application reliably without a detailed analysis.

Amendments to IAS 1 *Presentation of Financial Statements*

The amendments apply to annual reporting periods beginning on or after 1 January 2016 with earlier application permitted.

Amendments to IAS 1 include the following five special additions to disclosure requirements under the standard.

In relation to guidance on materiality in IAS 1 amendments were made to clarify the following aspects:

- Too much detail can obscure useful information.
- Materiality applies to the whole financial statements.
- Materiality applies to all disclosure requirements in IFRS.

In relation to guidance on the order of presentation of notes to the financial statements (including the accounting policy) amendments were made to clarify the following aspects:

- The removal of wording from IAS 1 which was interpreted as prescribing the order of presentation of notes to the financial statements.
- Explanation of flexibility related to order of disclosures of the accounting policy in the financial statements.

The Bank expects that upon initial recognition the amendments will not have significant impact on the presentation of the Bank's financial statements.

The Bank does not expect the amendments to have a material effect on its financial statements.

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets* – Clarification of Acceptable Methods of Depreciation and Amortization

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The amendments indicate directly that a revenue-based amortization method cannot be used with respect to property, plant and equipment.

The amendments also identify that there is a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate. This presumption can only be rebutted when revenue and the consumption of economic benefits are highly correlated or when an intangible asset is expressed as a measure of revenue.

The amendments are not expected to significantly influence the financial statements of the Bank upon initial recognition, as the Bank does not apply a revenue-based amortization method.

Annual Improvements to IFRSs 2012-2014 Cycle

Annual Improvements to IFRSs 2012-2014 Cycle were issued on 25 December 2014 and represented five amendments to four standards which have an impact on the changes in presentation, recognition and measurement. The amendments apply to annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The amendments are expected to have no significant impact on the financial statements of the entity.

Adoption of new and revised Standards and Interpretations

During the current period starting on 1 January 2015, the Bank applied all new and revised Standards and Interpretations issued by IASB and Standards relating to its activity. The nature of changes and their impact are presented below:

IAS 19 *Employee Benefits*

The amendments to IAS 19 clarify that the interest rate used to measure an employee benefit obligation should be determined based on the interest rate of high quality corporate bonds, or government bonds, denominated in the currency, in which the benefits will be paid.

The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2015	31 December 2014
Current accounts with other credit institutions	116,678	18,444
Current accounts with the National Bank of the Republic of Belarus	66,453	113,679
Cash on hand	35,806	22,440
Total cash and cash equivalents	**218,937**	**154,563**

6. DUE FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

As at 31 December 2015 and 2014 due from the National Bank of the Republic of Belarus are represented by a mandatory reserve deposit with the National Bank of the Republic of Belarus (BYR 3,937 million and BYR 7,337 million, respectively).

Credit institutions are required to maintain a cash deposit with the National Bank of the Republic of Belarus (mandatory reserve deposit), the amount of which depends on the amount of funds raised by a credit institution. The Bank's ability to use the funds from this deposit account is significantly restricted by the statutory legislation.

7. DUE FROM CREDIT INSTITUTIONS

As at 31 December 2015 due from credit institutions in the amount of BYR 759 million are placed as a guarantee deposit on operations with plastic cards in the payment system Visa in JSC Belagroprombank. (2014: BYR 364 million).

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into foreign currency forward contracts and foreign currency swaps with the National Bank of the Republic of Belarus and other resident and non-resident banks. These instruments are used by the Bank to manage its exposure to foreign currency risk. The table below presents fair values of derivative financial instruments recorded as assets or liabilities with their required notional amounts of the purchased currency (BYR million in equivalent). The contingent amounts indicate the volume of outstanding transactions as at the end of the year and do not reflect credit risk exposure.

	31 December 2015			31 December 2014		
	Notional amount of purchased currency	Fair value		Notional amount of purchased currency	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Swaps with the National Bank of the Republic of Belarus	-	-	-	122,889	91,022	-
Swaps – domestic contracts	-	-	-	44,775	2,871	-
Swaps – foreign contracts	-	-	-	66,337	-	-
Total derivative financial assets/liabilities		**-**	**-**		**93,893**	**-**

Foreign contracts in the table above are the contracts, concluded with non-residents of the Republic of Belarus; domestic contracts are the contracts concluded with the residents of the Republic of Belarus.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates or stock indices and (in case of credit default swaps) to make payments with respect to defined credit events based on specified contingent amounts.

9. LOANS TO CUSTOMERS

As at 31 December 2015 and 2014 loans to customers comprise:

	31 December 2015	31 December 2014
Corporate lending	458,995	557,174
Entrepreneurs lending	37,574	24,966
Consumer lending	112,232	152,330
Total loans to customers	**608,801**	**734,470**
Less: Provision for impairment losses	(30,365)	(21,236)
Loans to customers	**578,436**	**713,234**

Provision for impairment losses on loans to customers

Movements in the provision for impairment losses on loans during 2015 are as follows:

	Corporate lending	Entrepreneurs lending	Consumer lending	Total
As at 1 January 2015	**15,457**	**1,626**	**4,153**	**21,236**
Charge for the year	15,550	(125)	1,401	**16,826**
Bad debts written off	(3,068)	(711)	(1,809)	**(5,588)**
Effect of foreign exchange rate changes	(1,815)	(51)	(243)	**(2,109)**
As at 31 December 2015	**26,124**	**739**	**3,502**	**30,365**
Individually impaired	24,995	435	2,533	**27,963**
Collectively impaired	1,129	304	969	**2,402**
	26,124	**739**	**3,502**	**30,365**
Total amount of loans, individually impaired, before provision for impairment losses	**76,741**	**-**	**-**	**76,741**

Movements in the provision for impairment losses on loans during 2014 are as follows:

	Corporate lending	Entrepreneurs lending	Consumer lending	Total
As at 1 January 2014	**10,856**	**120**	**3,732**	**14,708**
Charge for the year	14,338	1,602	1,841	**17,781**
Bad debts written off	(7,849)	(40)	(798)	**(8,687)**
Effect of foreign exchange rate changes	562	59	150	**771**
Effect of inflation	(2,450)	(115)	(772)	**(3,337)**
As at 31 December 2014	**15,457**	**1,626**	**4,153**	**21,236**
Individually impaired	14,036	1,402	2,612	**18,050**
Collectively impaired	1,421	224	1,541	**3,186**
	15,457	**1,626**	**4,153**	**21,236**
Total amount of loans, individually impaired, before provision for impairment losses	**52,101**	**-**	**-**	**52,101**

Collateral and other instruments of credit risk mitigation

The amount and type of collateral required by the Bank depends on measurement of counterparty's credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending – real estate, equipment, inventory, trade receivables, property rights, cash deposits and guarantees;
- For entrepreneurs and retail lending – vehicles and guarantees.

The Collateral Division monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment of loans.

The table below summarizes carrying value of loans to customers analyzed by the type of collateral obtained by the Bank:

	31 December 2015	31 December 2014
Loans collateralized by real estate and rights thereon	145,150	144,822
Loans collateralized by inventories	540	6,451
Loans collateralized by guarantees	5,731	14,259
Loans collateralized by cash and guarantee deposits	468	186
Loans collateralized by mixed types of collateral	347,029	369,627
Loans collateralized by other types of collateral	108,308	197,756
Unsecured loans	1,575	1,369
Total loans to customers	**608,801**	**734,470**
Less: Provision for impairment losses	(30,365)	(21,236)
Loans to customers	**578,436**	**713,234**

Concentration of loans to customers

As at 31 December 2015, the Bank had a concentration of loans represented by BYR 229,969 million due from the ten largest third party borrowers (50% of gross loan portfolio) (2014: BYR 233,792 million) (41% of gross loan portfolio). A provision of BYR 12,028 million (2014: BYR 1,572 million) was recognized against these loans.

Loans are issued within the Republic of Belarus to the customers operating in the following sectors:

	31 December 2015	31 December 2014
Trade enterprises	285,493	334,984
Individuals	112,232	152,330
Manufacturing	58,484	92,289
Transport	30,361	54,679
Real estate operations	44,293	29,633
Construction	13,839	21,290
Entrepreneurs	37,574	24,968
Other	26,525	24,297
Total loans to customers	**608,801**	**734,470**

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. As at 31 December 2015 and 31 December 2014 renegotiated loans amounted BYR 5,756 and 6,619 million accordingly. Had these loans not been renegotiated, they would be past due or impaired. Renegotiated loans are mostly attributed to prolongation of contractual loan repayment period, rather than changes of interest rate or other favourable changes in the terms of the loan.

