CJSC BTA Bank

Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2014

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Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2014

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of Closed Joint Stock Company BTA Bank (hereinafter the "Bank") as at 31 December 2014, 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 2014 was approved by the Acting Chairman of the Management Board of the Bank on 10 July 2015.

On behalf of the Management Board of the Bank:

E. B. Alimbaev	**N.M. Sergievich**
Acting Chairman of the Management Board	**Chief Accountant**
10 July 2015	10 July 2015
Minsk	Minsk

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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 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for Financial Reporting

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. 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The accompanying financial statements have been prepared based on the assumption that the Bank will continue as a going concern in the foreseeable future. As discussed in Note 3 to the financial statements the Bank did not comply with the requirements of secure functioning related to the minimum amount of regulatory capital, which raises a substantial doubt about Bank’s ability to continue as a going concern. The management's plans in regard to these matters are also discussed in Note 3 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

Other Matters

The financial statements of CJSC BTA Bank for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 11 June 2014.

Deloitte & Touche

10 July 2015
Minsk

Statement of Financial Position
As at 31 December 2014

(in millions of Belarusian rubles in terms of the purchasing power of the Belarusian ruble as at 31 December 2014)

	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	5	154,563	162,595
Due from the National Bank of the Republic of Belarus	6	7,337	9,178
Due from credit institutions	7	364	338
Derivative financial assets	8	93,893	85,696
Loans to customers	9	713,234	693,637
Available-for-sale investment securities	10	37,693	35,156
Property and equipment and intangible assets	11	51,812	54,834
Deferred income tax assets	12	-	1,428
Current income tax assets		1,072	1,155
Other assets	13,14	2,209	1,656
Total assets		**1,062,177**	**1,045,673**
Liabilities			
Due to credit institutions		24	281
Derivative financial liabilities	8	-	3
Customer accounts	15	708,604	693,872
Debt securities issued	16	60,216	56,153
Deferred income tax liabilities	12	1,197	-
Other liabilities	13	2,888	2,687
Subordinated debt	17	134,419	136,167
Total liabilities		**907,348**	**889,163**
Equity			
Share capital	18	267,038	267,038
Accumulated loss		(135,172)	(135,125)
Property and equipment revaluation reserve		22,963	24,597
Total equity		**154,829**	**156,510**
Total equity and liabilities		**1,062,177**	**1,045,673**

On behalf of the Management Board of the Bank:

E. B. Alimbaev
Acting Chairman of the Management Board

10 July 2015
Minsk

N.M. Sergievich
Chief Accountant

10 July 2015
Minsk

The notes on pages 6-44 form an integral part of these financial statements.

Statement of Comprehensive Income

For the Year Ended 31 December 2014

(in millions of Belarusian rubles in terms of the purchasing power of the Belarusian ruble as at 31 December 2014)

	Note	2014	2013
Interest income			
Loans to customers		165,991	152,376
Due from credit institutions		1,063	2,642
Available-for-sale investment securities		2,942	3,230
Other		11	721
		170,007	**158,969**
Interest expense			
Customer accounts		(71,943)	(71,639)
Due to credit institutions		(5,950)	(5,294)
Subordinated debt		(9,681)	(9,896)
Debt securities issued		(2,544)	(6,555)
Other		(14)	(27)
		(90,132)	**(93,411)**
Net interest income		**79,875**	**65,558**
Provision for loan impairment	9	(17,781)	(4,850)
Net interest income after provision for loan impairment		**62,094**	**60,708**
Net fee and commission income	20	28,090	22,027
Net foreign exchange gains/(losses)			
- dealing		21,787	13,190
- translation differences		(40,704)	(18,995)
Net gain from derivative financial instruments		24,579	14,480
Other income	21	6,694	4,402
Non-interest income		**40,446**	**35,104**
Staff costs	22	(49,905)	(42,344)
Depreciation and amortization	11	(2,921)	(3,059)
Other operating expenses	22	(30,032)	(28,279)
Other impairment losses and provisions	14	(78)	(4,531)
Taxes other than income tax		(1,264)	(2,740)
Non-interest expenses		**(84,200)**	**(80,953)**
Loss on net monetary position		(13,084)	(21,302)
Profit/(loss) before income tax expense		**5,256**	**(6,443)**
Income tax expense	12	(5,303)	(1,898)
Net loss for the year		**(47)**	**(8,341)**
Other comprehensive income			
Revaluation of buildings		(2,179)	1,821
Effect of deferred income tax arising from revaluation of buildings		545	(53)
Other comprehensive (loss)/income for the year		**(1,634)**	**1,768**
Total comprehensive loss for the year		**(1,681)**	**(6,573)**

On behalf of the Management Board of the Bank:

E. B. Alimbaev
Acting Chairman of the Management Board

10 July 2015
Minsk

N.M. Sergievich
Chief Accountant

10 July 2015
Minsk

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Statement of Changes in Equity

For the Year Ended 31 December 2014

(in millions of Belarusian rubles in terms of the purchasing power of the Belarusian ruble as at 31 December 2014)

	Share capital	Accumulated loss	Property and equipment revaluation reserve	Total
As at 31 December 2012	**267,038**	**(126,784)**	**22,829**	**163,083**
Loss for the year	-	(8,341)	-	(8,341)
Other comprehensive income	-	-	1,768	1,768
Total comprehensive (loss)/income for the year	-	(8,341)	1,768	(6,573)
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**

On behalf of the Management Board of the Bank:

E. B. Alimbaev
Acting Chairman of the Management Board

10 July 2015
Minsk

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Chief Accountant

10 July 2015
Minsk

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Statement of Cash Flows

For the Year Ended 31 December 2014

(in millions of Belarusian rubles in terms of the purchasing power of the Belarusian ruble as at 31 December 2014)

	2014	2013
Cash flows from operating activities		
Net profit for the year before hyperinflation	13,037	12,961
Adjustments for:		
Depreciation and amortization	2,921	3,059
Deferred and current tax charge	5,303	1,898
Provision for impairment losses and other provisions	17,859	9,381
Loss/(gain) on disposal of property and equipment, intangible assets and other assets	4	(470)
Net change in interest accruals	(7,418)	(1,020)
Net change in accrued commission	(183)	-
Change in other accrued expenses	498	-
Net (gain)/loss on revaluation of derivative financial instruments	(21,759)	19,089
Translation differences	40,704	18,995
Cash flows from operating activities before changes in operating assets and liabilities	**50,966**	**63,893**
Net (increase)/decrease in operating assets		
Due from the National Bank of the Republic of Belarus	604	(3,834)
Due from credit institutions	(77)	1,719
Loans to customers	(94,669)	(190,640)
Other assets	317	1,403
Net increase/(decrease) in operating liabilities		
Due to credit institutions	(2,614)	(2,306)
Customer accounts	55,292	177,545
Debt securities issued	2,392	(30,902)
Other liabilities	(577)	263
Net cash flows from operating activities before income tax	**11,634**	**17,141**
Income tax paid	(2,211)	(2,955)
Net cash inflow from operating activities	**9,423**	**14,184**
Cash flows from investing activities		
Proceeds from disposal of property and equipment and intangible assets	1	9
Purchase of property and equipment and intangible assets	(2,084)	(2,165)
Net cash outflow from investing activities	**(2,083)**	**(2,157)**
Effect of exchange rate changes on cash and cash equivalents	4,402	4,881
Effect of hyperinflation on cash and cash equivalents	(19,774)	(31,082)
Change in cash and cash equivalents	**(8,032)**	**(14,174)**
Cash and cash equivalents as at 1 January	**162,595**	**176,769**
Cash and cash equivalents as at 31 December	**154,563**	**162,595**

The notes on pages 6-44 form an integral part of these financial statements.

Statement of Cash Flows (continued)

For the Year Ended 31 December 2014

(in millions of Belarusian rubles in terms of the purchasing power of the Belarusian ruble as at 31 December 2014)

	2014	2013
Additional information:		
Interest paid	(90,044)	(84,687)
Interest received	162,501	157,435

On behalf of the Management Board of the Bank:

E. B. Alimbaev
Acting Chairman of the Management Board

10 July 2015
Minsk

N.M. Sergievich
Chief Accountant

10 July 2015
Minsk

The notes on pages 6-44 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 operates under license No. 17 on carrying out banking activities reissued by the National Bank of the Republic of Belarus due to obtaining the right to attract funds from individuals and to conduct operations with plastic cards. The Bank also has a license for professional and exchange activities on securities issued by the Ministry of Finance of the Republic of Belarus and a license for guarding activities issued by the Ministry of Internal Affairs of the Republic of Belarus.

The Bank's registered legal address is: 20 V.Horuzhey st., Minsk, Republic of Belarus.

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 head office of the Bank is located in Minsk. The Bank also has five structural divisions: centers for banking services in Minsk, Mogilev, Brest, Gomel, and Vitebsk offices.

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

Shareholders	31 December 2014, %	31 December 2013, %
JSC BTA Bank (Republic of Kazakhstan)	99.7	99.7
Other	0.3	0.3
Total	**100.0**	**100.0**

JSC BTA Bank (Republic of Kazakhstan) is the parent company of the Bank.

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. Subhanberdin. More detailed information on the shareholders of JSC Kazkommertsbank is disclosed in its consolidated financial statements published on the website of JSC Kazkommertsbank.

The government of the Republic of Kazakhstan was the ultimate controlling shareholder of JSC BTA Bank (Republic of Kazakhstan) as at 31 December 2013.

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. Information on the circumstances that give rise to uncertainty about the Bank's ability to continue as a going concern in the foreseeable future as well as the plans of the Bank's management related to these circumstances are disclosed in Note 3 to the financial statements.

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 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 23.

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

From 1 January 2011 the economy of the Republic of Belarus is considered hyperinflationary based on the criteria specified in IAS 29 Financial Reporting in Hyperinflationary Economies (hereinafter referred to as IAS 29).

IAS 29 and IFRIC 7 Applying the Restatement Approach under IAS 29 require the financial statements to be restated in the reporting period in which an entity identifies the existence of a hyperinflationary economy. IAS 29 has been applied as if the economy had always been hyperinflationary. Non-monetary transactions during the reporting period and non-monetary items of the statement of financial position as at the end of the reporting period have been restated to be presented in monetary units current at the end of the reporting period. The comparatives have been restated and were presented in these financial statements in terms of the monetary units current at the end of the reporting period.

The restatement was made using the Consumer Price Index (“CPI”), published by the State Statistics Committee of the Republic of Belarus. The change of rates of the Consumer Price Index for the five year period ended 31 December 2014 was as follows:

Year	**Change, %**
2010	9.9%
2011	108.7%
2012	21.8%
2013	16.5%
2014	16.2%

Monetary assets and liabilities were not restated because they are already expressed in terms of the monetary units current at 31 December 2014. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary units current at 31 December 2014) and components of equity were restated by applying the relevant price index. The effect of inflation on Bank’s net monetary position is included in the statement of comprehensive income as gain or loss on net monetary position.

Tangible and intangible assets, share capital were restated using indices, calculated from the date of purchase or contribution. Opening retained earnings were restated using price index for 2014.

Amounts included in the statement of comprehensive income have been indexed using CPI for the year 2014 based on the assumption that income and expenses have been accrued evenly over the month.

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 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 reserve deposit with the National Bank comprises mandatory reserve deposits with the National Bank which are not available to finance day to day operations of the Bank, and hence are excluded from 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. Fair value is determined in the manner described in Note 24.

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 exchange rate 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.

Available-for-sale financial assets

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 24. 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 used by the Bank to manage its liquidity needs.