Finance lease receivables

Corporate and entrepreneurs lending portfolio includes finance lease receivables. The analysis of finance lease receivables as at 31 December 2015 is as follows:

	Less than 1 year	1 to 5 years	Total
Finance lease receivables	3,840	2,574	6,414
Unearned future finance income on finance lease	(1,041)	(344)	(1,385)
Net investments in finance lease	**2,799**	**2,230**	**5,029**

The analysis of finance lease receivables as at 31 December 2014 is as follows:

	Less than 1 year	1 to 5 years	Total
Finance lease receivables	3,646	3,595	**7,241**
Unearned future finance income on finance lease	(920)	(535)	**(1,455)**
Net investments in finance lease	**2,726**	**3,060**	**5,786**

10. INVESTMENT SECURITIES AVAILABLE-FOR-SALE

During 2015 while avoiding accumulation of the long-term investments into securities the Bank performed a number of operations with short-term bonds of the National Bank of the Republic of Belarus. As at 31 December 2015 there were no securities available-for-sale on the Bank's balance sheet. Investment securities available-for-sale as at 31 December 2014 comprise bonds of Belorussian-Russian Belgazprombank Joint Stock totaling BYR 37,693 million. The bonds are denominated in US dollars and have a coupon interest rate amounting to 8.75%. The bonds mature on 30 November 2015. The Bank sold these securities in 2015.

11. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Movements in the property and equipment for 2015 are disclosed below:

	Buildings	Installa-tions	Furniture and fixtures	Computer and office equipment	Vehicles	Construc-tion in progress	Intangible assets	Total
Initial/revalued cost								
As at 31 December 2014	**44,248**	**824**	**14,368**	**7,842**	**2,009**	**93**	**1,688**	**71,072**
Additions	-	106	251	216	-	-	1,033	**1,606**
Disposals	-	(90)	(50)	(3)	-	-	(57)	**(200)**
Transfers among categories	-	-	93	-	-	(93)	-	-
Revaluation effect	11,967	-	-	-	-	-	-	**11,967**
As at 31 December 2015	**56,215**	**840**	**14,662**	**8,055**	**2,009**	-	**2,664**	**84,445**
Accumulated depreciation								
As at 31 December 2014	**-**	**169**	**9,797**	**6,886**	**1,710**	**-**	**698**	**19,260**
Depreciation charge	442	117	1,478	296	207	-	406	**2,946**
Disposals	-	(90)	(50)	(3)	-	-	(57)	**(200)**
Revaluation effect	(442)	-	-	-	-	-	-	**(442)**
As at 31 December 2015	**-**	**196**	**11,225**	**7,179**	**1,917**	-	**1,047**	**21,564**
Net carrying value:								
As at 31 December 2014	**44,248**	**655**	**4,571**	**956**	**299**	**93**	**990**	**51,812**
As at 31 December 2015	**56,215**	**644**	**3,437**	**876**	**92**	**-**	**1,617**	**62,881**

Movements in the property and equipment for 2014 are disclosed below:

	Buildings	Installa-tions	Furniture and fixtures	Computer and office equipment	Vehicles	Construc-tion in progress	Intangible assets	Total
Initial/revalued cost								
As at 31 December 2013	**46,896**	**799**	**13,608**	**7,782**	**2,009**	**1**	**1,464**	**72,559**
Additions	-	25	870	527	-	93	569	**2,084**
Disposals	-	-	(111)	(467)	-	-	(345)	**(923)**
Transfers among categories	-	-	1	-	-	(1)	-	**-**
Revaluation effect	(2,648)	-	-	-	-	-	-	**(2,648)**
As at 31 December 2014	**44,248**	**824**	**14,368**	**7,842**	**2,009**	**93**	**1,688**	**71,072**
Accumulated depreciation								
As at 31 December 2013	**-**	**89**	**8,452**	**7,074**	**1,460**	**-**	**650**	**17,725**
Depreciation charge	469	80	1,450	279	250	-	393	**2,921**
Disposals	-	-	(105)	(467)	-	-	(345)	**(917)**
Revaluation effect	(469)	-	-	-	-	-	-	**(469)**
As at 31 December 2014	**-**	**169**	**9,797**	**6,886**	**1,710**	**-**	**698**	**19,260**
Net carrying value:								
As at 31 December 2013	**46,896**	**710**	**5,156**	**708**	**549**	**1**	**814**	**54,834**
As at 31 December 2014	**44,248**	**655**	**4,571**	**956**	**299**	**93**	**990**	**51,812**

Fully depreciated property and equipment and intangible assets as at 31 December 2015 and 2014 amounted to BYR 11,503 million and BYR 10,259 million, respectively.

The Bank used services of an independent appraiser to determine the fair value of the buildings owned by the Bank. The fair value is determined based on the combination of the income and comparative methods. The date of revaluation was 31 December 2015. The original appraiser's report is dated 1 October 2015. According to appraiser's opinion, the change in the fair value of the building for 4Q 2015 comprised 2.5% of the value of the building. The fair value of the building is adjusted for this ratio and foreign exchange difference of the US dollar, the currency of the appraiser's report between the date of revaluation (1 October 2015) and the reporting date (31 December 2015). If the buildings were measured using the historical cost model, the carrying amounts would be as follows:

	31 December 2015	31 December 2014
Initial cost	24,302	24,302
Accumulated depreciation and impairment	(2,916)	(2,693)
Net carrying value	**21,386**	**21,609**

Information on the buildings fair value hierarchy level of inputs used for revaluation of buildings is disclosed in Note 25 of these financial statements.

12. TAXATION

The income tax expense comprises:

	31 December 2015	31 December 2014
Current tax expense	2,910	2,332
Deferred tax (charge)/release – origination and reversal of temporary differences	(3,033)	2,971
Income tax (benefit)/expense	**(123)**	**5,303**

The income tax rate applicable to the Bank's income is 25.0% in 2015 (2014: 18.0%). Accordingly, the deferred tax as at 31 December 2014 was calculated at the rate of 25.0%. The reconciliation between the theoretical and the actual tax charge is presented below:

	2015	2014
Profit before income tax expense and loss on net monetary position	**12,401**	**18,340**
Statutory tax rate	25%	18%
Theoretical income tax expense at the statutory rate	**3,100**	**3,301**
Non-taxable income on government securities	(78)	(496)
Non-deductible expenses:	1,251	398
Tax effect of change in income tax rate	-	488
Tax effect of change in tax base of property and equipment due to revaluation performed for tax purposes, and hyperinflation effect	(4,396)	1,612
Income tax (benefit)/expense	**(123)**	**5,303**

Differences between IFRS and statutory taxation regulations in the Republic of Belarus give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 25.0% (2014: 18.0%).

	31 December 2015	Changes in temporary differences: In profit or loss	Changes in temporary differences: In other comprehensive income	31 December 2014
Tax effect of temporary differences:				
Provision for impairment of loans	1,279	1,715		(436)
Property and equipment	698	4,609	(3,102)	(809)
Settlements on contributions to the share capital	(2,478)	(2,478)	-	-
Other assets	(1,109)	(662)	-	(447)
Due from credit institutions	(432)	356	-	(788)
Other impairment losses and provisions	776	(507)	-	1,283
Deferred tax (liability)/asset, net	**(1,266)**	**3,033**	**(3,102)**	**(1,197)**

	31 December 2014	Changes in temporary differences: In profit or loss	Changes in temporary differences: In other comprehensive income	Hyperinflation effect	31 December 2013
Tax effect of temporary differences:					
Provision for impairment of loans	(436)	(1,944)	-	(244)	1,752
Property and equipment	(809)	(1,493)	545	(22)	161
Other assets	(447)	(1,058)	-	(99)	710
Due from credit institutions	(788)	72	-	139	(999)
Other impairment losses and provisions	1,283	1,452	-	27	(196)
Deferred tax (liability)/asset, net	**(1,197)**	**(2,971)**	**545**	**(199)**	**1,428**