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 considered to be 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, than 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 currency of the loan has been changed the old loan is derecognized and the new loan is recognized in the statement of financial position.
- If the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses the approach similar to derecognition of financial liabilities, described below.
- 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 recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the reporting period. If the loan is not impaired after being restructured, the Bank recalculates the original effective interest rate.

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, and their recoverable amount is calculated using the loan's original or current effective interest rate.

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 after management has exercised all possibilities available to collect amounts due to the Bank.

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 a collateralized borrowing for the proceeds received.

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. 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 or 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

Previously the Bank used the historical cost model to account for property and equipment after their initial recognition. In 2011 the Bank decided to apply accounting model of measurement at revalued amounts in accordance with IAS 16 Property, plant and equipment, paragraph 31 related to buildings. The change in the accounting policy was applied on a prospective basis.

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 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	9-100
Furniture and fixtures	1-10
Computer and office equipment	4-5
Motor vehicles	7-8

Properties under construction for production or administrative purposes are carried at cost restated for inflation, 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 these assets, on the same basis as other property 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 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 5 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 income tax is calculated using tax rates that have been 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 balance sheet 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 2014	31 December 2013
USD/BYR	11,850.00	9,510.00
EUR/BYR	14,380.00	13,080.00
RUB/BYR	214.50	290.50

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.

Going concern assumption

As of 1 January 2015 the Bank did not comply with the requirement for the minimum amount of regulatory capital for banks entitled to perform banking operations set forth by Part 1 Article 14 of the Banking Code of the Republic of Belarus. As at 1 January 2015 the actual regulatory capital of the Bank was equivalent to EUR 12 million (unaudited by Deloitte), with the minimum amount established at EUR 25 million. In accordance with the Banking Code of the Republic of Belarus the National Bank of the Republic of Belarus has the right to suspend the license on carrying out banking activities for the period up to 1 year in case of failure to comply with the requirements of secure functioning; and if violations are not eliminated within the said period of time the National Bank has the right to further suspend the license for a new period or to revoke it.

As at 1 January 2015 and at the date of approval of these financial statements the National Bank did not apply sactions to the Bank in terms of non-compliance with the requirements.

As at 1 January 2015 and as at the date of approval of the financial statements the majority shareholder of the Bank intended to sell its share of authorized share capital . In case of failure to sell its share tilll the end of 2015 the current majority shareholder of the Bank intends to provide support to enable the Bank to comply with the requirements of secure functioning and to continue as a going concern.

The management and shareholders of the Bank believe that the Bank has realistic alternatives to continue as a going concern and, therefore, the financial statements were prepared based on the assumption that the Bank will continue as a going concern in the foreseeable future.

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 24 for additional information.

Revaluation of buildings

The Bank reassesses the fair value of buildings on a periodic basis to ensure that the present value of buildings does not differ significantly from their fair value. Revaluation of buildings at market value was performed as at 31 December 2014 and 2013 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

In the current year, the following new and revised Standards and Interpretations have been adopted.

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*;
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC Interpretation 21 *Levies.*

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*. Amendments to IFRS 10 exempt investment entities from consolidating subsidiaries. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. However, the said exemption does not cover those subsidiaries which provide services related to the investment entity's investing activities.

An entity is defined as an investment entity if it meets the following criteria:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

These amendments did not have any impact on the financial statements as the Bank is not an investment entity.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

These amendments did not have any impact on the financial statements of the Bank as it does not have any financial assets or liabilities subject to offsetting requirements.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*. The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reverses. They also expand the disclosure requirements applicable when an asset or cash-generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

The Amendments had no material effect on the Bank's financial statements.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*. These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

These amendments did not have any impact on the financial statements of the Bank as the Bank does not apply hedge accounting.

IFRIC Interpretation 21 *Levies.* This interpretation is applied to all payments set by the government. except for income tax accounted for in compliance IAS 12 and fines for breach of legislation. The interpretation clarifies that a liability to pay a levy should only be recognized when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date.

This IFRIC did not have an impact on the Bank's financial statements.

The Bank did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

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**
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 16 and IAS 38 –*Clarification of Acceptable Methods of Depreciation and Amortization*	1 January 2016
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*	1 January 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
IFRS 9 *Financial Instruments*	1 January 2018

Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions*. The amendments to IAS 19 *Employee Benefits* clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered. The Bank's management does not expect any impact of these amendments on the financial statements as the Bank's defined benefit plans do not stipulate contributions from employees.

IFRS 14 *Regulatory Deferral Accounts*. IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Bank's financial statements in the future as the Bank is not an IFRS first-time adopter.

IFRS 15 *Revenue from Contracts with Customers*. In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Bank anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 *Financial Instruments*. IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalized version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Bank anticipates 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. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*. The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*.

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.

Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. At present the Bank uses a straight-line method for depreciation property and plant and amortization of intangible assets. 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.

Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*. The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. 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.

Amendments to IAS 27 – *Equity Method in Separate Financial Statements*. The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Bank does not anticipate that the application of these amendments will have an impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. 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.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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.

Annual Improvements to IFRSs 2011-2013 Cycle. The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

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.

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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 2014	31 December 2013
Cash on hand	22,440	35,212
Current accounts with the National Bank of Belarus	113,679	112,572
Current accounts with other credit institutions	18,444	14,811
Total cash and cash equivalents	**154,563**	**162,595**

6. Due from the National Bank of the Republic of Belarus

As at 31 December 2014 and 2013 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 7,337 million and BYR 9,178 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 2014 due from credit institutions in the amount of BYR 364 million are represented by a guarantee deposit on operations with plastic cards in the payment system Visa in JSC Belagroprombank. (2013: BYR 338 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 2014			31 December 2013		
		Fair value			Fair value	
	Notional amount of purchased currency	Asset	Liability	Notional amount of purchased currency	Asset	Liability
Foreign currency contracts						
Swaps with the National Bank of the Republic of Belarus	122,889	91,022	-	120,985	85,693	-
Swaps - domestic contracts	44,775	2,871	-	6,078	1	-
Swaps - foreign contracts	66,337	-	-	44,084	2	(3)
Total derivative financial assets/ liabilities		**93,893**	**-**		**85,696**	**(3)**

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.

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are specialized contracts traded in the over-the-counter-market.

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 2014 and 2013 loans to customers comprise:

	31 December 2014	31 December 2013
Corporate lending	557,174	541,828
Entrepreneurs lending	24,966	25,101
Consumer lending	152,330	141,416
Total loans to customers	**734,470**	**708,345**
Less: allowance for impairment losses	(21,236)	(14,708)
Loans to customers	**713,234**	**693,637**

Allowance for impairment losses on loans to customers

Movements in the allowance for impairment of 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 debt 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 allowance for impairment losses	**52,101**	**1,925**	**5,252**	**59,278**

Movements in the allowance for impairment of loans during 2013 are as follows:

	Corporate lending	Entrepreneurs lending	Consumer lending	Total
As at 1 January 2013	**8,204**	**132**	**3,126**	**11,462**
Charge for the year	3,663	7	1,180	4,850
Bad debt written off	(48)	-	(158)	(206)
Effect of foreign exchange rate changes	194	-	27	221
Effect of inflation	(1,156)	(20)	(443)	(1,619)
As at 31 December 2013	**10,857**	**119**	**3,732**	**14,708**
Individually impaired	3,907	62	773	4,742
Collectively impaired	6,950	57	2,959	9,966
	10,857	**119**	**3,732**	**14,708**
Total amount of loans, individually impaired, before allowance for impairment losses	**13,492**	**578**	**2,552**	**16,622**

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 2014	31 December 2013
Loans collateralized by real estate and rights thereon	144,822	55,285
Loans collateralized by inventories	6,451	16,967
Loans collateralized by guarantees	14,259	18,866
Loans collateralized by cash and guarantee deposits	186	-
Loans collateralized by mixed types of collateral	369,627	493,818
Unsecured loans	1,369	47,203
Loans collateralized by other types of collateral	197,756	76,206
Total loans to customers	**734,470**	**708,345**
Less: Allowance for impairment losses	(21,236)	(14,708)
Loans to customers	**713,234**	**693,637**

Concentration of loans to customers

As at 31 December 2014, the Bank had a concentration of loans represented by BYR 233,792 million due from the ten largest third party borrowers (41% of gross loan portfolio) (2013: BYR 245,780 million, or 35% of gross loan portfolio). A provision of BYR 1,572 million (2013: BYR 3,941 million) was recognized against these loans.

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

	31 December 2014	31 December 2013
Trade enterprises	334,984	284,747
Individuals	152,330	141,416
Manufacturing	92,289	138,969
Transport	54,679	48,800
Real estate operations	34,841	39,511
Entrepreneurs	24,966	25,101
Other	40,381	29,801
Total loans to customers	**734,470**	**708,345**

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. Carrying amount of loans to customers whose terms have been renegotiated are as follows:

	31 December 2014	31 December 2013
Renegotiated loans to customers (before allowance for impairment losses)	6,619	3,603
Total renegotiated loans to customers (before allowance for impairment losses)	**6,619**	**3,603**

Finance lease receivables

Corporate and entrepreneurs lending portfolio includes finance lease receivables. The analysis of finance lease receivables as at 31 December 2014 is as follows:

	Less than 1 year	1 year 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**

The analysis of finance lease receivables as at 31 December 2013 is as follows:

	Less than 1 year	1 year to 5 years	Total
Finance lease receivables	1,088	9,953	**11,041**
Unearned future finance income on finance lease	(96)	(2,287)	**(2,383)**
Net investments in finance lease	**992**	**7,666**	**8,658**

10. Investment Securities Available-For-Sale

Investment securities available-for-sale comprise bonds of Belorussian-Russian Belgazprombank Joint Stock totaling BYR 37,693 million as at 31 December 2014 (2013: BYR 35,156 million). The bonds are denominated in US dollars and have a coupon interest rate amounting to 8,75% (2013: 8,75%). Bonds mature on 30 November 2015.

11. Property and Equipment and Intangible Assets

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

	Buildings	Installa-tions	Furniture and fixtures	Computer and office equipment	Motor vehicles	Construction 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**

Movements in the property and equipment for 2013 are disclosed below:

	Buildings	Installa-tions	Furniture and fixtures	Computer and office equipment	Motor vehicles	Construction in progress	Intangible assets	Total
Initial/revalued cost								
31 December 2012	**45,531**	799	**13,137**	**7,420**	**2,009**	**-**	**1,278**	**70,174**
Additions	-	-	482	451	-	1	1,188	**2,122**
Disposals	-	(89)	(12)	(89)	-	-	(1,004)	**(1,194)**
Revaluation effect	1,365	-	-	-	-	-	-	**1,365**
As at 31 December 2013	**46,896**	**710**	**13,607**	**7,782**	**2,009**	**1**	**1,462**	**72,467**
Accumulated depreciation								
31 December 2012	**-**	**-**	**6,980**	**6,611**	**1,209**	**-**	**748**	**15,548**
Depreciation charge	456	89	1,473	552	251	-	238	**3,059**
Disposals	-	(89)	(2)	(89)	-	-	(338)	**(518)**
Revaluation effect	(456)	-	-	-	-	-	-	**(456)**
As at 31 December 2013	**-**	-	**8,451**	**7,074**	**1,460**	**-**	**648**	**17,633**
Net carrying value								
As at 31 December 2012	**45,531**	**799**	**6,157**	**809**	**800**	-	**530**	**54,626**
As at 31 December 2013	**46,896**	**710**	**5,156**	**708**	**549**	**1**	**814**	**54,834**

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 by reference to observable prices of similar objects in the market. The date of revaluation was 31 December 2014. If the buildings were measured using the historical cost model, the carrying amounts would be as follows:

	31 December 2014	31 December 2013
Initial cost	24,302	24,302
Accumulated depreciation and impairment	(2,693)	(2,450)
Net carrying value	**21,609**	**21,852**

Information on the l buildings fair value hierarchy level of inputs used for revaluation of buildings is disclosed in Note 24 of these financial statements.