13. OTHER ASSETS AND LIABILITIES

As at 31 December 2015 and 2014 other assets comprise:

	31 December 2015	31 December 2014
Other financial assets:		
Receivables on state duty	363	175
Bad debt	103	84
Other financial assets	111	-
Receivables on reimbursement of cash shortage	-	2,992
	577	**3,251**
Less: provision for impairment losses on other financial assets	(345)	(3,202)
	232	**49**
Other non-financial assets:		
Prepaid taxes other than income tax	87	750
Prepaid expenses	267	436
Prepayments for property and equipment	558	83
Other prepayments	317	451
Materials and inventory	106	258
Other non-financial assets	728	182
	2,063	**2,160**
Total other assets	**2,295**	**2,209**

As at 31 December 2015 and 2014 other liabilities comprise:

	31 December 2015	31 December 2014
Other financial liabilities:		
Accrued expenses	491	1,227
Settlements with employees	1,681	612
Other settlements	1,024	751
	3,196	**2,590**
Other non-financial liabilities:		
Amounts payable to government authorities, except for income tax	324	298
Total other liabilities	**3,520**	**2,888**

14. OTHER IMPAIRMENT LOSSES AND PROVISIONS

Movements in the provision for other impairment losses are disclosed below:

	Other assets
As at 31 December 2013	**6,534**
Charge for the year	78
Bad debt written off	(2,498)
Effect of inflation	(912)
As at 31 December 2014	**3,202**
Charge for the year	3
Bad debt written off	(2,860)
As at 31 December 2015	**345**

Provisions for impairment of assets are deducted from the carrying amounts of the related assets.

15. CUSTOMER ACCOUNTS

As at 31 December 2015 and 2014 customer accounts comprise:

	31 December 2015	31 December 2014
Current accounts	92,002	103,574
Term deposits	408,782	605,030
Customer accounts	**500,784**	**708,604**
Held as security against letters of credit	-	467
Held as security against loans	704	12,869
Held as security against guarantees	1,530	-

Customer accounts include accounts with the following types of customers as at 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Legal entities	259,911	467,442
Individuals	240,873	241,162
Customer accounts	**500,784**	**708,604**

Analysis of customer accounts by industries as at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Trade	167,264	383,890
Individuals	240,873	241,162
Real estate construction	15,887	25,309
Manufacturing	8,280	13,633
Insurance	7,542	3,835
Transport and communication	2,133	3,362
Other	58,805	37,413
Customer accounts	**500,784**	**708,604**

The term deposits include deposits of individuals in the amount of BYR 209,282 million (2014: BYR 210,330 million). On 12 November 2015 the classification of bank deposits was changed. According to the changes, term deposit and escrow deposit agreements will be divided into revocable and irrevocable.

As at 31 December 2015 term irrevocable deposits totaled BYR 430 million. In accordance with the Banking Code of the Republic of Belarus, the Bank is obliged to repay term revocable deposits upon demand of a depositor within 5 days. In case a deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless stated in the agreement otherwise. The term irrevocable deposits cannot be withdrawn early at the initiative of a depositor without the Bank's approval.

16. DEBT SECURITIES ISSUED

In 2015 the Bank did not issue any new bonds, however it continued work with already issued bonds denominated in US dollars in the secondary market. Funds from legal entities were allocated by the Bank to both implementation of investment projects (issuing loans to the real sector of the economy, SMEs) and financing current transactions. As at 31 December 2014 the Bank placed bonds of 12th issue on the secondary market in the amount of USD 5 million with 7% yield. By 31 December 2015 the Bank redeemed these bonds from the Bank's customers and can place them further depending on its intent and the circumstances.

17. SUBORDINATED DEBT

As at 31 December 2014, the Bank had two USD-denominated subordinated loans and one EUR-denominated subordinated loan from JSC BTA Bank (the Republic of Kazakhstan):

Counterparty	Interest rate to nominal	Maturity date	Currency	31 December 2015	31 December 2014
JSC BTA Bank	7.23%	15 December 2016	EUR	-	86,748
JSC BTA Bank	7.50%	14 November 2016	USD	-	23,833
JSC BTA Bank	7.75%	17 February 2016	USD	-	23,838
Subordinated debt				-	**134,419**

Subordinated debt ranks after all other creditors in the case of the Bank's liquidation. On 19 November 2015 the shareholders of the Bank decided to transfer the subordinated debt to the share capital of the Bank (see Note 18).

18. AMOUNTS RECEIVED DURING FORMATION OF THE SHARE CAPITAL

On 19 November 2015 the shareholders of the Bank decided to increase the share capital of the Bank by BYR 186,166 million by conversion of the subordinated loan received earlier from JSC BTA Bank. As at 31 December 2015 the Bank waited for the authorization of the National Bank of the Republic of Belarus regarding increase of the share capital and the registration of the changes in the Charter of the Bank. The authorization was obtained on 11 January 2016, and the changes were registered on 29 January 2016. Therefore, the funds were recorded as the Amounts Received during Formation of the Share Capital. The amount was reclassified to non-monetary assets and accordingly, it was recorded at historical cost, which was determined using exchange rate as of 19 November 2015.

19. EQUITY

As at 31 December 2015 and 2014 authorized share capital of the Bank was paid in full and consisted of 344 ordinary shares with par value of BYR 178,3 million each (at historical cost).

The share capital of the Bank was contributed by the shareholders in Belarusian rubles and they are entitled to dividends and any equity distribution in Belarusian rubles.

During the years ended 31 December 2015 and 2014 the Bank did not declare and did not pay any dividends.

The Bank's distributable reserves are determined by the amount of its reserves as disclosed in its financial statements prepared in accordance with the legislation of the Republic of Belarus. As at 31 December 2015, the statements of the Bank, prepared in accordance with the legislation of the Republic of Belarus, contained a disclosure of distributable reserves of BYR 106,217 million (2014: BYR 85,375 million) and non-distributable reserves of BYR 5,052 million. (2014: BYR 4,504 million). Non-distributable reserves are represented by a general reserve fund, which is established to cover general banking risks, including future losses and other unforeseen risks or contingencies.

20. CONTRACTUAL AND CONTINGENT LIABILITIES

Operating environment – Emerging markets such as Belarus are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Belarus continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Belarus is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

In 2015 the economies of the CIS countries experienced political and economic turmoil which significantly affected Belarusian economy. Currency exchange market was unstable and the Belarusian ruble depreciated substantially against major foreign currencies. The National Bank of Belarus introduced a range of measures aimed at limiting outflow of customer deposits from the banking system, improving liquidity of banks, and supporting the exchange rate of the Belarusian ruble.

Stabilization of the economic situation in Belarus depends, to a large extent, upon success of the Belarusian government's efforts and future condition of the Russian economy and political developments in the CIS. Outcome of these efforts and developments is at this stage difficult to determine.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management estimates that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 December 2015 and 2014 the Bank had no material liabilities for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Legislation – Certain provisions of Belarusian commercial legislation and tax legislation in particular may give rise to varying interpretations and inconsistent application. In addition, as management's interpretation of legislation may differ from that of the authorities, statutory compliance may be challenged by the authorities, and, as result, the Bank may face additional taxes and charges and other preventive measures. The Management of the Bank believes that it has already made all tax and other payments or accruals, and therefore no additional provision has been made in the financial statements. Prior fiscal years remain open to review by the authorities.

As at 31 December 2015 and 2014 the Bank's contractual and contingent liabilities comprised:

	31 December 2015	31 December 2014
Credit related commitments		
Unused loan commitments, cancellable	51,637	87,699
Letters of credit, not covered by cash	-	2,653
Letters of credit, covered by cash	-	467
Guarantees	2,836	168
Contractual and contingent liabilities	**54,473**	**90,987**
Less: Cash held as collateral against letters of credit, guarantees and unused loan commitments (Note 15)	(1,530)	(467)
Contractual and contingent liabilities	**52,943**	**90,520**

21. NET FEE AND COMMISSION INCOME

For 2015 and 2014 net fee and commission income comprise:

	2015	2014
Operations with customers	22,882	24,124
Currency exchange operations	1,790	4,301
Current account replenishment	836	1,465
Other	926	1,493
Fee and commission income	**26,434**	**31,383**
Transactions with banks	(1,097)	(1,302)
Bank plastic card operations	(924)	(939)
Currency exchange operations	(211)	(334)
Documentary operations	(114)	(234)
Other	(600)	(484)
Fee and commission expense	**(2,946)**	**(3,293)**
Net fee and commission income	**23,488**	**28,090**

22. OTHER INCOME

Other income comprises:

	2015	2014
Repayment of loans previously written off	5,489	5,185
Fines and penalties received	2,496	1,093
Income from sales of other property	1,735	1
Other	174	415
Total other income	**9,894**	**6,694**

23. STAFF COSTS AND OTHER OPERATING EXPENSES

Staff costs and other operating expenses comprise:

	2015	2014
Payroll and bonuses	46,350	38,067
Social security costs	13,350	11,838
Staff costs	**59,700**	**49,905**
Software expenses	9,613	7,771
Operating lease expense	4,906	5,454
Marketing and advertising	1,862	3,074
Contributions to deposit insurance fund	2,022	3,001
Transportation expenses	1,775	1,488
Repair expenses	268	1,377
Utilities	1,260	1,037
Security services	956	923
Office supplies	291	906
Audit services	887	724
Communications	879	688
Information and consulting services	536	625
Charity	19	397
Loss on disposal of property and equipment and intangible assets	13	5
Written off fines/penalties	1,328	-
Other	3,460	2,562
Other operating expenses	**30,075**	**30,032**

24. RISK MANAGEMENT

Introduction

Risk is inherent in the Bank's activities. The Bank manages risks in the course of the constant process of identification, evaluation and observation, by establishing risk limits and other internal control measures. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. The Bank is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The responsibility for approval of strategy and principles of risk management, design of effective system of risk management and internal controls lies within the Board of Directors. The Risk Committee was created to assist the Board of Directors in executing this function. There are also separate independent bodies responsible for managing and monitoring risks.

Board of Directors

Board of Directors is responsible for general approach to risk management, approval of strategy and principals of risk management.

Risk Committee

Risk Committee is responsible for the risk management system maintenance and supervision of the risk management divisions; assessment of the effectiveness of the Bank's risk management system; submission of the information to the Board of Directors on identified (based on risk reporting data) significant issues, deficiencies in the Bank's activities that affect the risk level of the Bank and may result in adverse consequences.

Management Board

The Management Board has the responsibility for the development of the risk management strategy and policies, implementing principles, frameworks, policies and limits. The Management Board is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Credit Committee

The Committee is mainly responsible for implementation and improvement of Credit policy of the Bank, approval of decisions on credit operations and definition of their parameters. The Committee assesses the quality of cumulative claims of the Bank in respect of loans granted, guarantees and other active operations subject to credit risk.

Assets and Liabilities Management Committee

The Committee is responsible for determining the policy of effective management of assets and liabilities, allowing to maximize profit while minimizing the risks and following prudential ratios and statutory acts. The Committee performs complex financial risk management, coordinates the activities of the Bank's branches in the field of risk management in order to reach the optimal balance of risks and profitability.

Risk Department

The Risk Department is responsible for developing the methods of identification, analysis and measurement of main bank risks (credit, operational, interest, currency, commodity, country, reputational, strategic, liquidity, stock market risks), developing, realizing and controlling compliance with limit policy, implementing and performing risk management procedures related to such risks. These activities are performed in order to ensure independent control process. The Risk Department is responsible for monitoring compliance with risk principles, policies and limits, across the Bank. This department also presents reports on credit, operational, interest, currency, commodity, country, reputational, strategic, liquidity, stock market risk levels to the Management Board and the Board of Directors of the Bank.

Financial Controlling Department

Financial Controlling Department is responsible for operational management and routing monitoring of the Bank's liquidity in terms of the compliance to the liquidity ratios, as well as for the coordination of the process of strategic planning, developing and following through the target planned performance indicators, Bank's activity planning and control over plan execution.

Internal audit

Risk management processes throughout the Bank are audited annually by the Department of Internal Audit that examines both the adequacy of the procedures and the Bank's compliance with the procedures, submits proposals on improvement of the risk management system and internal controls. The Department of Internal Audit presents the results of all assessments to the Management Board of the Bank, and reports its findings and recommendations to the Audit Committee and the Board of Directors.

Systems of risk evaluation and communication

The Bank's risks are measured using scenario methods that enable to assess the level of risk in different circumstances.

Monitoring and control of risks are chiefly based on the limits established by the Bank. Such limits reflect the business strategy and the market conditions, in which the Bank is operating, as well as the risk level the Bank is ready to accept. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure when capital adequacy is calculated.

Information on all types of activities is examined and processed with the purpose of analysis, control and early risk identification. This information is presented and explained to the Risk Committee, Management Board, Assets and Liabilities Management Committee and Credit Committee. The report includes aggregate credit exposure, liquidity ratios, levels of operational, interest and currency risks and information on changes in risk levels. Appropriateness of the provision for credit losses is assessed on a quarterly basis. The Board of Directors (Risk Committee) receives a comprehensive report on loan portfolio and the Bank's financial position once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

Risk Mitigation

As part of its overall risk management, the Bank uses the system of measures and limits stipulated by the local statutory acts to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks (see above and/or below for more detail).

Excessive risk concentration

Risk concentration occurs in case a number of counterparties performs similar activities with similar risk characteristics or activities taken place in one geographical region, or counterparties have similar economic characteristics. As a result of changes in economic, political and other conditions risk concentration has similar impact on the ability of these parties to meet their contractual obligations. Risk concentration reflects relative sensitivity of the Bank's performance to the changes in conditions which have impact on particular industry or geographical region.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties did not meet their contractual obligations.

Main stages of risk management:

- Identification of risks;
- Risk measurement – quantitative description of identified risks (probability and amount of possible losses);
- Choice of risk management methods while assessing their comparative effectiveness;
- Decision-making and direct impact on the risk;
- Monitoring of the accepted credit risk and control over the procedures being used.

Credit risk control in relation to borrowers (other than banks acting as counterparties to the Bank) includes the following:

- Monitoring of issued credit instruments by the corresponding structural units of the Bank;
- Classification of assets and contingent liabilities, and creation of special provisions for covering possible losses in relation to assets and contingent liabilities;
- For the purposes of general compliance with certain loan portfolio parameters established by Credit policy and other Bank's documents, regulating Bank's credit activity.

The Risk Department performs monthly loan portfolio analysis and classification to assess the required provision for covering possible losses, the results of which are communicated to the Credit Committee. The extended analysis of the loan portfolio is performed on a quarterly basis – the Management Board and Board of Directors are informed on its results.

Control of the accepted credit risk level in relation to amounts placed within banks acting as counterparties to the Bank includes the following:

- Analysis of negative financial and non-financial information while applying previously set limits (performed by the Risk Department);
- Routine and subsequent control over compliance with the set limits (sublimits) for banks acting as counterparties to the Bank by executive units – units directly operating within the set limits (sublimits), and by the Risk Department.

The results of analysis serve as a basis for developing suggestions to units working with customers with regard to recommended parameters for clients attracted for credit services. Additional parameters limiting portfolio concentration of the Bank can be developed based on the analysis of the portfolio.

All activities performed by credit units of the Bank in the course of monitoring of current loans are aimed at identifying problems at the earliest stage possible.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Credit risk classification system provides assigning a risk rating to each counterparty. The ratings are subject to regular revisions.

The credit quality control system allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take necessary action.

The Bank receives collateral and guarantees from entities and individuals in relation to most loans, however, a certain part of lending is attributable to loans to individuals in regard to which obtaining collateral or guarantee is impracticable. Such risks are monitored on a regular basis.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the agreement. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

The amount of maximum credit risk as at 31 December 2015 and 2014 is disclosed in the table below:

	Maximum credit risk exposure 31 December 2015	**Maximum credit risk exposure 31 December 2014**
Cash and cash equivalents (except for cash on hand)	187,828	139,825
Due from the National Bank of the Republic of Belarus and other banks	4,696	7,701
Derivative financial instruments	-	93,893
Loans to customers	578,436	713,234
Investment securities available-for-sale	-	37,693
Other financial assets	232	29
Guarantees	2,836	168
Letters of credit, not covered by cash	-	2,653
Total	**774,028**	**995,196**

Credit quality by classes of financial assets

The Bank manages the credit quality of financial assets using internal credit rating. The table below presents the credit quality analysis by classes of assets for loan-related lines in the statement of financial position, based on the Bank's credit rating system.