12. Taxation

The income tax expense comprises:

	31 December 2014	31 December 2013
Current tax charge	2,332	2,777
Deferred tax charge/(release) - origination and reversal of temporary differences	2,971	(879)
Income tax expense	**5,303**	**1,898**

The income tax rate applicable to the Bank's income is 18.0% in 2014 (2013: 18.0%). From 1 January 2015 the income tax rate amounts to 25.0%. 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:

	2014	2013
Profit before income tax expense and loss on net monetary position	**18,340**	**14,859**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	3,301	2,674
Adjustments to current income tax on prior year profit	-	(335)
Non-taxable income on government securities	(496)	(536)
Non-deductible expenses:	398	800
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	1,612	(705)
Income tax expense	**5,303**	**1,898**

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% (2013: 18.0%).

		Changes in temporary differences			
	31 December 2014	In profit or loss	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**

		Changes in temporary differences			
	31 December 2013	In profit or loss	In other comprehensive income	Hyperinflation effect	31 December 2012
Tax effect of temporary differences:					
Provision for impairment of loans	1,752	139	-	(266)	1,879
Property and equipment	161	(15)	(53)	(38)	267
Other assets	710	701	-	(1)	10
Due from credit institutions	(999)	117	-	184	(1,300)
Other impairment losses and provisions	(196)	(62)	-	22	(156)
Deferred tax (liability)/asset, net	**1,428**	**880**	**(53)**	**(99)**	**700**

13. Other Assets and Liabilities

As at 31 December 2014 and 2013 other assets comprise:

	31 December 2014	31 December 2013
Other financial assets:		
Receivables on reimbursement of cash shortages	2,992	3,287
Bad debt	84	2,944
Other financial assets	175	693
	3,251	**6,924**
Less: allowance for impairment losses on other financial assets	(3,202)	(6,534)
	49	**390**
Other non-financial assets:		
Prepaid taxes other than income tax	750	37
Prepaid expenses	436	442
Other prepayments	451	508
Materials and inventory	258	220
Other non-financial assets:	265	59
	2,160	**1,266**
Total other assets	**2,209**	**1,656**

As at 31 December 2014 and 2013 other liabilities comprise:

	31 December 2014	31 December 2013
Other financial liabilities:		
Accrued expenses	1,227	752
Settlements with employees	612	737
Other settlements	751	610
	2,590	**2,099**
Other non-financial liabilities:		
Amounts payable to government authorities	298	588
Total other liabilities	**2,888**	**2,687**

14. Other Impairment Losses and Allowances

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

	Other assets
31 December 2012	2,333
Charge for the year	4,531
Effect of inflation	(330)
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**

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

15. Customer Accounts

As at 31 December 2014 and 2013 customer accounts comprise:

	31 December 2014	31 December 2013
Current accounts	103,574	102,863
Term deposits	605,030	591,009
Customer accounts	**708,604**	**693,872**
Held as security against letters of credit	467	2,340
Held as security against guarantees and unused loan commitments	12,869	16,260

Customer accounts include accounts with the following types of customers as at 31 December 2014 and 2013:

	31 December 2014	31 December 2013
Legal entities	467,442	443,806
Individuals	241,162	250,066
Customer accounts	**708,604**	**693,872**

Analysis of customer accounts by industries as at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Trade	383,890	200,383
Individuals	241,162	250,065
Real estate construction	25,309	12,939
Manufacturing	13,633	191,860
Insurance	3,835	3,127
Transport and communication	3,362	9,101
Other	37,413	26,397
Customer accounts	**708,604**	**693,872**

The term deposits include deposits of individuals in the amount of BYR 210,330 million (2013: BYR 230,554 million). In accordance with the Banking Code of the Republic of Belarus, the Bank is obliged to repay such deposits upon demand of a depositor within 5 days. In case a term 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 a different interest rate is specified in the agreement.

16. Debt Securities Issued

As at 31 December 2014 and 2013 the Bank had bonds placed of the 12th issue (denominated in USD) that mature in July 2017 and have a coupon interest rate of 7% in the amount of BYR 60,216 million and BYR 56,153 million, respectively.

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 2014	31 December 2013
JSC BTA Bank	7,23 %	15 December 2016	EUR	86,748	91,703
JSC BTA Bank	7,50 %	14 November 2016	USD	23,833	22,232
JSC BTA Bank	7,75 %	17 February 2016	USD	23,838	22,232
Subordinated debt				**134,419**	**136,167**

Subordinated debt ranks after all other creditors in the case of the Bank's liquidation.

18. Equity

As at 31 December 2014 and 2013 authorized share capital of the Bank was paid in full and consisted of 344 ordinary shares with nominal 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 2014 and 2013 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 Belarusian Accounting Standards. As at 31 December 2014, the financial statements of the Bank, prepared in accordance with the legislation of the Republic of Belarus, contained a disclosure for distributable reserves of BYR 85,375 million (2013: BYR 87,074 million) and non-distributable reserves of BYR 4,504 million (2013: BYR 4,627 million) (these amounts were not audited by Deloitte). 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.

19. Contractual and Contingent Liabilities

Operating environment – Emerging markets including the Republic of Belarus are subject to economical, political, social, legal and legislative risks, which are different from the risks of more developed markets. Laws and regulations affecting businesses in the Republic of Belarus may change rapidly and may be subject to arbitrary interpretations. The future economic direction of Belarus is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory and political developments.