High grade includes the Bank's highest quality financial assets. The possibility of deterioration is generally considered remote. Financial performance has been strong and good. All factors are favorable and participation potential or ability to refinance is considered good. Financial history shows high liquidity and cash flow with good basic trends, or the company may be new with insufficient financial history to develop a trend. Refinancing at another institution or elsewhere on short notice, even in adverse economic conditions, could likely be accomplished.

Standard grade includes good quality financial assets. The possibility of deterioration is generally considered remote but there is some amount of uncertainty. These assets are neither overdue nor any other significant signs of impairment are identified. Financial performance has been strong and good but it can deteriorate as a result of some possible factors in the future. Financial history shows high liquidity and cash flow with good basic trends, or the company may be new with insufficient financial history to develop a trend. Refinancing at another institution or elsewhere on short notice, even in adverse economic conditions, could likely be accomplished.

Substandard grade includes normal quality financial assets. The possibility of deterioration is generally considered remote but there is identifiable amount of uncertainty. These assets are not overdue yet but some insignificant signs of impairment are identified. Financial performance has been strong and good but there is a likelihood that it can deteriorate as a result of some probable factors in the future. Financial history generally shows high liquidity and cash flow with good basic trends, however some overdue amounts could happen in the past. Refinancing at another institution or elsewhere on short notice, even in adverse economic conditions, could likely be accomplished.

The Bank considers that it holds no assets under substandard grade as at 31 December 2015 and 2014.

The analysis of assets by quality ratings as at 31 December 2015 is presented below:

	Notes	High grade	Standard grade	Total neither past due nor individually impaired
Cash and cash equivalents, other than cash on hand	5	183,131	-	**183,131**
Due from the National Bank of the Republic of Belarus	6	3,937	-	**3,937**
Due from credit institutions	7	759	-	**759**
Loans to customers	9			
Corporate lending		377,151	1,044	**378,195**
Entrepreneurs lending		31,802	-	**31,802**
Consumer lending		96,860	-	**96,860**
Total loans to customers		505,813	1,044	**506,857**
Total		**693,686**	**1,044**	**694,684**

The analysis of assets by quality ratings as at 31 December 2014 is presented below:

	Notes	High grade	Standard grade	Total neither past due nor individually impaired
Cash and cash equivalents, other than cash on hand	5	132,087	-	**132,087**
Due from the National Bank of the Republic of Belarus	6	7,337	-	**7,337**
Due from credit institutions	7	364	-	**364**
Derivative financial assets	8	93,893	-	**93,893**
Loans to customers	9	657,424	398	**657,822**
Corporate lending		497,796	398	**498,194**
Entrepreneurs lending		23,041	-	**23,041**
Consumer lending		136,587	-	**136,587**
Total loans to customers		657,424	398	**657,822**
Investment securities available-for-sale	10	37,693	-	**37,693**
Total		**928,798**	**398**	**929,196**

Information on individually impaired loans to customers and on past due, but not individually impaired loans to customers is presented below:

	31 December 2015		31 December 2014	
	Individually impaired	**Past due but not individually impaired**	**Individually impaired**	**Past due but not individually impaired**
Corporate lending	76,741	4,059	52,101	6,879
Entrepreneurs lending	4,670	1,102	1,925	-
Consumer lending	9,493	5,833	5,252	10,491
Total loans to customers	**90,904**	**10,994**	**59,278**	**17,370**

Past due but not individually impaired loans to customers include only those that are only past due less than 30 days. Such loans are not recognized by the Bank as individually impaired; and are included in the collective assessment.

Interest income on financial assets recorded at amortized cost

	2015	2014
Interest income on individually impaired financial assets	19,120	10,229
Interest income on collectively impaired financial assets	148,439	156,836
Total	**167,559**	**167,065**

Assessment of impairment

The key factors that are taken into consideration during the assessment of the loans for impairment include whether any payments of principal or interest are overdue by more than 5 days for legal entities and 30 days for individuals; whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank reviews the impairment at two levels – provisions assessed individually and provisions assessed collectively.

Provisions assessed individually

The Bank determines provisions that are required with respect to each individually significant loan or advance payment on individual basis. When determining the provision amount the following circumstances are to be taken into consideration: the indicators of financial performance, their changes in the period of loan servicing, evaluation of the quality of loan servicing, the realizable value of collateral. Impairment losses are assessed at each reporting date or more frequently if unforeseen circumstances require a more careful attention.

Provisions assessed collectively

Provisions for impairment of loans that are not deemed individually significant (including credit cards, mortgage loans and unsecured consumer credits) as well as the provisions with respect to individually significant loans that do not have the objective evidence of individual impairment are estimated on aggregate basis. Provisions are estimated at each reporting date and each loan portfolio is tested separately.

The estimation on collective basis allows for determining portfolio impairment that can take place even if there is no objective evidence of individual impairment. Impairment losses are determined on the basis of the following information: losses incurred with respect to portfolio during prior periods, existing economic conditions, existence of loans past due as at the reporting date (over 5 days for legal entities and over 30 days for individuals) until the moment when the necessity to create an individually estimated provision for impairment of the loan is established, as well as the amounts to be received and the recovery of value after the asset impairment. The provisions for impairment shall be tested by the Bank's credit unit management for its compliance with the Bank's general policy.

Financial guarantees and the letters of credit issued are also tested for impairment and the provision is created with respect to them in a similar way as for loans.

Liquidity risk and funding management

Liquidity risk refers to the availability of sufficient funds to meet the Bank's obligations when they fall due in the normal course of business or unforeseen events. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The process comprises evaluation of expected cash flows, availability of high-quality collateral which may be used for obtaining additional funds if required.

The Bank owns the portfolio of various premium assets that can be easily realized for money in case of unexpected cessation of money inflow. The Bank also concluded credit lines agreements which may be used to meet requirements in funds. In addition, the Bank maintains a cash deposit (obligatory reserve) with the National Bank of the Republic of Belarus, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the National Bank of the Republic of Belarus. As at 31 December, these ratios were as follows (2014 – unaudited by Deloitte):

	Required minimum ratio %	2015, %	2014, %
Current liquidity ratio (assets, receivable or realizable within 30 days/liabilities payable within 30 days)	70	269	102
Short-term liquidity ratio (assets, receivable within one year/ liabilities payable within one year)	100	140	120
Instant liquidity ratio (assets, receivable or realizable on demand/ liabilities payable on demand)	20	473	390

Analysis of financial liabilities by the periods to maturity

The table below shows non-derivative financial liabilities as at 31 December 2015 and 2014 by their remaining contractual maturity. The amounts in the table represent contractual undiscounted cash flows and gross credit commitments. These undiscounted cash flows differ from the amounts recognized in the statement of financial position which are based on discounted cash flows.

Where amounts payable are not fixed, the amount in the table is determined based on the conditions existing as at the end of the reporting period. Currency payments are recalculated using the spot exchange rate as at the end of the reporting period.

Financial liabilities as at 31 December 2015	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Due to credit institutions	1 -	-	-	-	1
Customer accounts	195,869	218,230	120,894	-	534,994
Other financial liabilities	3,916	-	-	-	3,916
Issued financial guarantees and other commitments	-	1,322	1,515		2,836
Commitments on loans and unused credit lines	51,637	-	-	-	51,637
Total undiscounted financial liabilities	**251,423**	**219,552**	**122,409**	**-**	**593,384**

Financial liabilities as at 31 December 2014	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Due to credit institutions	24	-	-	-	**24**
Customer accounts	372,565	299,818	61,911	-	**734,294**
Debt securities issued	2,068	2,079	65,477	-	**69,624**
Other financial liabilities	2,590	-	-	-	**2,590**
Subordinated debt	2,463	7,389	141,652	-	**151,504**
Letters of credit, not covered by cash	-	2,653	-	-	**2,653**
Issued financial guarantees and other commitments	168	-	-	-	**168**
Commitments on loans and unused credit lines	87,699	-	-	-	**87,699**
Total undiscounted financial liabilities	**467,577**	**311,939**	**269,040**	**-**	**1,048,556**

Liquidity requirements to support calls under guarantees and import letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement.