In 2014 the economies of the CIS countries experienced political and economic turmoil which had a significant effect on the Belarusian economy. The exchange market of the country was characterized by high volatility, the Belarusian ruble was devaluated against major foreign currencies. The National Bank of the Republic of Belarus introduced a range of measures aimed at limiting outflow of customer accounts from the banking system, improving liquidity of banks, and stabilization of the exchange rate of the Belarusian ruble.

Stabilization of the economic situation in Belarus depends, to a large extent, on the efficiency of the Belarusian government's efforts and future condition of the Russian economy and political developments in the region. The effectiveness of the anticrisis policy and further development of the economic situation are difficult to predict.

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 2014 and 2013 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 2014 and 2013 the Bank's contractual and contingent liabilities comprised:

	31 December 2014	31 December 2013
Credit related commitments		
Unused loan commitments, cancellable	87,699	72,514
Letters of credit, not covered by cash	2,653	-
Letters of credit, covered by cash	467	1,923
Guarantees	168	4,978
Contractual and contingent liabilities	**90,987**	**79,415**
Less: Cash held as collateral against letters of credit, guarantees and unused loan commitments (Note 15)	(13,336)	(18,600)
Contractual and contingent liabilities	**77,651**	**60,815**

20. Net Fee and Commission Income

For 2014 and 2013 net fee and commission income comprise:

	2014	2013
Operations with customers	24,124	19,075
Currency exchange operations	4,301	3,961
Current account replenishment	1,465	92
Other	1,493	2,144
Fee and commission income	**31,383**	**25,272**
Transactions with banks	(1,302)	(1,808)
Bank plastic card operations	(939)	(947)
Currency exchange operations	(334)	(342)
Documentary operations	(234)	(79)
Other	(484)	(69)
Fee and commission expense	**(3,293)**	**(3,245)**
Net fee and commission income	**28,090**	**22,027**

21. Other Income

For 2014 and 2013 other income comprises:

	2014	2013
Repayment of loans previously written off	5,185	-
Fines and penalties received	1,093	1,317
Income from sales of other property	1	1,180
Income tax overpaid in 2010-2012	-	1,857
Other	415	48
Total other income	**6,694**	**4,402**

22. Staff Costs and Other Operating Expenses

Staff costs and other operating expenses comprise:

	2014	2013
Payroll and bonuses	38,067	32,410
Social security costs	11,838	9,934
Staff costs	**49,905**	**42,344**
Software expenses	7,771	7,381
Operating lease expense	5,454	5,180
Marketing and advertising	3,074	2,413
Contributions to deposit insurance fund	3,001	3,415
Transportation expenses	1,488	1,748
Repair expenses	1,377	2,194
Utilities	1,037	1,041
Security services	923	889
Office supplies	906	72
Audit services	724	616
Communications	688	518
Information and consulting services	625	1,281
Charity	397	15
Loss on disposal of property and equipment and intangible assets	5	710
Other	2,562	806
Other operating expenses	**30,032**	**28,279**

23. 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 to 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, liquidity, interest, currency, commodity, country, reputational, strategic, 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, currency, commodity, 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 organization of effective interest rate risk management system that enables to maintain this type of risk at the acceptable level at which the Bank's financial stability, creditors and depositors interests are not being threatened which promote stability and reliability of the Bank. The Department is also responsible for the Bank's liquidity which is based on balance between assets and liabilities, maturity match between assets placed and resources raised, the Department establishes principles and methods of the Bank's liquidity management. The Department provides the Management Board and the Board of Directors with reports on level of interest and liquidity risks.

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, 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 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 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.

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 of 31 December 2014 and 2013.

	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			
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**

	Notes	High grade	Standard grade	Total neither past due nor individually impaired
Cash and cash equivalents, other than cash on hand	5	127,382	-	**127,382**
Due from the National Bank of the Republic of Belarus	6	9,178	-	**9,178**
Due from credit institutions	7	338	-	**338**
Derivative financial assets	8	85,696	-	**85,696**
Loans to customers	9			
Corporate lending		521,960	5,862	**527,822**
Entrepreneurs lending		24,523	-	**24,523**
Consumer lending		133,235	28	**133,263**
Total loans to customers		**679,718**	**5,890**	**685,608**
Investment securities available-for-sale	10	35,156	-	**35,156**
Total		**937,468**	**5,890**	**943,358**

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

	31 December 2014		31 December 2013	
	Individually impaired	Past due but not individually impaired	Individually impaired	Past due but not individually impaired
Corporate lending	6,879	52,101	514	**13,492**
Entrepreneurs lending	-	1,925	-	**578**
Consumer lending	10,491	5,252	5,601	**2,552**
Total loans to customers	**17,370**	**59,278**	**6,115**	**16,622**

Past due but not individually impaired loans to customers include only those that are only past due by a few days. Such loans are not recognized by the Bank as individually impaired; and are included in the collective assessment. An analysis of past due but not individually impaired loans, by age, is provided below.

Aging analysis of past due but not individually impaired loans by class of financial assets

	Less than 30 days 31 December 2014	Less than 30 days 31 December 2013
Corporate lending	6,879	514
Consumer lending	10,491	5,601
Total	**17,370**	**6,115**

Total interest income on financial assets recorded at amortized cost

	2014	2013
Interest income on individually impaired financial assets	10,229	2,781
Interest income on collectively impaired financial assets	156,836	152,958
Total	**167,065**	**155,739**

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 financial difficulties in the cash flows of counterparties, credit rating downgrades, or breach of the original terms of the contract. The Bank reviews the impairment at two levels – allowances estimated individually and allowances estimated collectively.

Allowances assessed individually

The Bank determines allowances that are required with respect to each individually significant loan or advance payment on individual basis. When determining the allowance 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.