Maturity Analysis of Assets and Liabilities

The table below represents contractual maturity analysis as at 31 December 2015 as specified by the Bank:

	Less than 3 months	**3 to 12 months**	**Over 1 year**	**Maturity undefined**	**Total**
Cash and cash equivalents	218,937	-	-	-	**218,937**
Due from the National Bank of the Republic of Belarus	-	-	-	3,937	**3,937**
Due from credit institutions	-	-	-	759	**759**
Loans to customers	209,374	176,944	192,118	-	**578,436**
Other financial assets	232	-	-	-	**232**
Total	**428,543**	**176,944**	**192,118**	**4,696**	**802,301**
Due to credit institutions	1	-	-	-	**1**
Customer accounts	185,914	196,035	118,835	-	**500,784**
Other financial liabilities	3,196	-	-	-	**3,196**
Total	**189,111**	**196,035**	**118,835**	**-**	**503,981**
Net position	**239,432**	**(19,091)**	**73,283**	**4,696**	**298,320**

The table below represents contractual maturity analysis as at 31 December 2014 as specified by the Bank:

	Less than 3 months	3 to 12 months	Over 1 year	Maturity undefined	Total
Cash and cash equivalents	154,563	-	-	-	**154,563**
Due from the National Bank of the Republic of Belarus	-	-	-	7,337	**7,337**
Due from credit institutions	8	-	-	356	**364**
Derivative financial assets	2,871	91,022	-	-	**93,893**
Loans to customers	221,390	263,276	228,568	-	**713,234**
Investment securities available for sale	-	37,693	-	-	**37,693**
Other financial assets	49	-	-	-	**49**
Total	**378,881**	**391,991**	**228,568**	**7,693**	**1,007,133**
Due to credit institutions	24	-	-	-	**24**
Customer accounts	379,234	268,067	61,303	-	**708,604**
Debt securities issued	966	-	59,250	-	**60,216**
Other financial liabilities	2,590	-	-	-	**2,590**
Subordinated debt	739	-	133,680	-	**134,419**
Total	**383,553**	**268,067**	**254,233**	**-**	**905,853**
Net position	**(4,672)**	**123,924**	**(25,665)**	**7,693**	**101,280**

The maturity analysis above does not reflect the historical stability of current accounts and time deposits which are included in customer accounts. Their termination has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due in up to three months.

In accordance with the Banking Code of the Republic of Belarus, the Bank is required to repay time revocable deposits within five days upon demand of a depositor. The term irrevocable deposits cannot be early withdrawn at the initiative of a depositor without the Bank's authorization. However, the Bank does not expect that all customers will request repayment at original maturity. These balances are therefore included in accordance with their contractual maturity.

Risk of early repayment

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Bank's management believes that the Bank is not subject to early repayment risk.

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange, and equity instrument prices. Market risk is managed and monitored by using sensitivity analysis. Except for currency position the Bank has no significant market risk concentrations.

Interest rate risk

Interest rate risk occurs due to the possibility that interest rate changes may influence future cash flows or fair value of financial instruments. The following table presents the sensitivity of the Bank's statement of comprehensive income to possible changes in interest rates, however all the other variable parameters are assumed as constant parameters.

Sensitivity of the statement of comprehensive income is effect of expected changes in interest rates on net interest income for one year calculated based on non-trading financial assets and financial liabilities at floating interest rate existing at 31 December. The sensitivity of equity is calculated by revaluing fixed rate financial assets available-for-sale at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	Increase in % 2015	Sensitivity of net interest income 2015	Sensitivity of other comprehensive income 2015
BYR	5%	4,082	-
EUR	1%	442	-
USD	1%	492	-

Currency	Decrease in % 2015	Sensitivity of net interest income 2015	Sensitivity of other comprehensive income 2015
BYR	(5%)	(4,082)	-
EUR	(1%)	(442)	-
USD	(1%)	(492)	-

Currency	Increase in % 2014	Sensitivity of net interest income 2014	Sensitivity of other comprehensive income 2014
BYR	5%	3,927	-
EUR	1%	363	-
USD	1%	(950)	(304)

Currency	Decrease in % 2014	Sensitivity of net interest income 2014	Sensitivity of other comprehensive income 2014
BYR	(5%)	(3,927)	-
EUR	(1%)	(363)	-
USD	(1%)	950	310

Geographical concentration

Geographical concentration analysis of the Bank's assets and liabilities as at 31 December 2015 is provided below:

	Belarus	Kazakhstan	CIS countries	Other countries	31 December 2015 Total
Financial assets					
Cash and cash equivalents	148,154	535	29,957	40,291	**218,937**
Due from the National Bank of the Republic of Belarus	3,937	-	-	-	**3,937**
Due from credit institutions	759	-	-	-	**759**
Loans to customers	578,436	-	-	-	**578,436**
Other financial assets	232	-	-	-	**232**
Total financial assets	**731,519**	**535**	**29,957**	**40,291**	**802,301**
Financial liabilities					
Due to credit institutions	1	-	-	-	**1**
Customer accounts	491,495	1,334	7,210	745	**500,784**
Other financial liabilities	3,196				**3,196**
Total financial liabilities	**494,692**	**1,334**	**7,210**	**745**	**503,981**
Open position	**236,827**	**(799)**	**22,746**	**39,546**	

Financial assets and liabilities have generally been based on the country where the counterparty is located. Cash on hand has been allocated based on the country, in which they are physically held.

Geographical concentration analysis of the Bank's assets and liabilities as at 31 December 2014 is provided below:

	Belarus	Kazakhstan	CIS countries	Other countries	31 December 2014 Total
Financial assets					
Cash and cash equivalents	145,359	5,940	316	2,948	**154,563**
Due from the National Bank of the Republic of Belarus	7,337	-	-	-	**7,337**
Due from credit institutions	364	-	-	-	**364**
Derivative financial assets	93,893	-	-	-	**93,893**
Loans to customers	713,234	-	-	-	**713,234**
Investment securities available for sale	37,693	-	-	-	**37,693**
Other financial assets	49	-	-	-	**49**
Total financial assets	**997,929**	**5,940**	**316**	**2,948**	**1,007,133**
Financial liabilities					
Due to credit institutions	-	-	24	-	**24**
Customer accounts	690,518	4,413	10,911	2,762	**708,604**
Debt securities issued	60,216	-	-	-	**60,216**
Other financial liabilities	2,590	-	-	-	**2,590**
Subordinated debt	-	134,419	-	-	**134,419**
Total financial liabilities	**753,324**	**138,832**	**10,935**	**2,762**	**905,853**
Open position	**244,605**	**(132,892)**	**(10,619)**	**186**	

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank sets internal limits for open position by currency calculated using VaR method for a historical selection of 80 trading days. These limits comply with the minimum requirements of the National Bank of the Republic of Belarus. For currencies with significantly fluctuating exchange rate exposure the Bank takes measures to minimize open positions. Decisions on foreign currency position optimization are approved by the Deputy Chairman in charge of foreign currency operations.

The Bank's exposure to foreign currency exchange rate risk as at 31 December 2015 is presented in the table below:

	BYR	USD	EUR	RUB	Other currency	31 December 2015 Total
Financial assets						
Cash and cash equivalents	83,103	42,997	80,960	9,250	2,627	**218,937**
Due from the National Bank of the Republic of Belarus	3,937	-	-	-	-	**3,937**
Due from credit institutions	-	759	-	-	-	**759**
Loans to customers	402,050	130,559	38,364	7,463	-	**578,436**
Other financial assets	217	12	3	-	-	**232**
Total financial assets	**489,307**	**174,327**	**119,327**	**16,713**	**2,627**	**802,301**
Financial liabilities						
Due to credit institutions	-	1	-	-	-	**1**
Customer accounts	176,935	203,535	98,391	21,686	237	**500,784**
Other financial liabilities	2,664	440	79	13	-	**3,196**
Total financial liabilities	**179,599**	**203,976**	**98,470**	**21,699**	**237**	**503,981**
Currency position	**309,708**	**(29,649)**	**20,857**	**(4,986)**	**2,390**	

Derivative Financial Instruments

Fair value of the derivative financial instruments is included in the currency analysis presented above and the following table presents further analysis of currency risk of derivative financial instruments as at 31 December 2015.

	BYR	USD	EUR	RUB	Other currency	31 December 2015 Total
Receivables on swap contracts	-	-	-	-	-	**-**
Payables on swap contracts	-	-	-	-	-	**-**
Net derivative position	**-**	**-**	**-**	**-**	**-**	**-**
Total open currency position	**309,708**	**(29,649)**	**20,857**	**(4,986)**	**2,390**	

The Bank's exposure to currency risk as at 31 December 2014 is presented in the table below:

	BYR	USD	EUR	RUB	Other currency	31 December 2014 Total
Financial assets						
Cash and cash equivalents	127,081	15,901	4,208	6,111	1,262	**154,563**
Due from the National Bank of the Republic of Belarus	7,337	-	-	-	-	**7,337**
Due from credit institutions	-	364	-	-	-	**364**
Derivative financial assets	93,893	-	-	-	-	**93,893**
Loans to customers	344,806	216,544	100,020	51,864	-	**713,234**
Investment securities available for sale	-	37,693	-	-	-	**37,693**
Other financial assets	22	7	20	-	-	**49**
Total financial assets	**573,139**	**270,509**	**104,248**	**57,975**	**1,262**	**1,007,133**
Financial liabilities						
Due to credit institutions	-	24	-	-	-	**24**
Customer accounts	316,867	311,546	63,683	16,140	368	**708,604**
Debt securities issued	-	60,216	-	-	-	**60,216**
Other financial liabilities	1,863	562	140	25	-	**2,590**
Subordinated debt	-	47,671	86,748	-	-	**134,419**
Total financial liabilities	**318,730**	**420,019**	**150,571**	**16,165**	**368**	**905,853**
Currency position	**254,409**	**(149,510)**	**(46,323)**	**41,810**	**894**	

Derivative Financial Instruments

Fair value of the derivative financial instruments is included in the currency analysis presented above and the following table presents further analysis of currency risk of derivative financial instruments as at 31 December 2014.

	BYR	USD	EUR	RUB	Other currency	31 December 2014 Total
Receivables on swap contracts	-	154,068	79,933	-	-	**234,001**
Payables on swap contracts	(76,047)	-	(28,041)	(38,610)	-	**(142,698)**
Net derivative position	**(76,047)**	**154,068**	**51,892**	**(38,610)**	**-**	**91,303**
Total open currency position	**178,362**	**4,558**	**5,569**	**3,200**	**894**	

The following table presents the currencies in which the Bank has material positions as at 31 December 2015 and 2014 with respect to non-trading monetary assets and liabilities as well as future cash flows. The analysis performed includes calculation of the impact of possible change in foreign currency exchange rates with respect to Belarusian ruble on the statement of comprehensive income (due to availability of non-trading monetary assets and liabilities, the fair value of which is sensitive to the changes in foreign currency exchange rates). The effect on equity does not differ from the effect on the statement of comprehensive income. All other parameters are considered constant. The negative amounts in the table reflect the potentially possible net decrease in the statement of comprehensive income or equity, and the positive amounts reflect the potential net increase.

Currency	Increase in the currency rate, in % 2015	Impact on profit before taxation 2015	Increase in the currency rate, in % 2014	Impact on profit before taxation 2014
USD	30%	(8,895)	30%	1,367
EUR	30%	6,257	30%	1,671

Currency	Decrease in the currency rate, in % 2015	Impact on profit before taxation 2015	Decrease in the currency rate, in % 2014	Impact on profit before taxation 2014
USD	(5%)	1,482	(5%)	(228)
EUR	(5%)	(1,043)	(5%)	(278)

Currency	Increase in the currency rate, in % 2015	Impact on shareholders' equity 2015	Increase in the currency rate, in % 2014	Impact on shareholders' equity 2014
USD	30%	(6,671)	30%	1,026
EUR	30%	4,693	30%	1,253

Currency	Decrease in the currency rate, in % 2015	Impact on shareholders' equity 2015	Decrease in the currency rate, in % 2014	Impact on shareholders' equity 2014
USD	(5%)	1,112	(5%)	(171)
EUR	(5%)	(782)	(5%)	(209)

Operational Risk

Operational risk is the risk that arose due to a system failure, personnel errors, fraud or some external events. If the control system fails, operational risks may damage the Bank’s reputation, result in legal implications or in financial losses. The Bank is not able to set forward an assumption that all the operational risks are eliminated but the control system and monitoring and responding to potential risks could be effective tools to manage the risks. The control system enables efficient segregation of duties, access permissions, approval and reconciliation procedures, staff training and valuation procedures, including internal audit.

25. FAIR VALUE MEASUREMENT

Fair value of assets and liabilities measured at fair value

Some of the Bank's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and discounted cash flow model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Investment securities available-for-sale

Investment securities available-for-sale are represented by debt securities. Investment securities available-for-sale are valued on the basis of a valuation technique using present value calculations. The key input data includes discount rates which are represented by the rates on financial instruments with similar risk level denominated in respective currency with respective maturity.

Property and equipment – buildings

The Bank used services of an independent appraiser to determine the fair value of the buildings as at 31 December 2015 and 2014. The fair value of the buildings was determined based on the combination of income and comparable valuation techniques.

Fair value of the Bank's financial instruments not carried at fair value on a recurring basis

	Carrying value 2015	Fair value 2015	Unrecognized gain/(loss) 2015	Carrying value 2014	Fair value 2014	Unrecognized gain/(loss) 2014
Financial assets						
Cash and cash equivalents	218,937	218,937	-	154,563	154,563	-
Due from the National Bank of the Republic of Belarus	3,937	3,937	-	7,337	7,337	-
Due from credit institutions	759	759	-	364	364	-
Loans to customers	578,436	578,436	-	713,234	714,833	1,599
Other financial assets	232	232	-	49	49	-
Financial liabilities						
Due to credit institutions	1	1	-	24	24	-
Customer accounts	500,784	500,784	-	708,604	708,604	-
Subordinated debt	-	-	-	134,419	134,419	-
Other financial liabilities	3,196	3,196	-	2,590	-	-
Debt securities issued	-	-	-	60,216	60,216	-
Total unrecognized change in unrealized fair value			**-**			**1,599**

The techniques and assertions used in fair value measurement of the financial instruments that are not carried at fair value in the financial statements are disclosed below.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. Such financial assets and liabilities are cash and cash equivalents, amounts due to credit institutions, other financial assets and liabilities. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed and variable rate financial instruments

The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms and credit risk.

The management believes that the fair value of loans to customers, customer accounts, subordinated debt and debt securities as at 31 December 2015 issued does not significantly differ from the carrying amount as at the reporting date, because the interest rates for these liabilities approximate the market rates.

Levels of fair value hierarchy

For the purpose of fair value disclosure the Bank classified assets and liabilities on the basis of their nature, characteristics and risk of an asset or liability, as well as the level of fair value hierarchy.

	Fair value measurement using			
As at 31 December 2015	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets carried at fair value				
Property and equipment – buildings	-	56,215	-	**56,215**
Assets for which fair values are disclosed				
Loans to customers	-	578,436	-	**578,436**
Liabilities for which fair values are disclosed				
Customer accounts	-	500,784	-	**500,784**

	Fair value measurement using			
As at 31 December 2014	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets carried at fair value				
Derivative financial assets	-	93,893	-	**93,893**
Investment securities available-for-sale	-	37,693	-	**37,693**
Property and equipment – buildings	-	44,248	-	**44,248**
Assets for which fair values are disclosed				
Loans to customers	-	714,833	-	**714,833**
Liabilities for which fair values are disclosed				
Customer accounts	-	708,604	-	**708,604**

In 2015 there were no transfers between the fair value hierarchy levels.

26. RELATED PARTY DISCLOSURES

In accordance with IAS 24 Related Party Disclosures, related parties are the parties one of which has control or significant influence over the operating and financial decisions of the other party. In considering related party relationships, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that unrelated parties might not. Transactions between related parties may be on different terms, conditions and amounts than the transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

	2015		2014	
	Shareholders	**Key management personnel**	**Shareholders**	**Key management personnel**
Cash and cash equivalents	535	-	651	-
Loans to customers, gross	-	86	-	571
Provision for impairment	-	(1)	-	(9)
Loans to customers, net	-	85	-	562
Subordinated debt	-	-	134,419	-
Customer accounts	-	55	-	1,521
Unused loan commitments	-	1	-	299
Interest income	-	105	-	37
Interest expenses	12,675	38	9,681	82
Commission income	-	-	-	-
Commission expense	76	-	-	-

Compensation to key management personnel comprises the following:

	2015	**2014**
Salaries and other short-term benefits	5,782	3,090
Social payments	787	-
Social security costs	367	233
Total key management personnel compensation	**6,936**	**3,323**

27. CAPITAL MANAGEMENT

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the National Bank of the Republic of Belarus in supervising the Bank.