Allowances assessed collectively

Allowances for impairment of loans that are not deemed individually significant (including credit cards, mortgage loans and unsecured consumer credits) as well as the allowances with respect to individually significant loans that do not have the objective evidence of individual impairment are estimated on aggregate basis. Allowances 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 allowance 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 allowance 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 of 31 December, these ratios were as follows (unaudited by Deloitte):

	Required minimum ratio %	2014, %	2013, %
Current liquidity ratio (assets, receivable or realizable within 30 days/liabilities payable within 30 days)	70	102	142
Short-term liquidity ratio (assets, receivable or realizable within one year/liabilities payable within one year)	100	120	200
Instant liquidity ratio (assets, receivable or realizable on demand/liabilities payable on demand)	20	390	390

Analysis of financial liabilities by the periods to maturity

The table below shows non-derivative financial liabilities at 31 December 2014 and 2013 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 2014	**Less than 3 months**	**3 to 12 months**	**1 to 5 years 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 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**
Guarantees	168	-	-	-	**168**
Total undiscounted financial liabilities	**379,878**	**311,939**	**269,040**	**-**	**960,857**

Financial liabilities As at 31 December 2013	**Less than 3 months**	**3 to 12 months**	**1 to 5 years years**	**Over 5 years**	**Total**
Due to credit institutions	281	-	-	-	**281**
Customer accounts	386,266	233,210	216,428	-	**835,904**
Debt securities issued	890	2,901	65,900	-	**69,691**
Other liabilities	2,099	-	-	-	**2,099**
Subordinated debt	2,491	7,473	153,378	-	**163,342**
Guarantees	4,978	-	-	-	**4,978**
Total undiscounted financial liabilities	**397,005**	**243,584**	**435,706**	**-**	**1,076,295**

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 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**
Available-for-sale investment securities	-	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 table below represents contractual maturity analysis as at 31 December 2013 as specified by the Bank:

	Less than 3 months	3 to 12 months	Over 1 year	Maturity undefined	Total
Cash and cash equivalents	162,595	-	-	-	**162,595**
Due from the National Bank of the Republic of Belarus	-	-	-	9,178	**9,178**
Due from credit institutions	-	-	-	338	**338**
Derivative financial assets	3	-	85,693	-	**85,696**
Loans to customers	207,818	236,180	249,639	-	**693,637**
Available-for-sale investment securities	-	251	34,905	-	**35,156**
Other financial assets	390	-	-	-	**390**
Total	**370,806**	**236,431**	**370,237**	**9,516**	**986,990**
Due to credit institutions	281	-	**-**	-	**281**
Derivative financial liabilities	3	-	**-**	-	**3**
Customer accounts	319,080	203,915	170,877	-	**693,872**
Debt securities issued	890	-	55,263	-	**56,153**
Other financial liabilities	2,099	-	-	-	**2,099**
Subordinated debt	747	-	135,420	-	**136,167**
Total	**323,100**	**203,915**	**361,560**	**-**	**888,575**
Net position	**47,706**	**32,516**	**8,677**	**9,516**	**98,415**

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 deposits within five days upon demand of a depositor. 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 or 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 available-for-sale financial assets 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 % 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

Currency	Increase in % 2013	Sensitivity of net interest income 2013	Sensitivity of other comprehensive income 2013
BYR	5%	(762)	-
EUR	1%	610	-
USD	1%	(434)	(499)

Currency	Decrease in % 2013	Sensitivity of net interest income 2013	Sensitivity of other comprehensive income 2013
BYR	(5%)	762	-
EUR	(1%)	(610)	-
USD	(1%)	434	513

Geographical concentration

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**
Available-for-sale investment securities	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**	

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 2013 is provided below:

	Belarus	Kazakhstan	CIS countries	Other countries	31 December 2013 Total
Financial assets					
Cash and cash equivalents	149,624	411	4,672	7,888	**162,595**
Due from the National Bank of the Republic of Belarus	9,178	-	-	-	**9,178**
Due from credit institutions	338				**338**
Derivative financial assets	85,696	-	-	-	**85,696**
Loans to customers	693,637	-	-	-	**693,637**
Available-for-sale investment securities	35,156	-	-	-	**35,156**
Other financial assets	390	-	-	-	**390**
Total financial assets	**974,019**	**411**	**4,672**	**7,888**	**986,990**
Financial liabilities					
Due to credit institutions	-	-	281	-	**281**
Derivative financial liabilities	3	-	-	-	**3**
Customer accounts	672,035	13,065	6,744	2,028	**693,872**
Debt securities issued	56,153	-	-	-	**56,153**
Other financial liabilities	2,099	-	-	-	**2,099**
Subordinated debt	-	136,167	-	-	**136,167**
Total financial liabilities	**730,290**	**149,232**	**7,025**	**2,028**	**888,575**
Open position	**243,729**	**(148,821)**	**(2,353)**	**5,860**	

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 set 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 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**
Available-for-sale investment securities	-	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 Bank's exposure to currency risk as at 31 December 2013 is presented in the table below:

	BYR	USD	EUR	RUB	Other currency	31 December 2013 Total
Financial assets						
Cash and cash equivalents	134,913	6,329	7,024	13,208	1,121	**162.595**
Due from the National Bank of the Republic of Belarus	9,178	-	-	-	-	**9,178**
Due from credit institutions	-	338	-	-	-	**338**
Derivative financial assets	85,696	-	-	-	-	**85,696**
Loans to customers	250,677	287,657	120,258	35,045	-	**693,637**
Available-for-sale investment securities	-	35,156	-	-	-	**35,156**
Other financial assets	30	45	304	11	-	**390**
Total financial assets	**480,494**	**329,525**	**127,586**	**48,264**	**1,121**	**986,990**
Financial liabilities						
Due to credit institutions	-	243	38	-	-	**281**
Derivative financial liabilities	3	-	-	-	-	**3**
Customer accounts	268,380	338,057	49,410	37,848	177	**693,872**
Debt securities issued	-	56,153	-	-	-	**56,153**
Other financial liabilities	1,410	491	116	82	-	**2,099**
Subordinated debt	-	44,464	91,703	-	-	**136,167**
Total financial liabilities	**269,793**	**439,408**	**141,267**	**37,930**	**177**	**888,575**
Currency position	**210,701**	**(109,883)**	**(13,681)**	**10,334**	**944**	

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 2013:

	BYR	USD	EUR	RUB	Other currency	31 December 2013 Total
Receivables on swap contracts	-	72,979	54,085	-	-	**127,064**
Payables on swap contracts	(39,436)	-	-	(6,077)	-	**(45,513)**
Net derivative position	**(39,436)**	**72,979**	**54,085**	**(6,077)**	**-**	**81,551**
Total open currency position	**171,265**	**36,904**	**40,404**	**4,257**	**944**	

The following table presents the currencies in which the Bank has material positions as at 31 December 2014 and 2013 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 % 2014	Impact on profit before taxation 2014	Increase in the currency rate, in % 2013	Impact on profit before taxation 2013
USD	30%	1,367	30%	(11,071)
EUR	30%	1,671	30%	(12,121)

Currency	Decrease in the currency rate, in % 2014	Impact on profit before taxation 2014	Decrease in the currency rate, in % 2013	Impact on profit before taxation 2013
USD	(5%)	(228)	(5%)	1,845
EUR	(5%)	(278)	(5%)	(2,020)

Currency	Increase in the currency rate, in % 2014	Impact on shareholders' equity 2014	Increase in the currency rate, in % 2013	Impact on shareholders' equity 2013
USD	30%	1,026	30%	(9,078)
EUR	30%	1,253	30%	9,939

Currency	Decrease in the currency rate, in % 2014	Impact on shareholders' equity 2014	Decrease in the currency rate, in % 2013	Impact on shareholders' equity 2013
USD	(5%)	(171)	(5%)	1,513
EUR	(5%)	(209)	(5%)	(1,657)

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.

24. 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

Available-for-sale investment securities 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 2014 and 2013. The fair value of the buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

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

	Carrying value 2014	Fair value 2014	Unrecognized gain/(loss) 2014	Carrying value 2013	Fair value 2013	Unrecognized gain/(loss) 2013
Financial assets						
Cash and cash equivalents	154,563	154,563	-	162,595	162,595	-
Due from the National Bank of the Republic of Belarus	7,337	7,337	-	9,178	9,178	-
Due from credit institutions	364	364	-	338	338	-
Loans to customers	713,234	714,833	1,599	693,637	719,569	25,932
Financial liabilities						
Due to credit institutions	24	24	-	281	281	-
Customer accounts	708,604	708,604	-	693,872	690,444	(3,428)
Subordinated debt	134,419	134,419	-	136,167	136,167	-
Debt securities issued	60,216	60,216	-	56,153	56,153	-
Total unrecognized change in unrealized fair value			**1,599**			**22,504**

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 the customer accounts, subordinated debt and debt securities 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			
	Quoted prices in active market	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
As at 31 December 2014	**(Level 1)**	**(Level 2)**	**(Level 3)**	
Assets carried at fair value				
Derivative financial assets	-	93,893	-	**93,893**
Available-for-sale investment securities	-	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**

	Fair value measurement using			
	Quoted prices in active market	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
ˌs at 31 December 2013	**(Level 1)**	**(Level 2)**	**(Level 3)**	
Assets carried at fair value				
Derivative financial assets	-	85,696	-	**85,696**
Available-for-sale investment securities	-	35,156	-	**35,156**
Property and equipment – buildings	-	46,896	-	**46,896**
Assets for which fair values are disclosed				
Loans to customers	-	719,569	-	**719,569**
Liabilities for which fair values are disclosed				
Customer accounts	-	690,444	-	**690,444**

25. 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:

	2014		**2013**	
	Shareholders	**Key management personnel**	**Shareholders**	**Key management personnel**
Cash and cash equivalents	651	-	264	-
Loans to customers, gross	-	571	-	840
Provision for impairment		(9)	-	(14)
Loans to customers, net		561	-	826
Subordinated debt	134,419	-	-	136,167
Customer accounts	-	1,521	-	14,454
Unused loan commitments	-	299	-	336
Interest income	-	37	-	186
Interest expenses	9,681	82	9,896	1,556
Commission income	-	-	-	23
Commission expense	-	-	9	-

Compensation to key management personnel comprises the following:

	2014	2013
Salaries and other short-term benefits	3,090	7,242
Social security costs	233	1,979
Total key management personnel compensation	**3,323**	**9,221**

26. 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.

As of 31 December 2014 the Bank did not comply with the requirement for the minimum amount of regulatory capital for banks entitled to perform banking operations set forth by Part 1 Article 14 of the Banking Code of the Republic of Belarus. As at 1 January 2015 the actual regulatory capital of the Bank was equivalent to EUR 12 million (unaudited by Deloitte), with the minimum amount established at EUR 25 million. As at the reporting date and the date when these financial statements were approved no sanctions were applied by the National Bank of the Republic of Belarus to the Bank in relation to the non-compliance with the requirement (Note 3).

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 of 31 December 2014 and 2013, the Bank's capital adequacy ratio computed on the basis set forth above was as follows:

	31 December 2014	31 December 2013
Principal capital	85,985	88,110
Additional capital used for computation of regulatory capital	85,985	88,110
Total capital	**171,970**	176,220
Risk-weighted assets used for computation of capital adequacy	**1,089,368**	**1,114,692**
Capital adequacy ratio	15,8%	15,9%

27. Subsequent Events

According to official statistics published by National Statistical Committee of the Republic of Belarus inflation level in the Republic of Belarus comprised 6.5% for the period from January to May 2015.

As at the date of approval of these financial statements Belarusian ruble weakened against the currency basket by 25.58% in comparison with 31 December 2014, which comprises Belarusian ruble weakening against US Dollar, Euro and Russian ruble by 29.50%, 18.04% and 28.55%, respectively.