The key objective in capital management for the Bank implies compliance of the Bank with external requirements regarding the capital and maintenance of the high credit rating and capital adequacy ratio that are necessary for its business operations and maximization of the shareholder value.

The Bank manages the structure of its capital and adjusts it in line with the changes in economic environment and characteristics of risks associated with the types of operations. In order to sustain or change the structure of the capital the Bank may adjust the amount of dividends to be paid to the shareholders, return the capital to the shareholders or issue the equity securities. No changes in objectives, policy and capital management procedures took place as compared to previous years.

Capital adequacy ratio of the National Bank of the Republic of Belarus

The National Bank of the Republic of Belarus requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on Belarusian Accounting Standards. As at 31 December 2015 and 2014, the Bank's capital adequacy ratio computed on the basis set forth above was as follows:

	31 December 2015	**31 December 2014**
Principal capital	96,497	85,985
Additional capital used for computation of capital	92,861	85,985
Total capital	**189,358**	**171,970**
Risk-weighted assets used for computation of capital adequacy	**813,567**	**1,089,368**
Capital adequacy ratio	22.5%	15.8%

As at 31 December 2015 and through the reporting year, the Bank did not comply with the requirement of the National Bank of the Republic of Belarus related to the minimum amount of the regulatory capital. The Bank had not complied with this requirement since 2011 due to devaluation of the national currency.

As at 31 December 2015 the capital of the Bank made up to EUR 9.3 million (BYR 189,358 million), compared to the required value of EUR 25 million in equivalent. Starting from 1 January 2016, a new minimum amount of regulatory capital of BYR 450,000 million subject to quarterly indexing for inflation was established.

Incompliance with the license requirement on the minimum amount of the regulatory capital, established by the National Bank of the Republic of Belarus, resulted in the limitation of the amount of deposits from individuals. The Bank exceeded this limitation during certain months (as at 1 February 2015, 1 May 2015, 1 September 2015, 1 October 2015, from 1 October 2015 to 12 October 2015, for 30 December 2015) of the reporting period due to changes in the exchange rate of Belarusian Ruble to foreign currencies.

During 2015 the Bank did not comply with maximum credit risk exposure per borrower: as at 5 June 2015, from 25 August 2015 to 1 September 2015, as at 1 October 2015.

The Bank sent letters to the National Bank of the Republic of Belarus with the explanation of the reasons for this incompliance. The National Bank of the Republic of Belarus did not apply any supervision measures to the Bank. As at 31 December 2015, the Bank complied with the obligatory ratios, established by the National Bank of the Republic of Belarus (except for the requirement for the minimum amount of the regulatory capital).

On 28 October 2015 the Board of Directors of CJSC BTA Bank approved the Strategic Development Plan of CJSC BTA Bank for 2016-2018 (revised version is reapproved by the Board of Directors of CJSC BTA Bank on 3 December 2015), providing for an increase in the Bank's regulatory capital by means of conversion of subordinated loans of JSC BTA Bank placed with the Bank in the share capital, and provision of a new subordinated loan during the first half of 2016.

According to the Plan, intended planned increase of the regulatory capital will ensure compliance with the license requirement on the minimum amount of the regulatory capital not later than 1 July 2016 and further observance of this ratio.

According to the Plan, the forecasted size of the Bank's capital and aggregate levels of risk are as follows (unaudited):

Description	**1 January 2017**	**1 January 2018**	**1 January 2019**
Capital, BYR billion	503	606	738
Capital increase, %	50	21	22
Aggregate weighted level of accepted risks, BYR billion	1,060	1,650	2,620

29 January 2016 the National Bank of the Republic of Belarus registered increase in the share capital of the Bank to BYR 247,473 million as a result of the conversion of subordinated debt from JSC BTA Bank into the share capital. The increase caused increase of the Bank’s regulatory capital to BYR 372,173 million compared to the minimal required level of BYR 450,000 million (Note 28).

30 May 2016 the Board of Directors of Joint Stock Company Kazkommertsbank approved purchase of 99.928 % of the Bank from JSC BTA Bank (Republic of Kazakhstan) (Note 28). After being registered as the shareholder, Joint Stock Company Kazkommertsbank plans to convert interbank loan of USD 6 million, provided to the Bank to a subordinated debt, which will remediate the non-compliance with the minimum amount of regulatory capital.

28. SUBSEQUENT EVENTS

According to the official statistics published by the National Statistical Committee of the Republic of Belarus inflation level in the Republic of Belarus comprised 5.8% for the period from January to March 2016.

The minimal required level of regulatory capital established by the National Bank of the Republic of Belarus for the period from 1 April 2016 to 30 June 2016 totaled BYR 477,500 million.

Due to amendments introduced to the legislation, starting from 1 April 2016 individuals are required to pay an income tax on interest income received from bank deposits, current (settlement) account balances in Belarusian Ruble with maturity of less than 1 year and in foreign currencies with maturity of less than 2 years, if this income was accrued at the interest rate, exceeding the interest rate on demand deposits.

For the period from 1 January 2016 and till the date of approval of these financial statements the Belarusian Ruble exchange rate weakened against the currency basket by 11.12%.

On 1 July 2016 a denomination of official national currency will be held in the Republic of Belarus via exchange of banknotes in circulation at 10,000 BYR to 1 BYN ratio.

As at the date of signing the financial statements, the refinancing rate of the National Bank of the Republic of Belarus totaled 22% (this rate amounted to 25% as at 31 December 2015).

The Bank received authorization of the National Bank of the Republic of Belarus No. 29-12/5 dated 11 January 2016 to increase the share capital due to conversion of subordinated loans, attracted from CJSC BTA Bank into the share capital. The change in the Charter of the Bank, introduced by the decision of the extraordinary general shareholder meeting of the Bank on 25 January 2016 (minutes No. 1) regarding the increase in the share capital of the Bank to BYR 247,473,876,400 (nominal), was registered by the Resolution of the Management Board of the National Bank of the Republic of Belarus No. 47 on 29 January 2016. The regulatory capital of the Bank after completing the subscription for additional issue of shares, as at the date of signing the financial statements amounts to BYR 372,968 million, with the required amount of the regulatory capital having to be not less than BYR 450,000 million.

According to the minutes of the general shareholder meeting No. 3 dated 29 December 2015 Kadyrzhan Kabdoshevich Damitov was appointed starting from 1 January 2016 as a new member of the Board of Directors and according to the minutes of the Board of Directors meeting No. 8 on 29 February 2016 he was appointed as a new Chairman of the Board of Directors of CJSC BTA Bank.

The Board of Directors of CJSC BTA Bank (minutes No. 16 dated 29 April 2016) elected Alimzhan Yessetov the First Deputy Chairman of the Management Board, who was also entitled to perform the function of the Chairman of the Management Board. Prior to the election, Alimzhan Yessetov was confirmed to comply with the qualification requirements and business reputation requirements applicable to a deputy CEO of a bank, a member of collective executive body of a bank, by the decision of the special qualification commission of the National Bank of the Republic of Belarus (Minutes of the meeting No. 6 dated 22 April 2016) for a five year period.

New top-management approved main directions for the development of the Bank (minutes of the Management Board No. 23 dated 18 May 2016). Accordingly, the Bank aims to take 18th position in the Belorussian banks rating and ensure return on equity of at least equal to 20% by 2020 (unaudited).

The beneficial owner of CJSC BTA Bank, Kazakh investor Kenges Rakishev, communicated his intention to transfer the ownership of Bank to Joint Stock Company “Kazkommertsbank” and carry out rebranding. 30 May 2016 the Board of directors of Joint Stock Company “Kazkommertsbank” approved the decision to buy 1,387 shares – 99.928 % of CJSC “BTA Bank” from JSC BTA Bank (Republic of Kazakhstan).

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